

# EPB FINANCIAL REPORT

2023 - 2024



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# LETTER FROM

Vicky Gregg and David Wade



## Letter from Vicky Gregg and David Wade

EPB has continued to excel during the 2023-2024 Fiscal Year through our mission-driven efforts to enhance the quality of life for the people we serve across the Chattanooga area.

As part of our focus on further enhancing the reliability and resilience of the local energy distribution system, we pursued a successful grant application from the U.S. Department of Energy (DOE) resulting in a \$32.3 million Grid Resilience and Innovation Partnerships (GRIP) grant. This will allow us to deploy about 15MW of energy storage and underground more than 100 miles of powerlines while increasing local job opportunities through training and other programs. EPB will be working on these efforts over several years.

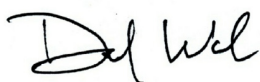
During the past Fiscal Year, we also continued to focus on creating more economic opportunities in our area through the EPB Quantum Network<sup>SM</sup> powered by Qubitekk. In addition to establishing an expanded partnership with Oak Ridge National Laboratories focused on the intersection of quantum technology and the energy industry, we onboarded our first quantum customer, Qunnect, which ran their technology with Qubitekk's. This marked the first time two commercial quantum networking companies operated their hardware to jointly support a distribution protocol.

Although EPB is a technology company, we put people first in everything we do as part of our commitment to delivering world-class services and outstanding customer experiences for the people we serve. That's why we are particularly thankful to our customers who rated us highly enough to earn recognition from J.D. Power as the #1 Mid-Sized Electric Utility in the South for the eighth consecutive year.

These achievements and many others highlighted in this year's Annual Report result from the outstanding contributions of EPB team members. By working together, we express EPB's commitment to keeping Chattanooga on the cutting edge and providing value to everyone in our community both now and in the years ahead.



Vicky Gregg



David Wade

# Board of Directors



**Vicky Gregg**

*Chair*

Retired President & CEO,  
BlueCross BlueShield of  
Tennessee



**Dr. Bryan Johnson**

*Vice Chair*

Executive Vice Chancellor and  
Chief Strategy Officer, UTC



**John Foy**

*Member*

Chairman, CEO and owner of  
Noon, LLC and Chairman of  
Noon Management



**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

# Senior Management



**David Wade**  
CEO



**Greg Eaves**  
Executive VP & CFO



**Ryan Keel**  
President  
Energy & Communications



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



**Sandra Tilley**  
Senior Vice President  
Brand Strategies



**Kade Abed**  
Vice President  
Field Operations



**Rich Carpenter**  
Vice President  
Communications & IT  
Operations



**Katie Espeseth**  
Vice President  
New Products



**Evann Freeman**  
Vice President  
Government & Community  
Relations



**Jim Ingraham**  
Vice President  
Strategic Research



**J.Ed. Marston**  
Vice President  
Strategic Communications



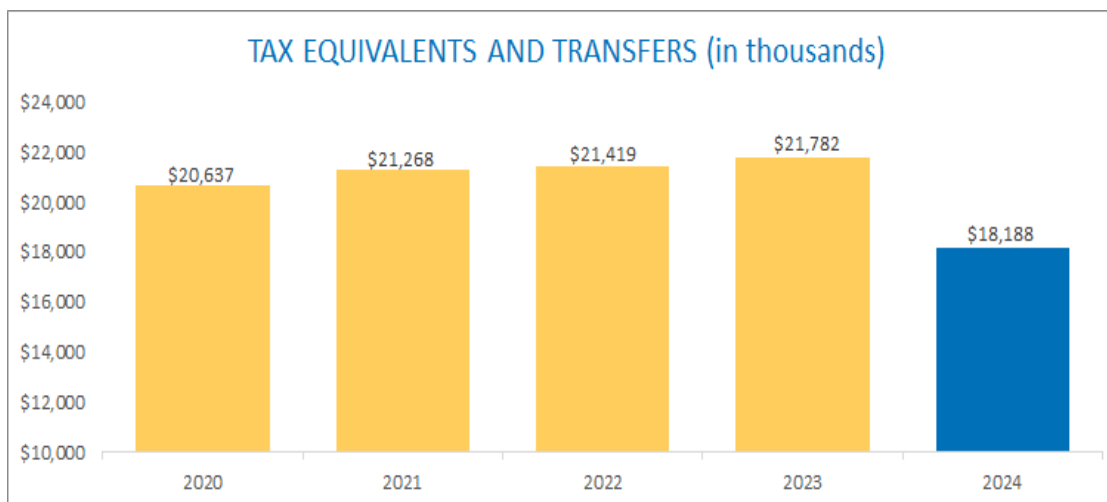
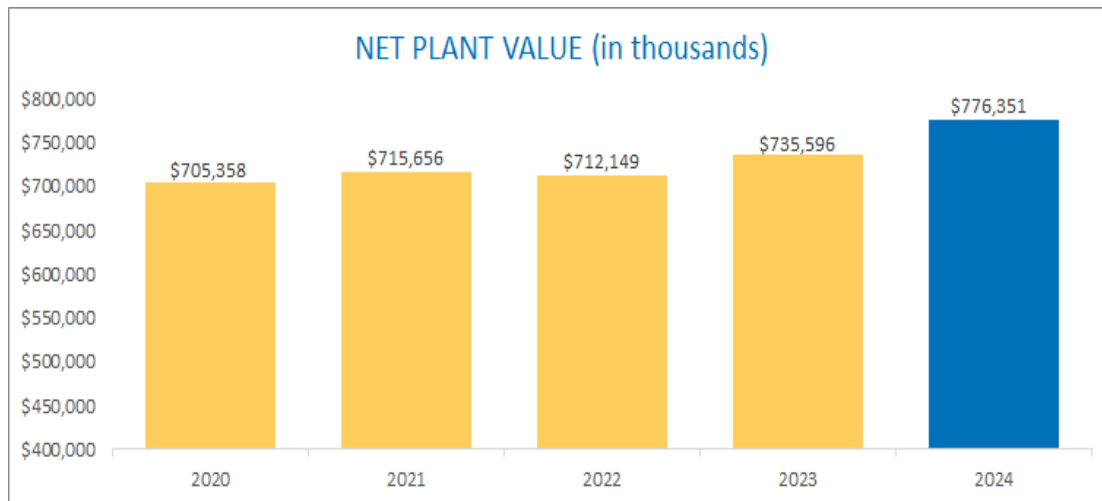
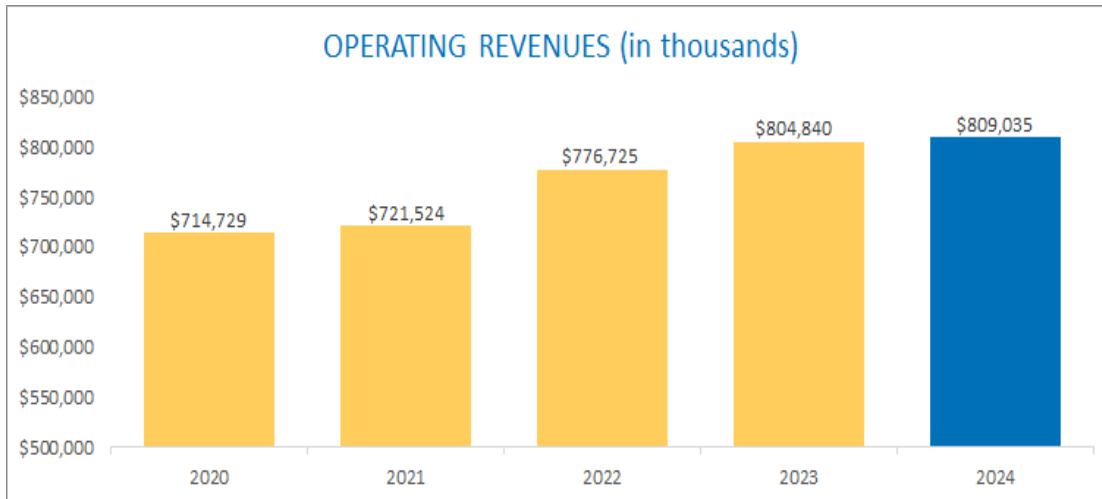
**Karen Thomas**  
Vice President  
Customer Relations

# FINANCIAL HIGHLIGHTS



## EPB Financial Highlights 2024

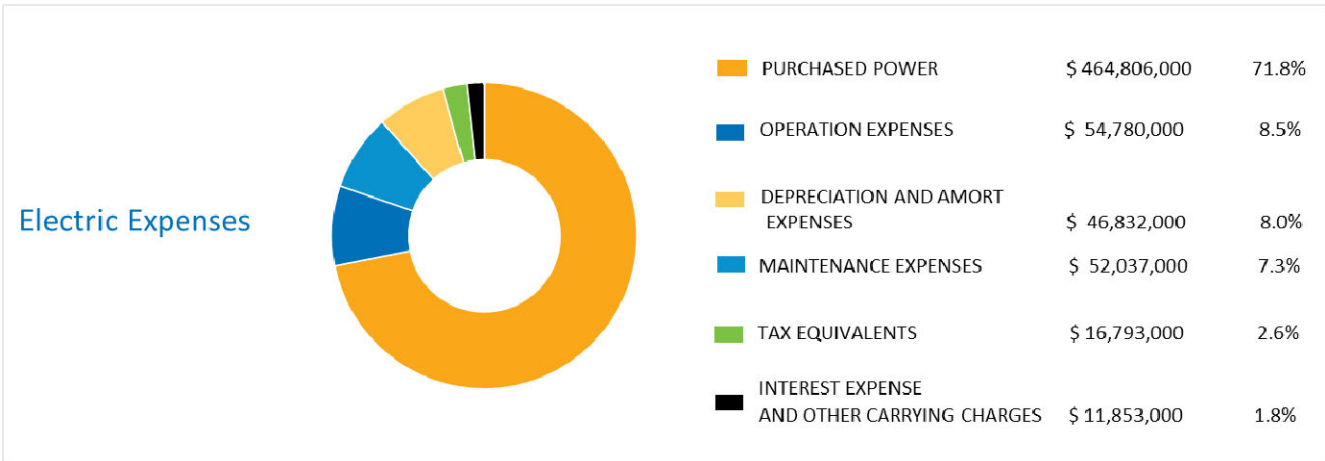
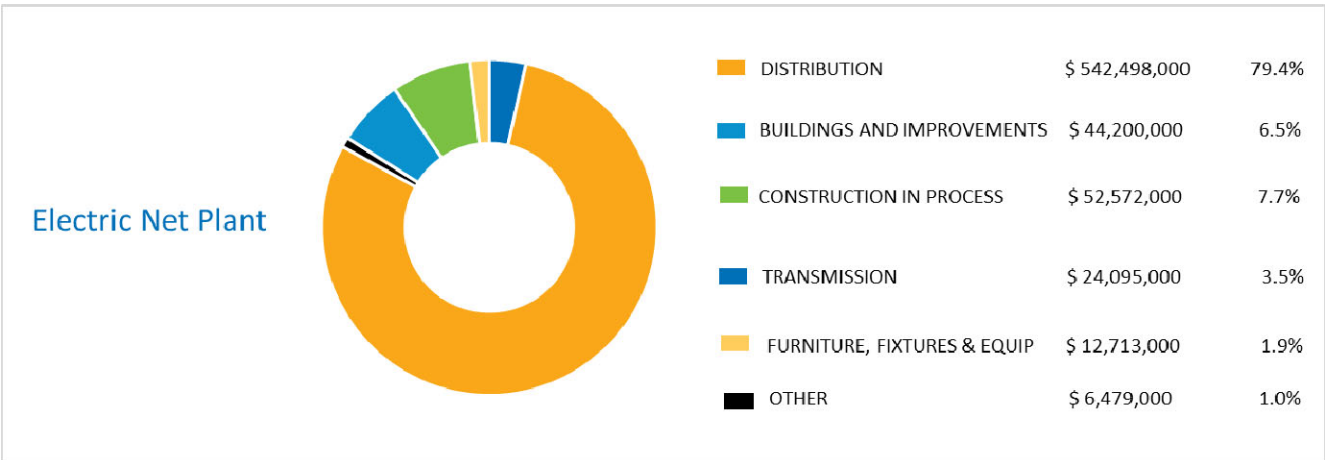
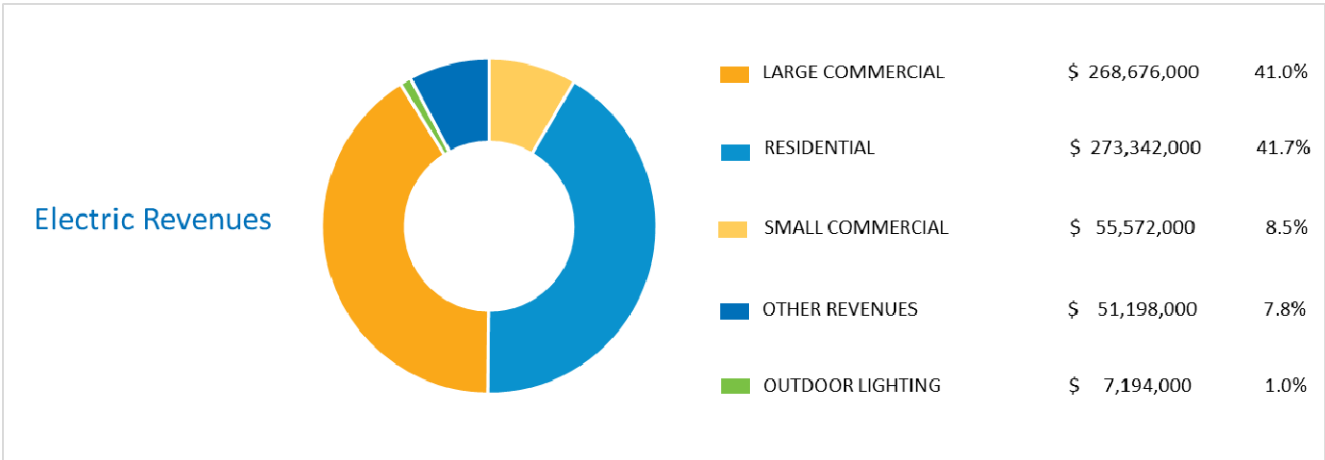
EPB's operating revenues were \$809.0 million, an increase of 0.5% from the prior year. Total kWh sales for FY 2024 were 2.2% higher than FY 2023, due to weather and kwh sales meeting historical averages in FY 2024 compared to milder weather experienced in FY 2023. Fiber Optics' sales revenue also increased by \$1.3 million, or 0.7% from the prior year. Net plant value increased to \$776.4 million, an increase of 5.5% 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 2024 tax equivalents expense and transfers to the cities and counties in EPB's service area totaled approximately \$18.2 million, a decrease of 16.5% from the prior year. These decreases are due to reduced equalization ratio rates charged in the computation of tax equivalents. These rates are provided by the State of Tennessee.



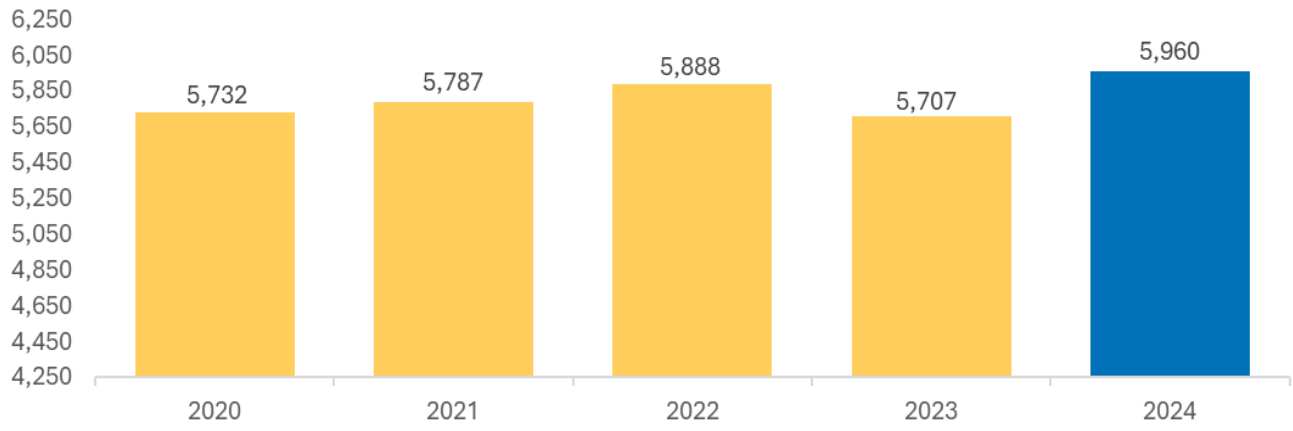


# Electric System Financial Highlights 2024

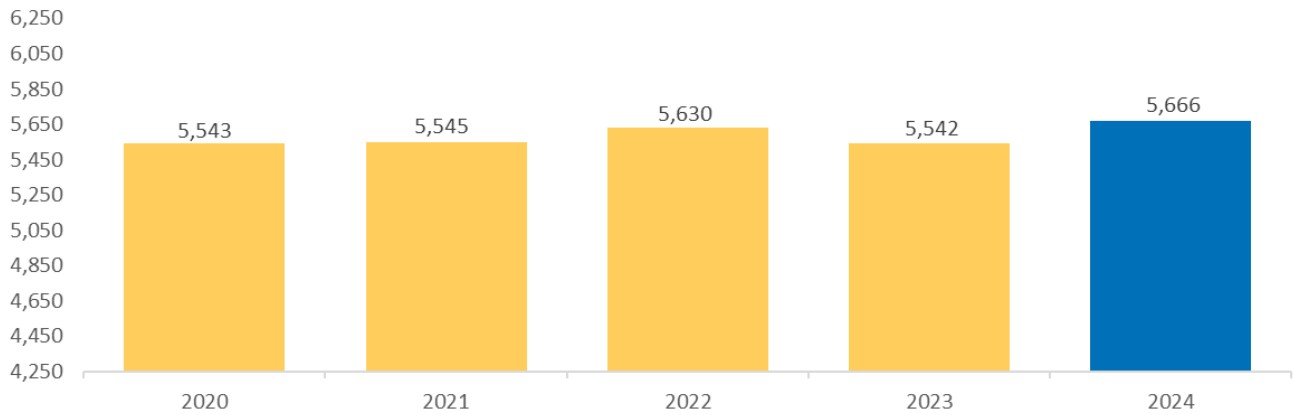
During FY 2024, EPB provided service to over 198,000 customers in a six hundred square mile area. This represents an increase of approximately 3,000 customers from FY 2023. Total Electric System revenues were \$656.0 million, an increase of 0.9% from 2023. This is due largely to increased interest revenue and unbilled revenues in June from the historically high temperatures experienced in June 2024. Total purchased power for the year resulted in \$464.8 million, a decrease of 3.1% from FY 2023. Purchased power was 75.8% of the total electric sales, a decrease of 3.0% from FY 2023 due primarily to the rate increase EPB instituted in October 2023 which increased margin for FY 2024. Residential customers paid an average of 12.09 cents per kWh, which is 25.2% less than the national average during FY 2024. Net electric plant value totaled \$682.6 million while electric expenses and transfers to the City of Chattanooga totaled \$647.1 million.



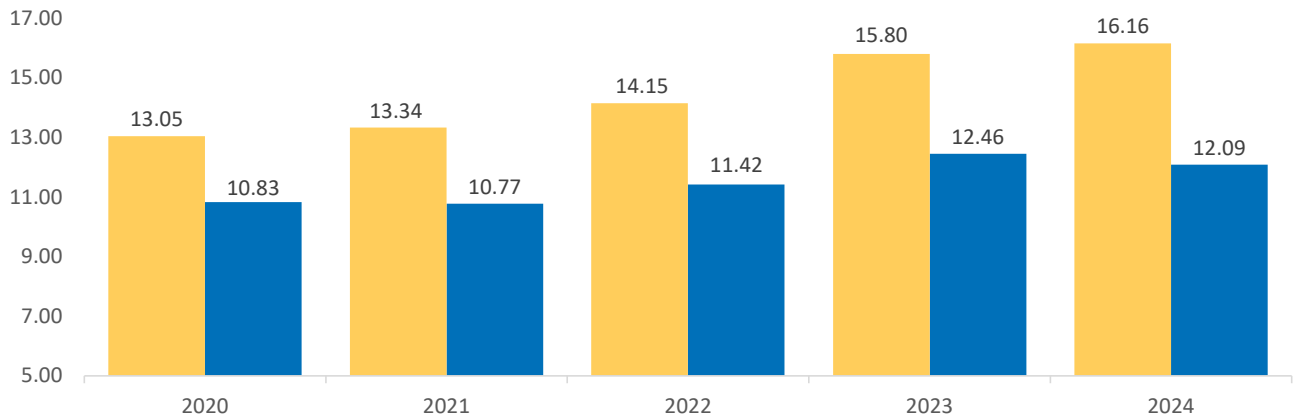
### KILOWATT HOURS PURCHASED (in millions)



### KILOWATT HOURS SOLD (in millions)

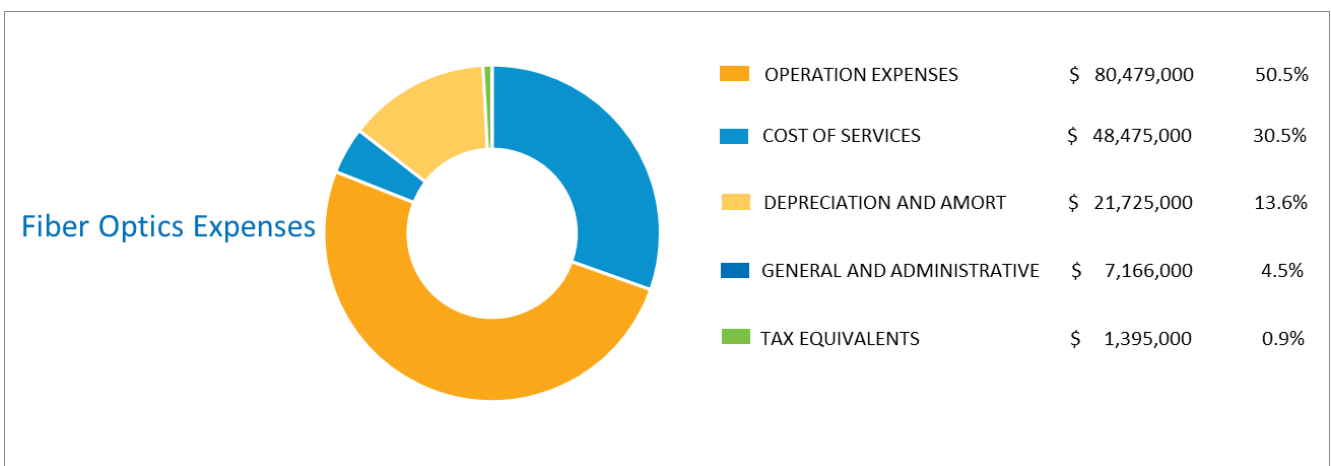
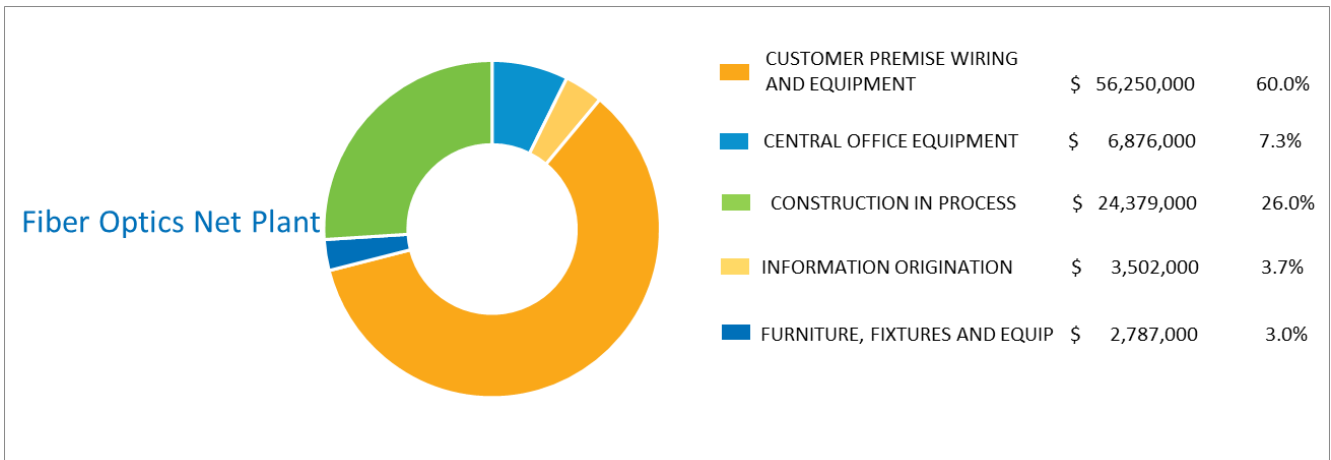
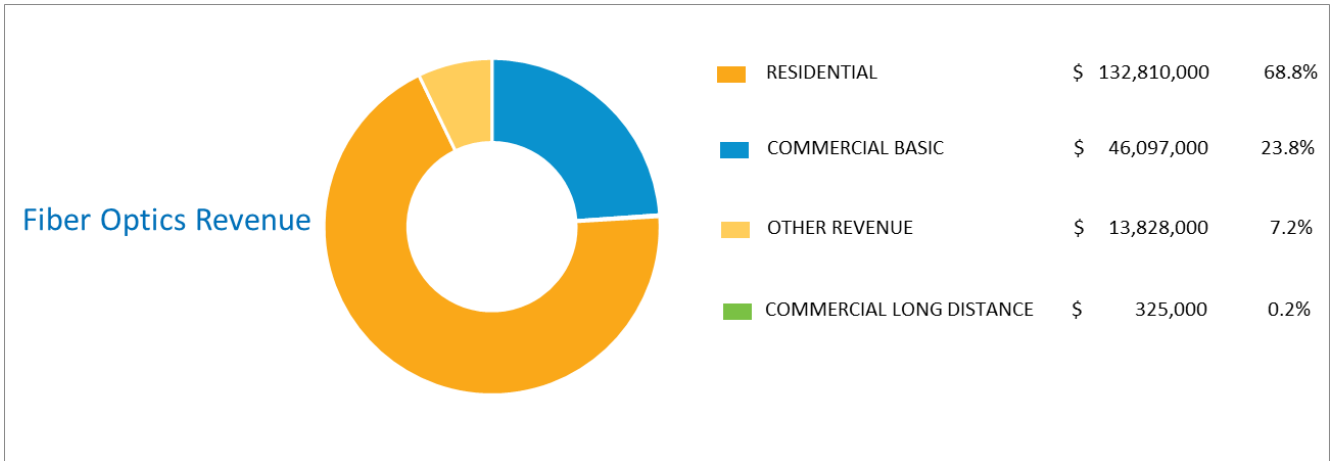


### AVERAGE COST PER KWH PER RESIDENTIAL CUSTOMER (in cents)



## Fiber Optics Financial Highlights 2024

EPB Fiber Optics System increased its revenue from \$191.2 million in FY 2023 to \$193.1 million in FY 2024, an increase of 1.0%. This increase in revenues is due to the growth in the number of customers for Fiber Optics residential services from approximately 120,000 to approximately 122,000 during FY 2024. The net plant value increased from \$86.3 million in FY 2023, to \$93.8 million in FY 2024, an increase of 8.7%. This increase is mainly due to the start of construction on the new Operations Center East facility along with continued installation of customer premise equipment. Fiber Optics expenses and transfers to the City of Chattanooga totaled \$159.2 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), as of and for the years ended June 30, 2024 and 2023, 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, 2024 and 2023 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 audit 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*

EPB's 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, as of June 30, 2024 and June 30, 2023, 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 October 15, 2024 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  
October 15, 2024

*Henderson Hutcherson*  
*& 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, 2024. Please read it in conjunction with EPB’s financial statements, which follows this section.

### FINANCIAL HIGHLIGHTS

- EPB’s total net position was \$658.1 million, an increase of 6.9%.
- During the year consolidated electric operating revenues were \$624.0 million, an increase of 0.7% from FY 2023; consolidated fiber optics operating revenues were \$185.0 million, which was consistent with FY 2023.
- Total consolidated operating expenses were \$761.0 million, a decrease of approximately 0.2%.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes Management’s Discussion and Analysis, 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 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 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>
Assets and Deferred Outflows, Excluding Utility Plant	\$ 532,963	\$ 401,367	\$ 412,038
Utility Plant, net	<u>776,351</u>	<u>735,596</u>	<u>712,149</u>
<b>Total Assets and Deferred Outflows</b>	<b><u>1,309,314</u></b>	<b><u>1,136,963</u></b>	<b><u>1,124,187</u></b>
Bonds Outstanding	402,937	293,348	308,337
Other Liabilities and Deferred Inflows	<u>248,251</u>	<u>228,190</u>	<u>231,960</u>
<b>Total Liabilities and Deferred Inflows</b>	<b><u>651,188</u></b>	<b><u>521,538</u></b>	<b><u>540,297</u></b>
Invested in Utility Plant,			
Net of Related Debt	451,944	450,607	429,822
Restricted for Capital Assets	71,058	-	-
Unrestricted Net Position	<u>135,124</u>	<u>164,818</u>	<u>154,068</u>
<b>Total Net Position</b>	<b><u>658,126</u></b>	<b><u>615,425</u></b>	<b><u>583,890</u></b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b><u>\$ 1,309,314</u></b>	<b><u>\$ 1,136,963</u></b>	<b><u>\$ 1,124,187</u></b>

### Fiscal Year 2024 Compared to Fiscal Year 2023

Net position increased \$42.7 million to \$658.1 million in FY 2024, up from \$615.4 million in FY 2023. This increase in net position is largely attributable to an increase in utility plant assets of \$40.8 million. Furthermore, cash and investments increased by \$110.5 million during FY 2024. In addition, \$8.8 million of increases related to unbilled electric sales aided the increase in net position. These were offset by increases of \$109.6 million related to issuance of new bonds. There was also \$6.7 million of increases related to accounts payable due to increases in purchased power payable amounts. Other changes represented a net decrease in position of \$1.1 million.

### 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.

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

	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>
<b>Operating Revenues:</b>			
Electric Sales	\$ 613,301	\$ 609,294	\$ 580,606
Electric Other Operating Revenues	10,704	10,562	10,076
Fiber Optics Sales	177,991	176,699	176,308
Fiber Optics Other Operating Revenues	<u>7,039</u>	<u>8,285</u>	<u>9,735</u>
<b>Total</b>	<u>809,035</u>	<u>804,840</u>	<u>776,725</u>
<b>Operating Expenses:</b>			
Electric	570,936	570,915	517,844
Fiber Optics	110,388	109,334	107,984
Provision for Depreciation and Amortization	68,557	68,884	64,741
Tax Equivalents	<u>11,113</u>	<u>13,213</u>	<u>12,931</u>
<b>Total</b>	<u>760,994</u>	<u>762,346</u>	<u>703,500</u>
FEMA Grant Revenue	-	-	18,577
Contributions in aid of construction	(5,776)	(2,869)	(19,593)
Non-operating Revenues (Expenses)	<u>1,735</u>	<u>(2,390)</u>	<u>(8,439)</u>
<b>Total</b>	<u>(4,041)</u>	<u>(5,259)</u>	<u>(9,455)</u>
<b>Income before Transfers and Contributions</b>	44,000	37,235	63,770
Tax Equivalents Transferred to the City of Chattanooga	(7,075)	(8,569)	(8,488)
Contributions in aid of construction	<u>5,776</u>	<u>2,869</u>	<u>19,593</u>
<b>Change in Net Position</b>	<u>42,701</u>	<u>31,535</u>	<u>74,875</u>
Beginning Net Position	<u>615,425</u>	<u>583,890</u>	<u>509,015</u>
<b>Ending Net Position</b>	<u>\$ 658,126</u>	<u>\$ 615,425</u>	<u>\$ 583,890</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 2024 Compared to Fiscal Year 2023**

As shown in Table 2 above, the income before transfers and contributions of \$44.0 million combined with the contributions in aid of construction of \$5.8 million less tax equivalents of \$7.1 million accrued to the City of Chattanooga, resulted in an increase in net position of \$42.7 million for FY 2024.

Further examination of the sources of changes in net position reveals electric sales increased \$4.0 million as compared to FY 2023. Total kWh sales for FY 2024 were 2.2% higher than FY 2023. Electric operating expenses, excluding depreciation and tax equivalents, were consistent in FY 2024 to FY 2023, and remained \$570.9 million.

Fiber Optics operating revenues were consistent in FY 2024 to FY 2023 and remained \$185.0 million. Fiber operating expenses, excluding depreciation and tax equivalents, associated with acquiring and serving customers increased \$1.1 million to \$110.4 million, a 1.0% increase in FY 2024 due mainly to increased costs related to reallocating funds within the organization. This is partially offset by a decrease in cost of goods sold of \$2.2 million in FY 2024 to \$48.5 million from FY 2023.

Expenses for tax equivalents and transfers to municipal governments including transfers to the City of Chattanooga were \$18.2 million in FY 2024 and \$21.8 million in FY 2023. 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 \$68.6 million in FY 2024 from \$68.9 million in FY 2023, a decrease of 0.5%.

### **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*.

## **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 FY 2024</u>	<u>Budget FY 2024</u>	<u>Actual FY 2023</u>	<u>Budget FY 2023</u>
<b>Operating Revenues:</b>				
Electric Sales	\$ 613,301	\$ 614,061	\$ 609,294	\$ 576,085
Other Electric Revenues	<u>10,704</u>	<u>10,179</u>	<u>10,562</u>	<u>10,085</u>
Subtotal	<u>624,005</u>	<u>624,240</u>	<u>619,856</u>	<u>586,170</u>
Fiber Optics Sales	177,991	171,269	176,699	177,224
Other Fiber Optics Revenues	<u>7,039</u>	<u>6,834</u>	<u>8,285</u>	<u>8,344</u>
Subtotal	<u>185,030</u>	<u>178,103</u>	<u>184,984</u>	<u>185,568</u>
<b>Total</b>	<u>809,035</u>	<u>802,343</u>	<u>804,840</u>	<u>771,738</u>
<b>Operating Expenses:</b>				
Electric	570,936	558,105	570,915	525,706
Fiber Optics	110,388	107,761	109,334	111,780
Provision for Depreciation	68,557	71,080	68,884	72,960
Tax Equivalents	<u>11,113</u>	<u>13,841</u>	<u>13,213</u>	<u>13,029</u>
<b>Total</b>	<u>760,994</u>	<u>750,787</u>	<u>762,346</u>	<u>723,475</u>
Contributions in aid of construction	(5,776)	(9,691)	(2,869)	(9,643)
Non-operating Revenues (Expenses)	<u>1,735</u>	<u>(1,241)</u>	<u>(2,390)</u>	<u>(6,572)</u>
<b>Total</b>	(4,041)	(10,932)	(5,259)	(16,215)
<b>Income before Transfers and Contributions</b>	44,000	40,624	37,235	32,048
Tax Equivalents Transferred to the City of Chattanooga	(7,075)	(8,901)	(8,569)	(8,487)
Contributions in aid of construction	<u>5,776</u>	<u>9,691</u>	<u>2,869</u>	<u>9,643</u>
<b>Change in Net Position</b>	<u>\$ 42,701</u>	<u>\$ 41,414</u>	<u>\$ 31,535</u>	<u>\$ 33,204</u>
<b>Capital Expenditures (net of contributions)</b>				
Electric	\$ 77,666	\$ 82,501	\$ 67,681	\$ 77,959
Fiber Optics	<u>28,096</u>	<u>23,881</u>	<u>22,168</u>	<u>23,055</u>
<b>Total Capital Expenditures</b>	<u>\$ 105,762</u>	<u>\$ 106,382</u>	<u>\$ 89,849</u>	<u>\$ 101,014</u>

**FY 2024 Actual vs. Budget**

The Electric System's revenues were \$0.2 million below budget. Electric operating expenses were higher than budget by \$12.8 million due to \$13.8 million of major storm expenses which exceeded budget by \$11.8 million.

The Fiber Optics System's total operating revenues were \$6.9 million above budget, mainly driven by higher video subscribers than anticipated. Fiber Optics System's expenses were above budget by \$2.6 million, an increase of 2.4%, largely attributable to increases in costs of goods sold for Fiber Optics products during FY 2024 as compared to budget.

## 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.

## 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 \$776.4 million, \$735.6 million, and \$712.1 million in net utility plant for FY 2024, FY 2023, and FY 2022, respectively.

**Table 4 - Utility Plant (in thousands)**

	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>
<b>ELECTRIC</b>			
Land & land rights	\$ 6,479	\$ 6,490	\$ 6,490
Construction work in progress	52,572	36,442	24,487
Intangible plant	-	25	38
Transmission	47,593	48,656	50,608
Distribution	782,376	782,786	753,492
Buildings & improvements	63,180	62,958	66,600
Furniture, fixtures & equipment	<u>60,255</u>	<u>66,804</u>	<u>70,735</u>
Total	1,012,455	1,004,161	972,450
Less: Accumulated depreciation	<u>(329,898)</u>	<u>(354,841)</u>	<u>(346,159)</u>
<b>Electric Total</b>	<u>\$ 682,557</u>	<u>\$ 649,320</u>	<u>\$ 626,291</u>
<b>FIBER OPTICS</b>			
Construction work in progress	\$ 24,379	\$ 8,604	\$ 3,733
Central office equipment	19,471	22,085	28,499
Information origination/termination	11,543	14,392	14,866
Furniture, fixtures & equipment	5,945	6,331	7,792
Customer premises wiring	79,301	107,227	101,771
Customer premises equipment	<u>13,003</u>	<u>9,381</u>	<u>13,901</u>
Total	153,642	168,020	170,562
Less: Accumulated depreciation	<u>(59,848)</u>	<u>(81,744)</u>	<u>(84,704)</u>
<b>Fiber Optics Total</b>	<u>\$ 93,794</u>	<u>\$ 86,276</u>	<u>\$ 85,858</u>
<b>Net Utility Plant</b>	<u>\$ 776,351</u>	<u>\$ 735,596</u>	<u>\$ 712,149</u>

## DEBT ADMINISTRATION

As of year-end, EPB Electric System had \$402.9 million in bond debt outstanding compared to \$293.3 in FY 2023 and \$308.3 in FY 2022. During FY 2024, EPB issued bonds with a par value of \$112.1 million, to finance capital costs incurred in connection with the improvement of the Electric System.

One area that demonstrates EPB’s financial strength and future borrowing capability is its debt coverage ratio. The City of Chattanooga has a requirement that if this ratio should ever decrease below 1.5x, EPB would be required to establish and fund a reserve fund. Debt coverage ratio as it relates to the Electric System revenue bonds is shown in Table 5. This ratio is currently 3.4x. The ratio was 3.3x in 2023 and 5.1x in 2022.

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

	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>
<b>Revenues</b>			
Electric Revenue	\$ 649,737	\$ 647,268	\$ 617,156
Interest Income	6,245	2,575	412
FEMA Grant	-	-	18,577
Other	(47)	153	160
<b>Total Revenue</b>	<u>655,935</u>	<u>649,996</u>	<u>636,305</u>
<b>Expenses</b>			
Purchased Power	464,806	479,747	439,497
Operating Expenses	105,956	92,206	78,242
<b>Total Operation Expenses</b> (excluding depreciation and tax equivalent payments)	<u>570,762</u>	<u>571,953</u>	<u>517,739</u>
<b>Funds Available for Debt Service</b>	<u>\$ 85,173</u>	<u>\$ 78,043</u>	<u>\$ 118,566</u>
<b>Debt Service</b>			
Interest Paid on Long-Term Debt	\$ 11,260	\$ 10,768	\$ 10,792
Principal Payments	13,625	13,015	12,440
<b>Total Debt Service</b>	<u>\$ 24,885</u>	<u>\$ 23,783</u>	<u>\$ 23,232</u>
<b>Debt Coverage Ratio</b>	<u>3.4</u>	<u>3.3</u>	<u>5.1</u>

The Electric System maintains a line of credit of \$50.0 million with the execution of an Electric System Revenue Anticipation Note, which was renewed in May 2024 and will mature in May 2025. There were no balances outstanding on the line of credit at the end of FY 2024, FY 2023, and FY 2022.

## ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

EPB’s Board of Directors and Management considered many factors when setting FY 2025 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 2025, 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 2025 includes the allocation of capital for fiber installations to support the Smart Grid, as well as Information Technology system upgrades and integrations. The FY 2025 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.

EPB established a new Strategic Initiative business unit for FY 2025 to provide visibility and focus on emerging opportunities and technologies that create value for our community. The FY 2025 budget includes capital for the use of local power generation and storage capacity.

The changing economic condition's financial impact on EPB is continuously being monitored. We are taking appropriate steps to maintain liquidity and financial strength in this ever-changing environment.

## **ELECTRIC SYSTEM UNRESTRICTED NET POSITION DEFICIT**

As of June 30, 2024, the Electric System showed a deficiency in the Unrestricted Net Position of \$15.0 million. This deficit is primarily due to unspent FY 2024 bond funds of \$71.1 million, which are recorded as Restricted for Capital Assets at year-end. Once these bond funds are utilized towards capital expenditures for the Electric System, this will result in an increase in Unrestricted Net Position.

## **CONTACTING EPB'S FINANCIAL MANAGER**

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

# FINANCIAL STATEMENTS





**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 224,026,000	\$ 227,821,000
Investments	116,382,000	1,196,000
Accounts receivable, less allowance for doubtful accounts of \$1,750,000 and \$1,671,000 in 2024 and 2023, respectively	36,551,000	35,606,000
Unbilled electric sales	42,481,000	33,681,000
Materials and supplies, at average cost	26,948,000	27,724,000
Prepayments and other current assets	11,172,000	10,561,000
Leases receivable, current	2,743,000	3,745,000
<b>Total Current Assets</b>	<u>460,303,000</u>	<u>340,334,000</u>
<b>NON-CURRENT ASSETS</b>		
Investments	--	920,000
Utility plant -		
Utility plant	1,166,097,000	1,172,181,000
Less - accumulated provision for depreciation	(389,746,000)	(436,585,000)
Net utility plant	<u>776,351,000</u>	<u>735,596,000</u>
Right to use leased asset, net of amortization	1,591,000	1,862,000
Right to use subscription asset, net of amortization	6,337,000	4,788,000
Other non-current assets	1,194,000	1,221,000
FEMA grant receivable	1,267,000	1,679,000
Accrued post-employment benefit asset	--	1,278,000
Lease receivable, non-current	4,829,000	4,401,000
<b>Total Non-Current Assets</b>	<u>791,569,000</u>	<u>751,745,000</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension outflows	35,761,000	25,565,000
Deferred bond defeasance outflows	7,469,000	8,359,000
Deferred OPEB outflows	14,212,000	10,960,000
<b>Total Deferred Outflows of Resources</b>	<u>57,442,000</u>	<u>44,884,000</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,309,314,000</u>	<u>\$ 1,136,963,000</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, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable -		
Tennessee Valley Authority, for power purchased	\$ 80,305,000	\$ 73,200,000
Other	27,630,000	28,062,000
Customer deposits	4,544,000	4,144,000
Revenue bonds, current portion	14,285,000	13,625,000
Accrued tax equivalents	18,070,000	21,661,000
Accrued interest payable	5,140,000	3,488,000
Lease liabilities, current	796,000	741,000
Subscription liabilities, current	4,105,000	2,801,000
Unearned revenue	6,657,000	6,700,000
Other current liabilities	17,315,000	17,356,000
<b>Total Current Liabilities</b>	<b>178,847,000</b>	<b>171,778,000</b>
<b>NON-CURRENT LIABILITIES</b>		
Revenue bonds, net	388,652,000	279,723,000
Net pension liability	32,884,000	21,394,000
Accrued post-employment benefit obligation	6,519,000	--
Customer deposits	26,936,000	26,136,000
Other non-current liabilities	3,072,000	2,593,000
Lease liabilities, non-current	794,000	1,121,000
Subscription liabilities, non-current	2,230,000	1,987,000
<b>Total Non-Current Liabilities</b>	<b>461,087,000</b>	<b>332,954,000</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred OPEB inflows	3,683,000	8,660,000
Deferred lease inflows	7,571,000	8,146,000
<b>Total Deferred Inflows of Resources</b>	<b>11,254,000</b>	<b>16,806,000</b>
<b>NET POSITION</b>		
Net investment in capital assets	451,944,000	450,607,000
Restricted for capital assets	71,058,000	--
Unrestricted	135,124,000	164,818,000
<b>Total Net Position</b>	<b>658,126,000</b>	<b>615,425,000</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 1,309,314,000</b>	<b>\$ 1,136,963,000</b>

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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>OPERATING REVENUES</b>		
Electric sales		
Residential	\$ 273,342,000	\$ 275,161,000
Small commercial and power	55,572,000	55,835,000
Large commercial and power	268,676,000	280,474,000
Outdoor lighting systems	7,194,000	7,381,000
<b>Total billed electric sales</b>	<u>604,784,000</u>	<u>618,851,000</u>
Change in unbilled electric sales	8,800,000	(9,110,000)
Uncollectible electric sales	(283,000)	(447,000)
<b>Total electric sales</b>	<u>613,301,000</u>	<u>609,294,000</u>
Fiber optics sales		
Billed fiber optics revenues	178,545,000	176,821,000
Uncollectible fiber optics revenues	(554,000)	(122,000)
<b>Total fiber optics sales</b>	<u>177,991,000</u>	<u>176,699,000</u>
Other operating revenues	17,743,000	18,847,000
<b>Total operating revenues</b>	<u>809,035,000</u>	<u>804,840,000</u>
<b>OPERATING EXPENSES</b>		
Operation		
Power purchased from Tennessee Valley Authority	464,806,000	479,747,000
Other operation expenses	54,093,000	47,073,000
Maintenance	52,037,000	44,095,000
Fiber optic operating expenses	110,388,000	109,334,000
Provision for depreciation and amortization	68,557,000	68,884,000
City, county, and state tax equivalents	11,113,000	13,213,000
<b>Total operating expenses</b>	<u>760,994,000</u>	<u>762,346,000</u>
<b>Net operating income</b>	48,041,000	42,494,000
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest revenue on invested funds	12,626,000	5,814,000
Interest expense	(11,503,000)	(8,994,000)
Other, net	612,000	790,000
Plant cost recovered through contributions in aid of construction	(5,776,000)	(2,869,000)
<b>Total non-operating expenses</b>	<u>(4,041,000)</u>	<u>(5,259,000)</u>
<b>Income before transfers and contributions</b>	44,000,000	37,235,000
Tax equivalents transferred to the City of Chattanooga	(7,075,000)	(8,569,000)
Contributions in aid of construction	5,776,000	2,869,000
<b>CHANGE IN NET POSITION</b>	42,701,000	31,535,000
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>615,425,000</u>	<u>583,890,000</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 658,126,000</u>	<u>\$ 615,425,000</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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 796,861,000	\$ 818,491,000
Payments to suppliers for goods and services	(610,519,000)	(613,185,000)
Payments to employees for services	(62,249,000)	(58,246,000)
Payments in lieu of taxes	(13,213,000)	(12,925,000)
<b>Net cash provided by operating activities</b>	<u>110,880,000</u>	<u>134,135,000</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Tax equivalents transferred to the City of Chattanooga	(8,569,000)	(8,488,000)
Miscellaneous non-operating revenue, net	615,000	795,000
<b>Net cash used in noncapital financing activities</b>	<u>(7,954,000)</u>	<u>(7,693,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to utility plant	(109,484,000)	(90,907,000)
Removal cost	(1,666,000)	(1,560,000)
Salvage	181,000	240,000
Contributions in aid of construction	5,776,000	2,869,000
Proceeds from bond issuance	125,529,000	--
Bond issuance costs	(528,000)	(4,000)
Unused line of credit fees	(5,000)	--
Bond principal payment	(13,625,000)	(13,015,000)
Bond interest payment	(11,260,000)	(10,768,000)
<b>Net cash used in capital and related financing activities</b>	<u>(5,082,000)</u>	<u>(113,145,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	8,065,000	28,453,000
Purchases of investments	(120,527,000)	(25,923,000)
Interest on investments	10,823,000	5,774,000
<b>Net cash provided by (used in) investing activities</b>	<u>(101,639,000)</u>	<u>8,304,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(3,795,000)	21,601,000
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>227,821,000</u>	<u>206,220,000</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 224,026,000</u>	<u>\$ 227,821,000</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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating income	\$ 48,041,000	\$ 42,494,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	69,722,000	70,155,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(945,000)	(350,000)
FEMA receivable	412,000	30,000,000
Unbilled electric sales	(8,800,000)	9,110,000
Materials and supplies	776,000	(4,472,000)
Lease receivables and liabilities	(745,000)	(798,000)
Subscription liabilities	(4,024,000)	(2,958,000)
Prepayments and other current assets	(611,000)	(386,000)
Other deferred charges	27,000	81,000
Accounts payable, net	6,673,000	(11,050,000)
Customer deposits	1,200,000	1,518,000
Accrued tax equivalents	(2,102,000)	290,000
Unearned revenue	(43,000)	184,000
Other current liabilities	(42,000)	1,374,000
Other non-current liabilities	479,000	12,000
Net pension liability and deferred outflows/inflows	1,294,000	1,285,000
Accrued post-employment benefits	(432,000)	(2,354,000)
<b>Net cash provided by operating activities</b>	<u>\$ 110,880,000</u>	<u>\$ 134,135,000</u>

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

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**FIDUCIARY ACTIVITIES**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AS OF JUNE 30, 2024 AND 2023**

	<b>Pension (and Other Employee Benefit Trust Funds)</b>	<b>Pension (and Other Employee Benefit Trust Funds)</b>
	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Interest receivable	\$ 74,000	\$ 2,227,000
Investments at fair value:		
Cash and money market funds	15,776,000	11,947,000
Fixed income funds	8,415,000	3,570,000
Corporate obligations	2,949,000	4,490,000
Common equity securities	7,317,000	11,968,000
Equity mutual funds	17,555,000	26,892,000
US equity funds	11,183,000	--
International equity funds	5,712,000	--
Alternative funds	32,293,000	32,624,000
<b>Total investments at fair value</b>	<b>101,200,000</b>	<b>91,491,000</b>
<b>TOTAL ASSETS</b>	<b>\$ 101,274,000</b>	<b>\$ 93,718,000</b>
<b>NET POSITION</b>		
Net position restricted for other postemployment benefits	\$ 34,423,000	\$ 31,224,000
Net position restricted for pension benefits	66,851,000	62,494,000
<b>Total restricted net position</b>	<b>101,274,000</b>	<b>93,718,000</b>
<b>TOTAL NET POSITION</b>	<b>\$ 101,274,000</b>	<b>\$ 93,718,000</b>

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, 2024 AND 2023**

	Pension (and Other Employee Benefit Trust Funds)	Pension (and Other Employee Benefit Trust Funds)
	<u>2024</u>	<u>2023</u>
<b>ADDITIONS</b>		
Contributions:		
Employers	\$ 7,000,000	\$ 7,000,000
<b>Total contributions</b>	<u>7,000,000</u>	<u>7,000,000</u>
Investment Earnings:		
Net appreciation (depreciation) in fair value of investments	3,603,000	(3,357,000)
Interest and dividends	873,000	850,000
Total investment earnings	<u>4,476,000</u>	<u>(2,507,000)</u>
Less investment costs:		
Investment expenses	148,000	218,000
<b>Net investment earnings (loss)</b>	<u>4,328,000</u>	<u>(2,725,000)</u>
<b>Total additions</b>	<u>11,328,000</u>	<u>4,275,000</u>
<b>DEDUCTIONS</b>		
Benefits paid to participants or beneficiaries	3,729,000	15,325,000
Administrative expenses	43,000	51,000
<b>Total deductions</b>	<u>3,772,000</u>	<u>15,376,000</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	7,556,000	(11,101,000)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>93,718,000</u>	<u>104,819,000</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 101,274,000</u>	<u>\$ 93,718,000</u>

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

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**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 198,000 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 2024, EPB had approximately 122,000 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, 2024 and 2023.



**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**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 5.80% in 2024 and 5.89% in 2023.

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

**Revenues and Expenses**

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

Fiber optics revenues are recognized on the accrual basis at the time services are provided. Operating revenues include service sales net of bad debt expense and miscellaneous revenue related to fiber optics operations. This miscellaneous revenue includes ad revenue, late payment fees, 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 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, 2024 and 2023**

**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 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 2023 financial statements have been reclassified to conform to the 2024 presentation, with no effect on net position or change in net position.

**NOTE THREE - DEPOSITS AND INVESTMENTS**

EPB’s investment policy allows for investments in certificates of deposit, repurchase agreements, money market accounts with local depository institutions, the State of Tennessee Local Government Investment Pool (LGIP), U.S. Treasury obligations, U.S. Government Agency obligations, municipal bonds, and commercial paper. All LGIP, money market, certificate of deposit accounts, and commercial paper with maturities 90 days or less are classified as cash and cash equivalents for reporting purposes.

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)**

At June 30, 2024, 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)	\$ 104,142	\$ 104,142	\$ -	\$ -
Money Market Accounts	96,859	96,859	-	-
Certificates of Deposit	957	957	-	-
Bonds	115,425	115,425	-	-
Total	<u>\$ 317,383</u>	<u>\$ 317,383</u>	<u>\$ -</u>	<u>\$ -</u>

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>

**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, 2024 and 2023 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, 2024 and 2023**

**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, 2024:

- Certificate of Deposits of \$1.0 million and bonds of \$115.4 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, 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).

**Custodial Credit Risk**

At June 30, 2024 and 2023, 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, 2024 and 2023, 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 ¶19-4-701 *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, 2024 and 2023**

**NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)**

Investments by issuer and percentage of total investments at June 30, 2024 and 2023 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Citizens Bank	CD's	0.30%	0.49%
Regions Bank	Money Market Accounts	0.00%	0.01%
Rockpoint Bank	Money Market Accounts	0.32%	0.12%
Truist Bank	Money Market Accounts	0.01%	0.01%
State of Tennessee	Local Government Investment Pool	32.81%	64.96%
SmartBank	Money Market Accounts	0.00%	0.06%
FirstBank	Money Market Accounts	0.59%	4.98%
First Horizon Bank	Money Market Accounts	18.84%	0.73%
United Community Bank	Money Market Accounts & CD's	0.00%	0.08%
United States Gov't Treasury	Treasury Bills & Bonds	36.37%	0.00%
CapStar Bank	Money Market Accounts	0.00%	0.05%
Tower Community Bank	Money Market Accounts & CD's	0.00%	1.06%
Pinnacle Bank	Money Market Accounts	10.76%	27.45%

**Pension 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, 2023 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, 2024 and 2023**

**NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)**

As of June 30, 2024, the Pension Trust Fund for the Plan year ended July 31, 2023 had \$66,777,000 invested in the following types of investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Money Market Funds	\$ 15,734,000	N/A
Corporate Obligations	362,000	Baa1 to Baa3
Corporate Obligations	1,502,000	Ba1 to Ba3
Corporate Obligations	967,000	B1 to B3
Corporate Obligations	118,000	WR
Common Equity Securities	7,317,000	N/A
Equity Mutual Funds	17,555,000	N/A
Fixed Income Funds	1,643,000	N/A
Alternative Funds	21,579,000	N/A
	<u>\$ 66,777,000</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	\$ 15,734,000	-
Corporate Obligations	2,949,000	1.813
Common Equity Securities	7,317,000	-
Equity Mutual Funds	17,555,000	-
Fixed Income Funds	1,643,000	-
Alternative Funds	21,579,000	-
	<u>\$ 66,777,000</u>	

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

As of June 30, 2023, the Pension 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 Funds	1,532,000	N/A
Alternative 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

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)**

<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 Funds	1,532,000	-
Alternative Funds	20,561,000	-
	<u>\$ 60,311,000</u>	

**Concentration**

On June 30, 2024 and 2023, the Pension 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, 2024 and June 30, 2023 measured as of July 31, 2023 and July 31, 2022, 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, 2024:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money Market Funds	\$ 15,734,000	\$ -	\$ -	\$ 15,734,000
Corporate Obligations	-	2,949,000	-	2,949,000
Common Equity Securities	7,317,000	-	-	7,317,000
Equity Mutual Funds	17,555,000	-	-	17,555,000
Fixed Income Funds	-	1,643,000	-	1,643,000
Alternative Funds	-	-	21,579,000	21,579,000
	<u>\$ 40,606,000</u>	<u>\$ 4,592,000</u>	<u>\$ 21,579,000</u>	<u>\$ 66,777,000</u>

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 Funds	-	1,532,000	-	1,532,000
Alternative Funds	20,561,000	-	-	20,561,000
	<u>\$ 55,650,000</u>	<u>\$ 4,661,000</u>	<u>\$ -</u>	<u>\$ 60,311,000</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)**

**Rate of Return**

For the fiscal years ended June 30, 2024 and June 30, 2023, the annual money-weighted rate of return on the Pension Trust Fund investments, net of investment expenses, was 5.6% and (10.5%), measured as of July 31, 2023 and July 31, 2022, 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, 2023 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%.

During FY 2024, EPB transferred its OPEB investment funds to a new broker. This transfer resulted in the reinvestment of the majority of the portfolio into new funds and investments from those previously held.

As of June 30, 2024, the OPEB Trust Fund had \$34,423,000 invested in the following types of investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Moody’s Rating</u>
Cash	\$ 42,000	N/A
Fixed Income Funds	320,000	AAA
Fixed Income Funds	430,000	AA
Fixed Income Funds	424,000	A
Fixed Income Funds	801,000	BBB
Fixed Income Funds	4,797,000	N/A
US Equity Funds	11,183,000	N/A
International Equity	5,712,000	N/A
Alternative Funds	10,714,000	N/A
	<u>\$ 34,423,000</u>	

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



**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)**

<u>Investments</u>	<u>Fair Value</u>	<u>Average Maturity (years)</u>
Cash	\$ 42,000	-
Fixed Income Funds	6,772,000	20.399
US Equity	11,183,000	-
International Equity	5,712,000	-
Alternative Funds	10,714,000	-
	<u>\$ 34,423,000</u>	

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

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 Funds	2,038,000	N/A
Alternative 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 Funds	2,038,000	-
Alternative Funds	12,063,000	-
	<u>\$ 31,180,000</u>	

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

**Concentration**

On June 30, 2024 and 2023, the OPEB 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, 2024 and 2023**

**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, 2024 and June 30, 2023. 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, 2024:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash	\$ 42,000	\$ -	\$ -	\$ 42,000
Fixed Income Funds	-	6,772,000	-	6,772,000
US Equity	11,183,000	-	-	11,183,000
International Equity	5,712,000	-	-	5,712,000
Alternative Funds	-	-	10,714,000	10,714,000
	<u>\$ 16,937,000</u>	<u>\$ 6,772,000</u>	<u>\$ 10,714,000</u>	<u>\$ 34,423,000</u>

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 Funds	-	2,038,000	-	2,038,000
Alternative Funds	12,063,000	-	-	12,063,000
	<u>\$ 27,618,000</u>	<u>\$ 3,562,000</u>	<u>\$ -</u>	<u>\$ 31,180,000</u>

**Rate of Return**

For the fiscal years ended June 30, 2024 and June 30, 2023, the annual money-weighted rate of return on the OPEB Trust Fund investments, net of investment expenses, was 8.6% and (14.3%), respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2024 and 2023

**NOTE FOUR - UTILITY PLANT**

Electric utility plant assets activity for the year ended June 30, 2024 was as follows (in thousands):

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2024</u>
<b>Electric Asset Costs</b>				
<b>Non-Depreciable Assets:</b>				
Land & Land Rights	\$ 6,490	\$ 94	\$ (105)	\$ 6,479
Construction Work in Progress	36,442	21,504	(5,374)	52,572
<b>Depreciable Assets:</b>				
Intangible Plant	25	-	(25)	-
Transmission	48,656	1,282	(2,345)	47,593
Distribution	782,786	51,801	(52,211)	782,376
Buildings & Improvements	62,958	2,229	(2,007)	63,180
Furniture, Fixtures & Equipment	<u>66,804</u>	<u>4,953</u>	<u>(11,502)</u>	<u>60,255</u>
<b>Electric Total Asset Cost</b>	<u>\$ 1,004,161</u>	<u>\$ 81,863</u>	<u>\$ (73,569)</u>	<u>\$ 1,012,455</u>
<b>Electric Accumulated Depreciation</b>				
Intangible Plant	\$ -	\$ 2	\$ (2)	\$ -
Transmission	24,394	1,612	(2,508)	23,498
Distribution	259,276	34,007	(53,405)	239,878
Buildings & Improvements	18,873	2,227	(2,120)	18,980
Furniture, Fixtures & Equipment	<u>52,298</u>	<u>6,676</u>	<u>(11,432)</u>	<u>47,542</u>
<b>Electric Total Accumulated Depreciation</b>	<u>\$ 354,841</u>	<u>\$ 44,524</u>	<u>\$ (69,467)</u>	<u>\$ 329,898</u>
<b>Electric Total Net Utility Plant</b>	<u>\$ 649,320</u>	<u>\$ 37,339</u>	<u>\$ (4,102)</u>	<u>\$ 682,557</u>

Fiber Optics utility plant assets activity for the year ended June 30, 2024 was as follows (in thousands):

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2024</u>
<b>Fiber Optics Asset Costs</b>				
<b>Non-Depreciable Assets:</b>				
Construction Work in Progress	\$ 8,604	\$ 16,070	\$ (295)	\$ 24,379
<b>Depreciable Assets:</b>				
Central Office Equipment	22,085	574	(3,188)	19,471
Information Origination/Termination	14,392	491	(3,340)	11,543
Furniture, Fixtures & Equipment	6,331	264	(650)	5,945
Customer Premise Wiring	107,227	4,366	(32,292)	79,301
Customer Premise Equipment	<u>9,381</u>	<u>6,452</u>	<u>(2,830)</u>	<u>13,003</u>
<b>Fiber Optics Total Asset Cost</b>	<u>\$ 168,020</u>	<u>\$ 28,217</u>	<u>\$ (42,595)</u>	<u>\$ 153,642</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2024 and 2023

**NOTE FOUR - UTILITY PLANT (Continued)**

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2024</u>
<b>Fiber Optic Accumulated Depreciation</b>				
Central Office Equipment	\$ 13,145	\$ 2,638	\$ (3,188)	\$ 12,595
Information Origination/Termination	8,675	2,706	(3,340)	8,041
Furniture, Fixtures & Equipment	3,314	494	(650)	3,158
Customer Premise Wiring	56,183	10,861	(32,292)	34,752
Customer Premise Equipment	427	3,729	(2,854)	1,302
<b>Fiber Optic Total Accumulated Depreciation</b>	<u>\$ 81,744</u>	<u>\$ 20,428</u>	<u>\$ (42,324)</u>	<u>\$ 59,848</u>
<b>Fiber Optic Total Net Utility Plant</b>	<u>\$ 86,276</u>	<u>\$ 7,789</u>	<u>\$ (271)</u>	<u>\$ 93,794</u>
<b>Total Net Utility Plant</b>	<u>\$ 735,596</u>	<u>\$ 45,128</u>	<u>\$ (4,373)</u>	<u>\$ 776,351</u>

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>
<b>Electric Asset Costs</b>				
<b>Non-Depreciable Assets:</b>				
Land & Land Rights	\$ 6,490	\$ -	\$ -	\$ 6,490
Construction Work in Progress	24,487	14,359	(2,404)	36,442
<b>Depreciable Assets:</b>				
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	70,735	3,004	(6,935)	66,804
<b>Electric Total Asset Cost</b>	<u>\$ 972,450</u>	<u>\$ 68,991</u>	<u>\$ (37,280)</u>	<u>\$ 1,004,161</u>
<b>Electric Accumulated Depreciation</b>				
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	50,975	8,211	(6,888)	52,298
<b>Electric Total Accumulated Depreciation</b>	<u>\$ 346,159</u>	<u>\$ 44,653</u>	<u>\$ (35,971)</u>	<u>\$ 354,841</u>
<b>Electric Total Net Utility Plant</b>	<u>\$ 626,291</u>	<u>\$ 24,338</u>	<u>\$ (1,309)</u>	<u>\$ 649,320</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE FOUR - UTILITY PLANT (Continued)**

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>
<b>Fiber Optics Asset Costs</b>				
<b>Non-Depreciable Assets:</b>				
Construction Work in Progress	\$ 3,733	\$ 5,110	\$ (239)	\$ 8,604
<b>Depreciable Assets:</b>				
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>
<b>Fiber Optics Total Asset Cost</b>	<b>\$ 170,562</b>	<b>\$ 22,481</b>	<b>\$ (25,023)</b>	<b>\$ 168,020</b>
<b>Fiber Optic Accumulated Depreciation</b>				
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>
<b>Fiber Optic Total Accumulated Depreciation</b>	<b>\$ 84,704</b>	<b>\$ 21,749</b>	<b>\$ (24,709)</b>	<b>\$ 81,744</b>
<b>Fiber Optic Total Net Utility Plant</b>	<b>\$ 85,858</b>	<b>\$ 732</b>	<b>\$ (314)</b>	<b>\$ 86,276</b>
<b>Total Net Utility Plant</b>	<b>\$ 712,149</b>	<b>\$ 25,070</b>	<b>\$ (1,623)</b>	<b>\$ 735,596</b>

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
Customer premise wiring	10 years
Customer premise equipment	2-3.5 years

Depreciation expense for the Electric System was approximately \$44.5 million and \$44.7 million for the fiscal years ended June 30, 2024 and 2023, respectively. This depreciation expense includes automotive equipment depreciation, which is included in other operating expenses, of approximately \$1.2 million and \$1.3 million for the fiscal years ended June 30, 2024 and 2023. Depreciation expense for the Fiber Optics System was approximately \$20.4 million and \$21.7 million for the fiscal years ended June 30, 2024 and 2023, respectively.

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE FIVE – DEBT**

Long-term debt for the year ended June 30, 2024 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, 2023</u>	<u>Repayments, Amortization or Accretion</u>	<u>Additions</u>	<u>Balance at June 30, 2024</u>	<u>Current Amount Due</u>
<b>Electric System</b>									
<u>BONDS PAYABLE</u>									
Electric System Refunding Revenue Bonds, 2015 Series A	\$ 218,855	2.875%-5.00%	8/31/2015	9/1/2033	\$ 170,300	\$ (11,160)	\$ -	\$ 159,140	\$ 11,810
Electric System Refunding Revenue Bonds, 2015 Series B	15,355	3.20%-3.375%	8/31/2015	9/1/2025	4,675	(1,595)	-	3,080	1,560
Electric System Refunding Revenue Bonds, 2015 Series C	25,880	4.00%-5.00%	8/31/2015	9/1/2040	24,250	(870)	-	23,380	915
Electric System Revenue Bonds, 2021	71,080	2.00%-4.00%	6/29/2021	9/1/2041	71,080	-	-	71,080	-
Electric System Revenue Bonds, 2023	112,125	5.00%	12/19/2023	9/1/2043	-	-	112,125	112,125	-
<b>Total Bonds Payable</b>					<u>\$ 270,305</u>	<u>\$ (13,625)</u>	<u>\$ 112,125</u>	<u>\$ 368,805</u>	<u>\$ 14,285</u>
Unamortized premium/(discount)					<u>\$ 23,043</u>	<u>\$ (2,315)</u>	<u>\$ 13,404</u>	<u>\$ 34,132</u>	<u>\$ -</u>
<b>Total Debt</b>					<u>\$ 293,348</u>	<u>\$ (15,940)</u>	<u>\$ 125,529</u>	<u>\$ 402,937</u>	<u>\$ 14,285</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE FIVE – DEBT (Continued)**

Long-term debt 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>Last Maturity Date</u>	<u>Balance at June 20, 2022</u>	<u>Repayments, Amortization or Accretion</u>	<u>Additions</u>	<u>Balance at June 30, 2023</u>	<u>Current Amount Due</u>
<b>Electric System</b>									
<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%	8/31/2015	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	-
<b>Total Bonds Payable</b>					<u>\$ 283,320</u>	<u>\$ (13,015)</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>\$ 23,043</u>	<u>-</u>
<b>Total Debt</b>					<u>\$ 308,337</u>	<u>\$ (14,989)</u>	<u>\$ -</u>	<u>\$ 293,348</u>	<u>\$ 13,625</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>
2025	\$ 14,285	\$ 14,855	\$ 29,140
2026	14,955	14,140	29,095
2027	15,730	13,625	29,355
2028	16,205	13,123	29,328
2029	16,710	12,343	29,053
2030-2034	95,720	49,490	145,210
2035-2039	98,940	28,213	127,153
2040-2044	96,260	8,009	104,269
<b>Total</b>	<u>\$ 368,805</u>	<u>\$ 153,798</u>	<u>\$ 522,603</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE FIVE – DEBT (Continued)**

In December 2023, EPB issued Electric System Revenue Bonds, Series 2023, in order to finance capital costs incurred in connection with the improvement of the Electric System. The \$112.1 million par value of the bonds, less underwriter discount, cost of issuance, plus original issue premium netted proceeds of approximately \$125.5 million. As of June 30, 2024, there were \$71.1 million of remaining balances related to these Series 2023 bonds.

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 million. As of June 30, 2024, 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, 2024, 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, 2024 was 3.4x.

EPB maintained a \$50 million bank line of credit with the execution of an Electric System Revenue Anticipation Note in FY 2024 and 2023. The purpose of this 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 2025 and bears an interest rate of 30-day SOFR plus 0.50%. As of June 30, 2024, there were no amounts outstanding on the note.



**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**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 \$187,000 and \$173,000 at June 30, 2024 and 2023, respectively. Also, employees were eligible to be paid upon retirement at the rate of 38% for accumulated sick leave hours at June 30, 2024 and 2023, 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 \$375,000 and \$352,000 at June 30, 2024 and 2023, respectively.

**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.

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE SEVEN - EMPLOYEE BENEFIT PLANS (Continued)**

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 65<sup>th</sup> 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, 2024 and 2023, respectively:

	<u>2024</u>	<u>2023</u>
Inactive employees or beneficiaries currently receiving benefits	20	18
Inactive employees or beneficiaries but not yet receiving benefits	168	168
Active employees	<u>524</u>	<u>557</u>
Total	<u><u>712</u></u>	<u><u>743</u></u>

**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 18.3% and 14.7% of annual covered payroll as of August 1, 2023 and 2022, respectively.

**Net Pension Liability**

EPB's net pension liability was measured as of July 31, 2023 (for FY 2024) and 2022 (for FY 2023), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 1, 2023 and 2022, respectively.

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

Inflation	2.50% 2023; 3.00% 2022
Salary increase	3.50% 2023; 3.00% 2022
Investment rate of return	6.50% in 2023 and 2022

Mortality rates for the Pension expense determination in FY 2024 were based on the RP-2014 Mortality Table with MP-2021 generation improvements. The employee benefit amounts were based on the UP-1984 Mortality Table for Males and Females. Mortality rates for FY 2023 were based on the UP-1984 Mortality Table for Males or Females.

The actuarial assumptions used in the August 1, 2023 valuation were based on the results of an actuarial experience study for the period August 1, 2020 - July 31, 2023. 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.

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE SEVEN - EMPLOYEE BENEFIT PLANS (Continued)**

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%	3.5%
Real estate	0 – 15%	6.0%
Cash	5 – 10%	2.0%

The discount rate used to measure the total pension liability was 6.5 percent in FY 2024 and FY 2023. 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.

**Financial Statements**

As of June 30, 2024 and June 30, 2023, the Plan's statement of fiduciary net position for the Plan year ended July 31, 2023 and July 31, 2022, was as follows (in thousands):

	<u>July 31, 2023</u>	<u>July 31, 2022</u>
<b>ASSETS</b>		
Interest receivable	\$ 74,000	\$ 2,183,000
Investments at fair value:		
Money market funds	15,734,000	11,784,000
Corporate obligations	2,949,000	3,129,000
Common equity securities	7,317,000	7,162,000
Equity mutual funds	17,555,000	16,143,000
Fixed income funds	1,643,000	1,532,000
Alternative funds	<u>21,579,000</u>	<u>20,561,000</u>
	<u>66,777,000</u>	<u>60,311,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 66,851,000</u>	<u>\$ 62,494,000</u>
<b>NET POSITION</b>		
Net position restricted for pension benefits	<u>\$ 66,851,000</u>	<u>\$ 62,494,000</u>
<b>TOTAL NET POSITION</b>	<u>\$ 66,851,000</u>	<u>\$ 62,494,000</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE SEVEN - EMPLOYEE BENEFIT PLANS (Continued)**

As of June 30, 2024 and June 30, 2023, the Plan's statement of changes in fiduciary net position for the Plan year ended July 31, 2023 and July 31, 2022, was as follows (in thousands):

	<u>July 31, 2023</u>	<u>July 31, 2022</u>
<b>ADDITIONS</b>		
Contributions:		
Employers	\$ 7,000,000	\$ 7,000,000
Investment earnings:		
Net appreciation (depreciation) in fair value of investments	504,000	(5,647,000)
Interest and dividends	<u>734,000</u>	<u>598,000</u>
Total investment earnings (loss)	1,238,000	(5,049,000)
Less investment costs:		
Investment expenses	<u>130,000</u>	<u>161,000</u>
Net investment earnings (loss)	<u>1,108,000</u>	<u>(5,210,000)</u>
Total additions	<u>8,108,000</u>	<u>1,790,000</u>
<b>DEDUCTIONS</b>		
Benefits paid to participants or beneficiaries	3,724,000	15,280,000
Administrative expenses	<u>27,000</u>	<u>31,000</u>
Total deductions	<u>3,751,000</u>	<u>15,311,000</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	4,357,000	(13,521,000)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>62,494,000</u>	<u>76,015,000</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 66,851,000</u>	<u>\$ 62,494,000</u>

The following table shows the changes in the net pension liability as of June 30, 2024 and June 30, 2023 for the Plan Year ended July 31, 2023 and July 31, 2022 (in thousands):

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at 6/30/2023	\$ 83,888	\$ 62,494	\$ 21,394
Changes for the year:			
Service cost	4,549	-	4,549
Interest	5,452	-	5,452
Difference between expected and actual experience	146	-	146
Assumption changes	9,424	-	9,424
Contributions – employer	-	7,000	(7,000)
Net investment income	-	1,108	(1,108)
Benefits payments, include refund of employee contributions	(3,724)	(3,724)	-
Administrative expenses	<u>-</u>	<u>(27)</u>	<u>27</u>
Net changes	<u>15,847</u>	<u>4,357</u>	<u>11,490</u>
Balances at 6/30/2024	<u>\$ 99,735</u>	<u>\$ 66,851</u>	<u>\$ 32,884</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2024 and 2023

**NOTE SEVEN - EMPLOYEE BENEFIT PLANS (Continued)**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</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>

The following presents the net pension liability 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 liability as of June 30, 2024

1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 50,133	\$ 32,884	\$ 18,682

Net pension liability as of June 30, 2023

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

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

For the year ended June 30, 2024, EPB recognized pension expense of \$9.8 million. As of June 30, 2024, EPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 13,740	\$ -
Employer contributions made after plan year	1,500	-
Changes in assumptions	15,843	-
Net difference between projected and actual earnings on pension plan investments	<u>4,678</u>	<u>-</u>
Total	<u>\$ 35,761</u>	<u>\$ -</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE SEVEN - EMPLOYEE BENEFIT PLANS (Continued)**

For the year ended June 30, 2023, EPB recognized pension expense of \$8.3 million. As of June 30, 2023, EPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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>	-
Total	<u>\$ 25,565</u>	<u>\$ -</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>	
2025	\$ 3,392
2026	3,103
2027	4,938
2028	3,007
2029	2,441
Thereafter	<u>17,380</u>
	<u>\$ 34,261</u>

Deferred outflows of resources totaling \$1.5 million represent contributions made after the Plan's valuation date. These contributions will be used to reduce the net pension liability during 2025.

**Payable to the Pension Plan**

As of June 30, 2024 and 2023, EPB reported no payable balances for required outstanding contributions to the Plan.

**Pension Plan's Funded Status Using Termination Basis**

An exact calculation of the Actuarial Accrued Liability exclusively based on past service and compensation would be the Plan liability if the Plan were to terminate or cease recognition of future service accruals and compensation increases. As of August 1, 2023, this Actuarial Accrued Liability has been calculated to be \$69.8 million; with the Actuarial Value of Plan Assets being \$66.9 million. As of August 1, 2023, this Actuarial valuation resulted in an estimated Plan Asset Deficiency of \$2.9 million. 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.

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE SEVEN - EMPLOYEE BENEFIT PLANS (Continued)**

**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 \$1.9 million and \$1.7 million in fiscal years 2024 and 2023, respectively. Employee contributions were approximately \$4.4 million in fiscal year 2024 and \$4.2 million in fiscal year 2023.

All employees hired after January 1, 2022, are also eligible for an annual employer contribution of 6.0% of their eligible wages. These 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. EPB contributed \$0.6 million to employees in fiscal year 2024 and \$0.2 million to employees in fiscal year 2023.

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.

**Employees Covered by Benefit Terms**

The following table details number of employees that were covered by the benefit terms, as of June 30, 2024 and 2023, respectively:

	<u>2024</u>	<u>2023</u>
Inactive employees or beneficiaries currently receiving benefits	448	438
Inactive employees or beneficiaries but not yet receiving benefits	71	66
Active employees	<u>740</u>	<u>708</u>
Total	<u>1,259</u>	<u>1,212</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE EIGHT - POST-EMPLOYMENT BENEFITS (Continued)**

**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 2024 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%
<b>Pre-Age 65, EPO</b>						
Individual	\$ -	\$ 734.40	\$ 648.00	\$ 475.20	\$ 302.40	\$ 129.60
Employee +1	-	1,476.96	1,303.20	955.68	608.16	260.64
Family	-	2,211.36	1,951.20	1,430.88	910.56	390.24
<b>Pre-Age 65, PPO</b>						
Individual	-	587.52	518.40	380.16	241.92	103.68
Employee +1	-	1,175.04	1,036.80	760.32	483.84	207.36
Family	-	1,762.56	1,555.20	1,140.48	725.76	311.04
<b>Age 65 &amp; Over</b>						
Individual	-	129.66	118.22	87.71	57.20	26.69
Spouse	-	129.66	118.22	87.71	57.20	26.69

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%
<b>Pre-Age 65, EPO</b>						
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
<b>Pre-Age 65, PPO</b>						
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
<b>Age 65 &amp; Over</b>						
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 4.1% and 5.9% of annual covered payroll as of June 30, 2024 and 2023, respectively.



**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE EIGHT - POST-EMPLOYMENT BENEFITS (Continued)**

**Net OPEB Liability**

EPB's net OPEB liability was measured as of June 30, 2023 (for FY 2024) and 2022 (for FY 2023), 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>2024</u>	<u>2023</u>
Healthcare cost trend - active	7.0% initial, 4.0% ultimate	6.5% initial, 4.0% ultimate
Healthcare cost trend - retired	3.0%	4.0%
Investment rate of return	6.5%	6.5%
Mortality	RP-2014 Mortality Table with MP-2021 generational improvements	UP-1984 Mortality Table

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2020 – June 30, 2023. 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 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	10 – 25%	3.5%
Real estate	10 – 15%	6.0%
Cash	5 – 10%	2.0%

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE EIGHT - POST-EMPLOYMENT BENEFITS (Continued)**

**Financial Statements**

As of June 30, 2024 and June 30, 2023, the Plan's statement of fiduciary net position was as follows (in thousands):

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>ASSETS</b>		
Interest receivable	\$ -	\$ 44,000
Investments at fair value:		
Cash and money market funds	42,000	163,000
Fixed Income funds	6,772,000	2,038,000
Corporate obligations	-	1,361,000
US equity funds	11,183,000	-
International equity funds	5,712,000	-
Common equity securities	-	4,806,000
Equity mutual funds	-	10,749,000
Alternative funds	<u>10,714,000</u>	<u>12,063,000</u>
	<u>34,423,000</u>	<u>31,180,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 34,423,000</u>	<u>\$ 31,224,000</u>
<b>NET POSITION</b>		
Net position restricted for pension benefits	<u>\$ 34,423,000</u>	<u>\$ 31,224,000</u>
<b>TOTAL NET POSITION</b>	<u>\$ 34,423,000</u>	<u>\$ 31,224,000</u>

As of June 30, 2024 and June 30, 2023, the Plan's statement of changes in fiduciary net position was as follows (in thousands):

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>ADDITIONS</b>		
Investment earnings:		
Net appreciation in fair value of investments	\$ 3,099,000	\$ 2,290,000
Interest and dividends	<u>139,000</u>	<u>252,000</u>
Total investment earnings	3,238,000	2,542,000
Less investment costs:		
Investment expenses	<u>18,000</u>	<u>57,000</u>
Net investment earnings	<u>3,220,000</u>	<u>2,485,000</u>
Total additions	<u>3,220,000</u>	<u>2,485,000</u>
<b>DEDUCTIONS</b>		
Benefits paid to participants or beneficiaries	5,000	45,000
Administrative expenses	<u>16,000</u>	<u>20,000</u>
Total deductions	<u>21,000</u>	<u>65,000</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	3,199,000	2,420,000
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>31,224,000</u>	<u>28,804,000</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 34,423,000</u>	<u>\$ 31,224,000</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE EIGHT - POST-EMPLOYMENT BENEFITS (Continued)**

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

The following table shows the changes in the net OPEB liability (asset) as of June 30, 2024 and June 30, 2023 for the Plan Year ended June 30, 2023 and June 30, 2022 (in thousands):

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB (Asset) Liability (a) – (b)</b>
Balances at 6/30/2023	\$ 27,526	\$ 28,804	\$ (1,278)
Changes for the year:			
Service cost	1,179	-	1,179
Interest	1,790	-	1,790
Difference between expected and actual experience	4,867	-	4,867
Assumption changes	5,270	-	5,270
Contributions – employer	-	2,844	(2,844)
Net investment income	-	2,485	(2,485)
Benefits payments, include refund of employee contributions	(2,889)	(2,889)	-
Administrative expenses	-	(20)	20
Net changes	<u>10,217</u>	<u>2,420</u>	<u>7,797</u>
Balances at 6/30/2024	<u>\$ 37,743</u>	<u>\$ 31,224</u>	<u>\$ 6,519</u>
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>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**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, 2024

1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 11,018	\$ 6,519	\$ 2,741

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)

The following presents the net OPEB liability (asset) of the Plan, calculated using the healthcare trend rate of 7.0 percent decreasing to an ultimate 4.0 percent for FY 2024 and 6.0 percent decreasing to an ultimate 4.0 percent for FY 2023, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent decreasing to 3.0 percent FY 2024; 5.0 percent decreasing to 3.0 percent FY 2023) or 1-percentage-point higher (8.0 percent decreasing to 5.0 percent FY 2024; 7.0 percent decreasing to 5.0 percent FY 2023) than the current rate (in thousands):

Net OPEB liability (asset) as of June 30, 2024

1% Decrease (6.0% decreasing to 3.0%)	Healthcare Trend Rate (7.0% decreasing to 4.0%)	1% Increase (8.0% decreasing to 5.0%)
\$ 2,102	\$ 6,519	\$ 12,006

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

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, 2023 and 2022.

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**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, 2024, EPB recognized an OPEB expense of \$1.9 million. As of June 30, 2024, EPB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 9,268	\$ (3,683)
Changes in assumptions	871	-
Net difference between projected and actual earnings on OPEB plan investments	1,771	-
Contributions subsequent to the measurement date	<u>2,302</u>	<u>-</u>
Total	<u>\$ 14,212</u>	<u>\$ (3,683)</u>

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):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	<u>2,844</u>	<u>-</u>
Total	<u>\$ 10,960</u>	<u>\$ (8,660)</u>

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>	
2025	\$ 685
2026	366
2027	1,492
2028	93
2029	216
Thereafter	<u>5,375</u>
	<u>\$ 8,227</u>

Deferred outflows of resources totaling \$2.3 million represent contributions made after the Plan's valuation date. These contributions will be used to reduce the net OPEB liability during 2025.

**Payable to the OPEB Plan**

As of June 30, 2024 and 2023, EPB reported no payable balances for required outstanding contributions to the Plan.

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**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, it must be pursuant to the Tennessee Governmental Tort Liability Act (TGTLA), T.C.A. § 29-20-101 et seq. The TGTLA provides maximum liability limits for tort claims of Three Hundred Thousand Dollars (\$300,000) for bodily injury or death of any one person in any one accident, Seven Hundred Thousand Dollars (\$700,000) for bodily injury or death of all persons in any one accident, and a limit of One Hundred Thousand Dollars (\$100,000) for destruction of property of others in any one accident. EPB is self-insured for any liability claim related to its Electric System operations pursuant to these maximum limits of liability.

EPB does not have any such immunity for any federally based claims or claims asserted against its Fiber Optics System operations. EPB maintains a general liability insurance 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 an insurance policy for automobile liability and property damage claims related to an automobile accident asserted against it, its officers, employees, and agents for its Fiber Optics System operations. EPB is self-insured for any automobile liability and property damage claims for its Electric System operations.

EPB continues its self-insured programs for employee injuries and employee health insurance. EPB provided employee health insurance is self-insured and subject to a stop-loss insurance policy limit of \$230,000 per covered employee. No significant liability claims are outstanding as of June 30, 2024.

Changes in the balances of claims liabilities including costs incurred but not received (IBNR) for these three areas during the fiscal years ended June 30, 2024 and 2023 are as follows (in thousands):

Unpaid claims, June 30, 2022	\$ 3,068
Incurred claims (including IBNRs)	14,056
Claim payments	<u>(13,699)</u>
Unpaid claims, June 30, 2023	3,425
Incurred claims (including IBNRs)	14,315
Claim payments	<u>(14,834)</u>
Unpaid claims, June 30, 2024	<u>\$ 2,906</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2024 and 2023

**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, 2024 is as follows:

<u>EPB RIGHT TO USE LEASE ACTIVITY</u>	<u>July 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2024</u>
<b>Right to use assets</b>				
Leased towers	\$ 147,000	\$ 474,000	\$ -	\$ 621,000
Leased printers	629,000	29,000	-	658,000
Leased postage meters	664,000	-	-	664,000
Leased virtual storage equipment	<u>2,704,000</u>	<u>-</u>	<u>-</u>	<u>2,704,000</u>
Total right to use assets	<u>4,144,000</u>	<u>503,000</u>	<u>-</u>	<u>4,647,000</u>
<b>Less accumulated amortization for:</b>				
Leased towers	137,000	38,000	-	175,000
Leased printers	482,000	37,000	-	519,000
Leased postage meters	229,000	123,000	-	352,000
Leased virtual storage equipment	<u>1,434,000</u>	<u>576,000</u>	<u>-</u>	<u>2,010,000</u>
Total accumulated amortization	<u>2,282,000</u>	<u>774,000</u>	<u>-</u>	<u>3,056,000</u>
<b>Right to use asset, net</b>	<u>\$ 1,862,000</u>	<u>\$ (271,000)</u>	<u>\$ -</u>	<u>\$ 1,591,000</u>

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

<u>EPB RIGHT TO USE LEASE ACTIVITY</u>	<u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>
<b>Right to use assets</b>				
Leased towers	\$ 147,000	\$ -	\$ -	\$ 147,000
Leased 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>-</u>	<u>2,704,000</u>
Total right to use assets	<u>3,863,000</u>	<u>281,000</u>	<u>-</u>	<u>4,144,000</u>
<b>Less accumulated amortization for:</b>				
Leased towers	90,000	47,000	-	137,000
Leased 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>-</u>	<u>1,434,000</u>
Total accumulated amortization	<u>1,408,000</u>	<u>874,000</u>	<u>-</u>	<u>2,282,000</u>
<b>Right to use asset, net</b>	<u>\$ 2,455,000</u>	<u>\$ (593,000)</u>	<u>\$ -</u>	<u>\$ 1,862,000</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2024 and 2023

**NOTE ELEVEN – LEASES (Continued)**

Leases Payable related to the right to use assets noted above for the year ended June 30, 2024 is as follows:

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2023</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Remeasurements</u>	<u>Outstanding at June 30, 2024</u>
<b>Electric System</b>									
<u>LEASES PAYABLE</u>									
Tower Lease	\$ 240,000	2.86%	11/1/2013	10/31/2023	\$ 8,000	\$ -	\$ 8,000	\$ -	\$ -
Tower Lease	286,000	2.86%	11/1/2023	10/31/2033	-	247,000	12,000	-	235,000
Tower Lease	240,000	2.86%	8/1/2013	7/31/2023	2,000	-	2,000	-	-
Tower Lease	263,000	2.86%	8/1/2023	7/31/2033	-	227,000	16,000	-	211,000
Virtual Storage Equipment Lease	Various	2.86%	Various	8/31/2025	1,269,000	-	576,000	-	693,000
Postage Meter Leases	672,000	2.86%	11/1/2021	10/31/2026	436,000	-	123,000	-	313,000
Printer Lease	203,000	2.86%	Various	Various	103,000	-	28,000	(28,000)	103,000
Printer Lease	55,680	2.86%	8/31/2022	7/31/2027	44,000	-	9,000	-	35,000
<b>TOTAL LEASES PAYABLE</b>					<u>\$ 1,862,000</u>	<u>\$ 474,000</u>	<u>\$ 774,000</u>	<u>\$ (28,000)</u>	<u>\$ 1,590,000</u>

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

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>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>
<b>Electric System</b>									
<u>LEASES PAYABLE</u>									
Tower Lease	\$ 240,000	2.86%	11/1/2013	10/31/2023	\$ 31,000	\$ -	\$ 23,000	\$ -	\$ 8,000
Tower Lease	240,000	2.86%	8/1/2013	7/31/2023	26,000	-	24,000	-	2,000
Copier and Scanner Lease	Various	2.86%	Various	Various	148,000	-	148,000	-	-
Virtual Storage Equipment Lease	Various	2.86%	Various	8/31/2025	1,672,000	129,000	532,000	-	1,269,000
Postage Meter Leases	672,000	2.86%	11/1/2021	10/31/2026	557,000	-	121,000	-	436,000
Printer Lease	203,000	2.86%	Various	Various	21,000	104,000	22,000	-	103,000
Printer Lease	55,680	2.86%	8/31/2022	7/31/2027	-	48,000	4,000	-	44,000
<b>TOTAL LEASES PAYABLE</b>					<u>\$ 2,455,000</u>	<u>\$ 281,000</u>	<u>\$ 874,000</u>	<u>\$ -</u>	<u>\$ 1,862,000</u>



**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**NOTE ELEVEN – LEASES (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024 were as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 797	\$ 35	\$ 832
2026	311	17	328
2027	140	12	152
2028	62	9	71
2029	48	7	55
2030	50	6	56
2031	53	5	58
2032	56	3	59
2033	60	1	61
2034	13	-	13
<b>Total</b>	<u>\$ 1,590</u>	<u>\$ 95</u>	<u>\$ 1,685</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, 2024 and June 30, 2023 were \$7.6 million and \$8.1 million, 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, 2024 is as follows:

<u>EPB RIGHT TO USE SBITA ACTIVITY</u>	<u>July 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2024</u>
<b>Right to use assets</b>				
Software-Based Information Technology Arrangements	\$ 8,921,000	\$ 5,566,000	\$ 3,409,000	\$ 11,078,000
Total right to use assets	<u>8,921,000</u>	<u>5,566,000</u>	<u>3,409,000</u>	<u>11,078,000</u>
<b>Less accumulated amortization for:</b>				
Software-Based Information Technology Arrangements	4,133,000	4,017,000	3,409,000	4,741,000
Total accumulated amortization	<u>4,133,000</u>	<u>4,017,000</u>	<u>3,409,000</u>	<u>4,741,000</u>
<b>Right to use asset, net</b>	<u>\$ 4,788,000</u>	<u>\$ 1,549,000</u>	<u>\$ -</u>	<u>\$ 6,337,000</u>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2024 and 2023

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

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

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

SBITA Payable related to the right to use assets noted above for the year ended June 30, 2024 is as follows:

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding July 1, 2023	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding at June 30, 2024	
<b>Electric System</b>										
<u>SBITA PAYABLE</u>										
Software-Based Information Technology Arrangements	\$	Various	2.86%	Various	Various	\$ 3,294,000	\$ 4,174,000	\$ 2,720,000	\$ 97,000	\$ 4,845,000
<b>Total Electric System SBITA Payable</b>					3,294,000	4,174,000	2,720,000	97,000	4,845,000	
<b>Fiber Optics System</b>										
<u>SBITA PAYABLE</u>										
Software-Based Information Technology Arrangements	\$	Various	2.86%	Various	Various	1,494,000	1,294,000	1,298,000	-	1,490,000
<b>Total Fiber Optics System SBITA Payable</b>					1,494,000	1,294,000	1,298,000	-	1,490,000	
<b>TOTAL SBITA PAYABLE</b>					<b>\$ 4,788,000</b>	<b>\$ 5,468,000</b>	<b>\$ 4,018,000</b>	<b>\$ 97,000</b>	<b>\$ 6,335,000</b>	

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

	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
<b>Electric System</b>									
<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
<b>Total Electric System SBITA Payable</b>					2,345,000	2,938,000	1,989,000	-	3,294,000
<b>Fiber Optics System</b>									
<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
<b>Total Fiber Optics System SBITA Payable</b>					948,000	1,575,000	1,029,000	-	1,494,000
<b>TOTAL SBITA PAYABLE</b>					<b>\$ 3,293,000</b>	<b>\$ 4,513,000</b>	<b>\$ 3,018,000</b>	<b>\$ -</b>	<b>\$ 4,788,000</b>

**EPB**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2024 and 2023**

**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, 2024 were as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 4,106	\$ 122	\$ 4,228
2026	1,735	38	1,773
2027	494	4	498
<b>Total</b>	<u>\$ 6,335</u>	<u>\$ 164</u>	<u>\$ 6,499</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, 2024 and June 30, 2023, EPB included in FEMA grants receivable in the accompanying financial statements \$1.3 million and \$1.7 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 \$0.4 million during FY 2024 and \$30.0 million in FY 2023 related to these grants receivable.

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 was received that the storm event is eligible for reimbursement of eligible costs. During FY 2024, EPB has collected and submitted documentation and support for its claim. No revenues or contributions in aid are recorded as of June 30, 2024 for this storm. These reimbursements will be recorded in FY 2025 per GASB requirements as the final Project Worksheet was issued by FEMA in July 2024. The total approved FEMA reimbursement is expected to be \$3.7 million.

During May 2024, EPB sustained significant power outages and equipment damage due to a storm event that passed through the service area. EPB incurred approximately \$7.8 million in costs to restore power to over 26,000 customers. Due to the significance of the storms and the resulting damage, EPB applied for assistance from FEMA, and a declaration was received that the storm was eligible for reimbursement of the costs. EPB will work during FY 2025 to gather the required documentation to submit its claim to FEMA for reimbursement. No revenues or contributions in aid are recorded as of June 30, 2024, for this storm.

# REQUIRED SUPPLEMENTARY INFORMATION



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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability:</b>										
Service cost	\$ 4,549	\$ 4,728	\$ 4,826	\$ 4,140	\$ 4,008	\$ 4,052	\$ 3,420	\$ 3,192	\$ 2,766	\$ 2,395
Interest	5,452	5,445	5,355	4,906	4,543	4,222	4,432	4,250	4,043	3,637
Differences between expected and actual experience	146	5,233	1,191	1,752	1,736	2,278	1,460	735	2,594	3,608
Changes of assumptions	9,424	-	-	6,410	-	-	-	4,050	-	-
Benefit payments, including refunds of employee contributions	(3,724)	(15,280)	(9,994)	(4,910)	(5,100)	(5,963)	(7,178)	(6,569)	(5,237)	(2,455)
<b>Net change in total pension liability</b>	<b>15,847</b>	<b>126</b>	<b>1,378</b>	<b>12,298</b>	<b>5,187</b>	<b>4,589</b>	<b>2,134</b>	<b>5,658</b>	<b>4,166</b>	<b>7,185</b>
<b>Total pension liability—beginning</b>	<b>83,888</b>	<b>83,762</b>	<b>82,384</b>	<b>70,086</b>	<b>64,899</b>	<b>60,310</b>	<b>58,176</b>	<b>52,518</b>	<b>48,352</b>	<b>41,167</b>
<b>Total pension liability—ending (a)</b>	<b>\$ 99,735</b>	<b>\$ 83,888</b>	<b>\$ 83,762</b>	<b>\$ 82,384</b>	<b>\$ 70,086</b>	<b>\$ 64,899</b>	<b>\$ 60,310</b>	<b>\$ 58,176</b>	<b>\$ 52,518</b>	<b>\$ 48,352</b>
<b>Plan fiduciary net position:</b>										
Contributions—employer	\$ 7,000	\$ 7,000	\$ 15,500	\$ 7,940	\$ 5,600	\$ 5,834	\$ 5,825	\$ 7,000	\$ 5,700	\$ 3,630
Net investment income	1,108	(5,210)	12,626	2,101	1,792	3,214	4,174	(346)	2,143	5,735
Benefit payments, including refunds of employee contributions	(3,724)	(15,280)	(9,994)	(4,910)	(5,100)	(5,963)	(7,178)	(6,569)	(5,237)	(2,455)
Administrative expense	(27)	(31)	(29)	(25)	(24)	(55)	(74)	(74)	(74)	(87)
<b>Net change in plan fiduciary net position</b>	<b>4,357</b>	<b>(13,521)</b>	<b>18,103</b>	<b>5,106</b>	<b>2,268</b>	<b>3,030</b>	<b>2,747</b>	<b>11</b>	<b>2,532</b>	<b>6,823</b>
<b>Plan fiduciary net position—beginning</b>	<b>62,494</b>	<b>76,015</b>	<b>57,912</b>	<b>52,806</b>	<b>50,538</b>	<b>47,508</b>	<b>44,761</b>	<b>44,750</b>	<b>42,218</b>	<b>35,395</b>
<b>Plan fiduciary net position—ending (b)</b>	<b>\$ 66,851</b>	<b>\$ 62,494</b>	<b>\$ 76,015</b>	<b>\$ 57,912</b>	<b>\$ 52,806</b>	<b>\$ 50,538</b>	<b>\$ 47,508</b>	<b>\$ 44,761</b>	<b>\$ 44,750</b>	<b>\$ 42,218</b>
<b>Plan's net pension liability—ending (a) – (b)</b>	<b>\$ 32,884</b>	<b>\$ 21,394</b>	<b>\$ 7,747</b>	<b>\$ 24,472</b>	<b>\$ 17,280</b>	<b>\$ 14,361</b>	<b>\$ 12,802</b>	<b>\$ 13,415</b>	<b>\$ 7,768</b>	<b>\$ 6,134</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>67.03%</b>	<b>74.50%</b>	<b>90.75%</b>	<b>70.30%</b>	<b>75.34%</b>	<b>77.87%</b>	<b>78.77%</b>	<b>76.94%</b>	<b>85.21%</b>	<b>87.31%</b>
<b>Covered payroll</b>										
<b>Net pension liability as a percentage of covered payroll</b>	<b>68.98%</b>	<b>47.32%</b>	<b>16.57%</b>	<b>56.16%</b>	<b>41.07%</b>	<b>35.05%</b>	<b>34.42%</b>	<b>38.01%</b>	<b>22.53%</b>	<b>19.09%</b>

**Notes to Schedule:**

Benefit changes: None.

Changes of assumptions: For FY 2024, using the actuarial valuation as of July 31, 2023, the actuary made the following assumption changes:

- Changed mortality table by using RP-2014 Table with MP-2021 generational improvements for expense determination instead of previous UP-1984 Table
- Changed expected salary increases to 3.5% based on recent trends and market changes from previous 3.0% rate
- Decreased inflation rates to 2.5% per annum from previous level of 3.0%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 8,427	\$6,960	\$6,692	\$7,482	\$5,927	\$5,597	\$5,573	\$5,059	\$4,447	\$3,562
Contributions in relation to the actuarially determined contribution	8,500	7,000	15,500	7,500	5,940	5,600	5,584	5,075	4,500	3,700
Contribution deficiency (excess)	<u>\$ (73)</u>	<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>
Covered payroll	\$ 46,560	\$47,674	\$45,216	\$46,760	\$43,578	\$42,079	\$40,978	\$37,196	\$35,296	\$34,481
Contributions as a percentage of covered payroll	18.26%	14.68%	34.28%	16.04%	13.63%	13.31%	13.63%	13.64%	12.75%	10.73%

**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	2.5% - 2024; 3.0% - 2023; 1.5% - 2022-2015
Investment rate of return	6.5% - 2024 - 2021; 7.0% - 2020 - 2016; 7.5% - 2015
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 2015-2023 In the actuarial valuation, assumed life expectancies were computed using the RP-2014 Table 2024

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return	5.60%	-10.50%	23.90%	4.30%	3.60%	6.80%	10.00%	-0.90%	5.00%	16.10%

Notes to Schedule:

None

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

	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability:</b>							
Service cost	\$ 1,179	\$ 925	\$ 943	\$ 950	\$ 1,218	\$ 1,250	\$ 1,191
Interest	1,790	1,605	1,589	1,533	1,609	1,686	1,851
Differences between expected and actual experience	4,867	2,402	(433)	518	3,583	(2,537)	(3,860)
Changes of assumptions	5,270	-	-	(447)	(5,800)	-	-
Benefit payments, including refunds of employee contributions	(2,889)	(2,102)	(1,850)	(1,688)	(1,775)	(1,603)	(1,716)
<b>Net change in total OPEB liability</b>	<b>10,217</b>	<b>2,830</b>	<b>249</b>	<b>866</b>	<b>(1,165)</b>	<b>(1,204)</b>	<b>(2,534)</b>
<b>Total OPEB liability—beginning</b>	<b>27,526</b>	<b>24,696</b>	<b>24,447</b>	<b>23,581</b>	<b>24,746</b>	<b>25,950</b>	<b>28,484</b>
<b>Total OPEB liability—ending (a)</b>	<b>\$ 37,743</b>	<b>\$ 27,526</b>	<b>\$ 24,696</b>	<b>\$ 24,447</b>	<b>\$ 23,581</b>	<b>\$ 24,746</b>	<b>\$ 25,950</b>
<b>Plan fiduciary net position:</b>							
Contributions—employer	\$ 2,844	\$ 2,067	\$ 1,796	\$ 1,663	\$ 1,720	\$ 1,582	\$ 1,686
Net investment income	2,485	(4,813)	7,345	113	1,313	1,780	2,495
Benefit payments, including refunds of employee contributions	(2,889)	(2,102)	(1,850)	(1,688)	(1,775)	(1,603)	(1,716)
Administrative expense	(20)	(23)	(21)	(20)	(19)	(39)	(49)
<b>Net change in plan fiduciary net position</b>	<b>2,420</b>	<b>(4,871)</b>	<b>7,270</b>	<b>68</b>	<b>1,239</b>	<b>1,720</b>	<b>2,416</b>
<b>Plan fiduciary net position—beginning</b>	<b>28,804</b>	<b>33,675</b>	<b>26,405</b>	<b>26,337</b>	<b>25,098</b>	<b>23,378</b>	<b>20,962</b>
<b>Plan fiduciary net position—ending (b)</b>	<b>\$ 31,224</b>	<b>\$ 28,804</b>	<b>\$ 33,675</b>	<b>\$ 26,405</b>	<b>\$ 26,337</b>	<b>\$ 25,098</b>	<b>\$ 23,378</b>
<b>Plan's net OPEB liability (asset)—ending (a) – (b)</b>	<b>\$ 6,519</b>	<b>\$ (1,278)</b>	<b>\$ (8,979)</b>	<b>\$ (1,958)</b>	<b>\$ (2,756)</b>	<b>\$ (352)</b>	<b>\$ 2,572</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>82.73%</b>	<b>104.64%</b>	<b>136.36%</b>	<b>108.01%</b>	<b>111.69%</b>	<b>101.42%</b>	<b>90.09%</b>
<b>Covered-employee payroll</b>	<b>\$ 55,842</b>	<b>\$ 48,441</b>	<b>\$ 48,884</b>	<b>\$ 48,790</b>	<b>\$ 46,282</b>	<b>\$ 43,270</b>	<b>\$ 42,611</b>
<b>Net OPEB liability (asset) as a percentage of covered-employee payroll</b>	<b>11.67%</b>	<b>-2.64%</b>	<b>-18.37%</b>	<b>-4.01%</b>	<b>-5.95%</b>	<b>-0.81%</b>	<b>6.04%</b>
<b>Annual money-weighted rate of return</b>	<b>8.60%</b>	<b>-14.30%</b>	<b>27.90%</b>	<b>0.40%</b>	<b>5.30%</b>	<b>7.60%</b>	<b>12.00%</b>

**Notes to Schedule:**

*Benefit changes:* None.

*Changes of assumptions:* The estimated Healthcare Cost Trend and Inflation rate was changed during FY 2024 based on historical trends. In addition, the actual and expected medical claims have been modified to reflect recent plan experience. The FY 2024 valuation as of June 30, 2023 also included a switch to RP-2014 Mortality Tables with MP-2021 generational improvements.

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 EPB CONTRIBUTIONS TO OPEB PLAN**  
**LAST 10 FISCAL YEARS**  
**(in thousands)**

	2024	2023	2022	2021	2020	2019	2018	2017
Employer Contributions	\$ 2,302	\$ 2,844	\$ 2,067	\$ 1,796	\$ 1,663	\$ 1,720	\$ 1,582	\$ 1,686
Covered payroll	\$ 55,842	\$ 48,441	\$ 48,884	\$ 48,790	\$ 46,282	\$ 43,270	\$ 42,611	\$ 39,553
Contributions as a percentage of covered payroll	4.12%	5.87%	4.23%	3.68%	3.59%	3.98%	3.71%	4.26%

**Notes to Schedule:**

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Asset valuation method	Fair Market Value
Inflation	3.0% - 2024, 2.5% - 2023, 1.5% - 2022 thru 2017
Health Cost Trend Rate	7.0% initial, 4% ultimate - 2024; 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 - 2017
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 RP-2014 Table with MIP-2021 generation improvements for 2024 In the actuarial valuation, assumed life expectancies were computed using the UP 1984 Table for years 2017-2023

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)**

	2024	2023	2022	2021	2020	2019	2018
<b>Annual money-weighted rate of return</b>	8.60%	-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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 130,043,000	\$ 116,889,000
Investments	71,084,000	1,196,000
Accounts receivable, less allowance for doubtful accounts of \$1,186,000 and \$1,106,000 in 2024 and 2023, respectively	30,350,000	25,519,000
Unbilled electric sales	42,481,000	33,681,000
Materials and supplies, at average cost	26,948,000	27,724,000
Lease receivable, current	318,000	331,000
Prepayments and other current assets	7,513,000	6,801,000
<b>Total Current Assets</b>	<u>308,737,000</u>	<u>212,141,000</u>
<b>NON-CURRENT ASSETS</b>		
Investments	--	920,000
Utility plant -		
Utility plant	1,012,455,000	1,004,161,000
Less - accumulated provision for depreciation	(329,898,000)	(354,841,000)
Net utility plant	<u>682,557,000</u>	<u>649,320,000</u>
Right to use leased assets, net of amortization	1,591,000	1,862,000
Right to use subscription assets, net of amortization	4,846,000	3,294,000
FEMA grant receivable	1,267,000	1,679,000
Accrued post-employment benefit asset	--	1,135,000
Leases receivable, non-current	2,215,000	2,538,000
Other non-current assets	1,194,000	1,221,000
<b>Total Non-Current Assets</b>	<u>693,670,000</u>	<u>661,969,000</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension outflows	30,818,000	19,609,000
Deferred bond defeasance outflows	7,469,000	8,359,000
Deferred OPEB outflows	12,501,000	9,844,000
<b>Total Deferred Outflows of Resources</b>	<u>50,788,000</u>	<u>37,812,000</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,053,195,000</u>	<u>\$ 911,922,000</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable -		
Tennessee Valley Authority, for power purchased	\$ 80,305,000	\$ 73,200,000
Other	19,557,000	13,962,000
Customer deposits	4,544,000	4,144,000
Revenue bonds, current portion	14,285,000	13,625,000
Accrued tax equivalents	16,690,000	19,959,000
Accrued interest payable	5,140,000	3,488,000
Lease liability, current	796,000	741,000
Subscription liability, current	3,195,000	1,738,000
Other current liabilities	12,647,000	12,309,000
<b>Total Current Liabilities</b>	<u>157,159,000</u>	<u>143,166,000</u>
<b>NON-CURRENT LIABILITIES</b>		
Revenue bonds, net	388,652,000	279,723,000
Net pension liability	28,338,000	16,410,000
Accrued post-employment benefit obligation	5,734,000	--
Repayable advance payable - Telecom	23,600,000	23,600,000
Repayable advance payable - Video & Internet	25,250,000	25,250,000
Customer deposits	26,936,000	26,136,000
Other non-current liabilities	3,072,000	2,593,000
Lease liability, non-current	794,000	1,121,000
Subscription liability, non-current	1,650,000	1,556,000
<b>Total Non-Current Liabilities</b>	<u>504,026,000</u>	<u>376,389,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred OPEB inflows	3,240,000	7,694,000
Deferred other inflows	20,924,000	25,372,000
Deferred lease inflows	2,533,000	2,869,000
<b>Total Deferred Inflows of Resources</b>	<u>26,697,000</u>	<u>35,935,000</u>
<b>NET POSITION</b>		
Net investment in capital assets	309,299,000	315,481,000
Restricted for capital assets	71,058,000	--
Unrestricted	(15,044,000)	40,951,000
<b>Total Net Position</b>	<u>365,313,000</u>	<u>356,432,000</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 1,053,195,000</u>	<u>\$ 911,922,000</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**EPB ELECTRIC SYSTEM**  
**SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>OPERATING REVENUES</b>		
Electric sales		
Residential	\$ 273,342,000	\$ 275,161,000
Small commercial	55,572,000	55,835,000
Large commercial	268,676,000	280,474,000
Outdoor lighting systems	7,194,000	7,381,000
Total billed electric sales	<u>604,784,000</u>	<u>618,851,000</u>
Change in unbilled electric sales	8,800,000	(9,110,000)
Uncollectible electric sales	(283,000)	(447,000)
Total electric sales	<u>613,301,000</u>	<u>609,294,000</u>
Other operating revenues	36,436,000	37,974,000
<b>Total operating revenues</b>	<u>649,737,000</u>	<u>647,268,000</u>
<b>OPERATING EXPENSES</b>		
Operation		
Power purchased from Tennessee Valley Authority	464,806,000	479,747,000
Other operation expenses	54,780,000	47,752,000
Maintenance	52,037,000	44,095,000
Provision for depreciation and amortization	46,832,000	46,333,000
City, county, and state tax equivalents	10,288,000	12,198,000
<b>Total operating expenses</b>	<u>628,743,000</u>	<u>630,125,000</u>
<b>Net operating income</b>	20,994,000	17,143,000
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest revenue on invested funds	6,245,000	2,575,000
Interest expense	(11,503,000)	(8,994,000)
Carrying charge expense - Fiber Optics	(303,000)	(1,631,000)
Other, net	(47,000)	153,000
Plant cost recovered through contributions in aid of construction	(5,481,000)	(2,630,000)
<b>Total non-operating expenses</b>	<u>(11,089,000)</u>	<u>(10,527,000)</u>
<b>Income before transfers and contributions</b>	9,905,000	6,616,000
Tax equivalents transferred to the City of Chattanooga	(6,505,000)	(7,866,000)
Contributions in aid of construction	5,481,000	2,630,000
<b>CHANGE IN NET POSITION</b>	8,881,000	1,380,000
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>356,432,000</u>	<u>355,052,000</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 365,313,000</u>	<u>\$ 356,432,000</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**EPB ELECTRIC SYSTEM**  
**SCHEDULES OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 637,947,000	\$ 658,452,000
Payments to suppliers for goods and services	(517,710,000)	(515,232,000)
Payments to employees for services	(47,114,000)	(44,358,000)
Payments in lieu of taxes	(12,198,000)	(11,849,000)
<b>Net cash provided by operating activities</b>	<u>60,925,000</u>	<u>87,013,000</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Tax equivalents transferred to the City of Chattanooga	(7,866,000)	(7,752,000)
Miscellaneous non-operating revenue, net	(44,000)	157,000
<b>Net cash used in noncapital financing activities</b>	<u>(7,910,000)</u>	<u>(7,595,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to utility plant	(81,245,000)	(68,500,000)
Removal cost and other	(1,666,000)	(1,560,000)
Salvage	181,000	240,000
Contributions in aid of construction	5,481,000	2,630,000
Carrying charge payment - Fiber Optics	--	(1,631,000)
Proceeds from bond issuance	125,529,000	--
Bond issuance costs	(528,000)	(4,000)
Unsuited line of credit fees	(5,000)	--
Bond principal payment	(13,625,000)	(13,015,000)
Bond interest payment	(11,260,000)	(10,768,000)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>22,862,000</u>	<u>(92,608,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	8,065,000	--
Purchases of investments	(75,537,000)	--
Interest on investments	4,749,000	2,547,000
<b>Net cash provided by (used in) investing activities</b>	<u>(62,723,000)</u>	<u>2,547,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	13,154,000	(10,643,000)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>116,889,000</u>	<u>127,532,000</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 130,043,000</u>	<u>\$ 116,889,000</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating income	\$ 20,994,000	\$ 17,143,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	47,997,000	47,604,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(4,831,000)	(507,000)
FEMA Receivable	412,000	30,000,000
Unbilled electric sales	(8,800,000)	9,110,000
Lease Receivable and Liability	(745,000)	(798,000)
Subscription Liability	(2,725,000)	(2,155,000)
Materials and supplies	776,000	(4,472,000)
Prepayments and other current assets	(712,000)	(192,000)
Other deferred charges	27,000	81,000
Accounts payable, net	12,700,000	(11,836,000)
Customer deposits	1,200,000	1,518,000
Accrued tax equivalents	(1,910,000)	347,000
Other current liabilities	34,000	439,000
Other deferred credits and inflows	479,000	12,000
Other deferred inflows	(4,448,000)	1,303,000
Net pension liability and deferred outflows	719,000	1,474,000
Accrued post-employment benefits and deferred outflows and inflows of resources	(242,000)	(2,058,000)
<b>Net cash provided by operating activities</b>	<u>\$ 60,925,000</u>	<u>\$ 87,013,000</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**EPB TELECOM SYSTEM**  
**SCHEDULES OF NET POSITION**  
**AS OF JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 24,746,000	\$ 20,506,000
Accounts receivable, less allowance for doubtful accounts of \$101,000 and \$96,000 in 2024 and 2023, respectively	1,327,000	1,842,000
Lease receivable, current	1,452,000	2,443,000
Prepayments and other current assets	268,000	112,000
<b>Total Current Assets</b>	<u>27,793,000</u>	<u>24,903,000</u>
<b>NON-CURRENT ASSETS</b>		
Utility plant -		
Utility plant	12,531,000	12,170,000
Less - accumulated provision for depreciation	<u>(7,395,000)</u>	<u>(6,997,000)</u>
Net utility plant	5,136,000	5,173,000
Repayable advance receivable - Electric	23,600,000	23,600,000
Leases receivable, non-current	1,564,000	1,333,000
<b>Total Non-Current Assets</b>	<u>30,300,000</u>	<u>30,106,000</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred other outflows	<u>386,000</u>	<u>375,000</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 58,479,000</u>	<u>\$ 55,384,000</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,425,000	\$ 804,000
Accrued tax equivalents	686,000	742,000
Unearned revenue	388,000	410,000
Other current liabilities	163,000	168,000
<b>Total Current Liabilities</b>	<u>3,662,000</u>	<u>2,124,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred lease inflows	3,015,000	3,776,000
<b>NET POSITION</b>		
Net investments in capital assets	5,136,000	5,173,000
Unrestricted	46,666,000	44,311,000
<b>Total Net Position</b>	<u>51,802,000</u>	<u>49,484,000</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 58,479,000</u>	<u>\$ 55,384,000</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**EPB TELECOM SYSTEM**  
**SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>OPERATING REVENUES</b>		
Fiber optics sales		
Commercial basic local services revenue	\$ 14,043,000	\$ 14,700,000
Commercial long distance message revenue	325,000	385,000
Total billed fiber optics sales	<u>14,368,000</u>	<u>15,085,000</u>
Uncollectible accounts	<u>(31,000)</u>	<u>(16,000)</u>
Total fiber optics sales	14,337,000	15,069,000
Other operating revenues	<u>1,411,000</u>	<u>1,526,000</u>
<b>Total operating revenues</b>	<u>15,748,000</u>	<u>16,595,000</u>
<b>OPERATING EXPENSES</b>		
Cost of services	2,251,000	2,333,000
Operation expenses	8,793,000	8,246,000
General and administrative	1,091,000	960,000
Provision for depreciation	2,240,000	2,350,000
City, county, and state tax equivalents	<u>391,000</u>	<u>422,000</u>
<b>Total operating expenses</b>	<u>14,766,000</u>	<u>14,311,000</u>
<b>Net operating income</b>	982,000	2,284,000
<b>NON-OPERATING REVENUES</b>		
Carrying charge revenue - Electric	146,000	788,000
Interest income on invested funds	1,070,000	645,000
Other, net	<u>415,000</u>	<u>451,000</u>
<b>Total non-operating revenues</b>	<u>1,631,000</u>	<u>1,884,000</u>
<b>Income before transfers</b>	2,613,000	4,168,000
Tax equivalents transferred to the City of Chattanooga	<u>(295,000)</u>	<u>(320,000)</u>
<b>CHANGE IN NET POSITION</b>	2,318,000	3,848,000
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>49,484,000</u>	<u>45,636,000</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 51,802,000</u>	<u>\$ 49,484,000</u>



**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**EPB TELECOM SYSTEM**  
**SCHEDULES OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 16,239,000	\$ 16,699,000
Payments to suppliers for goods and services	(10,540,000)	(12,808,000)
Payments in lieu of taxes	(422,000)	(436,000)
<b>Net cash provided by operating activities</b>	<u>5,277,000</u>	<u>3,455,000</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Tax equivalents transferred to the City of Chattanooga	(320,000)	(329,000)
Miscellaneous non-operating revenue, net	415,000	451,000
<b>Net cash provided by noncapital financing activities</b>	<u>95,000</u>	<u>122,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to utility plant	(2,202,000)	(2,645,000)
Carrying charge received - Electric	--	788,000
<b>Net cash used in capital and related financing activities</b>	<u>(2,202,000)</u>	<u>(1,857,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income received	1,070,000	645,000
<b>Net cash provided by investing activities</b>	<u>1,070,000</u>	<u>645,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	4,240,000	2,365,000
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>20,506,000</u>	<u>18,141,000</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 24,746,000</u>	<u>\$ 20,506,000</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating income	\$ 982,000	\$ 2,284,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	2,240,000	2,350,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	515,000	119,000
Prepayments and other current assets	(9,000)	(8,000)
Accounts payable, net	1,621,000	(1,337,000)
Accrued tax equivalents	(34,000)	(9,000)
Other current liabilities	(5,000)	(5,000)
Unearned revenue	(22,000)	(17,000)
Deferred other outflows	(11,000)	78,000
<b>Net cash provided by operating activities</b>	<u>\$ 5,277,000</u>	<u>\$ 3,455,000</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**EPB VIDEO & INTERNET SYSTEM**  
**SCHEDULES OF NET POSITION**  
**AS OF JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 69,237,000	\$ 90,426,000
Investments	45,298,000	--
Accounts receivable, less allowance for doubtful accounts of \$463,000 and \$469,000 in 2024 and 2023, respectively	7,633,000	6,090,000
Prepayments and other current assets	3,694,000	3,648,000
Leases receivable, current	973,000	971,000
<b>Total Current Assets</b>	<u>126,835,000</u>	<u>101,135,000</u>
<b>NON-CURRENT ASSETS</b>		
Utility plant -		
Utility plant	141,111,000	155,850,000
Less - accumulated provision for depreciation	(52,453,000)	(74,747,000)
Net utility plant	<u>88,658,000</u>	<u>81,103,000</u>
Repayable advance receivable - Electric	25,250,000	25,250,000
Leases receivable, non-current	1,050,000	530,000
Accrued post-employment benefit assets	--	143,000
Right to use subscription assets, net of amortization	1,491,000	1,494,000
<b>Total Non-Current Assets</b>	<u>116,449,000</u>	<u>108,520,000</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred OPEB outflows	1,711,000	1,116,000
Deferred pension outflows	4,943,000	5,956,000
Deferred other outflows	20,538,000	24,997,000
<b>Total Deferred Outflows of Resources</b>	<u>27,192,000</u>	<u>32,069,000</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 270,476,000</u>	<u>\$ 241,724,000</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 8,407,000	\$ 11,141,000
Accrued tax equivalents	694,000	960,000
Subscription liabilities, current	910,000	1,063,000
Unearned revenue	6,269,000	6,290,000
Other current liabilities	4,808,000	4,879,000
<b>Total Current Liabilities</b>	<u>21,088,000</u>	<u>24,333,000</u>
<b>NON-CURRENT LIABILITIES</b>		
Net pension liability	4,546,000	4,984,000
Subscription liabilities, non-current	580,000	431,000
Accrued post-employment benefit obligation	785,000	--
<b>Total Non-Current Liabilities</b>	<u>5,911,000</u>	<u>5,415,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred OPEB inflows	443,000	966,000
Deferred lease inflows	2,023,000	1,501,000
<b>Total Deferred Inflows of Resources</b>	<u>2,466,000</u>	<u>2,467,000</u>
<b>NET POSITION</b>		
Net investment in capital assets	88,659,000	81,103,000
Unrestricted	152,352,000	128,406,000
<b>Total Net Position</b>	<u>241,011,000</u>	<u>209,509,000</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 270,476,000</u>	<u>\$ 241,724,000</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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>OPERATING REVENUES</b>		
Fiber optics sales		
Commercial basic local services revenue	\$ 32,054,000	\$ 29,938,000
Residential services revenue	132,810,000	132,477,000
Total billed fiber optics sales	<u>164,864,000</u>	<u>162,415,000</u>
Uncollectible accounts	(523,000)	(106,000)
Total fiber optics sales	<u>164,341,000</u>	<u>162,309,000</u>
Other operating revenues	5,628,000	6,759,000
<b>Total operating revenues</b>	<u>169,969,000</u>	<u>169,068,000</u>
<b>OPERATING EXPENSES</b>		
Cost of services	46,224,000	48,313,000
Operation expenses	71,686,000	70,336,000
General and administrative	6,075,000	6,558,000
Provision for depreciation and amortization	19,485,000	20,201,000
City, county, and state tax equivalents	434,000	593,000
<b>Total operating expenses</b>	<u>143,904,000</u>	<u>146,001,000</u>
<b>Net operating income</b>	26,065,000	23,067,000
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income on invested funds	5,311,000	2,594,000
Carrying charge revenue - Electric	157,000	843,000
Other revenue, net	244,000	186,000
Plant cost recovered through contributions in aid of construction	(295,000)	(239,000)
<b>Total non-operating revenues (expenses)</b>	<u>5,417,000</u>	<u>3,384,000</u>
<b>Income before transfers and contributions</b>	31,482,000	26,451,000
Tax equivalents transferred to the City of Chattanooga	(275,000)	(383,000)
Contributions in aid of construction	295,000	239,000
<b>CHANGE IN NET POSITION</b>	31,502,000	26,307,000
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>209,509,000</u>	<u>183,202,000</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 241,011,000</u>	<u>\$ 209,509,000</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**EPB VIDEO & INTERNET SYSTEM**  
**SCHEDULES OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 168,405,000	\$ 170,753,000
Payments to suppliers for goods and services	(108,001,000)	(112,557,000)
Payments to employees for services	(15,133,000)	(13,888,000)
Payments in lieu of taxes	(593,000)	(640,000)
<b>Net cash provided by operating activities</b>	<b>44,678,000</b>	<b>43,668,000</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Tax equivalents transferred to the City of Chattanooga	(383,000)	(407,000)
Miscellaneous non-operating revenue, net	244,000	186,000
<b>Net cash used in noncapital financing activities</b>	<b>(139,000)</b>	<b>(221,000)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to utility plant	(26,037,000)	(19,762,000)
Carrying charge received - Electric	--	843,000
Contributions in aid of construction	295,000	239,000
<b>Net cash used in capital and related financing activities</b>	<b>(25,742,000)</b>	<b>(18,680,000)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(44,990,000)	(25,923,000)
Proceeds from sales and maturities of investments	--	28,453,000
Interest income received	5,004,000	2,582,000
<b>Net cash provided by (used in) investing activities</b>	<b>(39,986,000)</b>	<b>5,112,000</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(21,189,000)</b>	<b>29,879,000</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>90,426,000</b>	<b>60,547,000</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 69,237,000</b>	<b>\$ 90,426,000</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating income	\$ 26,065,000	\$ 23,067,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	19,485,000	20,201,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(1,543,000)	1,497,000
Prepayments and other current assets	111,000	(186,000)
Accounts payable, net	(2,734,000)	664,000
Accrued tax equivalents	(158,000)	(47,000)
Net pension liability and deferred outflows of resources	575,000	(189,000)
Unearned revenue	(21,000)	201,000
Accrued post-employment benefits and deferred outflows/inflows	(190,000)	(296,000)
Other current liabilities	(71,000)	940,000
Subscription liability	(1,300,000)	(803,000)
Other deferred outflows of resources	4,459,000	(1,381,000)
<b>Net cash provided by operating activities</b>	<b>\$ 44,678,000</b>	<b>\$ 43,668,000</b>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**EPB FIBER OPTICS SYSTEM**  
**SCHEDULES OF NET POSITION**  
**AS OF JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 93,983,000	\$ 110,932,000
Investments	45,298,000	--
Accounts receivable, less allowance for doubtful accounts of \$564,000 and \$565,000 in 2024 and 2023, respectively	7,321,000	7,422,000
Prepayments and other current assets	3,962,000	3,760,000
Leases receivable, current	2,425,000	3,414,000
<b>Total Current Assets</b>	<u>152,989,000</u>	<u>125,528,000</u>
<b>NON-CURRENT ASSETS</b>		
Utility plant -		
Utility plant	153,642,000	168,020,000
Less - accumulated provision for depreciation	(59,848,000)	(81,744,000)
Net utility plant	<u>93,794,000</u>	<u>86,276,000</u>
Right to use subscription assets, net of amortization	1,491,000	1,494,000
Accrued post-employment benefit asset	--	143,000
Repayable advance receivable - Electric	48,850,000	48,850,000
Leases receivable, non-current	2,614,000	1,863,000
<b>Total Non-Current Assets</b>	<u>146,749,000</u>	<u>138,626,000</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred OPEB outflows	1,711,000	1,116,000
Deferred pension outflows	4,943,000	5,956,000
Deferred other outflows	20,924,000	25,372,000
<b>Total Deferred Outflows of Resources</b>	<u>27,578,000</u>	<u>32,444,000</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 327,316,000</u>	<u>\$ 296,598,000</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 9,193,000	\$ 11,435,000
Accrued tax equivalents	1,380,000	1,702,000
Unearned revenue	6,657,000	6,700,000
Subscription liabilities, current	910,000	1,063,000
Other current liabilities	4,971,000	5,047,000
<b>Total Current Liabilities</b>	<u>23,111,000</u>	<u>25,947,000</u>
<b>NON-CURRENT LIABILITIES</b>		
Subscription liabilities, non-current	580,000	431,000
Net pension liability	4,546,000	4,984,000
Accrued post-employment benefit obligation	785,000	--
<b>Total Non-Current Liabilities</b>	<u>5,911,000</u>	<u>5,415,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred OPEB inflows	443,000	966,000
Deferred lease inflows	5,038,000	5,277,000
<b>Total Deferred Inflows of Resources</b>	<u>5,481,000</u>	<u>6,243,000</u>
<b>NET POSITION</b>		
Net investment in capital assets	93,795,000	86,276,000
Unrestricted	199,018,000	172,717,000
<b>Total Net Position</b>	<u>292,813,000</u>	<u>258,993,000</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 327,316,000</u>	<u>\$ 296,598,000</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**EPB FIBER OPTICS SYSTEM**  
**SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>OPERATING REVENUES</b>		
Fiber optics sales		
Commercial basic local services revenue	\$ 46,097,000	\$ 44,638,000
Commercial long distance message revenue	325,000	385,000
Residential services revenue	132,810,000	132,477,000
Total billed fiber optics sales	<u>179,232,000</u>	<u>177,500,000</u>
Uncollectible accounts	(554,000)	(122,000)
Total fiber optics sales	<u>178,678,000</u>	<u>177,378,000</u>
Other operating revenues	7,039,000	8,285,000
<b>Total operating revenues</b>	<u>185,717,000</u>	<u>185,663,000</u>
<b>OPERATING EXPENSES</b>		
Cost of services	48,475,000	50,646,000
Operation expenses	80,479,000	78,582,000
General and administrative	7,166,000	7,518,000
Provision for depreciation and amortization	21,725,000	22,551,000
City, county, and state tax equivalents	825,000	1,015,000
<b>Total operating expenses</b>	<u>158,670,000</u>	<u>160,312,000</u>
<b>Net operating income</b>	27,047,000	25,351,000
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Carrying charge revenue - Electric	303,000	1,631,000
Interest income on invested funds	6,381,000	3,239,000
Other revenue, net	659,000	637,000
Plant cost recovered through contributions in aid of construction	(295,000)	(239,000)
<b>Total non-operating revenues</b>	<u>7,048,000</u>	<u>5,268,000</u>
<b>Income before transfers and contributions</b>	34,095,000	30,619,000
Tax equivalents transferred to the City of Chattanooga	(570,000)	(703,000)
Contributions in aid of construction	295,000	239,000
<b>CHANGE IN NET POSITION</b>	33,820,000	30,155,000
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>258,993,000</u>	<u>228,838,000</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 292,813,000</u>	<u>\$ 258,993,000</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**EPB FIBER OPTICS SYSTEM**  
**SCHEDULES OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 184,644,000	\$ 187,451,000
Payments to suppliers for goods and services	(118,540,000)	(125,365,000)
Payments to employees for services	(15,134,000)	(13,888,000)
Payments in lieu of taxes	<u>(1,015,000)</u>	<u>(1,076,000)</u>
<b>Net cash provided by operating activities</b>	49,955,000	47,122,000
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Tax equivalents transferred to the City of Chattanooga	(703,000)	(736,000)
Miscellaneous non-operating revenue, net	<u>659,000</u>	<u>638,000</u>
<b>Net cash used in noncapital financing activities</b>	(44,000)	(98,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to utility plant	(28,239,000)	(22,407,000)
Carrying charges received - Electric	--	1,631,000
Contributions in aid of construction	<u>295,000</u>	<u>239,000</u>
<b>Net cash used in capital and related financing activities</b>	(27,944,000)	(20,537,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(44,990,000)	(25,923,000)
Proceeds from investment sales and maturities	--	28,453,000
Interest income received	<u>6,074,000</u>	<u>3,227,000</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(38,916,000)</u>	<u>5,757,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(16,949,000)	32,244,000
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>110,932,000</u>	<u>78,688,000</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 93,983,000</u>	<u>\$ 110,932,000</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating income	\$ 27,047,000	\$ 25,351,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	21,725,000	22,551,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	101,000	424,000
Prepayments and other current assets	101,000	(194,000)
Accounts payable, net	(2,242,000)	519,000
Accrued tax equivalents	(192,000)	(57,000)
Other current liabilities	(76,000)	935,000
Subscription liabilities	(1,299,000)	(803,000)
Unearned revenue	(43,000)	184,000
Net pension liability and deferred outflows and inflows of resources	575,000	(189,000)
Accrued post-employment benefits and deferred outflows and inflows of resources	(190,000)	(296,000)
Other deferred outflows	<u>4,448,000</u>	<u>(1,303,000)</u>
<b>Net cash provided by operating activities</b>	<u>\$ 49,955,000</u>	<u>\$ 47,122,000</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 Lighting		Total	
	Customers	Cents per KWH	Commercial Customers	Cents per KWH	Commercial Customers	Cents per KWH	Customers	Cents per KWH	Customers	Cents per KWH
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	191,406	10.14
2023	168,628	12.46	22,417	13.85	3,074	9.71	134	17.23	194,253	11.17
2024	172,251	12.09	21,871	13.48	3,052	9.11	136	17.20	197,310	10.67

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, 2024**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2025	2015 A Electric System Revenue Bonds	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
			159,140,000	35,153,534	194,293,534
2025	2015 B Electric System Revenue Bonds	3.200%	1,560,000	59,620	1,619,620
2026		3.375%	1,520,000	8,550	1,528,550
			3,080,000	68,170	3,148,170
2025	2015 C Electric System Revenue Bonds	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	
			23,380,000	10,894,809	34,274,809

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**SCHEDULE OF BONDS PAYABLE**  
**As of June 30, 2024**

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal	
2025	2021 Electric System Revenue Bonds		\$ -	\$ 1,741,300	\$ 1,741,300	
2026			-	1,741,300	1,741,300	
2027			-	1,741,300	1,741,300	
2028			-	1,741,300	1,741,300	
2029			-	1,741,300	1,741,300	
2030			-	1,741,300	1,741,300	
2031			-	1,741,300	1,741,300	
2032			-	1,741,300	1,741,300	
2033			-	1,741,300	1,741,300	
2034			-	1,741,300	1,741,300	
2035			4.000%	7,830,000	1,480,300	9,310,300
2036			4.000%	8,155,000	1,156,267	9,311,267
2037			2.000%	8,400,000	961,900	9,361,900
2038			2.000%	8,575,000	790,983	9,365,983
2039		2.000%	8,750,000	616,567	9,366,567	
2040		2.000%	8,925,000	438,650	9,363,650	
2041		2.000%	9,110,000	257,067	9,367,067	
2042		2.000%	11,335,000	37,783	11,372,783	
			<u>71,080,000</u>	<u>23,152,517</u>	<u>94,232,517</u>	
2025	2023 Electric System Revenue Bonds		-	5,606,250	5,606,250	
2026			-	5,606,250	5,606,250	
2027			-	5,606,250	5,606,250	
2028			-	5,606,250	5,606,250	
2029			-	5,606,250	5,606,250	
2030			-	5,606,250	5,606,250	
2031			-	5,606,250	5,606,250	
2032			-	5,606,250	5,606,250	
2033			-	5,606,250	5,606,250	
2034			-	5,606,250	5,606,250	
2035			5.000%	8,860,000	5,237,083	14,097,083
2036			5.000%	9,315,000	4,775,125	14,090,125
2037			5.000%	9,795,000	4,289,375	14,084,375
2038			5.000%	10,295,000	3,778,792	14,073,792
2039			5.000%	10,825,000	3,241,958	14,066,958
2040			5.000%	11,380,000	2,677,583	14,057,583
2041			5.000%	11,960,000	2,084,417	14,044,417
2042			5.000%	12,575,000	1,460,792	14,035,792
2043		5.000%	13,220,000	805,167	14,025,167	
2044		5.000%	13,900,000	115,833	14,015,833	
			<u>112,125,000</u>	<u>84,528,625</u>	<u>196,653,625</u>	
	Total		<u>\$ 368,805,000</u>	<u>\$ 153,797,655</u>	<u>\$ 522,602,655</u>	

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
**JUNE 30, 2024**  
**(in thousands)**

Electric System	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Balance at June 20, 2023	Repayments, Amortization or Accretion	Additions	Refunded	Balance at June 30, 2024	Current Amount Due
<b>BONDS PAYABLE</b>										
Electric System Refunding Revenue Bonds, 2015 Series A	\$ 218,855	2.875%-5.00%	8/31/2015	9/1/2033	\$ 170,300	\$ (11,160)	\$ -	\$ -	\$ 159,140	\$ 11,810
Electric System Refunding Revenue Bonds, 2015 Series B	15,355	3.20%-3.375%	8/31/2015	9/1/2025	4,675	(1,595)	-	-	3,080	1,560
Electric System Refunding Revenue Bonds, 2015 Series C	25,880	4.00%-5.00%	8/31/2015	9/1/2040	24,250	(870)	-	-	23,380	915
Electric System Revenue Bonds, 2021	71,080	2.00%-4.00%	6/29/2021	9/1/2041	71,080	-	-	-	71,080	-
Electric System Revenue Bonds, 2023	112,125	5.00%	12/19/2023	9/1/2043	-	-	112,125	-	112,125	-
<b>Total Bonds Payable</b>					270,305	(13,625)	112,125	-	368,805	14,285
Unamortized premium/(discount)					23,043	(2,315)	13,404	-	34,132	-
<b>Total Debt</b>					\$ 293,348	\$ (15,940)	\$ 125,529	\$ -	\$ 402,937	\$ 14,285

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**SCHEDULE OF CHANGES IN LEASE OBLIGATIONS**  
**June 30, 2024**  
**(in thousands)**

Electric System	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding July 1, 2023	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding June 30, 2024
<u>LEASES PAYABLE</u>									
Tower Lease	\$ 240,000	2.86%	11/1/2013	10/31/2023	\$ 8,000	\$ -	\$ 8,000	\$ -	\$ -
Tower Lease	286,000	2.86%	11/1/2023	10/31/2033	-	247,000	12,000	-	235,000
Tower Lease	240,000	2.86%	8/1/2013	7/31/2023	2,000	-	2,000	-	-
Tower Lease	263,000	2.86%	8/1/2023	7/31/2033	-	227,000	16,000	-	211,000
Virtual Storage Equipment Lease	Various	2.86%	Various	8/31/2025	1,269,000	-	576,000	-	693,000
Postage Meter Leases	672,000	2.86%	11/1/2021	10/31/2026	436,000	-	123,000	-	313,000
Printer Lease	203,000	2.86%	Various	Various	103,000	-	28,000	(28,000)	103,000
Printer Lease	55,680	2.86%	8/31/2022	7/31/2027	44,000	-	9,000	-	35,000
<b>TOTAL LEASES PAYABLE</b>					<b>\$ 1,862,000</b>	<b>\$ 474,000</b>	<b>\$ 774,000</b>	<b>\$ (28,000)</b>	<b>\$ 1,590,000</b>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**SCHEDULE OF LEASE OBLIGATIONS, PRINCIPAL AND INTEREST REQUIREMENTS**  
**June 30, 2024**  
**(in thousands)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 797	\$ 35	\$ 832
2026	311	17	328
2027	140	12	152
2028	62	9	71
2029	48	7	55
2030	50	6	56
2031	53	5	58
2032	56	3	59
2033	60	1	61
2034	13	-	13
<b>Total</b>	<u>\$ 1,590</u>	<u>\$ 95</u>	<u>\$ 1,685</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**SCHEDULE OF CHANGES IN SBITA OBLIGATIONS**  
**June 30, 2024**  
**(in thousands)**

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding July 1, 2023	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding June 30, 2024
<b>Electric System</b>									
<u>SBITA PAYABLE</u>									
Software-Based Information Technology Arrangements	Various	2.86%	Various	Various	\$ 3,294,000	\$ 4,174,000	\$ 2,720,000	97,000	\$ 4,845,000
<b>Total Electric System SBITA Payable</b>					3,294,000	4,174,000	2,720,000	97,000	4,845,000
<b>Fiber Optics System</b>									
<u>SBITA PAYABLE</u>									
Software-Based Information Technology Arrangements	Various	2.86%	Various	Various	1,494,000	1,294,000	1,298,000	-	1,490,000
<b>Total Fiber Optics System SBITA Payable</b>					1,494,000	1,294,000	1,298,000	-	1,490,000
<b>TOTAL SBITA PAYABLE</b>					<u>\$ 4,788,000</u>	<u>\$ 5,468,000</u>	<u>\$ 4,018,000</u>	<u>\$ 97,000</u>	<u>\$ 6,335,000</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**SCHEDULE OF SBITA OBLIGATIONS, PRINCIPAL AND INTEREST REQUIREMENTS**  
**June 30, 2024**  
**(in thousands)**

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<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 4,106	\$ 122	\$ 4,228
2026	1,735	38	1,773
2027	494	4	498
<b>Total</b>	<u>\$ 6,335</u>	<u>\$ 164</u>	<u>\$ 6,499</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Agency or Pass-Through Number	Accrued Grant Revenues June 30, 2023	Grant Revenues Received	Accrued Expenditures	Accrued Grant Revenues June 30, 2024
U.S. DEPARTMENT OF ENERGY SiC Based Modular Transformer-less MW-Scale Power Conditioning System and Control for Flexible Manufacturing Plants	81.086	A21-0512-S001	\$ 83	\$ -	\$ (83)	\$ -
<b>Total U.S. Department of Energy</b>			<u>83</u>	<u>-</u>	<u>(83)</u>	<u>-</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY FEMA Disaster Recovery Grants (FRID FEMA-4541-DR-TN)	97.036	000-U015E-00/065-01AE5-00	1,679,966	413,129	-	1,266,837
<b>Total U.S. Department of Energy</b>			<u>1,679,966</u>	<u>413,129</u>	<u>-</u>	<u>1,266,837</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,680,049</u>	<u>\$ 413,129</u>	<u>\$ (83)</u>	<u>\$ 1,266,837</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.





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) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise EPB's basic financial statements, and have issued our report thereon dated October 15, 2024.

***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  
October 15, 2024

Henderson Hutcherson  
is McCullough, PLLC

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2024**

**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, 2024, due to the total amount expended being less than \$750,000.

**ELECTRIC POWER BOARD OF CHATTANOOGA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2024**

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS**

None reported.