

EPB FINANCIAL REPORT

2022 - 2023



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.....	26
Required Supplementary Information	62
Supplementary Information.....	68
Independent Auditor’s Report on Internal Control.....	89
Schedule of Findings and Questioned Costs	91

LETTER FROM

Vicky Gregg and David Wade



Letter from Vicky Gregg and David Wade

EPB has continued to excel during the 2022-2023 Fiscal Year through our mission-driven efforts to enhance the quality of life for the people we serve across the Chattanooga area by enhancing the EPB Local Energy Mix and working to position our community to benefit from the rapidly emerging Quantum Age.

This year we advanced several projects to expand local energy resources including the completion of the “Power to Protect” microgrid based at the Chattanooga Police Services Center and Fire Department administrative headquarters. The microgrid will generate and provide enough power to sustain operations 24/7/365 for fire and police functions at the location indefinitely in the event of an emergency.

At the same time during this FY, we announced the launch of EPB Quantum NetworkSM powered by Qubitekk and carried out the Gig City Goes Quantum effort. Our goal is to build out a full-blown quantum ecology including education, workforce preparation, and business support so that our community can benefit from the emerging quantum technology sector. We surpassed our original goal of engaging people of all ages in completing 1,000+ Quantum Learning Activities. In fact, we succeeded in engaging more than 120 educators in reaching nearly 8,000 students through more than 2,200 learning activities.

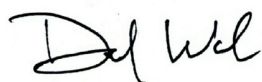
We also accomplished another first by offering the world’s first community-wide 25 Gig internet service in 2022. The launch came midway through a \$70 million, multi-year core-to-edge network upgrade. Our first customer, the Chattanooga Convention Center, can draw more e-gaming competitions, live streaming events and other conferences because of the blazingly fast speeds over our broadband network.

We also want to thank our customers for their feedback which helped us receive Best Customer Satisfaction for Residential Electric Service in the South among Midsize Utilities for the seventh consecutive year. According to J.D. Power’s survey of customer satisfaction, EPB ranked best in four of six study factors: Billing & Payment, Price, Power Quality & Reliability, and Customer Care. EPB also scored particularly well for Corporate Citizenship and Communications.

EPB’s record of success results from our employees’ unwavering commitment to bettering the lives and circumstances of those within our community. Our highlighted achievements in this year’s annual report reconfirm our commitment to our community now, and as we look 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
Executive Director, UTC
Research Institute
Founding Director, UTC
Center for Urban Informatics
and Progress (CUIP)
Guerry Professor of Computer
Science and Engineering, UTC



Dr. Bryan Johnson
Member
Executive Vice Chancellor and
Chief Strategy Officer, UTC

Senior Management



David Wade
President & CEO



Greg Eaves
*Executive Vice President
& CFO*



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



Ryan Keel
*Senior Vice President
Technical Operations*



Sandra Tilley
*Senior Vice President
Brand Strategies*



Karen Thomas
*Vice President
Customer Relations*



Katie Espeseth
*Vice President
New Products*



Jim Ingraham
*Vice President
Strategic Research*



Kade Abed
*Vice President
Field Operations*



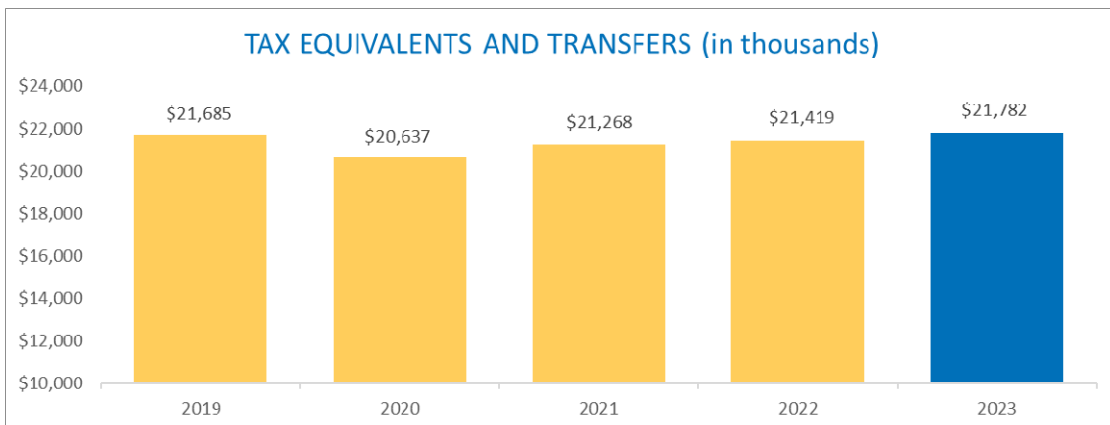
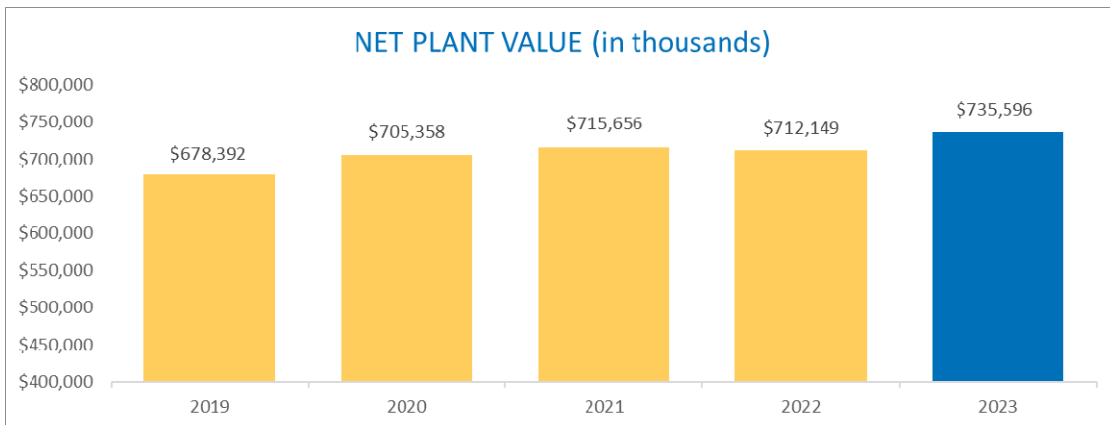
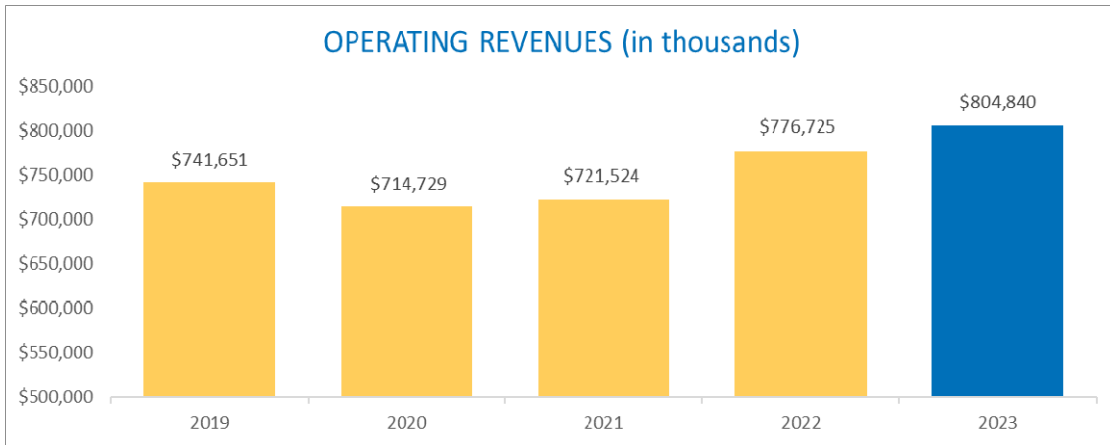
J.Ed. Marston
*Vice President
Strategic Communications*

FINANCIAL HIGHLIGHTS



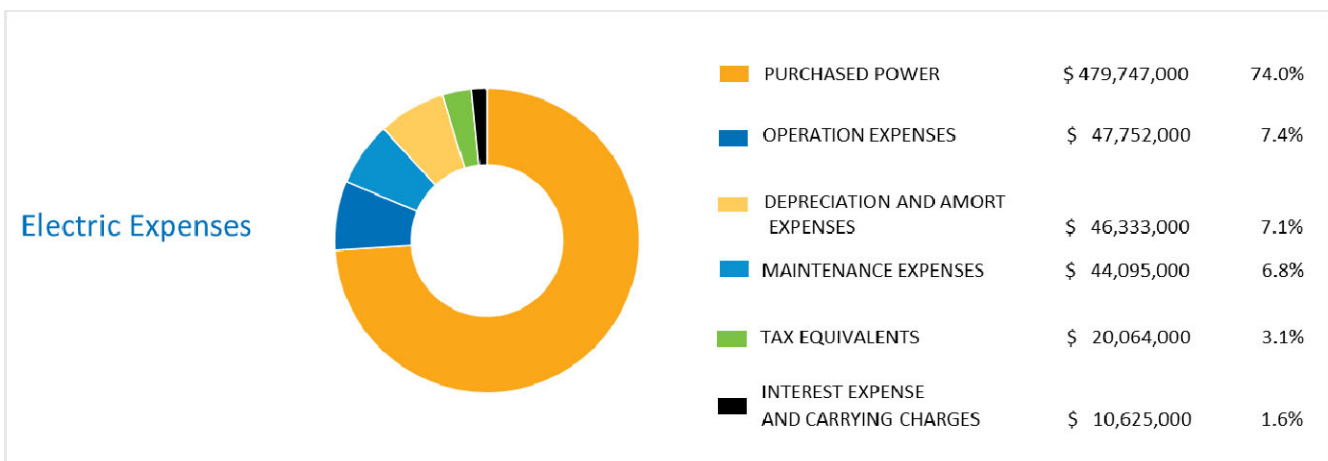
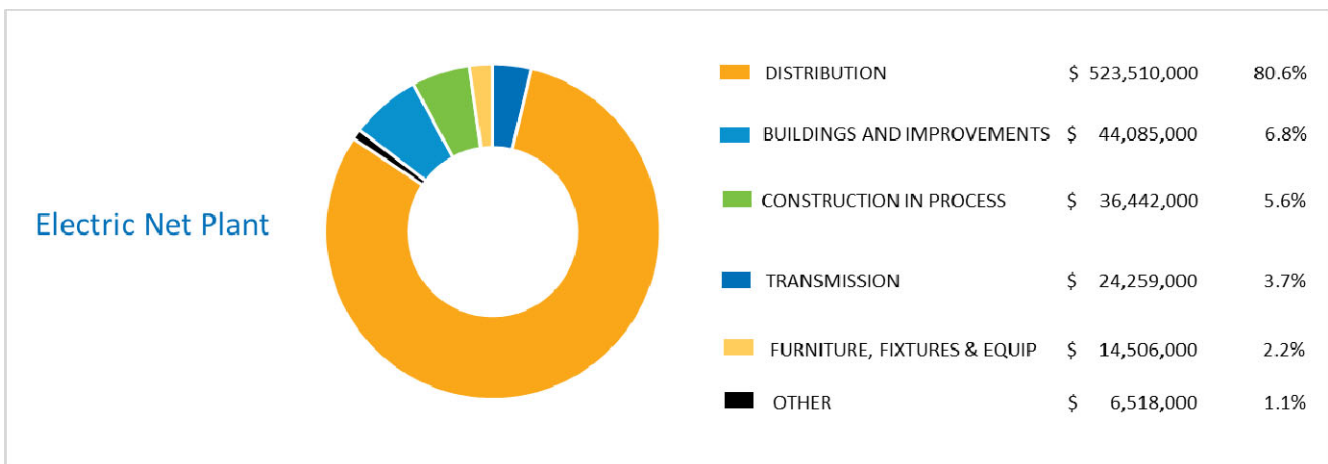
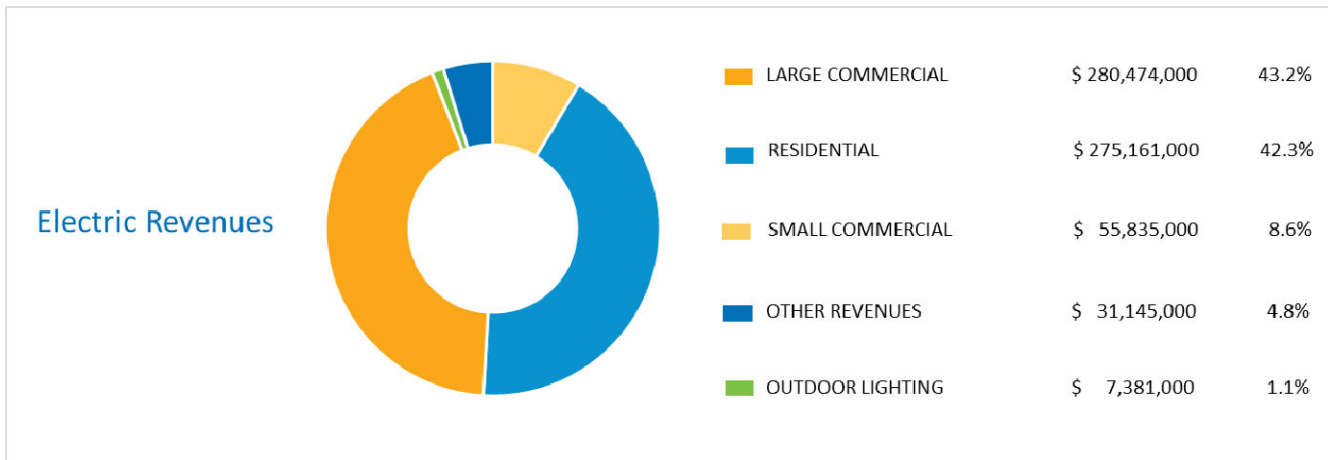
EPB Financial Highlights 2023

EPB operating revenues were \$804.8 million, an increase of 3.6% from the prior year. This increase was primarily due to a net increase of \$28.7 million in electric sales mostly attributable to increased fuel costs from TVA which are passed through to electric customers. Total kWh sales for FY 2023 were 1.6% lower than FY 2022, due to milder weather patterns throughout the year. Fiber Optics sales revenue also increased by \$0.4 million, or 0.2% from the prior year. Net plant value increased to \$735.6 million, an increase of 3.3% from the previous year. This increase is primarily due to continued investment in electric distribution assets and fiber optics customer premise wiring and equipment. The FY 2023 tax equivalents expense and transfers to the cities and counties in EPB's service area totaled approximately \$21.8 million, an increase of 1.7% over the prior year. These increases are due mainly to increases in the 3-year average revenue base in addition to Electric System capital expenditure growth.

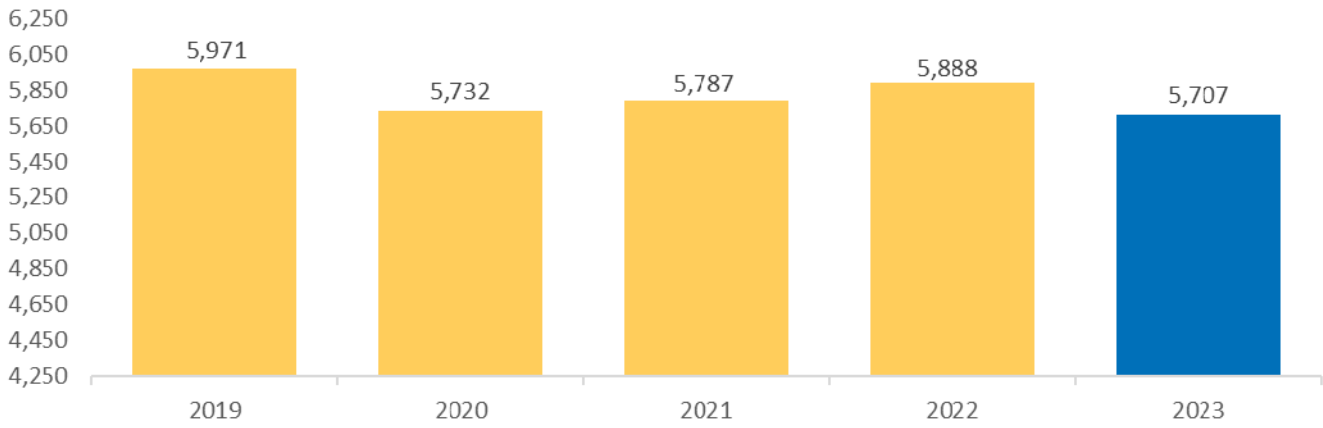


Electric System Financial Highlights 2023

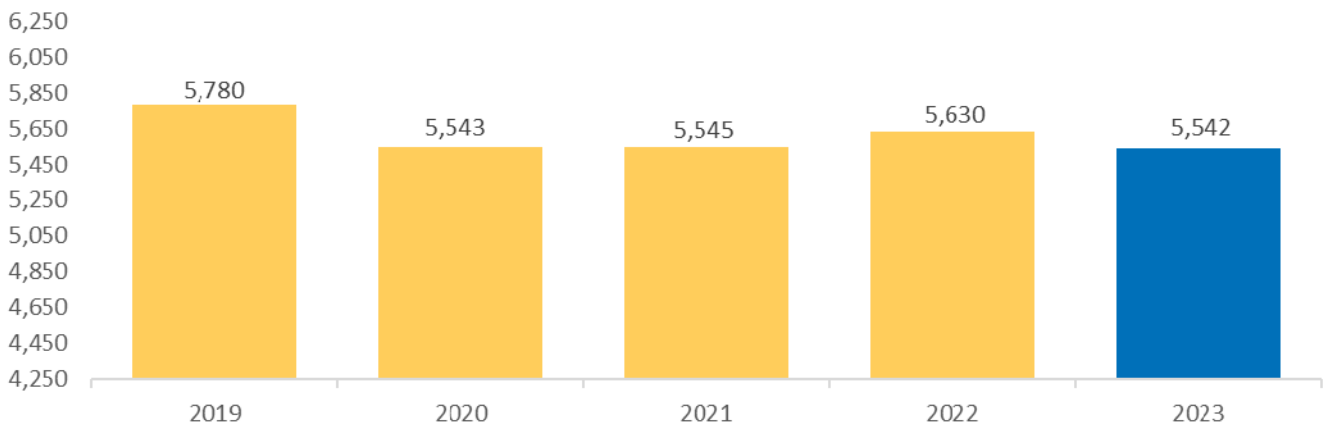
During FY 2023, EPB provided service to over 195,000 customers in a 600 square mile area. This represents an increase of approximately 2,000 customers from FY 2022. Total Electric System revenues were \$650.0 million, an increase of 5.2% from 2022. This is due largely to increased fuel costs from TVA which are passed through to electric customers. This increase was noted despite the significant total kWh sales decrease from FY 2022 to FY 2023. Total purchased power for the year resulted in \$479.7 million, an increase of 9.2% from FY 2022. Purchased power was 78.7% of the total electric sales, an increase of 3.0% from FY 2022 due primarily to increased fuel cost pricing. Residential customers paid an average of 12.46 cents per kWh, which is 21.1% less than the national average during FY 2023. Net electric plant value totaled \$649.3 million while electric expenses and transfers to the City of Chattanooga totaled \$648.6 million.



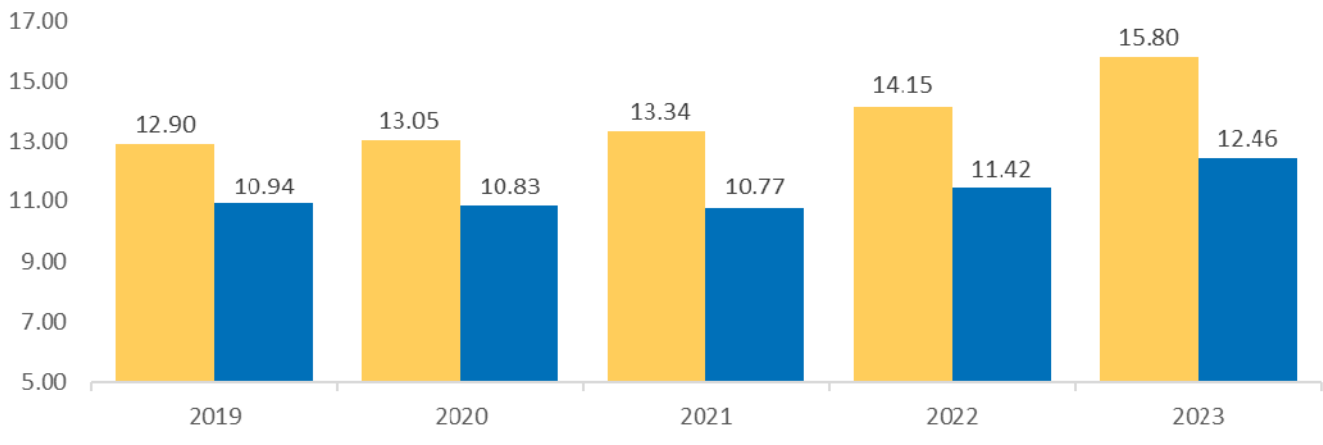
KILOWATT HOURS PURCHASED (in millions)



KILOWATT HOURS SOLD (in millions)



AVERAGE COST PER KWH PER RESIDENTIAL CUSTOMER (in cents)



* Source: U.S. Energy Information Administration

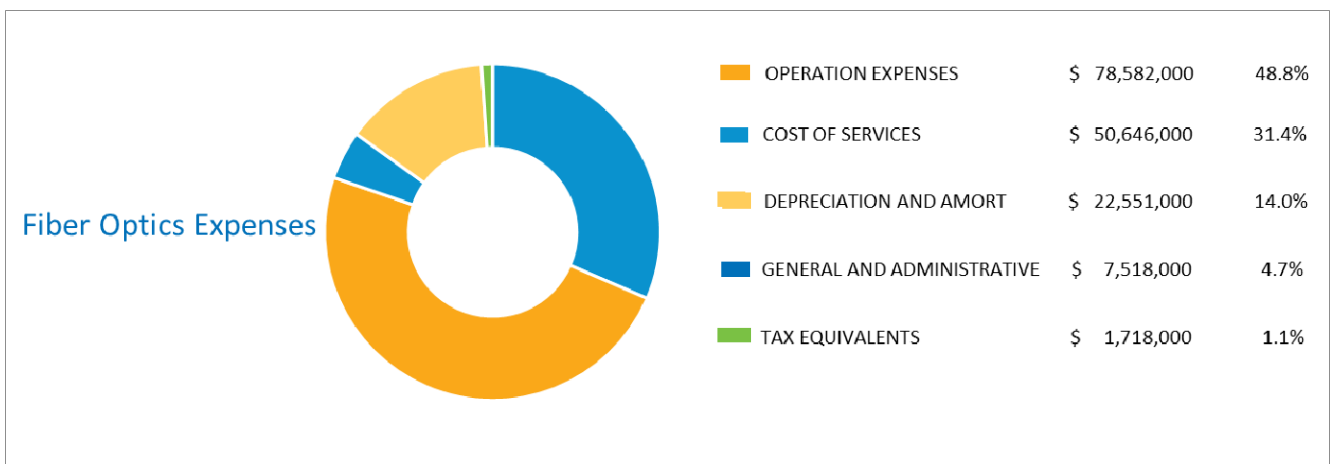
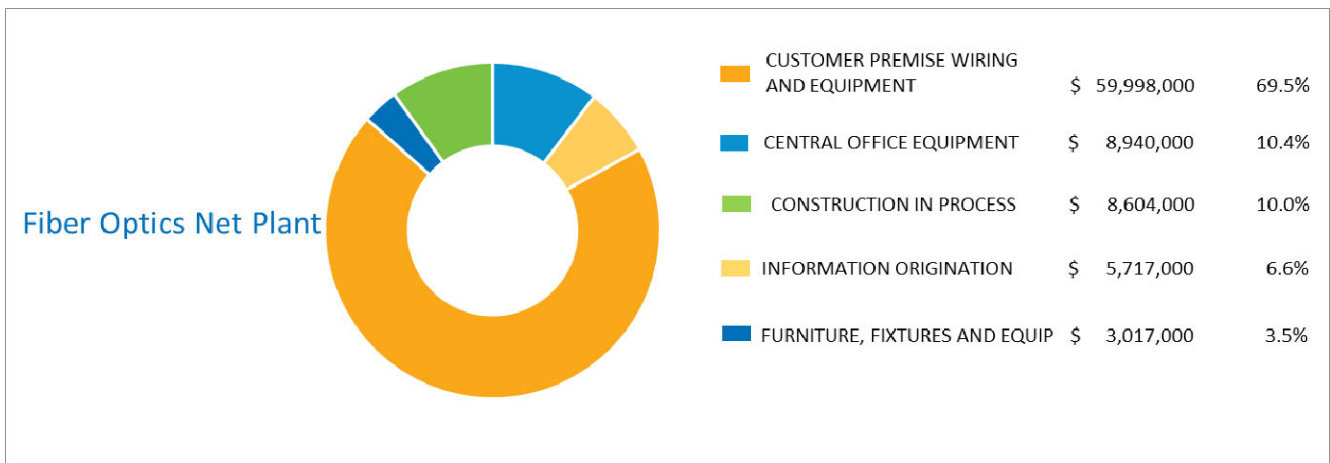
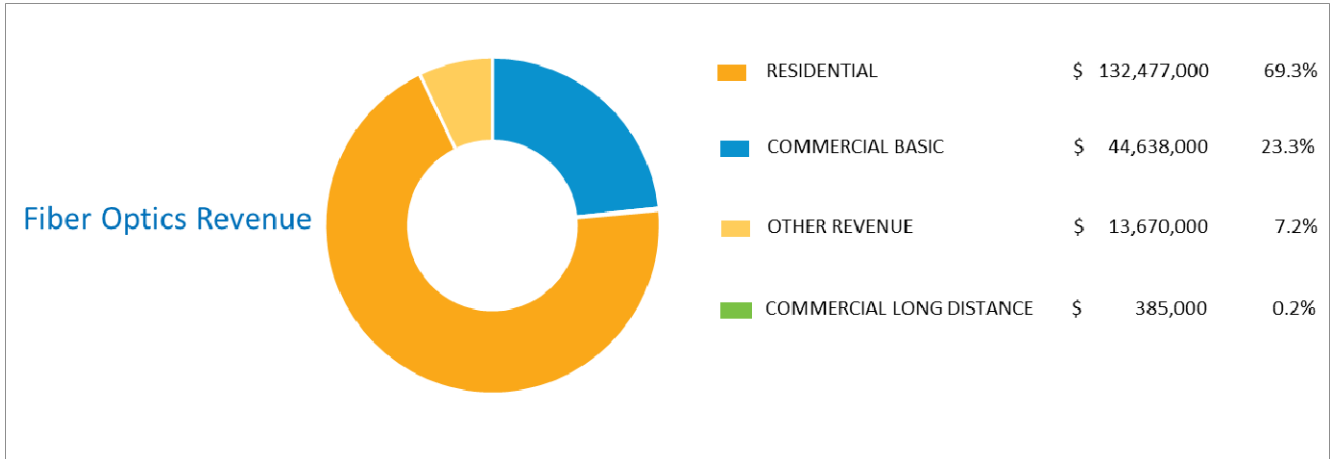
Table 5.3 -Average Retail Prices of Electricity to Ultimate Customers

■ Nationwide*

■ EPB

Fiber Optics Financial Highlights 2023

EPB Fiber Optics System increased its revenue from \$187.5 million in FY 2022 to \$191.2 million in FY 2023, an increase of 1.9%. This increase in revenues is due mainly to the growth in the number of customers for Fiber Optics residential services from approximately 117,000 to approximately 120,000 during FY 2023. The net plant value increased from \$85.9 million in FY 2022, to \$86.3 million in FY 2023, an increase of 0.5%. Fiber Optics expenses and transfers to the City of Chattanooga totaled \$161.0 million.





Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise EPB's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of EPB, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of EPB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EPB's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 EPB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EPB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the financial statements present only 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, 2023 and June 30, 2022, 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.

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, Schedule of Investment Returns – Pension Trust Fund, Schedule of Changes in OPEB Liability and Related Ratios, Schedule of EPB Contributions to OPEB Plan, and Schedule of Investment Returns – OPEB Trust Fund on pages 11-18, 62, 63, 64, 65, 66, and 67 respectively be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise EPB's basic financial statements. The supplementary schedules for Electric, Telecom, Video & Internet, and Fiber Optics Systems, Schedule of Utility Rate Structure and Number of Customers, Schedule of Bonds Payable, Schedule of Changes in Long-Term Debt by Individual Issue, Schedule of Changes in Lease Obligations, Schedule of Lease Obligations, Principal and Interest Requirements, Schedule of Changes in SBITA Obligations, Schedule of SBITA Obligations, Principal and Interest Requirements, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises the Letter from Vicky Gregg and David Wade, Board of Directors, EPB Senior Management, and EPB Financial Highlights but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2023 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 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 15, 2023

Henderson Hutcherson
is McCullough, PLLC

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, 2023. Please read it in conjunction with EPB's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- EPB's total net position was \$615.4 million, an increase of 5.4%
- During the year, consolidated electric operating revenues were \$619.9 million, an increase of 4.9% from FY 2022; consolidated fiber optics operating revenues were \$185.0 million, a decrease of 0.6% from FY 2022.
- Total consolidated operating expenses were \$762.3 million, an increase of approximately 8.4%, which was driven largely by the fuel cost adjustment charged to EPB for purchased power in addition to increased major storm costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

The 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)

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>
Assets and Deferred Outflows, Excluding Utility Plant	\$ 401,367	\$ 412,038	\$ 329,899
Utility Plant, net	<u>735,596</u>	<u>712,149</u>	<u>715,656</u>
Total Assets and Deferred Outflows	<u>1,136,963</u>	<u>1,124,187</u>	<u>1,045,555</u>
Bonds Outstanding	293,348	308,337	322,750
Other Liabilities and Deferred Inflows	<u>228,190</u>	<u>231,960</u>	<u>213,790</u>
Total Liabilities and Deferred Inflows	<u>521,538</u>	<u>540,297</u>	<u>536,540</u>
Invested in Utility Plant, Net of Related Debt	455,763	429,822	474,124
Restricted for Capital Assets	-	-	4,303
Unrestricted Net Position	<u>159,662</u>	<u>154,068</u>	<u>30,588</u>
Total Net Position	<u>615,425</u>	<u>583,890</u>	<u>509,015</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 1,136,963</u>	<u>\$ 1,124,187</u>	<u>\$ 1,045,555</u>

Fiscal Year 2023 Compared to Fiscal Year 2022

Net position increased \$31.5 million to \$615.4 million in FY 2023, up from \$583.9 million in FY 2022. This increase in net position is largely attributable to an increase in utility plant assets of \$23.4 million. Furthermore, Cash and Investments increased by \$19.1 million during FY 2023. The net position was further aided by total decreases of \$15.0 million related to bonds outstanding largely due to bond principal payments during the year along with \$11.0 million of decreases related to accounts payable due to decreases in purchased power payable amounts. Partially offsetting these net position increases were decreases in net position of approximately \$30.0 million related to FEMA grants receivable in addition to \$9.1 million of decrease related to unbilled electric sales. Other changes represented a net increase in position of \$2.1 million.

Fiscal Year 2022 Compared to Fiscal Year 2021

Net position increased \$74.9 million to \$583.9 million in FY 2022, up from \$509.0 million in FY 2021. The largest component of the increase in net position was due to FEMA receivables of \$31.7 million related to the April 2020 severe weather event. Furthermore, Cash and Investments increased by \$17.7 million during FY 2022. The net position was further aided by total decreases of \$15.0 million related to bonds outstanding largely due to bond principal payments during the year in addition to \$11.6 million for total decreases in liabilities, assets and deferred inflows and outflows related to net pension and OPEB liabilities. In addition, there were increases in unbilled electric sales and accounts receivable of \$9.3 million and \$8.6 million, respectively. Partially offsetting these net position increases were decreases in net position of approximately \$20.0 million related to accounts payable, including purchased power. Other changes represented a net increase in position of \$1.0 million.

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

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>
Operating Revenues:			
Electric Sales	\$ 609,294	\$ 580,606	\$ 532,950
Electric Other Operating Revenues	10,562	10,076	7,467
Fiber Optics Sales	176,699	176,308	170,702
Fiber Optics Other Operating Revenues	<u>8,285</u>	<u>9,735</u>	<u>10,405</u>
Total	<u>804,840</u>	<u>776,725</u>	<u>721,524</u>
Operating Expenses:			
Electric	570,915	517,844	469,822
Fiber Optics	109,334	107,984	108,654
Provision for Depreciation and Amortization	68,884	64,741	65,582
Tax Equivalents	<u>13,213</u>	<u>12,931</u>	<u>13,866</u>
Total	<u>762,346</u>	<u>703,500</u>	<u>657,924</u>
FEMA Grant Revenue	-	18,577	-
Contributions in aid of construction	(2,869)	(19,593)	(3,712)
Non-operating Revenues (Expenses)	<u>(2,390)</u>	<u>(8,439)</u>	<u>(8,292)</u>
Total	<u>(5,259)</u>	<u>(9,455)</u>	<u>(12,004)</u>
Income before Transfers and Contributions	37,235	63,770	51,596
Tax Equivalents Transferred to the City of Chattanooga	(8,569)	(8,488)	(7,402)
Contributions in aid of construction	<u>2,869</u>	<u>19,593</u>	<u>3,712</u>
Change in Net Position	<u>31,535</u>	<u>74,875</u>	<u>47,906</u>
Beginning Net Position	<u>583,890</u>	<u>509,015</u>	<u>461,109</u>
Ending Net Position	<u>\$ 615,425</u>	<u>\$ 583,890</u>	<u>\$ 509,015</u>

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 2023 Compared to Fiscal Year 2022

As shown in Table 2 above, the income before transfers and contributions of \$37.2 million combined with the contributions in aid of construction of \$2.9 million less tax equivalents of \$8.6 million accrued to the City of Chattanooga, resulted in an increase in net position of \$31.5 million for FY 2023.

Further examination of the sources of changes in net position reveals electric sales increased \$28.7 million as compared to FY 2022. This increase was primarily due to increased fuel costs passed through to customers, which were caused by the TVA fuel cost adjustment of \$44.8 million above budgeted amounts partially offset by lower kWh sales for FY 2023. Total kWh sales for FY 2023 were 1.6% lower than FY 2022. Electric operating expenses, excluding depreciation and tax equivalents, increased by \$53.1 million in FY 2023 to \$570.9 million from \$517.8 million in FY 2022. This increase was primarily due to the fuel cost adjustment charged to EPB for purchased power in addition to increased major storm costs of \$9.4 million higher than those realized in FY 2022.

Fiber Optics operating sales increased by \$0.4 million to \$176.7 million in FY 2023 from \$176.3 million in FY 2022 due mainly to the continued success of the commercial and residential Fi-Speed Internet service offerings. Operating expenses, excluding depreciation and tax equivalents, associated with acquiring and serving customers increased \$1.4 million to \$109.3 million, a 1.3% increase in FY 2023 due mainly to increased costs of expenses within network operations and insurance and benefits of \$2.8 million and \$2.6 million, respectively. This is partially offset by a decrease in cost of goods sold of \$3.8 million in FY 2023 to \$50.6 million from \$54.4 million in FY 2022.

Expenses for tax equivalents and transfers to municipal governments including transfers to the City of Chattanooga were \$21.8 million in FY 2023 and \$21.4 million in FY 2022. 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 and amortization expense increased to \$68.9 million in FY 2023 from \$64.7 million in FY 2022, an increase of 6.4%. This increase can be largely attributed to amortization related to the adoption of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Fiscal Year 2022 Compared to Fiscal Year 2021

As shown in Table 2 above, the income before transfers and contributions of \$63.8 million combined with the contributions in aid of construction of \$19.6 million less tax equivalents of \$8.5 million accrued to the City of Chattanooga, resulted in an increase in net position of \$74.9 million for FY 2022.

A closer examination of the sources of changes in net position reveals electric sales increased \$47.7 million as compared to FY 2021. This increase was primarily due to increased fuel costs passed through to customers, which were caused by the TVA fuel cost adjustment of \$38.0 million in addition to higher kWh sales for FY 2022. Electric operating expenses, excluding depreciation and tax equivalents, increased by \$48.0 million in FY 2022 to \$517.8 million from \$469.8 million in FY 2021. This increase was primarily due to the fuel cost adjustment charged to EPB for purchased power.

Fiber Optics operating sales increased by \$5.6 million to \$176.3 million in FY 2022 from \$170.7 million in FY 2021 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 decreased \$0.7 million, a 0.6% decrease in FY 2022 due mainly to a decrease in cost of goods sold of \$2.1 million in FY 2022 to \$54.4 million from \$56.5 million in FY 2021.

Expenses for tax equivalents and transfers to municipal governments including transfers to the City of Chattanooga were \$21.4 million in FY 2022 and \$21.3 million in FY 2021. 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 and amortization expense decreased to \$64.7 million in FY 2022 from \$65.6 million in FY 2021, a decrease of 1.3%. This decrease can be attributed to the decrease in Plant Assets from FY 2021 to FY 2022.

During FY 2022, EPB recognized \$32.9 million in FEMA grant recoveries related to the April 2020 severe weather event. This included O&M recoveries of \$18.6 million and capital asset cost recoveries of \$14.3 million. These capital asset recoveries are included in the contributions in aid of construction value of \$19.6 million for FY 2022.

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)

	<u>Actual</u> <u>FY 2023</u>	<u>Budget</u> <u>FY 2023</u>	<u>Actual</u> <u>FY 2022</u>	<u>Budget</u> <u>FY 2022</u>
Operating Revenues:				
Electric Sales	\$ 609,294	\$ 576,085	\$ 580,606	\$ 552,440
Other Electric Revenues	<u>10,562</u>	<u>10,085</u>	<u>10,076</u>	<u>9,863</u>
Subtotal	<u>619,856</u>	<u>586,170</u>	<u>590,682</u>	<u>562,303</u>
Fiber Optics Sales	176,699	177,224	176,308	171,658
Other Fiber Optics Revenues	<u>8,285</u>	<u>8,344</u>	<u>9,735</u>	<u>9,277</u>
Subtotal	<u>184,984</u>	<u>185,568</u>	<u>186,043</u>	<u>180,935</u>
Total	<u>804,840</u>	<u>771,738</u>	<u>776,725</u>	<u>743,238</u>
Operating Expenses:				
Electric	570,915	525,706	517,844	504,886
Fiber Optics	109,334	111,780	107,984	111,278
Provision for Depreciation	68,884	72,960	64,741	69,216
Tax Equivalents	<u>13,213</u>	<u>13,029</u>	<u>12,931</u>	<u>14,082</u>
Total	<u>762,346</u>	<u>723,475</u>	<u>703,500</u>	<u>699,462</u>
FEMA Grant Revenue	-	-	18,577	14,731
Contributions in aid of construction	(2,869)	(9,643)	(19,593)	(20,595)
Non-operating Revenues (Expenses)	<u>(2,390)</u>	<u>(6,572)</u>	<u>(8,439)</u>	<u>(8,568)</u>
Total	(5,259)	(16,215)	(9,455)	(14,432)
Income before Transfers and Contributions	37,235	32,048	63,770	29,344
Tax Equivalents Transferred to the City of Chattanooga	(8,569)	(8,487)	(8,488)	(7,607)
Contributions in aid of construction	<u>2,869</u>	<u>9,643</u>	<u>19,593</u>	<u>20,595</u>
Change in Net Position	<u>\$ 31,535</u>	<u>\$ 33,204</u>	<u>\$ 74,875</u>	<u>\$ 42,332</u>
Capital Expenditures (net of contributions)				
Electric	\$ 67,681	\$ 77,959	\$ 47,271	\$ 56,706
Fiber Optics	<u>22,168</u>	<u>23,055</u>	<u>14,057</u>	<u>27,447</u>
Total Capital Expenditures	<u>\$ 89,849</u>	<u>\$ 101,014</u>	<u>\$ 61,328</u>	<u>\$ 84,153</u>

FY 2023 Actual vs. Budget

The Electric System's revenues were \$33.7 million above budget due mainly to elevated TVA fuel costs of purchased power throughout the year, which were passed through to customers. Electric operating expenses were higher than budget by \$45.2 million due to the aforementioned elevated fuel costs in addition to \$11.6 million of major storm expenses.

The Fiber Optics System's total operating revenues were \$0.6 million below budget, mainly driven by a decrease in video residential subscribers. Fiber Optics System's expenses were lower than budget by \$2.4 million, a decrease of 2.2%, largely attributable to decreases in costs of goods sold for Fiber Optics products during FY 2023 as compared to budget.

FY 2022 Actual vs. Budget

The Electric System's revenues were \$28.4 million above budget due mainly to elevated fuel costs of purchased power throughout the year, which were passed through to customers. Electric operating expenses were higher than budget by \$13.0 million due to elevated fuel costs of purchased power partially offset by unbudgeted Pandemic Relief Credits received by EPB as a credit to purchased power of 2.5% of non-fuel purchased energy and demand.

The Fiber Optics System's total operating revenues were \$5.1 million above budget due largely to continued growth within the residential customer base. Fiber Optics System's expenses were lower than budget by \$3.3 million, a decrease of 3.0%, largely attributable to decreases in costs of goods sold for Fiber Optics products during FY 2022 as compared to budget.

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 \$735.6 million, \$712.1 million, and \$715.7 million in net utility plant for FY 2023, FY 2022, and FY 2021, respectively.

Table 4 - Utility Plant (in thousands)

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>
ELECTRIC			
Land & land rights	\$ 6,490	\$ 6,490	\$ 6,499
Construction work in progress	36,442	24,487	35,555
Intangible plant	25	38	51
Transmission	48,656	50,608	51,319
Distribution	782,786	753,492	727,093
Buildings & improvements	62,958	66,600	65,614
Furniture, fixtures & equipment	<u>66,804</u>	<u>70,735</u>	<u>80,561</u>
Total	1,004,161	972,450	966,692
Less: Accumulated depreciation	<u>(354,841)</u>	<u>(346,159)</u>	<u>(343,425)</u>
Electric Total	<u>\$ 649,320</u>	<u>\$ 626,291</u>	<u>\$ 623,267</u>
FIBER OPTICS			
Construction work in progress	\$ 8,604	\$ 3,733	\$ 25
Central office equipment	22,085	28,499	30,656
Information origination/termination	14,392	14,866	12,907
Furniture, fixtures & equipment	6,331	7,792	8,559
Customer premises wiring	107,227	101,771	98,955
Customer premises equipment	<u>9,381</u>	<u>13,901</u>	<u>15,778</u>
Total	168,020	170,562	166,880
Less: Accumulated depreciation	<u>(81,744)</u>	<u>(84,704)</u>	<u>(74,491)</u>
Fiber Optics Total	<u>\$ 86,276</u>	<u>\$ 85,858</u>	<u>\$ 92,389</u>
Net Utility Plant	<u>\$ 735,596</u>	<u>\$ 712,149</u>	<u>\$ 715,656</u>

DEBT ADMINISTRATION

As of year-end, EPB Electric System had \$293.3 million in bond debt outstanding compared to \$308.3 in FY 2022 and \$322.8 million FY 2021. 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 3.3x. The ratio was 5.1x in 2022 and 4.5x in 2021.

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

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>
Revenues			
Electric Revenue	\$ 647,268	\$ 617,156	\$ 563,432
Interest Income	2,575	412	368
FEMA Grant	-	18,577	-
Other Income	<u>153</u>	<u>160</u>	<u>104</u>
Total Revenue	<u>649,996</u>	<u>636,305</u>	<u>563,904</u>
Expenses			
Purchased Power	479,747	439,497	398,544
Operating Expenses	<u>92,206</u>	<u>78,242</u>	<u>70,486</u>
Total Operation Expenses (excluding depreciation and tax equivalent payments)	<u>571,953</u>	<u>517,739</u>	<u>469,030</u>
Funds Available for Debt Service	<u>\$ 78,043</u>	<u>\$ 118,566</u>	<u>\$ 94,874</u>
Debt Service			
Interest Paid on Long-Term Debt	\$ 10,768	\$ 10,792	\$ 10,167
Principal Payments	<u>13,015</u>	<u>12,440</u>	<u>11,130</u>
Total Debt Service	<u>\$ 23,783</u>	<u>\$ 23,232</u>	<u>\$ 21,297</u>
Debt Coverage Ratio	<u>3.3</u>	<u>5.1</u>	<u>4.5</u>

The Electric System line of credit of \$50.0 million was renewed in May 2023 and will mature in May 2024. There were no balances outstanding on the line of credit at the end of FY 2023, FY 2022, and FY 2021.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

EPB's Board of Directors and Management considered many factors when setting FY 2024 budget and rates. One of those factors is the local economy and EPB's related impact on local industries. EPB's electric sales 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 2024, 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 2024 includes the allocation of capital for fiber installations to support the Smart Grid, as well as Information Technology system upgrades and integrations. The FY 2024 budget also includes economic inflation impacts in materials such as transformers, poles, wire cable, and other materials needed to serve electric system customers.

Capital investments for the Fiber Optics System will focus on our increasing residential and business customer bases through new building facilities as well as the purchase of equipment to support the success of telephone and internet products.

The changing economic condition'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.

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 227,821,000	\$ 206,220,000
Investments	1,196,000	4,505,000
Accounts receivable, less allowance for doubtful accounts of \$1,671,000 and \$2,504,000 in 2023 and 2022, respectively	35,606,000	35,256,000
Unbilled electric sales	33,681,000	42,791,000
Materials and supplies, at average cost	27,724,000	23,252,000
Prepayments and other current assets	10,561,000	10,176,000
Leases receivable, current	3,745,000	3,699,000
Total Current Assets	<u>340,334,000</u>	<u>325,899,000</u>
NON-CURRENT ASSETS		
Investments	920,000	101,000
Utility plant -		
Utility plant	1,172,181,000	1,143,012,000
Less - accumulated provision for depreciation	<u>(436,585,000)</u>	<u>(430,863,000)</u>
Net utility plant	735,596,000	712,149,000
Right to use leased asset, net of amortization	1,862,000	2,455,000
Right to use subscription asset, net of amortization	4,788,000	3,293,000
FEMA grant receivable	1,679,000	31,679,000
Accrued post-employment benefit asset	1,278,000	8,979,000
Leases receivable, non-current	4,401,000	4,691,000
Other non-current assets	<u>1,221,000</u>	<u>1,304,000</u>
Total Non-Current Assets	<u>751,745,000</u>	<u>764,651,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred bond defeasance outflows	8,359,000	9,249,000
Deferred pension outflows	25,565,000	19,065,000
Deferred OPEB outflows	<u>10,960,000</u>	<u>5,323,000</u>
Total Deferred Outflows of Resources	<u>44,884,000</u>	<u>33,637,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,136,963,000</u>	<u>\$ 1,124,187,000</u>

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

ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable -		
Tennessee Valley Authority, for power purchased	\$ 73,200,000	\$ 83,295,000
Other	28,062,000	29,017,000
Customer deposits	4,144,000	4,076,000
Revenue bonds, current portion	13,625,000	13,015,000
Accrued tax equivalents	21,661,000	21,292,000
Accrued interest payable	3,488,000	3,690,000
Lease liabilities, current	741,000	848,000
Subscription liabilities, current	2,801,000	1,765,000
Unearned revenue	6,700,000	6,516,000
Other current liabilities	17,356,000	15,982,000
Total Current Liabilities	171,778,000	179,496,000
NON-CURRENT LIABILITIES		
Revenue bonds, net	279,723,000	295,322,000
Net pension liability	21,394,000	7,747,000
Customer deposits	26,136,000	24,686,000
Lease liabilities, non-current	1,121,000	1,607,000
Subscription liabilities, non-current	1,987,000	1,528,000
Other non-current liabilities	2,593,000	2,581,000
Total Non-Current Liabilities	332,954,000	333,471,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	8,660,000	13,078,000
Deferred pension inflows	--	5,862,000
Deferred lease inflows	8,146,000	8,390,000
Total Deferred Inflows of Resources	16,806,000	27,330,000
NET POSITION		
Net investment in capital assets	455,763,000	429,822,000
Unrestricted	159,662,000	154,068,000
Total Net Position	615,425,000	583,890,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,136,963,000	\$ 1,124,187,000

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

ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Electric sales		
Residential	\$ 275,161,000	\$ 257,934,000
Small commercial and power	55,835,000	53,052,000
Large commercial and power	280,474,000	253,011,000
Outdoor lighting systems	7,381,000	6,936,000
Total billed electric sales	<u>618,851,000</u>	<u>570,933,000</u>
Change in unbilled electric sales	(9,110,000)	9,500,000
Uncollectible electric sales	(447,000)	173,000
Total electric sales	<u>609,294,000</u>	<u>580,606,000</u>
Fiber optics sales		
Billed fiber optics revenues	176,821,000	176,198,000
Uncollectible fiber optics revenues	(122,000)	110,000
Total fiber optics sales	<u>176,699,000</u>	<u>176,308,000</u>
Other operating revenues	18,847,000	19,811,000
Total operating revenues	<u>804,840,000</u>	<u>776,725,000</u>
OPERATING EXPENSES		
Operation		
Power purchased from Tennessee Valley Authority	479,747,000	439,497,000
Other operation expenses	47,073,000	46,431,000
Maintenance	44,095,000	31,916,000
Fiber optic operating expenses	109,334,000	107,984,000
Provision for depreciation and amortization	68,884,000	64,741,000
City, county, and state tax equivalents	13,213,000	12,931,000
Total operating expenses	<u>762,346,000</u>	<u>703,500,000</u>
Net operating income	42,494,000	73,225,000
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue on invested funds	5,814,000	813,000
Interest expense	(8,994,000)	(9,761,000)
FEMA grant revenue	--	18,577,000
Other, net	790,000	509,000
Plant cost recovered through contributions in aid of construction	(2,869,000)	(19,593,000)
Total non-operating expenses	<u>(5,259,000)</u>	<u>(9,455,000)</u>
Income before transfers and contributions	37,235,000	63,770,000
Tax equivalents transferred to the City of Chattanooga	(8,569,000)	(8,488,000)
Contributions in aid of construction	2,869,000	19,593,000
CHANGE IN NET POSITION	31,535,000	74,875,000
NET POSITION, BEGINNING OF YEAR	<u>583,890,000</u>	<u>509,015,000</u>
NET POSITION, END OF YEAR	<u>\$ 615,425,000</u>	<u>\$ 583,890,000</u>

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

ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 818,491,000	\$ 771,213,000
Payments to suppliers for goods and services	(613,185,000)	(584,205,000)
Payments to employees for services	(58,246,000)	(51,383,000)
Payments in lieu of taxes	(12,925,000)	(13,852,000)
Net cash provided by operating activities	<u>134,135,000</u>	<u>121,773,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(8,488,000)	(7,402,000)
Miscellaneous non-operating revenue, net	795,000	509,000
Net cash used in noncapital financing activities	<u>(7,693,000)</u>	<u>(6,893,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(90,907,000)	(79,216,000)
Removal cost	(1,560,000)	(1,420,000)
Salvage	240,000	71,000
Contributions in aid of construction	2,869,000	5,787,000
Bond issuance costs	(4,000)	(12,000)
Bond principal payment	(13,015,000)	(12,440,000)
Bond interest payment	(10,768,000)	(10,792,000)
Line of credit interest expense	--	(3,000)
Net cash used in capital and related financing activities	<u>(113,145,000)</u>	<u>(98,025,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	28,453,000	16,785,000
Purchases of investments	(25,923,000)	(1,083,000)
Interest on investments	5,774,000	538,000
Net cash provided by investing activities	<u>8,304,000</u>	<u>16,240,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	21,601,000	33,095,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>206,220,000</u>	<u>173,125,000</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 227,821,000</u>	<u>\$ 206,220,000</u>

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

ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 42,494,000	\$ 73,225,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	70,155,000	65,585,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(350,000)	(8,591,000)
FEMA grant receivable	30,000,000	--
Unbilled electric sales	9,110,000	(9,302,000)
Materials and supplies	(4,472,000)	(6,666,000)
Lease receivables and payables	(798,000)	(754,000)
Subscription liabilities	(2,958,000)	--
Prepayments and other current assets	(386,000)	(919,000)
Other charges	81,000	177,000
Accounts payable, net	(11,050,000)	19,986,000
Customer deposits	1,518,000	1,288,000
Accrued tax equivalents	290,000	(220,000)
Unearned revenue	184,000	(22,000)
Other current liabilities	1,374,000	(404,000)
Other non-current liabilities	12,000	7,000
Net pension liability and deferred outflows and inflows of resources	1,285,000	(8,719,000)
Accrued post-employment benefits and deferred inflows and outflows of resources	(2,354,000)	(2,898,000)
Net cash provided by operating activities	\$ 134,135,000	\$ 121,773,000

ELECTRIC POWER BOARD OF CHATTANOOGA
FIDUCIARY ACTIVITIES
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2023 AND 2022

	Pension (and Other Employee Benefit Trust Funds)	Pension (and Other Employee Benefit Trust Funds)
	<u>2023</u>	<u>2022</u>
ASSETS		
Interest receivable	\$ 2,227,000	\$ 169,000
Investments at fair value:		
Money market funds	11,947,000	16,031,000
Corporate obligations	4,490,000	4,366,000
Common equity securities	11,968,000	13,682,000
Equity mutual funds	26,892,000	32,644,000
Fixed income mutual funds	3,570,000	5,311,000
Exchange traded funds	32,624,000	32,616,000
Total investments at fair value	<u>91,491,000</u>	<u>104,650,000</u>
TOTAL ASSETS	<u>\$ 93,718,000</u>	<u>\$ 104,819,000</u>
NET POSITION		
Net position restricted for other postemployment benefits	\$ 31,224,000	\$ 28,804,000
Net position restricted for pension benefits	62,494,000	76,015,000
Total Restricted Net Position	<u>93,718,000</u>	<u>104,819,000</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 93,718,000</u>	<u>\$ 104,819,000</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, 2023 AND 2022**

	Pension (and Other Employee Benefit Trust Funds)	Pension (and Other Employee Benefit Trust Funds)
	2023	2022
ADDITIONS		
Contributions:		
Employers	\$ 7,000,000	\$ 15,500,000
Total contributions	<u>7,000,000</u>	<u>15,500,000</u>
Investment Earnings:		
Net appreciation (depreciation) in fair value of investments	(3,357,000)	7,204,000
Interest and dividends	850,000	807,000
Total investment earnings	<u>(2,507,000)</u>	<u>8,011,000</u>
Less investment costs:		
Investment expenses	218,000	198,000
Net investment earnings (loss)	<u>(2,725,000)</u>	<u>7,813,000</u>
Total Additions	<u>4,275,000</u>	<u>23,313,000</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	15,325,000	10,029,000
Administrative expenses	51,000	52,000
Total Deductions	<u>15,376,000</u>	<u>10,081,000</u>
CHANGE IN FIDUCIARY NET POSITION	(11,101,000)	13,232,000
NET POSITION, BEGINNING OF YEAR	<u>104,819,000</u>	<u>91,587,000</u>
NET POSITION, END OF YEAR	<u>\$ 93,718,000</u>	<u>\$ 104,819,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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 195,000 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. EPB also provides voice, internet and video services to both commercial and residential customers within the EPB electric service territory. At the end of FY 2023, EPB had approximately 120,000 residential customers and 9,000 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

Measurement Focus and 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.

EPB's financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 amount 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, 2023 and 2022.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE TWO – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Materials and Supplies

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

Utility Plant

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

EPB provides depreciation at rates which are designed to amortize the cost of depreciable utility plant over its estimated useful life. The composite straight-line rate, expressed as a percentage of average utility plant, was 5.89% in 2023 and 5.87% in 2022.

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, FEMA grant revenues 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, and rental income. Operating expenses include those expenses that result from the ongoing operation of the fiber optics systems. Non-operating revenues consist primarily of investment income and various miscellaneous revenues.

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, 2023 and 2022

NOTE TWO – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post-Employment Benefits (OPEB)

For purpose of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to these benefits, and 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.

Leases

Right-to-use assets and lease liabilities are recognized upon the commencement of the lease term in relation to leases in which EPB is leasing the right to use a leased asset. These assets include tangible equipment leases such as towers, copiers, scanners, printers, postage meters, and virtual storage equipment. These are measured at the present value of payments expected to be made by EPB during the lease term in addition to certain direct costs.

Lease receivables and deferred inflows of resources are recognized upon the commencement of the lease term in relation to leases in which EPB is leasing another party the right to use an EPB asset. These are measured at the present value of lease payments expected to be made to EPB during the lease term.

The interest rate utilized to calculate the present value of lease payments is calculated annually and represents the weighted cost of debt.

Subscription-Based Information Technology Arrangements (SBITA)

Right-to-use assets and SBITA liabilities are recognized upon the commencement of the contract term in relation to contracts in which EPB is contracting for the right to use this type of asset. These assets include all subscription-based software contracts including cloud based software contracts. These are measured at the present value of payments expected to be made by EPB during the contract term in addition to certain other costs related to the assets.

The interest rate utilized to calculate the present value of lease payments is calculated annually and represents the weighted cost of debt.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation, with no effect on net position or change in net position.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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, 2023, EPB had the following investments and maturities (in thousands):

<u>Investments</u>	<u>Fair Value or Carrying Amount</u>	<u>Maturities Less Than 1 Year</u>	<u>Maturities 1 Year Up To Less Than 2 Years</u>	<u>Maturities 2 Years Up To Less Than 3 Years</u>
Local Government Investment Pool (LGIP)	\$ 135,021	\$ 135,021	\$ -	\$ -
Money Market Accounts	70,716	70,716	-	-
Certificates of Deposit	2,116	1,196	920	-
Total	<u>\$ 207,853</u>	<u>\$ 206,933</u>	<u>\$ 920</u>	<u>\$ -</u>

At June 30, 2022, EPB had the following investments and maturities (in thousands):

<u>Investments</u>	<u>Fair Value or Carrying Amount</u>	<u>Maturities Less Than 1 Year</u>	<u>Maturities 1 Year Up To Less Than 2 Years</u>	<u>Maturities 2 Years Up To Less Than 3 Years</u>
Local Government Investment Pool (LGIP)	\$ 79,686	\$ 79,686	\$ -	\$ -
Money Market Accounts	105,996	105,996	-	-
Certificates of Deposit	4,606	4,505	101	-
Commercial Paper	6,986	6,986	-	-
Total	<u>\$ 197,274</u>	<u>\$ 197,173</u>	<u>\$ 101</u>	<u>\$ -</u>

Interest Rate Risk

EPB's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Instead, the portfolio is structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with the cash requirements of EPB in order to avoid the forced sale of securities prior to maturity. Accordingly, EPB has an investment policy that limits the maturities on individual investments to no more than four years without approval of the State Director of Local Finance or as otherwise provided by state statute. Investments at June 30, 2023 and 2022 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.

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.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE THREE – DEPOSITS AND INVESTMENTS (Continued)

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, 2023:

- Certificate of Deposits of \$2.1 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, 2022:

- Certificate of Deposits of \$4.6 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, 2023 and 2022, 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, 2023 and 2022, portions of EPB's investments were held in the State of Tennessee LGIP. The legislation providing for the establishment of the LGIP (Tennessee Code Annotated ¶9-4-701 *et seq.*) authorizes investment in the LGIP for local governments and other political subdivisions. The LGIP is sponsored by the State of Tennessee Treasury Department and is a part of the State Pooled Investment Fund. All of EPB's deposits and investments (excluding the LGIP) are insured or registered in EPB's name.

Concentration of Credit Risk

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

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

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE THREE – DEPOSITS AND INVESTMENTS (Continued)

Investments by issuer and percentage of total investments at June 30, 2023 and 2022 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
First Volunteer Bank	Money Market Accounts	0.00%	0.01%
Citizens Bank	CD's	0.49%	0.51%
Regions Bank	Money Market Accounts	0.01%	0.00%
Rockpoint Bank	Money Market Accounts	0.12%	0.12%
Truist Bank	Money Market Accounts	0.01%	0.02%
State of Tennessee	Local Government Investment Pool	64.96%	40.39%
Simply Bank	Money Market Accounts	0.00%	5.09%
SmartBank	Money Market Accounts	0.06%	0.09%
Southeast Bank	Money Market Accounts	0.00%	5.08%
FirstBank	Money Market Accounts	4.98%	0.15%
First Horizon Bank	Money Market Accounts	0.73%	0.00%
United Community Bank	Money Market Accounts & CD's	0.08%	1.36%
Truist – Philip Morris Intl Inc.	Commercial Paper	0.00%	3.54%
CapStar Bank	Money Market Accounts & CD's	0.05%	0.06%
Tower Community Bank	Money Market Accounts & CD's	1.06%	1.10%
Pinnacle Bank	Money Market Accounts	27.45%	42.48%

Pension Plan Trust Fund

The Pension 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 used within the August 1, 2022 actuarial valuation 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%.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE THREE – DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2023, the Pension Plan Trust Fund for the Plan year ended July 31, 2022 had \$60,311,000 invested in the following types of investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Money Market Funds	\$ 11,784,000	N/A
Corporate Obligations	98,000	Baa1 to Baa3
Corporate Obligations	1,859,000	Ba1 to Ba3
Corporate Obligations	963,000	B1 to B3
Corporate Obligations	57,000	WR
Corporate Obligations	152,000	N/A
Common Equity Securities	7,162,000	N/A
Equity Mutual Funds	16,143,000	N/A
Fixed Income Mutual Funds	1,532,000	N/A
Exchange Traded Funds	20,561,000	N/A
	<u>\$ 60,311,000</u>	

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

WR – Withdrawn Rating

<u>Investments</u>	<u>Fair Value</u>	<u>Average Maturity (years)</u>
Money Market Funds	\$ 11,784,000	-
Corporate Obligations	3,129,000	2.362
Common Equity Securities	7,162,000	-
Equity Mutual Funds	16,143,000	-
Fixed Income Mutual Funds	1,532,000	-
Exchange Traded Funds	20,561,000	-
	<u>\$ 60,311,000</u>	

Money Markets, Securities, and EFT's do not have weighted average maturity.

As of June 30, 2022, the Pension Plan Trust Fund for the Plan year ended July 31, 2021 had \$75,867,000 invested in the following types of investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Money Market Funds	\$ 15,768,000	N/A
Corporate Obligations	61,000	Baa1 to Baa3
Corporate Obligations	1,926,000	Ba1 to Ba3
Corporate Obligations	767,000	B1 to B3
Corporate Obligations	256,000	WR
Common Equity Securities	9,522,000	N/A
Equity Mutual Funds	23,026,000	N/A
Fixed Income Mutual Funds	3,324,000	N/A
Exchange Traded Funds	21,217,000	N/A
	<u>\$ 75,867,000</u>	

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

WR – Withdrawn Rating

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE THREE – DEPOSITS AND INVESTMENTS (Continued)

<u>Investments</u>	<u>Fair Value</u>	<u>Average Maturity (years)</u>
Money Market Funds	\$ 15,768,000	-
Corporate Obligations	3,010,000	3.095
Common Equity Securities	9,522,000	-
Equity Mutual Funds	23,026,000	-
Fixed Income Mutual Funds	3,324,000	-
Exchange Traded Funds	21,217,000	-
	<u>\$ 75,867,000</u>	

Money Markets, Securities, and EFT's do not have weighted average maturity.

Concentration

On June 30, 2023 and 2022, 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.

Fair Value Measurements

The Plan has the following recurring fair value measurements, broken into the fair value hierarchy as of June 30, 2023 and June 30, 2022 measured as of July 31, 2022 and July 31, 2021, respectively. 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, 2023:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money Market Funds	\$ -	\$ 11,784,000	\$ -	\$ 11,784,000
Corporate Obligations	-	3,129,000	-	3,129,000
Common Equity Securities	7,162,000	-	-	7,162,000
Equity Mutual Funds	16,143,000	-	-	16,143,000
Fixed Income Mutual Funds	-	1,532,000	-	1,532,000
Exchange Traded Funds	20,561,000	-	-	20,561,000
	<u>\$ 43,866,000</u>	<u>\$ 16,445,000</u>	<u>\$ -</u>	<u>\$ 60,311,000</u>

Fair Value Measurements as of June 30, 2022:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money Market Funds	\$ -	\$ 15,768,000	\$ -	\$ 15,768,000
Corporate Obligations	-	3,010,000	-	3,010,000
Common Equity Securities	9,522,000	-	-	9,522,000
Equity Mutual Funds	23,026,000	-	-	23,026,000
Fixed Income Mutual Funds	-	3,324,000	-	3,324,000
Exchange Traded Funds	21,217,000	-	-	21,217,000
	<u>\$ 53,765,000</u>	<u>\$ 22,102,000</u>	<u>\$ -</u>	<u>\$ 75,867,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE THREE – DEPOSITS AND INVESTMENTS (Continued)

Rate of Return

For the fiscal years ended June 30, 2023 and June 30, 2022, the annual money-weighted rate of return on the Pension Trust Fund investments, net of investment expenses, was (10.5%) and 23.9%, measured as of July 31, 2022 and July 31, 2021, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 used within the June 30, 2022 actuarial valuation mix is as follows 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, 2023, the OPEB Trust Fund had \$31,180,000 invested in the following types of investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Moody’s Rating</u>
Money Market Funds	\$ 163,000	N/A
Corporate Obligations	163,000	Baa1 to Baa3
Corporate Obligations	720,000	Ba1 to Ba3
Corporate Obligations	478,000	B1 to B3
Common Equity Securities	4,806,000	N/A
Equity Mutual Funds	10,749,000	N/A
Fixed Income Mutual Funds	2,038,000	N/A
Exchange Traded Funds	12,063,000	N/A
	<u>\$ 31,180,000</u>	

N/A – These types of funds are not rated by Moody’s

<u>Investments</u>	<u>Fair Value</u>	<u>Average Maturity (years)</u>
Money Market Funds	\$ 163,000	-
Corporate Obligations	1,361,000	2.795
Common Equity Securities	4,806,000	-
Equity Mutual Funds	10,749,000	-
Fixed Income Mutual Funds	2,038,000	-
Exchange Traded Funds	12,063,000	-
	<u>\$ 31,180,000</u>	

Money Markets, Securities, and EFT’s do not have weighted average maturity.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE THREE – DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2022, the OPEB Trust Fund had \$28,783,000 invested in the following types of investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Money Market Funds	\$ 263,000	N/A
Corporate Obligations	43,000	Baa1 to Baa3
Corporate Obligations	854,000	Ba1 to Ba3
Corporate Obligations	366,000	B1 to B3
Corporate Obligations	67,000	N/A
Corporate Obligations	26,000	WR
Common Equity Securities	4,160,000	N/A
Equity Mutual Funds	9,618,000	N/A
Fixed Income Mutual Funds	1,987,000	N/A
Exchange Traded Funds	11,399,000	N/A
	<u>\$ 28,783,000</u>	

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

WR – Withdrawn Rating

<u>Investments</u>	<u>Fair Value</u>	<u>Average Maturity (years)</u>
Money Market Funds	\$ 263,000	-
Corporate Obligations	1,356,000	3.369
Common Equity Securities	4,160,000	-
Equity Mutual Funds	9,618,000	-
Fixed Income Mutual Funds	1,987,000	-
Exchange Traded Funds	11,399,000	-
	<u>\$ 28,783,000</u>	

Money Markets, Securities, and EFT's do not have weighted average maturity.

Concentration

On June 30, 2023 and 2022, 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, 2023 and 2022

NOTE THREE – DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements

The Plan has the following recurring fair value measurements, broken into the fair value hierarchy as of June 30, 2023 and June 30, 2022. 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, 2023:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money Market Funds	\$ -	\$ 163,000	\$ -	\$ 163,000
Corporate Obligations	-	1,361,000	-	1,361,000
Common Equity Securities	4,806,000	-	-	4,806,000
Equity Mutual Funds	10,749,000	-	-	10,749,000
Fixed Income Mutual Funds	-	2,038,000	-	2,038,000
Exchange Traded Funds	<u>12,063,000</u>	<u>-</u>	<u>-</u>	<u>12,063,000</u>
	<u>\$ 27,618,000</u>	<u>\$ 3,562,000</u>	<u>\$ -</u>	<u>\$ 31,180,000</u>

Fair Value Measurements as of June 30, 2022:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money Market Funds	\$ -	\$ 263,000	\$ -	\$ 263,000
Corporate Obligations	-	1,356,000	-	1,356,000
Common Equity Securities	4,160,000	-	-	4,160,000
Equity Mutual Funds	9,618,000	-	-	9,618,000
Fixed Income Mutual Funds	-	1,987,000	-	1,987,000
Exchange Traded Funds	<u>11,399,000</u>	<u>-</u>	<u>-</u>	<u>11,399,000</u>
	<u>\$ 25,177,000</u>	<u>\$ 3,606,000</u>	<u>\$ -</u>	<u>\$ 28,783,000</u>

Rate of Return

For the fiscal years ended June 30, 2023 and June 30, 2022, the annual money-weighted rate of return on the OPEB Plan Trust Fund investments, net of investment expenses, was (14.3%) and 27.9%, 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, 2023 and 2022

NOTE FOUR – UTILITY PLANT

Electric utility plant assets activity for the year ended June 30, 2023 was as follows (in thousands):

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2023</u>
Electric Asset Costs				
Non-Depreciable Assets:				
Land & Land Rights	\$ 6,490	\$ -	\$ -	\$ 6,490
Construction Work in Progress	24,487	14,359	(2,404)	36,442
Depreciable Assets:				
Intangible Plant	38	-	(13)	25
Transmission	50,608	990	(2,942)	48,656
Distribution	753,492	50,625	(21,331)	782,786
Buildings & Improvements	66,600	13	(3,655)	62,958
Furniture, Fixtures & Equipment	<u>70,735</u>	<u>3,004</u>	<u>(6,935)</u>	<u>66,804</u>
Electric Total Asset Cost	\$ 972,450	\$ 68,991	\$ (37,280)	\$ 1,004,161
Electric Accumulated Depreciation				
Intangible Plant	\$ 7	\$ 3	\$ (10)	\$ -
Transmission	25,802	1,669	(3,077)	24,394
Distribution	249,184	32,530	(22,438)	259,276
Buildings & Improvements	20,191	2,240	(3,558)	18,873
Furniture, Fixtures & Equipment	<u>50,975</u>	<u>8,211</u>	<u>(6,888)</u>	<u>52,298</u>
Electric Total Accumulated Depreciation	\$ 346,159	\$ 44,653	\$ (35,971)	\$ 354,841
Electric Total Net Utility Plant	\$ 626,291	\$ 24,338	\$ (1,309)	\$ 649,320

Fiber Optics utility plant assets activity for the year ended June 30, 2023 was as follows (in thousands):

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2023</u>
Fiber Optics Asset Costs				
Non-Depreciable Assets:				
Construction Work in Progress	\$ 3,733	\$ 5,110	\$ (239)	\$ 8,604
Depreciable Assets:				
Central Office Equipment	28,499	928	(7,342)	22,085
Information Origination/Termination	14,866	2,658	(3,132)	14,392
Furniture, Fixtures & Equipment	7,792	53	(1,514)	6,331
Customer Premise Wiring	101,771	8,040	(2,584)	107,227
Customer Premise Equipment	<u>13,901</u>	<u>5,692</u>	<u>(10,212)</u>	<u>9,381</u>
Fiber Optics Total Asset Cost	\$ 170,562	\$ 22,481	\$ (25,023)	\$ 168,020

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE FOUR – UTILITY PLANT (Continued)

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2023</u>
Fiber Optic Accumulated Depreciation				
Central Office Equipment	\$ 17,440	\$ 3,047	\$ (7,342)	\$ 13,145
Information Origination/Termination	8,990	2,817	(3,132)	8,675
Furniture, Fixtures & Equipment	3,933	895	(1,514)	3,314
Customer Premise Wiring	48,341	10,426	(2,584)	56,183
Customer Premise Equipment	<u>6,000</u>	<u>4,564</u>	<u>(10,137)</u>	<u>427</u>
Fiber Optic Total Accumulated Depreciation	<u>\$ 84,704</u>	<u>\$ 21,749</u>	<u>\$ (24,709)</u>	<u>\$ 81,744</u>
Fiber Optic Total Net Utility Plant	<u>\$ 85,858</u>	<u>\$ 732</u>	<u>\$ (314)</u>	<u>\$ 86,276</u>
Total Net Utility Plant	<u>\$ 712,149</u>	<u>\$ 25,070</u>	<u>\$ (1,623)</u>	<u>\$ 735,596</u>

Electric utility plant assets activity for the year ended June 30, 2022 was as follows (in thousands):

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2022</u>
Electric Asset Costs				
Non-Depreciable Assets:				
Land & Land Rights	\$ 6,499	\$ -	\$ (9)	\$ 6,490
Construction Work in Progress	35,555	7,815	(18,883)	24,487
Depreciable Assets:				
Intangible Plant	51	-	(13)	38
Transmission	51,319	1,264	(1,975)	50,608
Distribution	727,093	47,257	(20,858)	753,492
Buildings & Improvements	65,614	3,088	(2,102)	66,600
Furniture, Fixtures & Equipment	<u>80,561</u>	<u>5,513</u>	<u>(15,339)</u>	<u>70,735</u>
Electric Total Asset Cost	<u>\$ 966,692</u>	<u>\$ 64,937</u>	<u>\$ (59,179)</u>	<u>\$ 972,450</u>
Electric Accumulated Depreciation				
Intangible Plant	\$ 16	\$ 4	\$ (13)	\$ 7
Transmission	26,094	1,775	(2,067)	25,802
Distribution	239,517	31,403	(21,736)	249,184
Buildings & Improvements	20,084	2,209	(2,102)	20,191
Furniture, Fixtures & Equipment	<u>57,714</u>	<u>8,848</u>	<u>(15,587)</u>	<u>50,975</u>
Electric Total Accumulated Depreciation	<u>\$ 343,425</u>	<u>\$ 44,239</u>	<u>\$ (41,505)</u>	<u>\$ 346,159</u>
Electric Total Net Utility Plant	<u>\$ 623,267</u>	<u>\$ 20,698</u>	<u>\$ (17,674)</u>	<u>\$ 626,291</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE FOUR – UTILITY PLANT (Continued)

Fiber Optics utility plant assets activity for the year ended June 30, 2022 was as follows (in thousands):

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2022</u>
Fiber Optics Asset Costs				
Non-Depreciable Assets:				
Construction Work in Progress	\$ 25	\$ 4,277	\$ (569)	\$ 3,733
Depreciable Assets:				
Central Office Equipment	30,656	277	(2,434)	28,499
Information Origination/Termination	12,772	1,982	(23)	14,731
Cable & Wire Facilities	135	-	-	135
Furniture, Fixtures & Equipment	8,559	256	(1,023)	7,792
Customer Premise Wiring	98,955	5,413	(2,597)	101,771
Customer Premise Equipment	<u>15,778</u>	<u>2,836</u>	<u>(4,713)</u>	<u>13,901</u>
Fiber Optics Total Asset Cost	\$ 166,880	\$ 15,041	\$ (11,359)	\$ 170,562
Fiber Optic Accumulated Depreciation				
Central Office Equipment	\$ 16,427	\$ 3,447	\$ (2,434)	\$ 17,440
Information Origination/Termination	6,359	2,635	(23)	8,971
Cable & Wire Facilities	19	-	-	19
Furniture, Fixtures & Equipment	3,950	643	(660)	3,933
Customer Premise Wiring	40,942	9,996	(2,597)	48,341
Customer Premise Equipment	<u>6,794</u>	<u>3,870</u>	<u>(4,664)</u>	<u>6,000</u>
Fiber Optic Total Accumulated Depreciation	\$ 74,491	\$ 20,591	\$ (10,378)	\$ 84,704
Fiber Optic Total Net Utility Plant	\$ 92,389	\$ (5,550)	\$ (981)	\$ 85,858
Total Net Utility Plant	\$ 715,656	\$ 15,148	\$ (18,655)	\$ 712,149

The estimated useful lives of capital assets are as follows:

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

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE FOUR – UTILITY PLANT (Continued)

Depreciation expense for the Electric System was approximately \$44.7 million and \$44.2 million for the fiscal years ended June 30, 2023 and 2022, respectively. This depreciation expense includes automotive equipment depreciation which is included in other operation expenses of approximately \$1.3 million and \$0.8 million for the fiscal years ended June 30, 2023 and 2022. Depreciation expense for the Fiber Optics System was approximately \$21.7 million and \$20.6 million for the fiscal years ended June 30, 2023 and 2022, respectively.

NOTE FIVE – DEBT

Long-term debt for the year ended June 30, 2023 is as follows (in thousands):

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Balance at June 30, 2022	Repayments, Amortization or Accretion	Additions	Refunded	Balance at June 30, 2023	Current Amount Due
Electric System										
<u>BONDS PAYABLE</u>										
Electric System Refunding Revenue Bonds, 2015 Series A	\$ 218,855	2.875%- 5.00%	8/31/2015	9/1/2033	\$ 180,845	\$ (10,545)	\$ -	\$ -	\$ 170,300	\$ 11,160
Electric System Refunding Revenue Bonds, 2015 Series B	15,355	3.05%- 3.375%	8/31/2015	9/1/2025	6,310	(1,635)	-	-	4,675	1,595
Electric System Refunding Revenue Bonds, 2015 Series C	25,880	4.00%- 5.00%	8/35/2015	9/1/2040	25,085	(835)	-	-	24,250	870
Electric System Revenue Bonds, 2021	71,080	2.00%- 4.00%	6/29/2021	9/1/2041	71,080	-	-	-	71,080	-
Total Bonds Payable					<u>\$ 283,320</u>	<u>\$ (13,015)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,305</u>	<u>\$ 13,625</u>
Unamortized premium/(discount)					<u>25,017</u>	<u>(1,974)</u>	<u>-</u>	<u>-</u>	<u>23,043</u>	<u>-</u>
Total Debt					<u>\$ 308,337</u>	<u>\$ (14,989)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,348</u>	<u>\$ 13,625</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE FIVE – DEBT (Continued)

Long-term debt for the year ended June 30, 2022 is as follows (in thousands):

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Balance at June 30, 2021</u>	<u>Repayments, Amortization or Accretion</u>	<u>Additions</u>	<u>Refunded</u>	<u>Balance at June 30, 2022</u>	<u>Current Amount Due</u>
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	\$ 190,815	\$ (9,970)	\$ -	\$ -	\$ 180,845	\$ 10,545
Electric System Refunding Revenue Bonds, 2015 Series B	15,355	2.90% - 3.375%	8/31/2015	9/1/2025	7,985	(1,675)	-	-	6,310	1,635
Electric System Refunding Revenue Bonds, 2015 Series C	25,880	4.0% - 5.0%	8/31/2015	9/1/2040	25,880	(795)	-	-	25,085	835
Electric System Revenue Bonds, 2021	71,080	2.0%-4.0%	6/29/2021	9/1/2041	71,080	-	-	-	71,080	-
Total Bonds Payable					<u>\$ 295,760</u>	<u>\$ (12,440)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,320</u>	<u>\$ 13,015</u>
Unamortized premium/(discount)					26,990	(1,973)	-	-	25,017	-
Total Debt					<u><u>\$ 322,750</u></u>	<u><u>\$ (14,413)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 308,337</u></u>	<u><u>\$ 13,015</u></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):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 13,625	\$ 9,921	\$ 23,546
2025	14,285	9,249	23,534
2026	14,955	8,534	23,489
2027	15,730	8,018	23,748
2028	16,205	7,517	23,722
2029-2033	91,475	25,712	117,187
2034-2038	60,265	8,550	68,815
2039-2042	<u>43,765</u>	<u>1,689</u>	<u>45,454</u>
Total	<u><u>\$ 270,305</u></u>	<u><u>\$ 79,190</u></u>	<u><u>\$ 349,495</u></u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE FIVE – DEBT (Continued)

In 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. As of June 30, 2023, there were no remaining balances related to these Series 2021 bonds.

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, 2023, 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, 2023 was 3.3x.

EPB maintained a \$50 million bank line of credit with the execution of an Electric System Revenue Anticipation Note in FY 2023 and 2022. 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 2024 and bears an interest rate of 30-day SOFR plus 0.50%. As of June 30, 2023, there were no amounts outstanding on the note.

NOTE SIX – OTHER LONG-TERM LIABILITIES

Sick leave liabilities are composed of short-term and long-term portions. Short-term sick leave liability is included in current liabilities in the other current liabilities category, and long-term sick leave liability is included in long-term liabilities in the other non-current liabilities category. During the fourth quarter of each calendar 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 \$173,000 and \$168,000 at June 30, 2023 and 2022, respectively. Also, employees were eligible to be paid upon retirement at the rate of 38% for accumulated sick leave hours at June 30, 2023 and 2022, 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 \$352,000 and \$404,000 at June 30, 2023 and 2022, respectively.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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 hired before January 1, 2022 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, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Inactive employees or beneficiaries currently receiving benefits	18	16
Inactive employees or beneficiaries but not yet receiving benefits	168	167
Active employees	<u>557</u>	<u>516</u>
Total	<u><u>743</u></u>	<u><u>699</u></u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE SEVEN – EMPLOYEE BENEFIT PLANS (Continued)

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 14.6% and 14.8% of annual covered payroll as of August 1, 2022 and 2021, respectively.

Net Pension Liability

EPB's net pension liability was measured as of July 31, 2022 (for FY 2023) and 2021 (for FY 2022), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 1, 2022 and 2021, 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	3.00% 2022; 1.50% 2021
Salary increase	3.00%
Investment rate of return	6.50%

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

The actuarial assumptions used in the August 1, 2022 valuation were based on the results of an actuarial experience study for the period August 1, 2019 - July 31, 2022. The actuarial assumptions used in the August 1, 2021 valuation were based on the results of an actuarial experience study for the period August 1, 2018 - July 31, 2021.

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 2023 and FY 2022. 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, 2023 and 2022

NOTE SEVEN – EMPLOYEE BENEFIT PLANS (Continued)

Financial Statements

As of June 30, 2023 and June 30, 2022, the Plan's statement of fiduciary net position for the Plan year ended July 31, 2022 and July 31, 2021, was as follows (in thousands):

	<u>July 31, 2022</u>	<u>July 31, 2021</u>
ASSETS		
Interest receivable	\$ 2,183,000	\$ 148,000
Investments at fair value:		
Money market funds	11,784,000	15,768,000
Corporate obligations	3,129,000	3,010,000
Common equity securities	7,162,000	9,522,000
Equity mutual funds	16,143,000	23,026,000
Fixed income mutual funds	1,532,000	3,324,000
Exchange traded funds	<u>20,561,000</u>	<u>21,217,000</u>
	<u>60,311,000</u>	<u>75,867,000</u>
TOTAL ASSETS	<u>\$ 62,494,000</u>	<u>\$ 76,015,000</u>
NET POSITION		
Net position restricted for pension benefits	<u>\$ 62,494,000</u>	<u>\$ 76,015,000</u>
TOTAL NET POSITION	<u>\$ 62,494,000</u>	<u>\$ 76,015,000</u>
As of June 30, 2023 and June 30, 2022, the Plan's statement of changes in fiduciary net position for the Plan year ended July 31, 2022 and July 31, 2021, was as follows (in thousands):		
	<u>July 31, 2022</u>	<u>July 31, 2021</u>
ADDITIONS		
Contributions:		
Employers	\$ 7,000,000	\$ 15,500,000
Investment earnings:		
Net appreciation (depreciation) in fair value of investments	(5,647,000)	12,250,000
Interest and dividends	<u>598,000</u>	<u>498,000</u>
Total investment earnings (loss)	(5,049,000)	12,748,000
Less investment costs:		
Investment expenses	<u>161,000</u>	<u>122,000</u>
Net investment earnings (loss)	<u>(5,210,000)</u>	<u>12,626,000</u>
Total additions	<u>1,790,000</u>	<u>28,126,000</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	15,280,000	9,994,000
Administrative expenses	<u>31,000</u>	<u>29,000</u>
Total deductions	<u>15,311,000</u>	<u>10,023,000</u>
CHANGE IN FIDUCIARY NET POSITION	(13,521,000)	18,103,000
NET POSITION, BEGINNING OF YEAR	<u>76,015,000</u>	<u>57,912,000</u>
NET POSITION, END OF YEAR	<u>\$ 62,494,000</u>	<u>\$ 76,015,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE SEVEN – EMPLOYEE BENEFIT PLANS (Continued)

The following table shows the changes in the net pension liability as of June 30, 2023 and June 30, 2022 for the Plan Year ended July 31, 2022 and July 31, 2021 (in thousands):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2022	\$ 83,762	\$ 76,015	\$ 7,747
Changes for the year:			
Service cost	4,728	-	4,728
Interest	5,445	-	5,445
Difference between expected and actual experience	5,233	-	5,233
Assumption changes	-	-	-
Contributions – employer	-	7,000	(7,000)
Net investment income	-	(5,210)	5,210
Benefits payments, include refund of employee contributions	(15,280)	(15,280)	-
Administrative expenses	-	(31)	31
Net changes	<u>126</u>	<u>(13,521)</u>	<u>13,647</u>
Balances at 6/30/2023	<u>\$ 83,888</u>	<u>\$ 62,494</u>	<u>\$ 21,394</u>
Balances at 6/30/2021	\$ 82,384	\$ 57,912	\$ 24,472
Changes for the year:			
Service cost	4,826	-	4,826
Interest	5,355	-	5,355
Difference between expected and actual experience	1,191	-	1,191
Assumption changes	-	-	-
Contributions – employer	-	15,500	(15,500)
Net investment income	-	12,626	(12,626)
Benefits payments, include refund of employee contributions	(9,994)	(9,994)	-
Administrative expenses	-	(29)	29
Net changes	<u>1,378</u>	<u>18,103</u>	<u>(16,725)</u>
Balances at 6/30/2022	<u>\$ 83,762</u>	<u>\$ 76,015</u>	<u>\$ 7,747</u>

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

Net pension position as of June 30, 2023

1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 35,722	\$ 21,394	\$ 9,616

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE SEVEN – EMPLOYEE BENEFIT PLANS (Continued)

Net pension position as of June 30, 2022

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$	21,629	7,747	(3,701)

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

For the year ended June 30, 2023, EPB recognized pension expense of \$8.3 million. At June 30, 2023, 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
Difference between expected and actual experience	\$ 14,824	\$ -
Changes in assumptions	7,630	-
Net difference between projected and actual earnings on pension plan investments	<u>3,111</u>	<u>-</u>
Total	<u>\$ 25,565</u>	<u>\$ -</u>

For the year ended June 30, 2022, EPB recognized pension expense of \$6.8 million. At June 30, 2022, 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
Difference between expected and actual experience	\$ 10,811	\$ -
Changes in assumptions	8,254	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>5,862</u>
Total	<u>\$ 19,065</u>	<u>\$ 5,862</u>

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

<u>Fiscal year ended June 30,</u>			
2024	\$	2,543	
2025		2,229	
2026		1,939	
2027		3,775	
2028		1,844	
Thereafter		<u>13,235</u>	
	\$	<u>25,565</u>	

Payable to the Pension Plan

At June 30, 2023 and 2022, EPB reported no payable balances for required outstanding contributions to the Plan.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE SEVEN – EMPLOYEE BENEFIT PLANS (Continued)

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, 2022, this Actuarial Accrued Liability has been calculated to be \$60.3 million; with the Actuarial Value of Plan Assets being \$62.5 million. As of August 1, 2021, this Actuarial Accrued Liability has been calculated to be \$62.0 million; with the Actuarial Value of Plan Assets being \$76.0 million. Therefore, the Actuarial Accrued Liability strictly devoted to past service and compensation has been fully covered by plan assets as of August 1, 2022.

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 2023 and 2022. Employee contributions were approximately \$4.2 million in both fiscal years 2023 and 2022.

All employees hired after January 1, 2022, are also eligible for an annual employer contribution of 6.0% of their eligible wages. This employer contributions are made annually in January based on prior year eligible wages. Employees are vested in this contribution after five complete years of employment. During fiscal year 2023, EPB contributed \$0.2 million to employees.

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.

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.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE EIGHT – POST-EMPLOYMENT BENEFITS (Continued)

Employees Covered by Benefit Terms

The following table details number of employees that were covered by the benefit terms, as of June 30, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Inactive employees or beneficiaries currently receiving benefits	438	452
Inactive employees or beneficiaries but not yet receiving benefits	66	62
Active employees	<u>708</u>	<u>668</u>
Total	<u>1,212</u>	<u>1,182</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 2023 are as shown in the table below:

Category	Retirement Pre-March 1, 1991	Post – March 1, 1991 Years of Service/Percent of Contributions				
		5-9/85%	10-14,75%	15-19/55%	20-24/35%	25+/15%
Pre-Age 65, EPO						
Individual	\$ -	\$ 612.00	\$ 540.00	\$ 396.00	\$ 252.00	\$ 108.00
Employee +1	-	1,230.80	1,086.00	796.40	506.80	217.20
Family	-	1,842.80	1,626.00	1,192.40	758.80	325.20
Pre-Age 65, PPO						
Individual	-	489.60	432.00	316.80	201.60	86.40
Employee +1	-	979.20	864.00	633.60	403.20	172.80
Family	-	1,468.80	1,296.00	950.40	604.80	259.20
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

(Continued)

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE EIGHT – POST-EMPLOYMENT BENEFITS (Continued)

Contribution rates for FY 2022 are as shown in the table below:

Category	Retirement Pre-March 1, 1991	Post – March 1, 1991 Years of Service/Percent of Contributions				
		5-9/85%	10-14,75%	15-19/55%	20-24/35%	25+/15%
Pre-Age 65, EPO						
Individual	\$ -	\$ 511.08	\$ 450.95	\$ 330.70	\$ 210.44	\$ 90.19
Employee +1	-	1,022.17	901.91	661.40	420.89	180.38
Family	-	1,533.22	1,352.86	992.10	631.34	270.57
Pre-Age 65, PPO						
Individual	-	408.47	360.76	264.56	168.36	72.15
Employee +1	-	817.73	721.53	529.12	336.71	144.31
Family	-	1,226.59	1,082.29	793.68	505.07	216.46
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's contributions are calculated based on an actuarially determined rate, which is 4.3% and 3.7% of annual covered payroll as of June 30, 2022 and 2021, respectively.

Net OPEB Liability

EPB's net OPEB liability was measured as of June 30, 2022 (for FY 2023) and 2021 (for FY 2022), 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>2023</u>	<u>2022</u>
Healthcare cost trend	6.0% initial, 4.0% ultimate	6.5% 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, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2022. The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2021.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE EIGHT – POST-EMPLOYMENT BENEFITS (Continued)

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	25 – 40%	6.0%
Fixed income	15 – 25%	4.0%
Real estate	0 – 15%	6.0%
Cash	0 – 10%	0.5%

Financial Statements

As of June 30, 2023 and June 30, 2022, the Plan’s statement of fiduciary net position was as follows (in thousands):

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
ASSETS		
Interest receivable	\$ 44,000	\$ 21,000
Investments at fair value:		
Money market funds	163,000	263,000
Corporate obligations	1,361,000	1,356,000
Common equity securities	4,806,000	4,160,000
Equity mutual funds	10,749,000	9,618,000
Fixed income mutual funds	2,038,000	1,987,000
Exchange traded funds	<u>12,063,000</u>	<u>11,399,000</u>
	<u>31,180,000</u>	<u>28,783,000</u>
TOTAL ASSETS	<u>\$ 31,224,000</u>	<u>\$ 28,804,000</u>
NET POSITION		
Net position restricted for pension benefits	<u>\$ 31,224,000</u>	<u>\$ 28,804,000</u>
TOTAL NET POSITION	<u>\$ 31,224,000</u>	<u>\$ 28,804,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE EIGHT – POST-EMPLOYMENT BENEFITS (Continued)

As of June 30, 2023 and June 30, 2022, the Plan’s statement of changes in fiduciary net position was as follows (in thousands):

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
ADDITIONS		
Investment earnings:		
Net appreciation (depreciation) in fair value of investments	\$ 2,290,000	\$ (5,046,000)
Interest and dividends	<u>252,000</u>	<u>309,000</u>
Total investment earnings (loss)	2,542,000	(4,737,000)
Less investment costs:		
Investment expenses	<u>57,000</u>	<u>76,000</u>
Net investment earnings (loss)	<u>2,485,000</u>	<u>(4,813,000)</u>
Total additions	<u>2,485,000</u>	<u>(4,813,000)</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	45,000	35,000
Administrative expenses	<u>20,000</u>	<u>23,000</u>
Total deductions	<u>65,000</u>	<u>58,000</u>
CHANGE IN FIDUCIARY NET POSITION	2,420,000	(4,871,000)
NET POSITION, BEGINNING OF YEAR	<u>28,804,000</u>	<u>33,675,000</u>
NET POSITION, END OF YEAR	<u>\$ 31,224,000</u>	<u>\$ 28,804,000</u>

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that EPB contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE EIGHT – POST-EMPLOYMENT BENEFITS (Continued)

The following table shows the changes in the net OPEB liability (asset) as of June 30, 2023 and June 30, 2022 for the Plan Year ended June 30, 2022 and June 30, 2021 (in thousands):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) – (b)
Balances at 6/30/2022	\$ 24,696	\$ 33,675	\$ (8,979)
Changes for the year:			
Service cost	925	-	925
Interest	1,605	-	1,605
Difference between expected and actual experience	2,402	-	2,402
Assumption changes	-	-	-
Contributions – employer	-	2,067	(2,067)
Net investment income	-	(4,813)	4,813
Benefits payments, include refund of employee contributions	(2,102)	(2,102)	-
Administrative expenses	-	(23)	23
Net changes	<u>2,830</u>	<u>(4,871)</u>	<u>7,701</u>
Balances at 6/30/2023	<u>\$ 27,526</u>	<u>\$ 28,804</u>	<u>\$ (1,278)</u>
Balances at 6/30/2021	\$ 24,447	\$ 26,405	\$ (1,958)
Changes for the year:			
Service cost	943	-	943
Interest	1,589	-	1,589
Difference between expected and actual experience	(433)	-	(433)
Assumption changes	-	-	-
Contributions – employer	-	1,796	(1,796)
Net investment income	-	7,345	(7,345)
Benefits payments, include refund of employee contributions	(1,850)	(1,850)	-
Administrative expenses	-	(21)	21
Net changes	<u>249</u>	<u>7,270</u>	<u>(7,021)</u>
Balances at 6/30/2022	<u>\$ 24,696</u>	<u>\$ 33,675</u>	<u>\$ (8,979)</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE EIGHT – POST-EMPLOYMENT BENEFITS (Continued)

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

Net OPEB liability (asset) as of June 30, 2023

1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 1,749	\$ (1,278)	\$ (3,842)

Net OPEB liability (asset) as of June 30, 2022

1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ (6,213)	\$ (8,979)	\$ (11,318)

The following presents the net OPEB liability (asset) of the Plan, calculated using the healthcare trend rate of 6.0 percent decreasing to an ultimate 4.0 percent for FY 2023 and 6.5 percent decreasing to an ultimate 4.0 percent for FY 2022, 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 (5.0 percent decreasing to 3.0 percent FY 2023; 5.5 percent decreasing to 3.0 percent FY 2022) or 1-percentage-point higher (7.0 percent decreasing to 5.0 percent FY 2023; 7.5 percent decreasing to 5.0 percent FY 2022) than the current rate (in thousands):

Net OPEB liability (asset) as of June 30, 2023

1% Decrease (5.0% decreasing to 3.0%)	Healthcare Trend Rate (6.0% decreasing to 4.0%)	1% Increase (7.0% decreasing to 5.0%)
\$ (4,179)	\$ (1,278)	\$ 2,277

Net OPEB liability (asset) as of June 30, 2022

1% Decrease (5.5% decreasing to 3.0%)	Healthcare Trend Rate (6.5% decreasing to 4.0%)	1% Increase (7.5% decreasing to 5.0%)
\$ (11,608)	\$ (8,979)	\$ (5,759)

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, 2022 and 2021.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE EIGHT – POST-EMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2023, EPB recognized an OPEB revenue of \$0.5 million. At June 30, 2023, 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
Difference between expected and actual experience	\$ 5,197	\$ (4,176)
Changes in assumptions	-	(4,484)
Net difference between projected and actual earnings on OPEB plan investments	2,919	-
Contributions subsequent to the measurement date	2,844	-
Total	\$ 10,960	\$ (8,660)

For the year ended June 30, 2022, EPB recognized an OPEB revenue of \$0.8 million. At June 30, 2022, 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
Difference between expected and actual experience	\$ 3,255	\$ (4,668)
Changes in assumptions	-	(4,934)
Net difference between projected and actual earnings on OPEB plan investments	-	(3,476)
Contributions subsequent to the measurement date	2,068	-
Total	\$ 5,323	\$ (13,078)

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

<u>Fiscal year ended June 30,</u>		
2024	\$	176
2025		114
2026		(206)
2027		921
2028		(478)
Thereafter		(1,071)
	\$	(544)

Deferred outflows of resources totaling \$2.8 million represent contributions made after the Plan's valuation date. These contributions will be used to reduce the net OPEB liability during 2024.

Payable to the OPEB Plan

At June 30, 2023 and 2022, EPB reported no payable balances for required outstanding contributions to the Plan.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

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

EPB is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. With respect to operations within the state of Tennessee, EPB is a governmental entity and, to the extent that a tort claim is asserted, operates pursuant to the Tennessee Governmental Tort Liability Act (TNGTLA), T.C.A. § 29-20-101 et seq. The TNGTLA provides maximum liability limits for EPB of Three Hundred Thousand Dollars (\$300,000) for bodily injury or death of any one person in any one accident, occurrence or act and Seven Hundred Thousand Dollars (\$700,000) for bodily injury or death of all persons in any one accident, occurrence or act and to a limit of One Hundred Thousand Dollars (\$100,000) for injury to or destruction of property of others in any one accident, occurrence or act.

EPB is immune from certain Tennessee state law tort claims as provided for in the TNGTLA. EPB does not have any such immunity for any federally based claims or claims based in the state of Georgia where it derives less than five percent of its kilowatt-hour sales. EPB does not have any such immunity for its Fiber Optics System operations.

EPB is self-insured for any liability claim related to its Electric System operations but maintains a general liability policy with aggregate limits of \$2,000,000 and an excess liability policy with aggregate limits of \$4,000,000 for its Fiber Optics system operations. EPB maintains a general liability policy for automobile liability claims but is self-insured for any type of property damage related to an automobile claim that might be asserted against it, its officers, employees, and agents for its Fiber Optics System operations. EPB is self-insured for any automobile liability claim for its Electric System operations. There are no significant liability claims outstanding as of June 30, 2023.

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 \$230,000 per covered employee.

Changes in the balances of claims liabilities including costs incurred but not received (IBNR) or these three areas during the fiscal years ended June 30, 2023 and 2022 are as follows (in thousands):

Unpaid claims, June 30, 2021	\$ 2,521
Incurred claims (including IBNRs)	11,518
Claim payments	<u>(10,971)</u>
Unpaid claims, June 30, 2022	3,068
Incurred claims (including IBNRs)	14,056
Claim payments	<u>(13,699)</u>
Unpaid claims, June 30, 2023	<u>\$ 3,425</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE ELEVEN – LEASES

Lessee Transactions

EPB has recorded right to use lease assets as a result of implementing Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB 87). The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The assets are right to use assets for leased towers, copiers, scanners, printers, postage meters, and virtual storage equipment. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Right to use tangible lease activity for the year ended June 30, 2023 is as follows (in thousands):

EPB RIGHT TO USE LEASE ACTIVITY	July 1, 2022	Increases	Decreases	June 30, 2023
Right to use assets				
Leased towers	\$ 147,000	\$ -	\$ -	\$ 147,000
Leased copiers, scanners, and printers	477,000	152,000	-	629,000
Leased postage meters	664,000	-	-	664,000
Leased virtual storage equipment	<u>2,575,000</u>	<u>129,000</u>	-	<u>2,704,000</u>
Total right to use assets	<u>3,863,000</u>	<u>281,000</u>	-	<u>4,144,000</u>
Less accumulated amortization for:				
Leased towers	90,000	47,000	-	137,000
Leased copiers, scanners, and printers	308,000	174,000	-	482,000
Leased postage meters	108,000	121,000	-	229,000
Leased virtual storage equipment	<u>902,000</u>	<u>532,000</u>	-	<u>1,434,000</u>
Total accumulated amortization	<u>1,408,000</u>	<u>874,000</u>	-	<u>2,282,000</u>
Right to use asset, net	<u>\$ 2,455,000</u>	<u>\$ (593,000)</u>	<u>\$ -</u>	<u>\$ 1,862,000</u>

Right to use tangible lease activity for the year ended June 30, 2022 is as follows (in thousands):

EPB RIGHT TO USE LEASE ACTIVITY	July 1, 2021	Increases	Decreases	June 30, 2022
Right to use assets				
Leased towers	\$ 147,000	\$ -	\$ -	\$ 147,000
Leased copiers, scanners, and printers	477,000	-	-	477,000
Leased postage meters	-	664,000	-	664,000
Leased virtual storage equipment	<u>2,575,000</u>	-	-	<u>2,575,000</u>
Total right to use assets	<u>3,199,000</u>	<u>664,000</u>	-	<u>3,863,000</u>
Less accumulated amortization for:				
Leased towers	48,000	42,000	-	90,000
Leased copiers, scanners, and printers	155,000	153,000	-	308,000
Leased postage meters	-	108,000	-	108,000
Leased virtual storage equipment	<u>446,000</u>	<u>456,000</u>	-	<u>902,000</u>
Total accumulated amortization	<u>649,000</u>	<u>759,000</u>	-	<u>1,408,000</u>
Right to use asset, net	<u>\$ 2,550,000</u>	<u>\$ (95,000)</u>	<u>\$ -</u>	<u>\$ 2,455,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE ELEVEN – LEASES (Continued)

Leases Payable related to the right to use assets noted above for the year ended June 30, 2023 is as follows (in thousands):

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Restated Outstanding July 1, 2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Remeasurements</u>	<u>Outstanding at June 30, 2023</u>
Electric System									
<u>LEASES PAYABLE</u>									
Tower Lease	240,000	2.82%	11/1/2013	10/31/2023	\$ 31,000	\$ -	\$ 23,000	\$ -	\$ 8,000
Tower Lease	240,000	2.82%	8/1/2013	7/31/2023	26,000	-	24,000	-	2,000
Copier and Scanner Leases	Various	2.82%	Various	Various	148,000	-	148,000	-	-
Virtual Storage Equipment Lease	Various	2.82%	Various	8/31/2025	1,672,000	129,000	532,000	-	1,269,000
Postage Meter Leases	672,000	2.82%	11/1/2021	10/31/2026	557,000	-	121,000	-	436,000
Printer Leases	203,000	2.82%	Various	Various	21,000	104,000	22,000	-	103,000
Printer Leases	55,680	2.82%	8/31/2022	7/31/2027	-	48,000	4,000	-	44,000
TOTAL LEASES PAYABLE					<u>\$ 2,455,000</u>	<u>\$ 281,000</u>	<u>\$ 874,000</u>	<u>\$ -</u>	<u>\$ 1,862,000</u>

Leases Payable related to the right to use assets noted above for the year ended June 30, 2022 is as follows (in thousands):

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Restated Outstanding July 1, 2021</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Remeasurements</u>	<u>Outstanding at June 30, 2022</u>
Electric System									
<u>LEASES PAYABLE</u>									
Tower Lease	240,000	2.82%	11/1/2013	10/31/2023	\$ 52,000	\$ -	\$ 21,000	\$ -	\$ 31,000
Tower Lease	240,000	2.82%	8/1/2013	7/31/2023	47,000	-	21,000	-	26,000
Copier and Scanner Leases	Various	2.82%	Various	Various	280,000	-	132,000	-	148,000
Virtual Storage Equipment Lease	2,617,000	2.82%	9/1/2020	8/31/2025	2,129,000	-	457,000	-	1,672,000
Postage Meter Leases	672,000	2.82%	11/1/2021	10/31/2026	-	664,000	107,000	-	557,000
Printer Leases	47,358	2.82%	6/1/2021	5/31/2023	42,000	-	21,000	-	21,000
TOTAL LEASES PAYABLE					<u>\$ 2,550,000</u>	<u>\$ 664,000</u>	<u>\$ 759,000</u>	<u>\$ -</u>	<u>\$ 2,455,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE ELEVEN – LEASES (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 741	\$ 44	\$ 785
2025	751	22	773
2026	266	6	272
2027	91	1	92
2028	<u>13</u>	<u>-</u>	<u>13</u>
Total	<u>\$ 1,862</u>	<u>\$ 73</u>	<u>\$ 1,935</u>

Lessor Transactions

EPB has also recorded deferred inflows of resources as a result of implementing GASB 87. The deferred inflows of resources are initially measured at an amount equal to the initial measurement of the related lease receivable plus any lease payments received prior to the lease term less lease incentives. These deferred inflows of resources are related to leased building space, transformers, and fiber optic equipment including telephones, routers, and video equipment. The deferred inflows of resources are recognized as inflows of resources on a straight-line basis over the life of the related lease. Deferred Inflows of Resources as of June 30, 2023 and restated as of June 30, 2022 were \$8.1M and \$8.4M, respectively.

NOTE TWELVE – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Lessee Transactions

EPB has recorded right to use subscription-based assets as a result of implementing Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). The right to use assets are initially measured at an amount equal to the initial measurement of the SBITA liability plus any payments made prior to the contract term and capitalizable implementation costs, less any incentives received at or before the commencement of the contract term. The assets represent right to use assets for contracts that EPB has entered into related to the right to use another party's information technology software.

Right to use SBITA activity for the year ended June 30, 2023 is as follows (in thousands):

<u>EPB RIGHT TO USE SBITA ACTIVITY</u>	<u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>
Right to use assets				
Software-Based Information Technology Arrangements	\$ 4,408,000	\$ 4,513,000	\$ -	\$ 8,921,000
Total right to use assets	<u>4,408,000</u>	<u>4,513,000</u>	<u>-</u>	<u>8,921,000</u>
Less accumulated amortization for:				
Software-Based Information Technology Arrangements	1,115,000	3,018,000	-	4,133,000
Total accumulated amortization	<u>1,115,000</u>	<u>3,018,000</u>	<u>-</u>	<u>4,133,000</u>
Right to use asset, net	<u>\$ 3,293,000</u>	<u>\$ 1,495,000</u>	<u>\$ -</u>	<u>\$ 4,788,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE TWELVE – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (Continued)

Right to use SBITA activity for the year ended June 30, 2022 is as follows (in thousands):

<u>EPB RIGHT TO USE SBITA ACTIVITY</u>	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>
Right to use assets				
Software-Based Information Technology Arrangements	\$ 3,092,000	\$ 1,316,000	\$ -	\$ 4,408,000
Total right to use assets	<u>3,092,000</u>	<u>1,316,000</u>	<u>-</u>	<u>4,408,000</u>
Less accumulated amortization for:				
Software-Based Information Technology Arrangements	-	1,115,000	-	1,115,000
Total accumulated amortization	<u>-</u>	<u>1,115,000</u>	<u>-</u>	<u>1,115,000</u>
Right to use asset, net	<u>\$ 3,092,000</u>	<u>\$ 201,000</u>	<u>\$ -</u>	<u>\$ 3,293,000</u>

SBITA Payable related to the right to use assets noted above for the year ended June 30, 2023 is as follows (in thousands):

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Outstanding at July 1, 2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Remeasurements</u>	<u>Outstanding at June 30, 2023</u>
Electric System									
<u>SBITA PAYABLE</u>									
Software-Based Information Technology Arrangements	\$ Various	2.86%	Various	Various	\$ 2,345,000	\$ 2,938,000	\$ 1,989,000	\$ -	\$ 3,294,000
Total Electric System SBITA Payable					<u>2,345,000</u>	<u>2,938,000</u>	<u>1,989,000</u>	<u>-</u>	<u>3,294,000</u>
Fiber Optics System									
<u>SBITA PAYABLE</u>									
Software-Based Information Technology Arrangements	\$ Various	2.86%	Various	Various	948,000	1,575,000	1,029,000	-	1,494,000
Total Fiber Optics System SBITA Payable					<u>948,000</u>	<u>1,575,000</u>	<u>1,029,000</u>	<u>-</u>	<u>1,494,000</u>
TOTAL SBITA PAYABLE					<u>\$ 3,293,000</u>	<u>\$ 4,513,000</u>	<u>\$ 3,018,000</u>	<u>\$ -</u>	<u>\$ 4,788,000</u>

SBITA Payable related to the right to use assets noted above for the year ended June 30, 2022 is as follows (in thousands):

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Restated Outstanding at July 1, 2021</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Remeasurements</u>	<u>Outstanding at June 30, 2022</u>
Electric System									
<u>SBITA PAYABLE</u>									
Software-Based Information Technology Arrangements	\$ Various	2.86%	Various	Various	\$ 3,091,000	\$ 126,000	\$ 872,000	\$ -	\$ 2,345,000
Total Electric System SBITA Payable					<u>3,091,000</u>	<u>126,000</u>	<u>872,000</u>	<u>-</u>	<u>2,345,000</u>
Fiber Optics System									
<u>SBITA PAYABLE</u>									
Software-Based Information Technology Arrangements	\$ Various	2.86%	Various	Various	-	1,191,000	243,000	-	948,000
Total Fiber Optics System SBITA Payable					<u>-</u>	<u>1,191,000</u>	<u>243,000</u>	<u>-</u>	<u>948,000</u>
TOTAL SBITA PAYABLE					<u>\$ 3,091,000</u>	<u>\$ 1,317,000</u>	<u>\$ 1,115,000</u>	<u>\$ -</u>	<u>\$ 3,293,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE TWELVE – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (Continued)

The future minimum SBITA obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,800	\$ 94	\$ 2,894
2025	1,695	34	1,729
2026	258	3	261
2027	35	1	36
Total	<u>\$ 4,788</u>	<u>\$ 132</u>	<u>\$ 4,920</u>

NOTE THIRTEEN – FEDERAL EMERGENCY MANAGEMENT ASSISTANCE GRANT

During April 2020, EPB sustained extensive power outages and equipment damage as a result of a series of storms and a tornado. EPB incurred costs of approximately \$39.6 million, to restore power to over 60,000 customers. Due to the significance of the storms and the resulting damage, EPB applied for assistance from the Federal Emergency Management Agency (FEMA). At June 30, 2023 and June 30, 2022, EPB included in FEMA grants receivable in the accompanying financial statements \$1.7 million and \$31.7 million, respectively, of approved FEMA grant amounts, which offset incurred maintenance and operating expenses in addition to capital expenditures resulting from the storms. EPB received \$30.0 million related to these grants receivable FY 2023.

During March 2023, EPB sustained major power outages and equipment damage as a result of a storm event that passed through the service area. EPB incurred costs of approximately \$5.2 million to restore power to over 24,000 customers. Due to the significance of the storms and the resulting damage, EPB applied for assistance from FEMA and a declaration has been received that the storm event is eligible for reimbursement of eligible costs. EPB is currently collecting documentation and support for its claim in preparation of a cost reimbursement submission. No revenues or contributions in aid are recorded as of June 30, 2023 for this storm. These reimbursements will be recorded once a final Project Worksheet is issued by FEMA as required by GASB.

REQUIRED SUPPLEMENTARY INFORMATION



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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:									
Service cost	\$ 4,728	\$ 4,826	\$ 4,140	\$ 4,008	\$ 4,052	\$ 3,420	\$ 3,192	\$ 2,766	\$ 2,395
Interest	5,445	5,355	4,906	4,543	4,222	4,432	4,250	4,043	3,637
Differences between expected and actual experience	5,233	1,191	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	(15,280)	(9,994)	(4,910)	(5,100)	(5,963)	(7,178)	(6,569)	(5,237)	(2,455)
Net change in total pension liability	126	1,378	12,298	5,187	4,589	2,134	5,658	4,166	7,185
Total pension liability—beginning	83,762	82,384	70,086	64,899	60,310	58,176	52,518	48,352	41,167
Total pension liability—ending (a)	\$ 83,888	\$ 83,762	\$ 82,384	\$ 70,086	\$ 64,899	\$ 60,310	\$ 58,176	\$ 52,518	\$ 48,352
Plan fiduciary net position:									
Contributions—employer	\$ 7,000	\$ 15,500	\$ 7,940	\$ 5,600	\$ 5,834	\$ 5,825	\$ 7,000	\$ 5,700	\$ 3,630
Net investment income	(5,210)	12,626	2,101	1,792	3,214	4,174	(346)	2,143	5,735
Benefit payments, including refunds of employee contributions	(15,280)	(9,994)	(4,910)	(5,100)	(5,963)	(7,178)	(6,569)	(5,237)	(2,455)
Administrative expense	(31)	(29)	(25)	(24)	(55)	(74)	(74)	(74)	(87)
Net change in plan fiduciary net position	(13,521)	18,103	5,106	2,268	3,030	2,747	11	2,532	6,823
Plan fiduciary net position—beginning	76,015	57,912	52,806	50,538	47,508	44,761	44,750	42,218	35,395
Plan fiduciary net position—ending (b)	\$ 62,494	\$ 76,015	\$ 57,912	\$ 52,806	\$ 50,538	\$ 47,508	\$ 44,761	\$ 44,750	\$ 42,218
Plan's net pension liability—ending (a) – (b)	\$ 21,394	\$ 7,747	\$ 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	74.50%	90.75%	70.30%	75.34%	77.87%	78.77%	76.94%	85.21%	87.31%
Covered payroll	\$ 45,216	\$ 46,760	\$ 43,578	\$ 42,079	\$ 40,978	\$ 37,196	\$ 35,296	\$ 34,481	\$ 32,127
Net pension liability as a percentage of covered payroll	47.32%	16.57%	56.16%	41.07%	35.05%	34.42%	38.01%	22.53%	19.09%

Notes to Schedule:

Benefit changes: None.

Changes of assumptions: None

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 6,960	\$ 6,692	\$ 7,482	\$ 5,927	\$ 5,597	\$ 5,573	\$ 5,059	\$ 4,447	\$ 3,562	\$ 3,646
Contributions in relation to the actuarially determined contribution	7,000	15,500	7,500	5,940	5,600	5,584	5,075	4,500	3,700	3,630
Contribution deficiency (excess)	<u>\$ (40)</u>	<u>\$ (8,808)</u>	<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	\$ 47,674	\$ 45,216	\$ 46,760	\$ 43,578	\$ 42,079	\$ 40,978	\$ 37,196	\$ 35,296	\$ 34,481	\$ 32,127
Contributions as a percentage of covered payroll	14.68%	34.28%	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	Aggregate
Asset valuation method	Three year smoothing of capital gains (losses) with 20% corridor of current fair market value
Inflation	1.5%
Investment rate of return	6.5% - 2023 - 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.

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF INVESTMENT RETURNS - PENSION TRUST FUND
LAST 10 FISCAL YEARS

Annual money-weighted rate of return	2023	2022	2021	2020	2019	2018	2017	2016	2015
	-10.50%	23.90%	4.30%	3.60%	6.80%	10.00%	-0.90%	5.00%	16.10%

Notes to Schedule:

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

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

	2023	2022	2021	2020	2019	2018
Total OPEB liability:						
Service cost	\$ 925	\$ 943	\$ 950	\$ 1,218	\$ 1,250	\$ 1,191
Interest	1,605	1,589	1,533	1,609	1,686	1,851
Differences between expected and actual experience	2,402	(433)	518	3,583	(2,537)	(3,860)
Changes of assumptions	-	-	(447)	(5,800)	-	-
Benefit payments, including refunds of employee contributions	(2,102)	(1,850)	(1,688)	(1,775)	(1,603)	(1,716)
Net change in total OPEB liability	2,830	249	866	(1,165)	(1,204)	(2,534)
Total OPEB liability—beginning	24,696	24,447	23,581	24,746	25,950	28,484
Total OPEB liability—ending (a)	\$ 27,526	\$ 24,696	\$ 24,447	\$ 23,581	\$ 24,746	\$ 25,950
Plan fiduciary net position:						
Contributions—employer	\$ 2,067	\$ 1,796	\$ 1,663	\$ 1,720	\$ 1,582	\$ 1,686
Net investment income	(4,813)	7,345	113	1,313	1,780	2,495
Benefit payments, including refunds of employee contributions	(2,102)	(1,850)	(1,688)	(1,775)	(1,603)	(1,716)
Administrative expense	(23)	(21)	(20)	(19)	(39)	(49)
Net change in plan fiduciary net position	(4,871)	7,270	68	1,239	1,720	2,416
Plan fiduciary net position—beginning	33,675	26,405	26,337	25,098	23,378	20,962
Plan fiduciary net position—ending (b)	\$ 28,804	\$ 33,675	\$ 26,405	\$ 26,337	\$ 25,098	\$ 23,378
Plan's net OPEB liability (asset)—ending (a) – (b)	\$ (1,278)	\$ (8,979)	\$ (1,958)	\$ (2,756)	\$ (352)	\$ 2,572
Plan fiduciary net position as a percentage of the total OPEB liability	104.64%	136.36%	108.01%	111.69%	101.42%	90.09%
Covered-employee payroll	\$ 48,441	\$ 48,884	\$ 48,790	\$ 46,282	\$ 43,270	\$ 42,611
Net OPEB liability (asset) as a percentage of covered-employee payroll	-2.64%	-18.37%	-4.01%	-5.95%	-0.81%	6.04%
Annual money-weighted rate of return	-14.30%	27.90%	0.40%	5.30%	7.60%	12.00%

Notes to Schedule:

Benefit changes: None.

Changes of assumptions: The estimated Healthcare Cost Trend was changed during FY 2021 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.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer Contributions	\$ 2,067	\$ 1,796	\$ 1,663	\$ 1,720	\$ 1,582	\$ 1,686
Covered payroll	\$ 48,441	\$ 48,884	\$ 48,790	\$ 46,282	\$ 43,270	\$ 42,611
Contributions as a percentage of covered payroll	4.27%	3.67%	3.41%	3.72%	3.66%	3.96%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Asset valuation method	Fair Market Value
Inflation	1.5%
Health Cost Trend Rate	6.0% initial, 4.0% ultimate - 2023; 6.5% initial, 4.0% ultimate - 2022; 7.0% initial, 4.0% ultimate - 2021; 7.5% initial, 4.0% ultimate - 2020; 7.5% initial, 5.5% ultimate - 2019 and 2018
Investment rate of return	6.5%
Retirement age	3% per year for ages 57-61, 20% at age 62, 10% at ages 63 and 64, and 100% at age 65
Mortality	In the 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 INVESTMENT RETURNS - OPEB TRUST FUND
LAST 10 FISCAL YEARS
(in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return	-14.30%	27.90%	0.40%	5.30%	7.60%	12.00%

Notes to Schedule:

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

SUPPLEMENTARY INFORMATION



ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 116,889,000	\$ 127,532,000
Investments	1,196,000	1,987,000
Accounts receivable, less allowance for doubtful accounts of \$1,106,000 and \$1,483,000 in 2023 and 2022, respectively	25,519,000	25,012,000
Unbilled electric sales	33,681,000	42,791,000
Materials and supplies, at average cost	27,724,000	23,252,000
Prepayments and other current assets	6,801,000	6,609,000
Leases receivable, current	331,000	282,000
Total Current Assets	212,141,000	227,465,000
NON-CURRENT ASSETS		
Investments	920,000	101,000
Utility plant - Utility plant	1,004,161,000	972,450,000
Less - accumulated provision for depreciation	(354,841,000)	(346,159,000)
Net utility plant	649,320,000	626,291,000
Right to use leased assets, net of amortization	1,862,000	2,455,000
Right to use subscription assets, net of amortization	3,294,000	2,345,000
FEMA grant receivable	1,679,000	31,679,000
Accrued post-employment benefit asset	1,135,000	8,323,000
Leases receivable, non-current	2,538,000	2,827,000
Other non-current assets	1,221,000	1,304,000
Total Non-Current Assets	661,969,000	675,325,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred bond defeasance outflows	8,359,000	9,249,000
Deferred pension outflows	19,609,000	16,332,000
Deferred OPEB outflows	9,844,000	5,026,000
Total Deferred Outflows of Resources	37,812,000	30,607,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 911,922,000	\$ 933,397,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable - Tennessee Valley Authority, for power purchased	\$ 73,200,000	\$ 83,295,000
Other	13,962,000	15,703,000
Customer deposits	4,144,000	4,076,000
Revenue bonds, current portion	13,625,000	13,015,000
Accrued tax equivalents	19,959,000	19,497,000
Accrued interest payable	3,488,000	3,690,000
Lease liabilities, current	741,000	848,000
Subscription liabilities, current	1,738,000	1,171,000
Other current liabilities	12,309,000	11,870,000
Total Current Liabilities	143,166,000	153,165,000
NON-CURRENT LIABILITIES		
Revenue bonds, net	279,723,000	295,322,000
Net pension liability	16,410,000	6,637,000
Repayable advance payable - Telecom	23,600,000	23,600,000
Repayable advance payable - Video & Internet	25,250,000	25,250,000
Customer deposits	26,136,000	24,686,000
Lease liabilities, non-current	1,121,000	1,607,000
Subscription liabilities, non-current	1,556,000	1,174,000
Other non-current liabilities	2,593,000	2,581,000
Total Non-Current Liabilities	376,389,000	380,857,000
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	--	5,022,000
Deferred OPEB inflows	7,694,000	12,122,000
Deferred lease inflows	2,869,000	3,110,000
Deferred other inflows	25,372,000	24,069,000
Total Deferred Inflows of Resources	35,935,000	44,323,000
NET POSITION		
Net investment in capital assets	320,637,000	295,114,000
Unrestricted	35,795,000	59,938,000
Total Net Position	356,432,000	355,052,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 911,922,000	\$ 933,397,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Electric sales		
Residential	\$ 275,161,000	\$ 257,934,000
Small commercial	55,835,000	53,052,000
Large commercial	280,474,000	253,011,000
Outdoor lighting systems	7,381,000	6,936,000
Total billed electric sales	<u>618,851,000</u>	<u>570,933,000</u>
Change in unbilled electric sales	(9,110,000)	9,500,000
Uncollectible electric sales	(447,000)	173,000
Total electric sales	<u>609,294,000</u>	<u>580,606,000</u>
Other operating revenues	<u>37,974,000</u>	<u>36,550,000</u>
Total operating revenues	<u>647,268,000</u>	<u>617,156,000</u>
OPERATING EXPENSES		
Operation		
Power purchased from Tennessee Valley Authority	479,747,000	439,497,000
Other operation expenses	47,752,000	47,107,000
Maintenance	44,095,000	31,916,000
Provision for depreciation and amortization	46,333,000	44,150,000
City, county, and state tax equivalents	12,198,000	11,856,000
Total operating expenses	<u>630,125,000</u>	<u>574,526,000</u>
Net operating income	17,143,000	42,630,000
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue on invested funds	2,575,000	412,000
Interest expense	(8,994,000)	(9,761,000)
Carrying charge expense - Fiber Optics	(1,631,000)	(63,000)
FEMA grant revenue	--	18,577,000
Other, net	153,000	160,000
Plant cost recovered through contributions in aid of construction	(2,630,000)	(19,024,000)
Total non-operating expenses	<u>(10,527,000)</u>	<u>(9,699,000)</u>
Income before transfers and contributions	6,616,000	32,931,000
Tax equivalents transferred to the City of Chattanooga	(7,866,000)	(7,752,000)
Contributions in aid of construction	<u>2,630,000</u>	<u>19,024,000</u>
CHANGE IN NET POSITION	1,380,000	44,203,000
NET POSITION, BEGINNING OF YEAR	<u>355,052,000</u>	<u>310,849,000</u>
NET POSITION, END OF YEAR	<u>\$ 356,432,000</u>	<u>\$ 355,052,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 658,452,000	\$ 607,503,000
Payments to suppliers for goods and services	(515,232,000)	(461,423,000)
Payments to employees for services	(44,358,000)	(43,530,000)
Payments in lieu of taxes	(11,849,000)	(12,635,000)
Net cash provided by operating activities	<u>87,013,000</u>	<u>89,915,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(7,752,000)	(6,717,000)
Miscellaneous non-operating revenue, net	157,000	160,000
Net cash used in noncapital financing activities	<u>(7,595,000)</u>	<u>(6,557,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(68,500,000)	(64,589,000)
Removal cost	(1,560,000)	(1,420,000)
Salvage	240,000	71,000
Contributions in aid of construction	2,630,000	5,218,000
Carrying charge payment - Fiber Optics	(1,631,000)	(63,000)
Repayable advanced paid - Video & Internet	--	(35,000,000)
Repayable advance received - Video & Internet	--	35,000,000
Bond principal payment	(13,015,000)	(12,440,000)
Bond interest payment	(10,768,000)	(10,792,000)
Bond issuance costs	(4,000)	(12,000)
Line of credit interest expense	--	(3,000)
Net cash used in capital and related financing activities	<u>(92,608,000)</u>	<u>(84,030,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	--	3,272,000
Purchases of investments	--	(1,083,000)
Interest on investments	2,547,000	338,000
Net cash provided by investing activities	<u>2,547,000</u>	<u>2,527,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,643,000)	1,855,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>127,532,000</u>	<u>125,677,000</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 116,889,000</u>	<u>\$ 127,532,000</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 17,143,000	\$ 42,630,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	47,604,000	44,994,000
Changes in assets, deferred outflows and inflows of resources, and liabilities		
Accounts receivable, net	(507,000)	(1,132,000)
FEMA grant receivable	30,000,000	--
Unbilled electric sales	9,110,000	(9,302,000)
Lease receivables and payables	(798,000)	(754,000)
Subscription liabilities	(2,155,000)	--
Materials and supplies	(4,472,000)	(6,666,000)
Prepayments and other current assets	(192,000)	(707,000)
Other deferred charges	81,000	177,000
Accounts payable, net	(11,836,000)	12,669,000
Customer deposits	1,518,000	1,288,000
Accrued tax equivalents	347,000	(75,000)
Other current liabilities	439,000	(364,000)
Other deferred credits and inflows	12,000	7,000
Other deferred inflows	1,303,000	17,399,000
Net pension liability and deferred outflows and inflows of resources:	1,474,000	(7,509,000)
Accrued post-employment benefits and deferred outflows and inflows of resources	(2,058,000)	(2,740,000)
Net cash provided by operating activities	<u>\$ 87,013,000</u>	<u>\$ 89,915,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,506,000	\$ 18,141,000
Accounts receivable, less allowance for doubtful accounts of \$96,000 and \$94,000 in 2023 and 2022, respectively	1,842,000	1,961,000
Prepayments and other current assets	112,000	105,000
Leases receivable, current	2,443,000	2,508,000
Total Current Assets	<u>24,903,000</u>	<u>22,715,000</u>
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	12,170,000	12,720,000
Less - accumulated provision for depreciation	(6,997,000)	(7,840,000)
Net utility plant	<u>5,173,000</u>	<u>4,880,000</u>
Repayable advance receivable - Electric	23,600,000	23,600,000
Leases receivable, non-current	1,333,000	1,368,000
Total Non-Current Assets	<u>30,106,000</u>	<u>29,848,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred other outflows	<u>375,000</u>	<u>453,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 55,384,000</u>	<u>\$ 53,016,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 804,000	\$ 2,141,000
Accrued tax equivalents	742,000	764,000
Unearned revenue	410,000	427,000
Other current liabilities	168,000	173,000
Total Current Liabilities	<u>2,124,000</u>	<u>3,505,000</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred lease inflows	3,776,000	3,875,000
NET POSITION		
Net investments in capital assets	5,173,000	4,880,000
Unrestricted	44,311,000	40,756,000
Total Net Position	<u>49,484,000</u>	<u>45,636,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 55,384,000</u>	<u>\$ 53,016,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 14,700,000	\$ 15,713,000
Commercial long distance message revenue	385,000	373,000
Total billed fiber optics sales	<u>15,085,000</u>	<u>16,086,000</u>
Uncollectible accounts	(16,000)	89,000
Total fiber optics sales	<u>15,069,000</u>	<u>16,175,000</u>
Other operating revenues	<u>1,526,000</u>	<u>1,664,000</u>
Total operating revenues	<u>16,595,000</u>	<u>17,839,000</u>
OPERATING EXPENSES		
Cost of services	2,333,000	2,481,000
Operation expenses	8,246,000	8,316,000
General and administrative	960,000	984,000
Provision for depreciation	2,350,000	2,147,000
City, county, and state tax equivalents	422,000	436,000
Total operating expenses	<u>14,311,000</u>	<u>14,364,000</u>
Net operating income	2,284,000	3,475,000
NON-OPERATING REVENUES		
Carrying charge revenue - Electric	788,000	30,000
Interest income on invested funds	645,000	116,000
Other, net	451,000	252,000
Total non-operating revenues	<u>1,884,000</u>	<u>398,000</u>
Income before transfers	4,168,000	3,873,000
Tax equivalents transferred to the City of Chattanooga	<u>(320,000)</u>	<u>(329,000)</u>
CHANGE IN NET POSITION	3,848,000	3,544,000
NET POSITION, BEGINNING OF YEAR	<u>45,636,000</u>	<u>42,092,000</u>
NET POSITION, END OF YEAR	<u>\$ 49,484,000</u>	<u>\$ 45,636,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 16,699,000	\$ 20,911,000
Payments to suppliers for goods and services	(12,808,000)	(13,855,000)
Payments in lieu of taxes	(436,000)	(478,000)
Net cash provided by operating activities	<u>3,455,000</u>	<u>6,578,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(329,000)	(301,000)
Miscellaneous non-operating revenue, net	451,000	252,000
Net cash provided by (used in) noncapital financing activities	<u>122,000</u>	<u>(49,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(2,645,000)	(1,945,000)
Carrying charge received - Electric	788,000	30,000
Net cash used in capital and related financing activities	<u>(1,857,000)</u>	<u>(1,915,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	645,000	70,000
Proceeds from sales and maturities of investments	--	4,287,000
Net cash provided by investing activities	<u>645,000</u>	<u>4,357,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,365,000	8,971,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>18,141,000</u>	<u>9,170,000</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 20,506,000</u>	<u>\$ 18,141,000</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 2,284,000	\$ 3,475,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	2,350,000	2,147,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	119,000	3,123,000
Prepayments and other current assets	(8,000)	52,000
Accounts payable, net	(1,337,000)	(2,286,000)
Accrued tax equivalents	(9,000)	(45,000)
Other current liabilities	(5,000)	(8,000)
Unearned revenue	(17,000)	(50,000)
Deferred other outflows	78,000	170,000
Net cash provided by operating activities	<u>\$ 3,455,000</u>	<u>\$ 6,578,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB VIDEO & INTERNET SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 90,426,000	\$ 60,547,000
Investments	--	2,518,000
Accounts receivable, less allowance for doubtful accounts of \$469,000 and \$927,000 in 2023 and 2022, respectively	6,090,000	7,587,000
Prepayments and other current assets	3,648,000	3,462,000
Leases receivable, current	971,000	909,000
Total Current Assets	<u>101,135,000</u>	<u>75,023,000</u>
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	155,850,000	157,842,000
Less - accumulated provision for depreciation	<u>(74,747,000)</u>	<u>(76,864,000)</u>
Net utility plant	81,103,000	80,978,000
Repayable advance receivable - Electric	25,250,000	25,250,000
Leases receivable, non-current	530,000	496,000
Accrued post-employment benefit asset	143,000	656,000
Right to use subscription assets, net of amortization	1,494,000	948,000
Total Non-Current Assets	<u>108,520,000</u>	<u>108,328,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred OPEB outflows	1,116,000	297,000
Deferred pension outflows	5,956,000	2,733,000
Deferred other outflows	24,997,000	23,616,000
Total Deferred Outflows of Resources	<u>32,069,000</u>	<u>26,646,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 241,724,000</u>	<u>\$ 209,997,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 11,141,000	\$ 10,477,000
Accrued tax equivalents	960,000	1,031,000
Subscription liabilities, current	1,063,000	594,000
Unearned revenue	6,290,000	6,089,000
Other current liabilities	4,879,000	3,939,000
Total Current Liabilities	<u>24,333,000</u>	<u>22,130,000</u>
NON-CURRENT LIABILITIES		
Net pension liability	4,984,000	1,110,000
Subscription liabilities, non-current	431,000	354,000
Total Non-Current Liabilities	<u>5,415,000</u>	<u>1,464,000</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	966,000	956,000
Deferred pension inflows	--	840,000
Deferred lease inflows	1,501,000	1,405,000
Total Deferred Inflows of Resources	<u>2,467,000</u>	<u>3,201,000</u>
NET POSITION		
Net investment in capital assets	81,103,000	80,978,000
Unrestricted	128,406,000	102,224,000
Total Net Position	<u>209,509,000</u>	<u>183,202,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 241,724,000</u>	<u>\$ 209,997,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB VIDEO & INTERNET SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 29,938,000	\$ 27,590,000
Residential services revenue	132,477,000	133,198,000
Total billed fiber optics sales	162,415,000	160,788,000
Uncollectible accounts	(106,000)	21,000
Total fiber optics sales	162,309,000	160,809,000
Other operating revenues	6,759,000	8,071,000
Total operating revenues	169,068,000	168,880,000
OPERATING EXPENSES		
Cost of services	48,313,000	51,957,000
Operation expenses	70,336,000	66,222,000
General and administrative	6,558,000	4,498,000
Provision for depreciation and amortization	20,201,000	18,444,000
City, county, and state tax equivalents	593,000	639,000
Total operating expenses	146,001,000	141,760,000
Net operating income	23,067,000	27,120,000
NON-OPERATING REVENUES (EXPENSES)		
Carrying charge revenue - Electric	843,000	33,000
Interest income on invested funds	2,594,000	285,000
Other revenue, net	186,000	97,000
Plant cost recovered through contributions in aid of construction	(239,000)	(569,000)
Total non-operating revenues (expenses)	3,384,000	(154,000)
Income before transfers and contributions	26,451,000	26,966,000
Tax equivalents transferred to the City of Chattanooga	(383,000)	(407,000)
Contributions in aid of construction	239,000	569,000
CHANGE IN NET POSITION	26,307,000	27,128,000
NET POSITION, BEGINNING OF YEAR	183,202,000	156,074,000
NET POSITION, END OF YEAR	\$ 209,509,000	\$ 183,202,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB VIDEO & INTERNET SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 170,753,000	\$ 169,949,000
Payments to suppliers for goods and services	(112,557,000)	(136,077,000)
Payments to employees for services	(13,888,000)	(7,853,000)
Payments in lieu of taxes	(640,000)	(739,000)
Net cash provided by operating activities	43,668,000	25,280,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(407,000)	(384,000)
Miscellaneous non-operating revenue, net	186,000	97,000
Net cash used in noncapital financing activities	(221,000)	(287,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(19,762,000)	(12,682,000)
Carrying charge received - Electric	843,000	33,000
Repayable advance received - Electric	--	35,000,000
Repayable advance paid - Electric	--	(35,000,000)
Contributions in aid of construction	239,000	569,000
Net cash used in capital and related financing activities	(18,680,000)	(12,080,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(25,923,000)	--
Proceeds from sales and maturities of investments	28,453,000	9,226,000
Interest income received	2,582,000	130,000
Net cash provided by investing activities	5,112,000	9,356,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	29,879,000	22,269,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	60,547,000	38,278,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 90,426,000	\$ 60,547,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 23,067,000	\$ 27,120,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	20,201,000	18,444,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	1,497,000	1,044,000
Prepayments and other current assets	(186,000)	(264,000)
Accounts payable, net	664,000	(2,023,000)
Accrued tax equivalents	(47,000)	(100,000)
Other current liabilities	940,000	(32,000)
Unearned revenue	201,000	28,000
Net pension liability and deferred outflows and inflows of resources	(189,000)	(1,210,000)
Accrued post-employment benefits and deferred outflows and inflows of resources	(296,000)	(158,000)
Subscription liabilities	(803,000)	--
Deferred other outflows	(1,381,000)	(17,569,000)
Net cash provided by operating activities	\$ 43,668,000	\$ 25,280,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB FIBER OPTICS SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 110,932,000	\$ 78,688,000
Investments	--	2,518,000
Accounts receivable, less allowance for doubtful accounts of \$565,000 and \$1,021,000 in 2023 and 2022, respectively	7,422,000	7,846,000
Prepayments and other current assets	3,760,000	3,567,000
Leases receivable, current	3,414,000	3,417,000
Total Current Assets	125,528,000	96,036,000
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	168,020,000	170,562,000
Less - accumulated provision for depreciation	(81,744,000)	(84,704,000)
Net utility plant	86,276,000	85,858,000
Right to use subscription assets, net of amortization	1,494,000	948,000
Accrued post-employment benefit asset	143,000	656,000
Repayable advance receivable - Electric	48,850,000	48,850,000
Leases receivable, non-current	1,863,000	1,864,000
Total Non-Current Assets	138,626,000	138,176,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred OPEB outflows	1,116,000	297,000
Deferred pension outflows	5,956,000	2,733,000
Deferred other outflows	25,372,000	24,069,000
Total Deferred Outflows of Resources	32,444,000	27,099,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 296,598,000	\$ 261,311,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 11,435,000	\$ 10,916,000
Accrued tax equivalents	1,702,000	1,795,000
Unearned revenue	6,700,000	6,516,000
Subscription liabilities, current	1,063,000	594,000
Other current liabilities	5,047,000	4,112,000
Total Current Liabilities	25,947,000	23,933,000
NON-CURRENT LIABILITIES		
Net pension liability	4,984,000	1,110,000
Subscription liabilities, non-current	431,000	354,000
Total Non-Current Liabilities	5,415,000	1,464,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	966,000	956,000
Deferred pension inflows	--	840,000
Deferred lease inflows	5,277,000	5,280,000
Total Deferred Inflows of Resources	6,243,000	7,076,000
NET POSITION		
Net investment in capital assets	86,276,000	85,858,000
Unrestricted	172,717,000	142,980,000
Total Net Position	258,993,000	228,838,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 296,598,000	\$ 261,311,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB FIBER OPTICS SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 44,638,000	\$ 43,303,000
Commercial long distance message revenue	385,000	373,000
Residential services revenue	<u>132,477,000</u>	<u>133,198,000</u>
Total billed fiber optics sales	177,500,000	176,874,000
Uncollectible accounts	<u>(122,000)</u>	<u>110,000</u>
Total fiber optics sales	177,378,000	176,984,000
Other operating revenues	<u>8,285,000</u>	<u>9,735,000</u>
Total operating revenues	<u>185,663,000</u>	<u>186,719,000</u>
OPERATING EXPENSES		
Cost of services	50,646,000	54,438,000
Operation expenses	78,582,000	74,538,000
General and administrative	7,518,000	5,482,000
Provision for depreciation and amortization	22,551,000	20,591,000
City, county, and state tax equivalents	<u>1,015,000</u>	<u>1,075,000</u>
Total operating expenses	<u>160,312,000</u>	<u>156,124,000</u>
Net operating income	25,351,000	30,595,000
NON-OPERATING REVENUES (EXPENSES)		
Carrying charge revenue - Electric	1,631,000	63,000
Interest income on invested funds	3,239,000	401,000
Other revenue, net	637,000	349,000
Plant cost recovered through contributions in aid of construction	<u>(239,000)</u>	<u>(569,000)</u>
Total non-operating revenues	<u>5,268,000</u>	<u>244,000</u>
Income before transfers and contributions	30,619,000	30,839,000
Tax equivalents transferred to the City of Chattanooga	(703,000)	(736,000)
Contributions in aid of construction	<u>239,000</u>	<u>569,000</u>
CHANGE IN NET POSITION	30,155,000	30,672,000
NET POSITION, BEGINNING OF YEAR	<u>228,838,000</u>	<u>198,166,000</u>
NET POSITION, END OF YEAR	<u>\$ 258,993,000</u>	<u>\$ 228,838,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB FIBER OPTICS SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 187,451,000	\$ 190,860,000
Payments to suppliers for goods and services	(125,365,000)	(149,932,000)
Payments to employees for services	(13,888,000)	(7,853,000)
Payments in lieu of taxes	(1,076,000)	(1,217,000)
Net cash provided by operating activities	<u>47,122,000</u>	<u>31,858,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(736,000)	(685,000)
Miscellaneous non-operating revenue, net	638,000	349,000
Net cash used in noncapital financing activities	<u>(98,000)</u>	<u>(336,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(22,407,000)	(14,627,000)
Carrying charges received - Electric	1,631,000	63,000
Repayable advances received - Electric	--	35,000,000
Repayable advances paid - Electric	--	(35,000,000)
Contributions in aid of construction	239,000	569,000
Net cash used in capital and related financing activities	<u>(20,537,000)</u>	<u>(13,995,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(25,923,000)	--
Proceeds from investment sales and maturities	28,453,000	13,513,000
Interest income received	3,227,000	200,000
Net cash provided by investing activities	<u>5,757,000</u>	<u>13,713,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	32,244,000	31,240,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>78,688,000</u>	<u>47,448,000</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 110,932,000</u>	<u>\$ 78,688,000</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 25,351,000	\$ 30,595,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	22,551,000	20,591,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	424,000	2,002,000
Prepayments and other current assets	(194,000)	(212,000)
Accounts payable, net	519,000	(2,144,000)
Accrued tax equivalents	(57,000)	(145,000)
Other current liabilities	935,000	(40,000)
Subscription liabilities	(803,000)	--
Unearned revenue	184,000	(22,000)
Net pension liability and deferred outflows and inflows of resources	(189,000)	(1,210,000)
Accrued post-employment benefits and deferred outflows and inflows of resources	(296,000)	(158,000)
Other deferred outflows	(1,303,000)	(17,399,000)
Net cash provided by operating activities	<u>\$ 47,122,000</u>	<u>\$ 31,858,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA

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

Fiscal Year Ended June 30	Residential		Small		Large		Outdoor		Total	
	Customers	Cents per KWH	Commercial Customers	Cents per KWH	Commercial Customers	Cents per KWH	Lighting Customers	Cents per KWH	Customers	Cents per KWH
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
2022	165,729	11.42	22,557	12.84	2,982	8.68	138	15.86	191,405	10.14
2023	168,628	12.46	22,417	13.85	3,074	9.71	134	17.23	194,252	11.17

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, 2023

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal	
2024	2015 A Electric System Revenue Bonds	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>170,300,000</u>	<u>42,057,265</u>	<u>212,357,265</u>
2024		2015 B Electric System Revenue Bonds	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>4,675,000</u>	<u>177,498</u>	<u>4,852,498</u>	

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF BONDS PAYABLE
As of June 30, 2023

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2024	2015 C Electric System Revenue Bonds	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
			24,250,000	12,061,909	36,311,909
2024	2021 Electric System Revenue Bonds		-	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	
			71,080,000	24,893,817	95,973,817
	Total		\$ 270,305,000	\$ 79,190,489	\$ 349,495,489

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2023
(in thousands)

Electric System	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Balance at June 20, 2022	Repayments, Amortization or Accretion	Additions	Refunded	Balance at June 30, 2023	Current Amount Due
BONDS PAYABLE										
Electric System Refunding Revenue Bonds, 2015 Series A	\$ 218,855	2.875%- 5.00%	8/31/2015	9/1/2033	\$ 180,845	\$ (10,545)	\$ -	\$ -	\$ 170,300	\$ 11,160
Electric System Refunding Revenue Bonds, 2015 Series B	15,355	3.05%- 3.375%	8/31/2015	9/1/2025	6,310	(1,635)	-	-	4,675	1,595
Electric System Refunding Revenue Bonds, 2015 Series C	25,880	4.00%-5.00%	8/35/2015	9/1/2040	25,085	(835)	-	-	24,250	870
Electric System Revenue Bonds, 2021	71,080	2.00%-4.00%	6/29/2021	9/1/2041	71,080	-	-	-	71,080	-
Total Bonds Payable					\$ 283,320	\$ (13,015)	\$ -	\$ -	\$ 270,305	\$ 13,625
Unamortized premium/(discount)					\$ 25,017	\$ (1,974)	\$ -	\$ -	\$ 23,043	\$ -
Total Debt					\$ 308,337	\$ (14,989)	\$ -	\$ -	\$ 293,348	\$ 13,625

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
JUNE 30, 2023
(in thousands)

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding at July 1, 2022	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding at June 30, 2023
Electric System									
<u>LEASES PAYABLE</u>									
Tower Lease	\$ 240,000	2.82%	11/1/2013	10/31/2023	\$ 31,000	\$ -	\$ 23,000	\$ -	\$ 8,000
Tower Lease	240,000	2.82%	8/1/2013	7/31/2023	26,000	-	24,000	-	2,000
Copier and Scanner Leases	Various	2.82%	Various	Various	148,000	-	148,000	-	-
Virtual Storage Equipment Lease	Various	2.82%	Various	8/31/2025	1,672,000	129,000	532,000	-	1,269,000
Postage Meter Leases	672,000	2.82%	11/1/2021	10/31/2026	557,000	-	121,000	-	436,000
Printer Lease	203,000	2.82%	Various	Various	21,000	104,000	22,000	-	103,000
Printer Lease	55,680	2.82%	8/31/2022	7/31/2027	-	48,000	4,000	-	44,000
TOTAL LEASES PAYABLE					<u>\$ 2,455,000</u>	<u>\$ 281,000</u>	<u>\$ 874,000</u>	<u>\$ -</u>	<u>\$ 1,862,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF LEASE OBLIGATIONS, PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2023
(in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 741	\$ 44	\$ 785
2025	751	22	773
2026	266	6	272
2027	91	1	92
2028	13	-	13
Total	<u>\$ 1,862</u>	<u>\$ 73</u>	<u>\$ 1,935</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF CHANGES IN SBITA OBLIGATIONS
JUNE 30, 2023
(in thousands)

Electric System	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding July 1, 2022	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding at June 30, 2023
<u>SBITA PAYABLE</u>									
Software-Based Information Technology Arrangements	Various	2.86%	Various	Various	\$ 2,345,000	\$ 2,938,000	\$ 1,989,000	\$ -	\$ 3,294,000
Total Electric System SBITA Payable					2,345,000	2,938,000	1,989,000	-	3,294,000
Fiber Optics System									
<u>SBITA PAYABLE</u>									
Software-Based Information Technology Arrangements	Various	2.86%	Various	Various	948,000	1,575,000	1,029,000	-	1,494,000
Total Fiber Optics System SBITA Payable					948,000	1,575,000	1,029,000	-	1,494,000
TOTAL SBITA PAYABLE					<u>\$ 3,293,000</u>	<u>\$ 4,513,000</u>	<u>\$ 3,018,000</u>	<u>\$ -</u>	<u>\$ 4,788,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF SBITA OBLIGATIONS, PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2023
(in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,800	\$ 94	\$ 2,894
2025	1,695	34	1,729
2026	258	3	261
2027	35	1	36
Total	<u>\$ 4,788</u>	<u>\$ 132</u>	<u>\$ 4,920</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Agency or Pass-Through Number	Accrued Grant Revenues June 30, 2022	Grant Revenues Received	Expenditures	Accrued Grant Revenues June 30, 2023
U.S. DEPARTMENT OF ENERGY SIC Based Modular Transformer-less MW- Scale Power Conditioning System and Control for Flexible CHP System	81.086	A19-0435-S001	\$ -	\$ 5,692	\$ 5,692	\$ -
SIC Based Modular Transformer-less MW- Scale Power Conditioning System and Control for Flexible Manufacturing Plants	81.086	A21-0512-S001	85	169	167	83
Total U.S. Department of Energy			<u>85</u>	<u>5,861</u>	<u>5,859</u>	<u>83</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY FEMA Disaster Recovery Grants (FRID FEMA-4541-DR-TN)	97.036	000-U015E-00/065-01AE5-00	31,679,966	30,000,000	-	1,679,966
Total U.S. Department of Energy			<u>31,679,966</u>	<u>30,000,000</u>	<u>-</u>	<u>1,679,966</u>
Total Expenditures of Federal Awards			<u>\$ 31,680,051</u>	<u>\$ 30,005,861</u>	<u>\$ 5,859</u>	<u>\$ 1,680,049</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

The FEMA Disaster Recovery Grant expenditures were incurred by the Electric Power Board of Chattanooga during FY 2022. The approved Project Worksheet documentation for these grants from FEMA was received during FY 2022.



CERTIFIED PUBLIC ACCOUNTANTS

**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 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 business-type activities and the aggregate remaining fund information 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, 2023, and the related notes to the financial statements, which collectively comprise EPB's basic financial statements, and have issued our report thereon dated September 15, 2023.

Report on 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 procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EPB's internal control. Accordingly, we do not express an opinion on the effectiveness of EPB's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 15, 2023

Henderson Hutcherson
& McCullough, PLLC

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

SUMMARY OF AUDIT RESULTS

Opinion on Financial Statements:

Unmodified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Deficiencies:

None disclosed.

Material Noncompliance:

None disclosed.

Federal Awards

There was no audit of major federal programs for the year ended June 30, 2023, due to the total amount expended being less than \$750,000.

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2023

SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

None reported.