

EPB FINANCIAL REPORT

2021 - 2022



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LETTER FROM

Vicky Gregg and David Wade



Letter from Vicky Gregg and David Wade

During the 2021-2022 Fiscal Year, EPB continued our mission-driven efforts to enhance quality of life for the people we serve in the Chattanooga area through personalized customer service, innovation and the utilization of world-class smart city infrastructure.

After the second year of delivering the expert guidance of our EPB Energy ProsSM, EPB helped customers save more energy than any other utility across the Tennessee Valley through the TVA EnergyRight[®] program. EPB is also helping customers prepare for the automotive industry shift to electric vehicles by providing free consultations from the EPB Energy Pros and launching incentives for local businesses to add publicly available charging infrastructure.

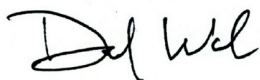
At the same time, we helped HCS EdConnect continue to provide internet access to all Hamilton County K-12 students in need at no charge. During the last fiscal year, HCS EdConnect has grown to provide connectivity to more than 14,000 students who, with their families, include more than 25,000 people. Better yet, a new study by Boston College reflects early indications that in addition to boosting student access for learning, HCS EdConnect also increases parent engagement.

We're honored that our customers ranked us as tied for "#1 Electric Residential Utility in the United States" according to J.D. Power's survey of customer satisfaction. We also thank our customers for their feedback which helped us continue to be J.D. Power's "Best Midsize Utility in the South" for the sixth consecutive year.

Working together on initiatives highlighted in this year's annual report and many others, the EPB team continues to pursue our mission of enhancing the quality of life for the people and the community we serve. It's our commitment now, and as we look to the future.



Vicky Gregg



David Wade

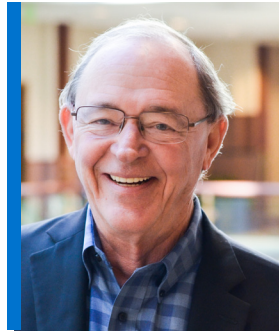
Board of Directors



Vicky Gregg
Chair
Retired President & CEO,
BlueCross BlueShield of
Tennessee



John Foy
Vice-Chair
Retired Vice Chairman
& CFO, CBL & Associates
Properties, Inc.



Jon Kinsey
Member
President, KPH, Former
Chattanooga Mayor



Mina Sartipi, PhD
Member
Guerry Professor of
Computer Science at UTC
and Founding Director of
CUIP



Dr. Bryan Johnson
Member
Chief Transformation Officer
U.S. Express, Inc.

Senior Management



David Wade
President & CEO



Greg Eaves
Executive VP & CFO



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



Kathy Burns
*Senior Vice President
Customer Relations*



Ryan Keel
*Senior Vice President
Technical Operations*



Sandra Tilley
*Senior Vice President
Brand Strategies*



Katie Espeseth
*Vice President
New Products*



Jim Ingraham
*Vice President
Strategic Research*



Kade Abed
*Vice President
Field Operations*



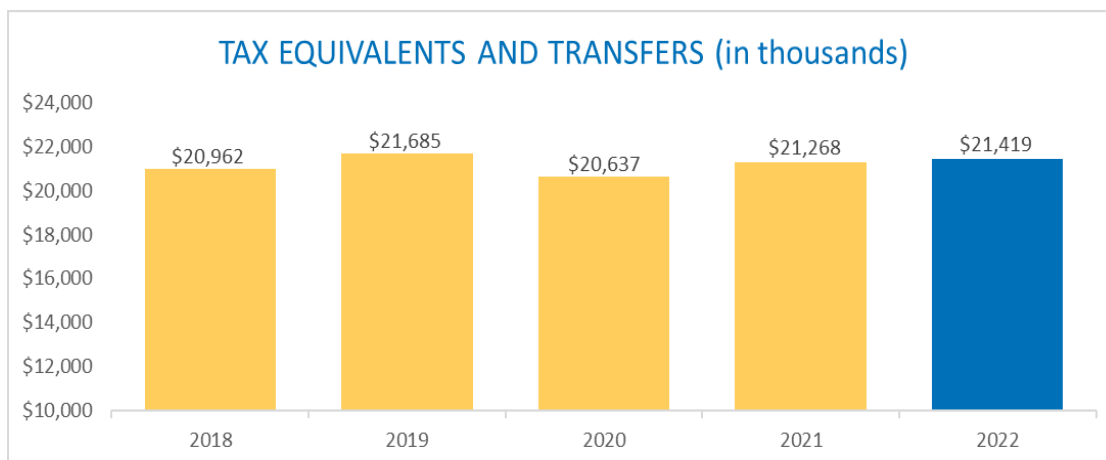
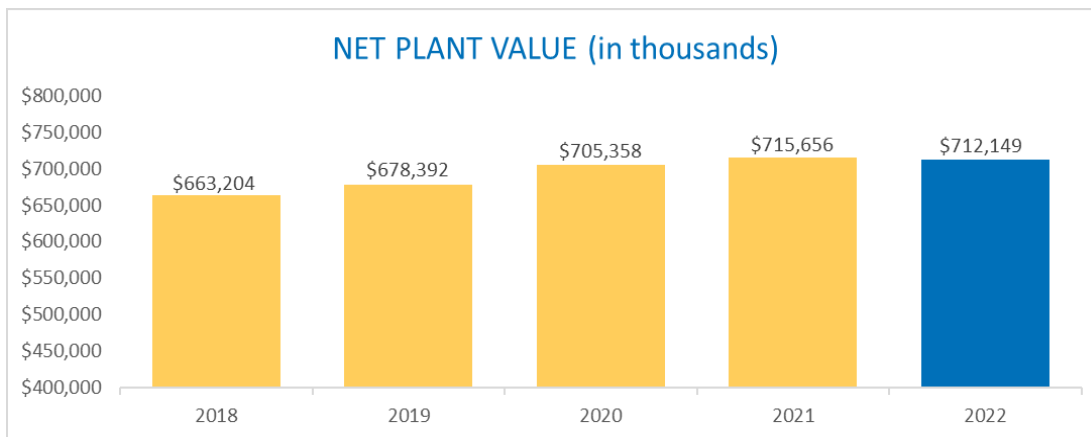
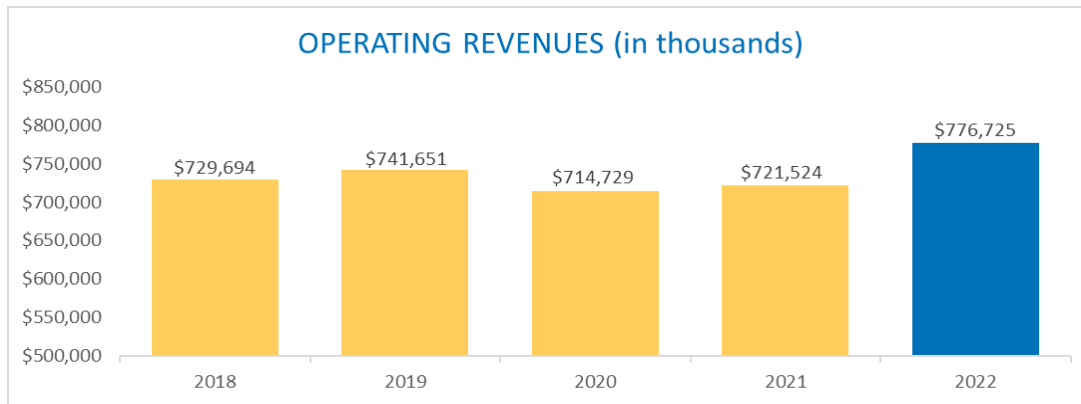
J.Ed. Marston
*Vice President
Strategic Communications*

FINANCIAL HIGHLIGHTS



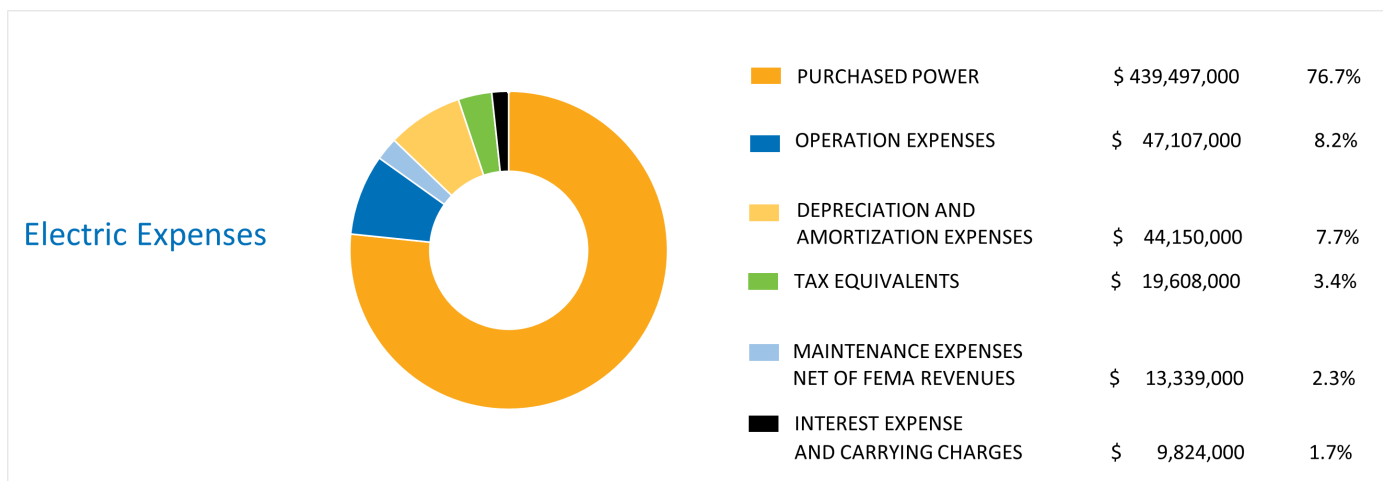
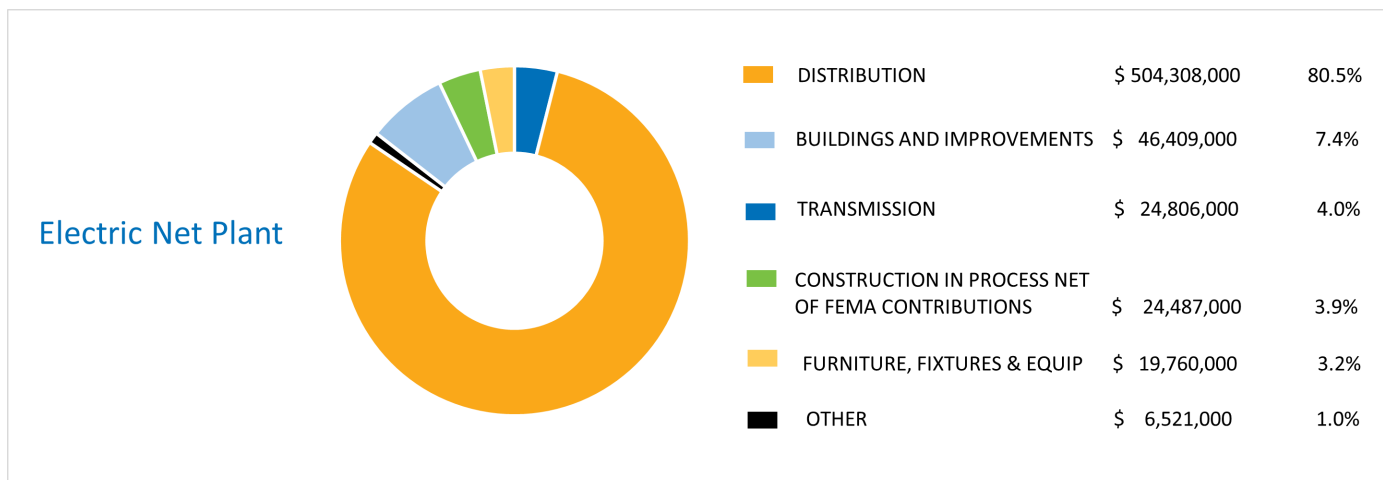
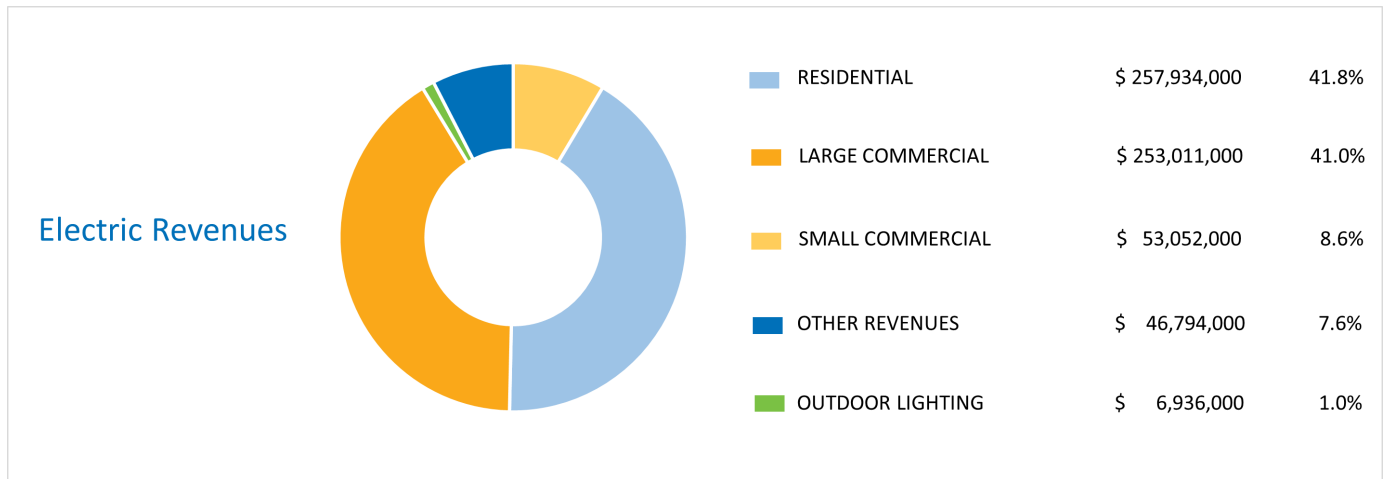
EPB Financial Highlights 2022

EPB operating revenues were \$776.7 million, an increase of 7.7% from the prior year. This increase was primarily due to a net increase of \$47.7 million in electric sales mostly attributable to increased fuel costs passed through to electric customers related to TVA fuel cost adjustments of \$38.0 million. Additionally, kWh sales for FY 2022 were 1.5% higher than FY 2021, driven largely by weather patterns and customer growth. Fiber Optics sales revenue also increased by \$5.6 million, or 3.3% from the prior year. This increase is due mainly to the growth in the number of customers for Fiber Optics residential services from approximately 113,000 to approximately 117,000 during FY 2022. Net plant value decreased to \$712.1 million, a decrease of 0.5% from the previous year. This decrease is primarily due to a Capital FEMA contribution in the amount of \$14.3 million related to the April 2020 severe weather event. The FY 2022 tax equivalents expense and transfers to the cities and counties in EPB's service area totaled approximately \$21.4 million, an increase of 0.7% over the prior year. This increase is due mainly to the Electric System's capital expenditures on the Smart Grid and the Fiber Optics System's expenditures on communications and optical fiber equipment in addition to plant investment across the electric and fiber optics systems as a result of the tornado event during April 2020.

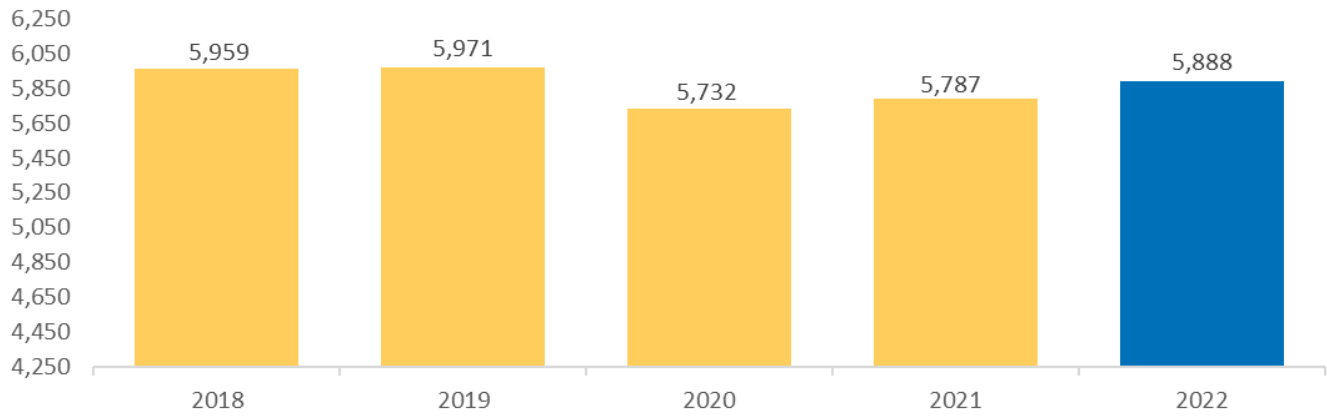


Electric System Financial Highlights 2022

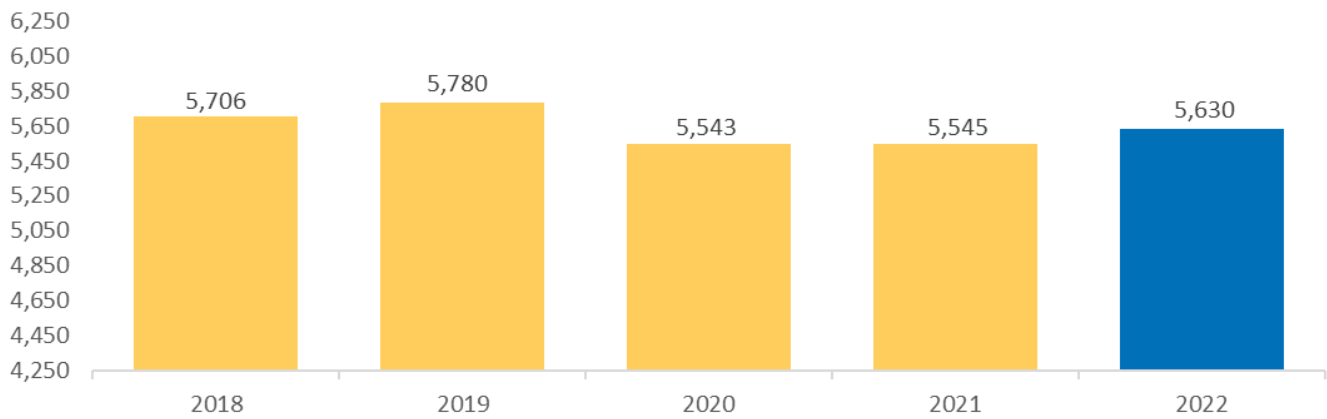
During 2022, EPB provided service to over 193,000 customers in a 600 square mile area. This represents an increase of approximately 2,000 customers from FY 2021. Total Electric System revenues were \$617.7 million, an increase of 9.5% from 2021. This is due largely to increased fuel costs passed through to electric customers related to TVA fuel cost adjustments in addition to increased kWh sales of 1.5% due to weather patterns and customer growth. Total purchased power for the year was equal to \$439.5 million, an increase of 10.3% from FY 2021. Purchased power was 75.7% of the total electric sales, an increase of 0.9% from FY 2021 due primarily to increased fuel cost pricing. Residential customers paid an average of 11.42 cents per kWh – 19.3% less than the national average during FY 2022. Net electric plant value totaled \$626.3 million while electric expenses and transfers to the City of Chattanooga totaled \$573.5 million.



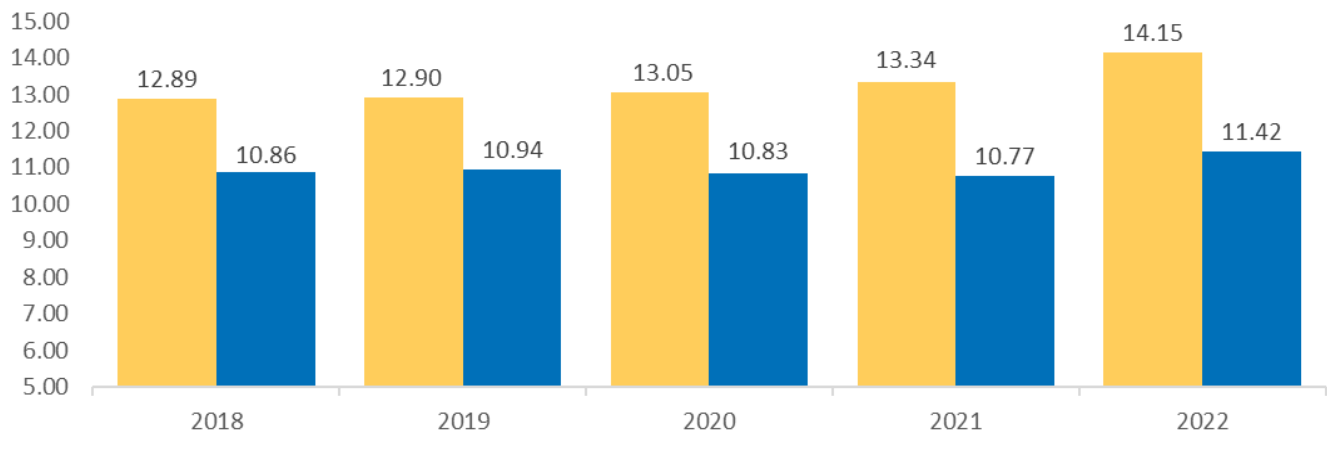
KILOWATT HOURS PURCHASED (in millions)



KILOWATT HOURS SOLD (in millions)



AVERAGE COST PER KWH PER RESIDENTIAL CUSTOMER (in cents)



* Source: U.S. Energy Information Administration

■ Nationwide*

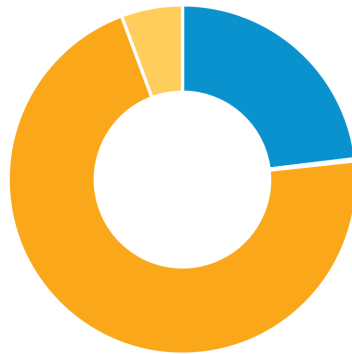
■ EPB

Table 5.3 -Average Retail Prices of Electricity to Ultimate Customers

Fiber Optics Financial Highlights 2022

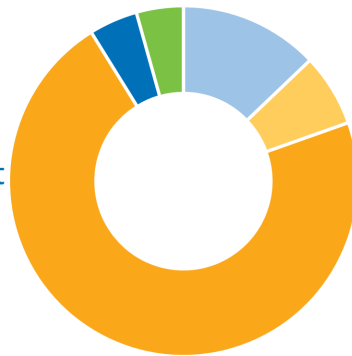
EPB Fiber Optics System increased its revenue from \$182.2 million in FY 2021 to \$187.5 million in FY 2022, an increase of \$5.3 million or 2.9%. This increase in revenues is due mainly to the growth in the number of customers for Fiber Optics residential services from approximately 113,000 to approximately 117,000 during FY 2022. The net plant value decreased from \$92.4 million in FY 2021 to \$85.9 million in FY 2022, a decrease of 7.1%. The decrease in plant is due mainly to depreciation of plant assets necessary for the Fiber Optics System to provide internet, video, and telephone services exceeding new plant assets added during FY 2022. Asset additions were affected during FY 2022 due to supply chain issues in acquiring materials. Fiber Optics expenses and transfers to the City of Chattanooga totaled \$156.9 million.

Fiber Optics Revenue



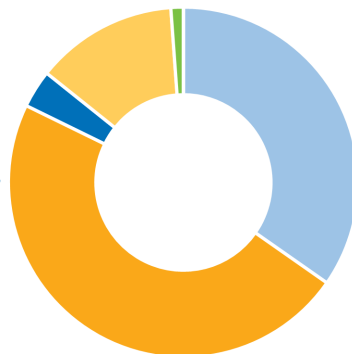
RESIDENTIAL	\$ 133,198,000	71.0%
COMMERCIAL BASIC LOCAL	\$ 43,303,000	23.1%
OTHER REVENUE	\$ 10,658,000	5.7%
COMMERCIAL LONG DISTANCE	\$ 373,000	0.2%

Fiber Optics Net Plant



CABLE AND WIRE FACILITIES AND CUSTOMER PREMISE	\$ 61,447,000	71.6%
CENTRAL OFFICE EQUIPMENT	\$ 11,059,000	12.9%
INFORMATION ORIGINATION	\$ 5,760,000	6.7%
FURNITURE, FIXTURES AND EQUIP	\$ 3,859,000	4.5%
CONSTRUCTION IN PROCESS	\$ 3,733,000	4.3%

Fiber Optics Expenses



OPERATION EXPENSES	\$ 74,538,000	47.5%
COST OF SERVICES	\$ 54,438,000	34.7%
DEPRECIATION EXPENSES	\$ 20,591,000	13.1%
GENERAL AND ADMINISTRATIVE	\$ 5,482,000	3.5%
TAX EQUIVALENTS	\$ 1,811,000	1.2%



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Electric Power Board of Chattanooga, ("EPB", an enterprise fund of the City of Chattanooga, Tennessee), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise EPB's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of EPB, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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.

Prior Period Financial Statements

The financial statements of EPB as of, and for the year ended, June 30, 2021, were audited by other auditors whose report dated September 9, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EPB of Chattanooga'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 of Chattanooga'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.

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, and Schedule of Investment Returns – OPEB Trust Fund on pages 11-18, 59, 60, 61, 62, and 63 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 opinions 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 Bonds Payable, 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. The 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 for Electric, Telecom, Video & Internet, and Fiber Optics Systems, Schedule of Bonds Payable, and the Schedule of Expenditures of Federal Awards is 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 included in the annual report. 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 basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2022 on our consideration of EPB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of EPB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering EPB's internal control over financial reporting and compliance.

Chattanooga, Tennessee
September 12, 2022

Henderson Hutcherson
for 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, 2022. Please read it in conjunction with EPB’s financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- EPB’s total net position was \$583.9 million, an increase of 14.7%
- During the year electric sales were \$590.7 million, an increase of 9.3% from FY 2021; fiber optics sales were \$186.0 million, an increase of 2.7%.
- Total consolidated operating expenses were \$703.5 million, an increase of approximately 6.9%

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

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

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

FINANCIAL ANALYSIS OF EPB

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

NET POSITION

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

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

	FY 2022	FY 2021	FY 2020
Assets and Deferred Outflows, Excluding Utility Plant	\$ 408,745	\$ 329,899	\$ 222,974
Utility Plant, net	712,149	715,656	705,358
Total Assets and Deferred Outflows	1,120,894	1,045,555	928,332
Bonds Outstanding	308,337	322,750	260,042
Other Liabilities and Deferred Inflows	228,667	213,790	207,181
Total Liabilities and Deferred Inflows	537,004	536,540	467,223
Invested in Utility Plant, Net of Related Debt	429,822	474,124	456,345
Restricted for Capital Assets	-	4,303	-
Unrestricted Net Position	154,068	30,588	4,764
Total Net Position	583,890	509,015	461,109
Total Liabilities, Deferred Inflows and Net Position	\$ 1,120,894	\$ 1,045,555	\$ 928,332

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Fiscal Year 2021 Compared to Fiscal Year 2020

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

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

	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>
Operating Revenues:			
Electric Sales	\$ 580,606	\$ 532,950	\$ 531,285
Electric Other Operating Revenues	10,076	7,467	8,612
Fiber Optics Sales	176,308	170,702	162,880
Fiber Optics Other Operating Revenues	9,735	10,405	11,952
Total	<u>776,725</u>	<u>721,524</u>	<u>714,729</u>
Operating Expenses:			
Electric	517,844	469,822	508,021
Fiber Optics	107,984	108,654	105,422
Provision for Depreciation and Amortization	64,741	65,582	65,286
Tax Equivalents	12,931	13,866	13,444
Total	<u>703,500</u>	<u>657,924</u>	<u>692,173</u>
FEMA Grant Revenue	18,577	-	-
Contributions in aid of construction	(19,593)	(3,712)	(1,250)
Non-operating Revenues (Expenses)	(8,439)	(8,292)	(7,495)
Total	<u>(9,455)</u>	<u>(12,004)</u>	<u>(8,745)</u>
Income before Transfers and Contributions	63,770	51,596	13,811
Tax Equivalents Transferred to the City of Chattanooga	(8,488)	(7,402)	(7,193)
Contributions in aid of construction	19,593	3,712	1,250
Change in Net Position	<u>74,875</u>	<u>47,906</u>	<u>7,868</u>
Beginning Net Position	509,015	461,109	453,241
Ending Net Position	<u>\$ 583,890</u>	<u>\$ 509,015</u>	<u>\$ 461,109</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 2022 Compared to Fiscal Year 2021

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

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

Fiber Optics operating sales increased by \$5.6 million to \$176.3 million in FY 2022 from \$170.7 million in FY 2021 due to the continued success of the commercial and residential service offerings (Fi TV, Fi Phone, and Fi-Speed Internet). Operating expenses, excluding depreciation and tax equivalents, associated with acquiring and serving customers decreased \$0.7 million, a 0.6% decrease in FY 2022 due mainly to a decrease in cost of goods sold of \$2.1 million in FY 2022 to \$54.4 million from \$56.5 million in FY 2021.

Expenses for tax equivalents and transfers to municipal governments including transfers to the City of Chattanooga were \$21.4 million in FY 2022 and \$21.3 million in FY 2021. EPB's Tennessee tax equivalents expense is based on a prescribed formula that consists of two parts. Part I is calculated using utility plant value within a taxing district, the taxing district's property tax rate, the assessment ratio, and the equalization ratio. Part II is based on the average of the last three years' Tennessee operating revenues less cost of goods sold, and a prescribed rate which is currently 4%.

Depreciation and amortization expense decreased to \$64.7 million in FY 2022 from \$65.6 million in FY 2021, a decrease of 1.3%. This decrease can be attributed to the decrease in Plant Assets from FY 2021 to FY 2022.

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

Fiscal Year 2021 Compared to Fiscal Year 2020

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

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

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

Expenses for tax equivalents and transfers to municipal governments including transfers to the City of Chattanooga were \$21.3 million in FY 2021 and \$20.6 million in FY 2020. EPB's Tennessee tax equivalents expense is based on a prescribed formula that consists of two parts. Part I is calculated using utility plant value within a taxing district, the taxing district's property tax rate, the assessment ratio, and the equalization ratio. Part II is based on the average of the last three years' Tennessee operating revenues less cost of goods sold, and a prescribed rate which is currently 4%.

Depreciation and amortization expense increased to \$65.6 million in FY 2021 from \$65.3 million in FY 2020.

BUDGETARY HIGHLIGHTS

EPB's Board of Directors approves an Operating and Capital Budget each fiscal year. The budget remains in effect the entire year and is not revised. A budget comparison is presented in Table 3 below. Intercompany activity was eliminated from the budget figures for proper comparison to the actual consolidated balances.

Table 3 - Actual vs. Budget (in thousands)

	Actual FY 2022	Budget FY 2022	Actual FY 2021	Budget FY 2021
Operating Revenues:				
Electric Sales	\$ 580,606	\$ 552,440	\$ 532,950	\$ 552,044
Other Electric Revenue	10,076	9,863	7,467	9,855
Subtotal	<u>590,682</u>	<u>562,303</u>	<u>540,417</u>	<u>561,899</u>
Fiber Optics Sales	176,308	171,658	170,702	165,010
Other Fiber Optics Revenue	9,735	9,277	10,405	9,551
Subtotal	<u>186,043</u>	<u>180,935</u>	<u>181,107</u>	<u>174,561</u>
Total	<u>776,725</u>	<u>743,238</u>	<u>721,524</u>	<u>736,460</u>
Operating Expenses:				
Electric	517,844	504,886	469,822	504,655
Fiber Optics	107,984	111,278	108,654	110,545
Provision for depreciation and amortization	64,741	69,216	65,582	69,606
Tax Equivalents	12,931	14,082	13,866	13,647
Total	<u>703,500</u>	<u>699,462</u>	<u>657,924</u>	<u>698,453</u>
FEMA Grant Revenue	18,577	14,731	-	-
Contributions in aid of construction	(19,593)	(20,595)	(3,712)	(6,122)
Non-operating Revenues (Expenses)	(8,439)	(8,568)	(8,292)	(7,795)
Total	<u>(9,455)</u>	<u>(14,432)</u>	<u>(12,004)</u>	<u>(13,917)</u>
Income before Transfers and Contributions	63,770	29,344	51,596	24,090
Tax Equivalents Transferred to the City of Chattanooga	(8,488)	(7,607)	(7,402)	(7,285)
Contributions in aid of construction	19,593	20,595	3,712	6,122
Change in Net Position	<u>\$ 74,875</u>	<u>\$ 42,332</u>	<u>\$ 47,906</u>	<u>\$ 22,927</u>
Capital Expenditures (net of contributions)				
Electric	\$ 47,271	\$ 56,706	\$ 60,143	\$ 56,592
Fiber Optics	14,057	27,447	17,260	27,885
Total Capital Expenditures	<u>\$ 61,328</u>	<u>\$ 84,153</u>	<u>\$ 77,403</u>	<u>\$ 84,477</u>

FY 2022 Actual vs. Budget

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

The Fiber Optics System’s total operating revenues were \$5.1 million above budget due largely to continued growth within the residential customer base. Fiber Optics System’s expenses were lower than budget by \$3.3 million, a decrease of 3.0%, largely attributable to decreases in costs of goods sold for Fiber Optics products during FY 2022 as compared to FY 2021.

FY 2021 Actual vs. Budget

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

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

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 \$712.1 million, \$715.7 million, and \$705.4 million in net utility plant for FY 2022, FY 2021, and FY 2020, respectively.

Table 4 - Utility Plant (in thousands)

	FY 2022	FY 2021	FY 2020
ELECTRIC			
Intangible Plant	\$ 38	\$ 51	\$ 63
Transmission	50,608	51,319	52,386
Distribution	753,492	727,093	702,525
Land & land rights	6,490	6,499	6,499
Buildings & improvements	66,600	65,614	67,641
Furniture, fixtures & equipment	70,735	80,561	94,538
Construction work in progress	24,487	35,555	27,654
Total	<u>972,450</u>	<u>966,692</u>	<u>951,306</u>
Less: Accumulated depreciation	<u>(346,159)</u>	<u>(343,425)</u>	<u>(342,254)</u>
Electric Total	<u>\$ 626,291</u>	<u>\$ 623,267</u>	<u>\$ 609,052</u>
FIBER OPTICS			
Central office equipment	\$ 28,499	\$ 30,656	\$ 31,802
Information origination/termination	14,731	12,772	12,397
Cable & wire facilities	135	135	144
Furniture, fixtures & equipment	7,792	8,559	6,845
Customer premises wiring	101,771	98,955	92,346
Customer premises equipment	13,901	15,778	21,781
Construction work in progress	3,733	25	824
Total	<u>170,562</u>	<u>166,880</u>	<u>166,139</u>
Less: Accumulated depreciation	<u>(84,704)</u>	<u>(74,491)</u>	<u>(69,833)</u>
Fiber Optics Total	<u>\$ 85,858</u>	<u>\$ 92,389</u>	<u>\$ 96,306</u>
Net Utility Plant	<u>\$ 712,149</u>	<u>\$ 715,656</u>	<u>\$ 705,358</u>

DEBT ADMINISTRATION

As of year-end, EPB Electric System had \$308.3 million in bond debt outstanding compared to \$322.8 in FY 2021 and \$260.0 million FY 2020. During FY 2021, EPB issued bonds with a par value of \$71.1 million, in order to finance capital costs incurred in connection with the improvement of the Electric System. These newly issued bonds were rated AA+ by Fitch and Aa1 by Moody’s at fiscal year-end. The previously existing bonds were rated AA+ by Fitch and AA by Standard & Poor’s at fiscal year-end.

One area that demonstrates EPB’s financial strength and future borrowing capability is seen in its debt coverage ratio. The City of Chattanooga has a requirement that if this ratio should ever decrease below 1.5x, EPB would be required to establish a reserve fund. Debt coverage ratio as it relates to the Electric System revenue bonds is shown in Table 5. This ratio is currently 5.1x. This represents an increase from 4.5x in 2021 and 2.6x in 2020.

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

	2022	2021	2020
Revenues			
Electric Revenue	\$ 617,156	\$ 563,432	\$ 561,855
Interest Income	412	368	742
FEMA Grant Revenue	18,577	-	-
Other Income	160	104	133
Total Revenue	636,305	563,904	562,730
Expenses			
Purchased Power	439,497	398,544	417,043
Operating Expenses	78,242	70,486	90,505
Total Operation Expenses	517,739	469,030	507,548
(excluding depreciation and tax equivalent payments)			
Funds Available for Debt Service	\$ 118,566	\$ 94,874	\$ 55,182
Debt Service			
Interest Paid on Long-Term Debt	\$ 10,792	\$ 10,167	\$ 10,662
Principal Payments	12,440	11,130	10,645
Total Debt Service	\$ 23,232	\$ 21,297	\$ 21,307
Debt Coverage Ratio	5.1	4.5	2.6

The Electric System line of credit of \$50.0 million, maintained with the execution of an Electric System Revenue Anticipation Note, was renewed in May 2022 and will mature in May 2023. The purpose of this Note is for financing the purchase of electric power. The balance on the line of credit at the end of FY 2020 was \$13.0 million. There were no balances outstanding on the line of credit at the end of FY 2022 and FY 2021.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

EPB’s Board of Directors and Management considered many factors when setting FY 2023 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.

The EPB Electric System budget for FY 2023 includes the allocation of capital for fiber installations to support the Smart Grid, as well as Information Technology system upgrades and integrations. The FY 2023 budget also includes economic inflation impacts in materials such as transformers, poles, wire cable, and other materials needed to serve electric system customers.

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

The changing economic conditions financial impact on Electric Power Board of Chattanooga is continuously being monitored. We are taking appropriate steps to maintain liquidity and financial strength in this ever-changing environment.

ELECTRIC SYSTEM UNRESTRICTED NET POSITION DEFICIT

As of June 30, 2021 and 2020, the Electric System showed a deficiency in Unrestricted Net Position of \$26.3 million and \$20.7 million, respectively. This deficit is primarily due to the FEMA declared storm that damaged a significant portion of the electric system in April 2020. At June 30, 2020, EPB recorded approximately \$37.5 million of capital and O&M expenditures related to the storm that negatively affected the Unrestricted Net Position. Without this FEMA event, the Unrestricted Net Position of the Electric System would show a surplus of \$11.1 million and \$16.8 million, respectively, for FY 2021 and FY 2020. During FY 2022, EPB received FEMA approved reimbursement amounts of 90% of the covered charges related to this storm event which was recorded and resulted in an associated increase to Unrestricted Net Position within the Electric System. Additionally, EPB received approximately \$75.0 million in proceeds from a bond issuance during FY 2021 of which \$61.1 million was spent during FY 2022 toward capital expenditures for the Electric System. This also resulted in an increase in Unrestricted Net Position. The Electric System showed a surplus in Unrestricted Net Position of \$59.9 million as of June 30, 2022.

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, 2022 AND 2021

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 206,220,000	\$ 173,125,000
Investments	4,505,000	16,545,000
Accounts receivable, less allowance for doubtful accounts of \$2,504,000 and \$3,813,000 in 2022 and 2021, respectively	35,256,000	26,665,000
Unbilled electric sales	42,791,000	33,489,000
Materials and supplies, at average cost	23,252,000	16,586,000
Prepayments and other current assets	10,176,000	9,257,000
Leases receivable, current	3,699,000	3,039,000
Total Current Assets	325,899,000	278,706,000
NON-CURRENT ASSETS		
Investments	101,000	3,488,000
Utility plant -		
Utility plant	1,143,012,000	1,133,572,000
Less - accumulated provision for depreciation	(430,863,000)	(417,916,000)
Net utility plant	712,149,000	715,656,000
Right to use leased asset, net of amortization	2,455,000	2,550,000
Leases receivable, non-current	4,691,000	3,892,000
FEMA grant receivable	31,679,000	--
Accrued post-employment benefit asset	8,979,000	1,958,000
Other non-current assets	1,304,000	1,481,000
Total Non-Current Assets	761,358,000	729,025,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred bond defeasance outflows	9,249,000	10,138,000
Deferred pension outflows	19,065,000	21,209,000
Deferred OPEB outflows	5,323,000	6,477,000
Total Deferred Outflows of Resources	33,637,000	37,824,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,120,894,000	\$ 1,045,555,000

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, 2022 AND 2021

	2022	2021
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable -		
Tennessee Valley Authority, for power purchased	\$ 83,295,000	\$ 69,205,000
Other	29,017,000	23,121,000
Customer deposits	4,076,000	4,516,000
Revenue bonds, current portion	13,015,000	12,440,000
Accrued tax equivalents	21,292,000	21,126,000
Accrued interest payable	3,690,000	3,304,000
Lease liabilities, current	848,000	652,000
Unearned revenue	6,516,000	6,538,000
Other current liabilities	15,982,000	16,386,000
Total Current Liabilities	177,731,000	157,288,000
NON-CURRENT LIABILITIES		
Revenue bonds, net	295,322,000	310,310,000
Net pension liability	7,747,000	24,472,000
Customer deposits	24,686,000	22,958,000
Lease liabilities, non-current	1,607,000	1,898,000
Other non-current liabilities	2,581,000	2,574,000
Total Non-Current Liabilities	331,943,000	362,212,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	13,078,000	10,109,000
Deferred pension inflows	5,862,000	--
Deferred lease inflows	8,390,000	6,931,000
Total Deferred Inflows of Resources	27,330,000	17,040,000
NET POSITION		
Net investment in capital assets	429,822,000	474,124,000
Restricted for capital assets	--	4,303,000
Unrestricted	154,068,000	30,588,000
Total Net Position	583,890,000	509,015,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,120,894,000	\$ 1,045,555,000

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

ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Electric sales		
Residential	\$ 257,934,000	\$ 244,073,000
Small commercial and power	53,052,000	49,026,000
Large commercial and power	253,011,000	229,516,000
Outdoor lighting systems	6,936,000	6,585,000
Total billed electric sales	<u>570,933,000</u>	<u>529,200,000</u>
Change in unbilled electric sales	9,500,000	4,234,000
Uncollectible electric sales	173,000	(484,000)
Total electric sales	<u>580,606,000</u>	<u>532,950,000</u>
Fiber optics sales		
Billed fiber optics revenues	176,198,000	171,491,000
Uncollectible fiber optics revenues	110,000	(789,000)
Total fiber optics sales	<u>176,308,000</u>	<u>170,702,000</u>
Other operating revenues	19,811,000	17,872,000
Total operating revenues	<u>776,725,000</u>	<u>721,524,000</u>
OPERATING EXPENSES		
Operation		
Power purchased from Tennessee Valley Authority	439,497,000	398,544,000
Other operation expenses	46,431,000	43,640,000
Maintenance	31,916,000	27,638,000
Fiber optic operating expenses	107,984,000	108,654,000
Provision for depreciation and amortization	64,741,000	65,582,000
City, county, and state tax equivalents	12,931,000	13,866,000
Total operating expenses	<u>703,500,000</u>	<u>657,924,000</u>
Net operating income	73,225,000	63,600,000
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue on invested funds	813,000	797,000
Interest expense	(9,761,000)	(9,193,000)
FEMA grant revenue	18,577,000	--
Other, net	509,000	104,000
Plant cost recovered through contributions in aid of construction	(19,593,000)	(3,712,000)
Total non-operating expenses	<u>(9,455,000)</u>	<u>(12,004,000)</u>
Income before transfers and contributions	63,770,000	51,596,000
Tax equivalents transferred to the City of Chattanooga	(8,488,000)	(7,402,000)
Contributions in aid of construction	19,593,000	3,712,000
CHANGE IN NET POSITION	74,875,000	47,906,000
NET POSITION, BEGINNING OF YEAR	<u>509,015,000</u>	<u>461,109,000</u>
NET POSITION, END OF YEAR	<u>\$ 583,890,000</u>	<u>\$ 509,015,000</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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 771,213,000	\$ 713,415,000
Payments to suppliers for goods and services	(584,205,000)	(522,051,000)
Payments to employees for services	(51,383,000)	(51,259,000)
Payments in lieu of taxes	(13,852,000)	(13,564,000)
Net cash provided by operating activities	121,773,000	126,541,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(7,402,000)	(7,193,000)
Miscellaneous non-operating revenue, net	509,000	106,000
Net cash used in noncapital financing activities	(6,893,000)	(7,087,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(79,216,000)	(79,692,000)
Removal cost	(1,420,000)	(1,318,000)
Salvage	71,000	591,000
Contributions in aid of construction	5,787,000	3,712,000
Payments on line of credit	--	(13,000,000)
Proceeds from bond issuance	--	75,590,000
Bond issuance costs	(12,000)	(577,000)
Bond principal payment	(12,440,000)	(11,130,000)
Bond interest payment	(10,792,000)	(10,167,000)
Line of credit interest expense	(3,000)	(183,000)
Net cash used in capital and related financing activities	(98,025,000)	(36,174,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	16,785,000	4,141,000
Purchases of investments	(1,083,000)	(6,114,000)
Interest on investments	538,000	359,000
Net cash provided by (used in) investing activities	16,240,000	(1,614,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	33,095,000	81,666,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	173,125,000	91,459,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 206,220,000	\$ 173,125,000

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

ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 73,225,000	\$ 63,600,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	65,585,000	67,103,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(8,591,000)	(123,000)
Unbilled electric sales	(9,302,000)	(4,233,000)
Materials and supplies	(6,666,000)	(893,000)
Lease receivables and payables	(754,000)	--
Prepayments and other current assets	(919,000)	(1,821,000)
Other charges	177,000	223,000
Accounts payable, net	19,986,000	2,398,000
Customer deposits	1,288,000	1,083,000
Accrued tax equivalents	(220,000)	437,000
Unearned revenue	(22,000)	215,000
Other current liabilities	(404,000)	656,000
Other non-current liabilities	7,000	(1,069,000)
Net pension liability and deferred outflows and inflows of resources	(8,719,000)	480,000
Accrued post-employment benefits and deferred inflows and outflows of resources	(2,898,000)	(1,515,000)
Net cash provided by operating activities	<u>\$ 121,773,000</u>	<u>\$ 126,541,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
FIDUCIARY ACTIVITIES
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2022 AND 2021

	<u>Pension (and Other Employee Benefit Trust Funds)</u>	<u>Pension (and Other Employee Benefit Trust Funds)</u>
	<u>2022</u>	<u>2021</u>
ASSETS		
Interest receivable	\$ 169,000	\$ 358,000
Investments at fair value:		
Money market funds	16,031,000	8,999,000
Corporate obligations	4,366,000	4,154,000
Common equity securities	13,682,000	12,404,000
Equity mutual funds	32,644,000	33,751,000
Fixed income mutual funds	5,311,000	5,300,000
Exchange traded funds	<u>32,616,000</u>	<u>26,717,000</u>
Total investments at fair value	<u>104,650,000</u>	<u>91,325,000</u>
TOTAL ASSETS	<u>\$ 104,819,000</u>	<u>\$ 91,683,000</u>
LIABILITIES		
Accounts payable	\$ --	\$ 96,000
Total Accounts Payable	<u>--</u>	<u>96,000</u>
NET POSITION		
Net position restricted for other postemployment benefits	28,804,000	33,675,000
Net position restricted for pension benefits	<u>76,015,000</u>	<u>57,912,000</u>
Total Restricted Net Position	<u>104,819,000</u>	<u>91,587,000</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 104,819,000</u>	<u>\$ 91,683,000</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA
FIDUCIARY ACTIVITIES
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	Pension (and Other Employee Benefit Trust Funds)	Pension (and Other Employee Benefit Trust Funds)
	2022	2021
ADDITIONS		
Contributions:		
Employers	\$ 15,500,000	\$ 7,940,000
Total contributions	<u>15,500,000</u>	<u>7,940,000</u>
Investment Earnings:		
Net appreciation in fair value of investments	7,204,000	7,958,000
Interest and dividends	807,000	1,660,000
Total investment earnings	<u>8,011,000</u>	<u>9,618,000</u>
Less investment costs:		
Investment expenses	198,000	171,000
Net investment earnings	<u>7,813,000</u>	<u>9,447,000</u>
Total Additions	<u>23,313,000</u>	<u>17,387,000</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	10,029,000	4,965,000
Administrative expense:	52,000	46,000
Total Deductions	<u>10,081,000</u>	<u>5,011,000</u>
CHANGE IN FIDUCIARY NET POSITION	13,232,000	12,376,000
NET POSITION, BEGINNING OF YEAR	<u>91,587,000</u>	<u>79,211,000</u>
NET POSITION, END OF YEAR	<u>\$ 104,819,000</u>	<u>\$ 91,587,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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 193,000 homes and businesses in a six hundred 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 2022, EPB had approximately 117,000 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

Basis of Accounting

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported 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, 2022 and 2021.

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.

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE TWO – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 5.87% in 2022 and 6.14% in 2021.

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. Replacements of property (exclusive of minor items of property) are capitalized to utility plant accounts.

Revenues and Expenses

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

Non-operating revenues consist primarily of investment income, FEMA grant revenues and various miscellaneous revenues. Non-operating expenses consist of interest expense on indebtedness and various miscellaneous expenses.

Fiber optics revenues are recognized on the accrual basis at the time services are provided. Operating revenues include service sales net of bad debt expense and miscellaneous revenue related to fiber optics operations. This miscellaneous revenue includes ad revenue, late payment fees, and rental income. Operating expenses include those expenses that result from the ongoing operation of the fiber optics systems. Non-operating revenues consist of various miscellaneous revenues.

Accounts Receivable

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

Pensions

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

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE TWO – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, OPEB expense, information about the fiduciary net position of the Electric Power Board of Chattanooga Post-Employment Medical & Death Benefit Plan (the “Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Leases

Right-to-use assets and lease liabilities are recognized upon the commencement of the lease term in relation to leases in which EPB has acquired the right to use a leased asset. 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.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation, with no effect on net position or change in net position.

NOTE THREE – DEPOSITS AND INVESTMENTS

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

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

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

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE THREE – DEPOSITS AND INVESTMENTS

At June 30, 2021, 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)	\$ 7	\$ 7	\$ -	\$ -
Money Market Accounts	159,346	159,346	-	-
Certificates of Deposit	<u>20,033</u>	<u>16,545</u>	<u>3,388</u>	<u>100</u>
Total	<u>\$ 179,386</u>	<u>\$ 175,898</u>	<u>\$ 3,388</u>	<u>\$ 100</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, 2022 and 2021 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.

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, 2022:

- Certificate of Deposits of \$4.6 million are valued using the carrying amount, including accrued interest earned, as a reasonable estimate of fair value.

EPB has the following recurring fair value measurements as of June 30, 2021:

- Certificate of Deposits of \$20.0 million are valued using the carrying amount, including accrued interest earned, as a reasonable estimate of fair value.

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE THREE – DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At June 30, 2022 and 2021, 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, 2022 and 2021, portions of EPB's investments were held in the State of Tennessee LGIP. The legislation providing for the establishment of the LGIP (Tennessee Code Annotated ¶9-4-701 *et seq.*) authorizes investment in the LGIP for local governments and other political subdivisions. The LGIP is sponsored by the State of Tennessee Treasury Department and is a part of the State Pooled Investment Fund. All of EPB's deposits and investments (excluding the LGIP) are insured or registered in EPB's name.

Concentration of Credit Risk

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

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

Investments by issuer and percentage of total investments at June 30, 2022 and 2021, were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
First Volunteer Bank	Money Market Accounts	0.01%	0.01%
Citizens Bank	CD's	0.51%	0.56%
Regions Bank	Money Market Accounts	0.00%	0.01%
Rockpoint Bank	Money Market Accounts	0.12%	0.00%
Truist Bank	Money Market Accounts	0.02%	45.65%
State of Tennessee	Local Government Investment Pool	40.39%	0.01%
Simply Bank	Money Market Accounts	5.09%	0.00%
SmartBank	Money Market Accounts	0.09%	10.31%
Southeast Bank	Money Market Accounts	5.08%	0.00%
FirstBank	Money Market Accounts	0.15%	5.60%
United Community Bank	Money Market Accounts & CD's	1.36%	4.33%
Truist – Philip Morris Intl Inc.	Commercial Paper	3.54%	0.00%
CapStar Bank	Money Market Accounts & CD's	0.06%	2.45%
Tower Community Bank	Money Market Accounts & CD's	1.10%	1.19%
Pinnacle Bank	Money Market Accounts	42.48%	29.88%

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE THREE – DEPOSITS AND INVESTMENTS

Pension Plan Trust Fund

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

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

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

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

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

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

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

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE THREE – DEPOSITS AND INVESTMENTS

As of June 30, 2021, the Pension Plan Trust Fund for the Plan year ended July 31, 2020, had \$57,674,000 invested in the following types of investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Money Market Funds	\$ 8,684,000	N/A
Corporate Obligations	95,000	Baa1 to Baa3
Corporate Obligations	1,516,000	Ba1 to Ba3
Corporate Obligations	976,000	B1 to B3
Corporate Obligations	94,000	Caa1 to Caa3
Corporate Obligations	95,000	WR
Common Equity Securities	7,172,000	N/A
Equity Mutual Funds	19,480,000	N/A
Fixed Income Mutual Funds	3,302,000	N/A
Exchange Traded Funds	16,260,000	N/A
	<u>\$ 57,674,000</u>	

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

<u>Investments</u>	<u>Fair Value</u>	<u>Average Maturity (years)</u>
Money Market Funds	\$ 8,684,000	-
Corporate Obligations	2,776,000	2.252
Common Equity Securities	7,172,000	-
Equity Mutual Funds	19,480,000	-
Fixed Income Mutual Funds	3,302,000	-
Exchange Traded Funds	16,260,000	-
	<u>\$ 57,674,000</u>	

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

Concentration

On June 30, 2022 and 2021, the Pension Plan Trust Fund did not have any debt or equity investments in any one organization which represented greater than 5% of Plan fiduciary net position.

Interest Rate Risk

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

Fair Value Measurements

The Plan has the following recurring fair value measurements, broken into the fair value hierarchy as of June 30, 2022 and June 30, 2021, measured as of July 31, 2021 and July 31, 2020, 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.

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE THREE – DEPOSITS AND INVESTMENTS

Fair Value Measurements as of June 30, 2022:

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

Fair Value Measurements as of June 30, 2021:

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

Rate of Return

For the fiscal years ended June 30, 2022 and June 30, 2021, the annual money-weighted rate of return on the Pension Trust Fund investments, net of investment expenses, was 23.9% and 4.3%, measured as of July 31, 2021 and July 31, 2020, 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 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%.

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE THREE – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE THREE – DEPOSITS AND INVESTMENTS

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

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

Concentration

On June 30, 2022 and 2021, the OPEB Plan Trust Fund did not have any debt or equity investments in any one organization which represented greater than 5% of Plan fiduciary net position.

Interest rate risk

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

Fair Value Measurements

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

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

Fair Value Measurements as of June 30, 2021:

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

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE THREE – DEPOSITS AND INVESTMENTS

Rate of Return

For the fiscal years ended June 30, 2022 and June 30, 2021, the annual money-weighted rate of return on the OPEB Plan Trust Fund investments, net of investment expenses, was 27.9% and 0.4%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE FOUR – UTILITY PLANT

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

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

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

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2022</u>
Fiber Optics Asset Costs				
Non-Depreciable Assets:				
Construction Work in Progress	\$ 25	\$ 4,277	\$ (569)	\$ 3,733
Depreciable Assets:				
Central Office Equipment	30,656	277	(2,434)	28,499
Information Origination/Termination	12,772	1,982	(23)	14,731
Cable & Wire Facilities	135	-	-	135
Furniture, Fixtures & Equipment	8,559	256	(1,023)	7,792
Customer Premise Wiring	98,955	5,413	(2,597)	101,771
Customer Premise Equipment	<u>15,778</u>	<u>2,836</u>	<u>(4,713)</u>	<u>13,901</u>
Fiber Optics Total Asset Cost	<u>\$ 166,880</u>	<u>\$ 15,041</u>	<u>\$ (11,359)</u>	<u>\$ 170,562</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
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NOTE FOUR – UTILITY PLANT

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2022</u>
Fiber Optic Accumulated Depreciation				
Central Office Equipment	\$ 16,427	\$ 3,447	\$ (2,434)	\$ 17,440
Information Origination/Termination	6,359	2,635	(23)	8,971
Cable & Wire Facilities	19	-	-	19
Furniture, Fixtures & Equipment	3,950	643	(660)	3,933
Customer Premise Wiring	40,942	9,996	(2,597)	48,341
Customer Premise Equipment	6,794	3,870	(4,664)	6,000
Fiber Optic Total Accumulated Depreciation	<u>\$ 74,491</u>	<u>\$ 20,591</u>	<u>\$ (10,378)</u>	<u>\$ 84,704</u>
Fiber Optic Total Net Utility Plant	<u>\$ 92,389</u>	<u>\$ (5,550)</u>	<u>\$ (981)</u>	<u>\$ 85,858</u>
Total Net Utility Plant	<u>\$ 715,656</u>	<u>\$ 15,148</u>	<u>\$ (18,655)</u>	<u>\$ 712,149</u>

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

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2021</u>
Electric Asset Costs				
Non-Depreciable Assets:				
Land & Land Rights	\$ 6,499	\$ -	\$ -	\$ 6,499
Construction Work in Progress	27,654	7,901	-	35,555
Depreciable Assets:				
Intangible Plant	63	-	(12)	51
Transmission	52,386	838	(1,905)	51,319
Distribution	702,525	44,462	(19,894)	727,093
Buildings & Improvements	67,641	16	(2,043)	65,614
Furniture, Fixtures & Equipment	94,538	6,334	(20,311)	80,561
Electric Total Asset Cost	<u>\$ 951,306</u>	<u>\$ 59,551</u>	<u>\$ (44,165)</u>	<u>\$ 966,692</u>
Electric Accumulated Depreciation				
Intangible Plant	\$ 23	\$ 6	\$ (13)	\$ 16
Transmission	26,324	1,745	(1,975)	26,094
Distribution	229,557	30,701	(20,741)	239,517
Buildings & Improvements	19,830	2,297	(2,043)	20,084
Furniture, Fixtures & Equipment	66,520	11,178	(19,984)	57,714
Electric Total Accumulated Depreciation	<u>\$ 342,254</u>	<u>\$ 45,927</u>	<u>\$ (44,756)</u>	<u>\$ 343,425</u>
Electric Total Net Utility Plant	<u>\$ 609,052</u>	<u>\$ 13,624</u>	<u>\$ 591</u>	<u>\$ 623,267</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
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NOTE FOUR – UTILITY PLANT

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

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2021</u>
Fiber Optics Asset Costs				
Non-Depreciable Assets:				
Construction Work in Progress	\$ 824	\$ (799)	\$ -	\$ 25
Depreciable Assets:				
Central Office Equipment	31,802	1,288	(2,434)	30,656
Information Origination/Termination	12,397	2,481	(2,106)	12,772
Cable & Wire Facilities	144	-	(9)	135
Furniture, Fixtures & Equipment	6,845	1,803	(89)	8,559
Customer Premise Wiring	92,346	9,198	(2,589)	98,955
Customer Premise Equipment	<u>21,781</u>	<u>3,326</u>	<u>(9,329)</u>	<u>15,778</u>
Fiber Optics Total Asset Cost	<u>\$ 166,139</u>	<u>\$ 17,297</u>	<u>\$ (16,556)</u>	<u>\$ 166,880</u>
Fiber Optic Accumulated Depreciation				
Central Office Equipment	\$ 15,230	\$ 3,631	\$ (2,434)	\$ 16,427
Information Origination/Termination	6,092	2,373	(2,106)	6,359
Cable & Wire Facilities	27	1	(9)	19
Furniture, Fixtures & Equipment	3,168	870	(88)	3,950
Customer Premise Wiring	33,950	9,582	(2,590)	40,942
Customer Premise Equipment	<u>11,366</u>	<u>4,719</u>	<u>(9,291)</u>	<u>6,794</u>
Fiber Optic Total Accumulated Depreciation	<u>\$ 69,833</u>	<u>\$ 21,176</u>	<u>\$ (16,518)</u>	<u>\$ 74,491</u>
Fiber Optic Total Net Utility Plant	<u>\$ 96,306</u>	<u>\$ (3,879)</u>	<u>\$ (38)</u>	<u>\$ 92,389</u>
Total Net Utility Plant	<u>\$ 705,358</u>	<u>\$ 9,745</u>	<u>\$ 553</u>	<u>\$ 715,656</u>

The estimated useful lives of capital assets are as follows:

Intangible plant	10 years
Transmission	10-33 years
Distribution	7-40 years
Buildings & improvements	20-40 years
Furniture, fixtures & equipment	5-20 years
Central office equipment	5-14 years
Information origination/termination	5-10 years
Cable & wire facilities	3 years
Customer premise wiring	10 years
Customer premise equipment	2-3.5 years

Depreciation expense for the Electric System was approximately \$44.2 million and \$45.9 million for the fiscal years ended June 30, 2022 and 2021, respectively. This depreciation expense includes automotive equipment depreciation which is included in other operation expenses of approximately \$0.8 million and \$1.5 million for the fiscal years ended June 30, 2022 and 2021. Depreciation expense for the Fiber Optics System was approximately \$20.6 million and \$21.2 million for the fiscal years ended June 30, 2022 and 2021, respectively.

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
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NOTE FIVE – DEBT

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

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Balance at June 30, 2021</u>	<u>Repayments, Amortization or Accretion</u>	<u>Additions</u>	<u>Refunded</u>	<u>Balance at June 30, 2022</u>	<u>Current Amount Due</u>
Electric System										
<u>BONDS PAYABLE - Direct Placement</u>										
Electric System Refunding Revenue Bonds, 2015 Series A	\$ 218,855	2.875% - 5.00%	8/31/2015	9/1/2033	\$ 190,815	\$ (9,970)	\$ -	\$ -	\$ 180,845	\$ 10,545
Electric System Refunding Revenue Bonds, 2015 Series B	15,355	2.90% - 3.375%	8/31/2015	9/1/2025	7,985	(1,675)	-	-	6,310	1,635
Electric System Refunding Revenue Bonds, 2015 Series C	25,880	4.0% - 5.0%	8/31/2015	9/1/2040	25,880	(795)	-	-	25,085	835
Electric System Revenue Bonds, 2021	71,080	2.0%-4.0%	6/29/2021	9/1/2041	71,080	-	-	-	71,080	-
Total Bonds Payable					<u>\$ 295,760</u>	<u>\$ (12,440)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,320</u>	<u>\$ 13,015</u>
Unamortized premium/(discount)					26,990	(1,973)	-	-	25,017	-
Total Debt					<u>\$ 322,750</u>	<u>\$ (14,413)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,337</u>	<u>\$ 13,015</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE FIVE – DEBT

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

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

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE FIVE – DEBT

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>
2023	\$ 13,015	\$ 10,565	\$ 23,580
2024	13,625	9,921	23,546
2025	14,285	9,249	23,534
2026	14,955	8,534	23,489
2027	15,730	8,018	23,748
2028-2032	87,730	29,869	117,599
2033-2037	69,935	10,823	80,758
2038-2042	54,045	2,776	56,821
Total	<u>\$ 283,320</u>	<u>\$ 89,755</u>	<u>\$ 373,075</u>

In June 2021, EPB issued Electric System Revenue Bonds, Series 2021, in order to finance capital costs incurred in connection with the improvement of the Electric System. The \$71.1 million par value of the bonds, less underwriter discount, cost of issuance, plus original issue premium netted proceeds of approximately \$75.0 million. As of June 30, 2022, there were \$14.1 million of 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, 2022, 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, 2022 was 5.1x.

EPB maintained a \$50 million bank line of credit with the execution of an Electric System Revenue Anticipation Note in FY 2022 and 2021. The purpose of the note is for financing the purchase of electric power. This note is payable from and secured by a pledge of the net revenues of the Electric System, subject to the prior pledge of such revenues in favor of the outstanding bonds. The current facility matures May 2023 and bears an interest rate of 30-day SOFR plus 0.54%. As of June 30, 2022, there were no amounts outstanding on the note.

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
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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 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 \$168,000 and \$187,000 at June 30, 2022 and 2021, respectively. Also, employees were eligible to be paid upon retirement at the rate of 38% for accumulated sick leave hours at June 30, 2022 and 2021, 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 \$404,000 and \$336,000 at June 30, 2022 and 2021, 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.

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

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
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NOTE SEVEN – EMPLOYEE BENEFIT PLANS

Employees Covered by Benefit Terms

The following table details number of employees that were covered by the benefit terms, as of June 30, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Inactive employees or beneficiaries currently receiving benefits	16	16
Inactive employees or beneficiaries but not yet receiving benefits	167	151
Active employees	<u>516</u>	<u>572</u>
Total	<u><u>699</u></u>	<u><u>739</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 14.8% and 16.0% of annual covered payroll as of August 1, 2021 and 2020, respectively.

Net Pension Liability

EPB's net pension liability was measured as of July 31, 2021 (for FY 2022) and 2020 (for FY 2021), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 1, 2021 and 2020, respectively.

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

Inflation	1.50%
Salary increase	3.00%
Investment rate of return	6.50%

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

The actuarial assumptions used in the August 1, 2021 valuation were based on the results of an actuarial experience study for the period August 1, 2018 - July 31, 2021. The actuarial assumptions used in the August 1, 2020 valuation were based on the results of an actuarial experience study for the period August 1, 2017 - July 31, 2020.

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

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

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
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NOTE SEVEN – EMPLOYEE BENEFIT PLANS

The discount rate used to measure the total pension liability was 6.5 percent in FY 2022 and FY 2021. 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, 2022 and June 30, 2021, the Plan’s statement of fiduciary net position for the Plan year ended July 31, 2021 and July 31, 2020, was as follows (in thousands):

	<u>July 31, 2021</u>	<u>July 31, 2020</u>
ASSETS		
Interest receivable	\$ 148,000	\$ 334,000
Investments at fair value:		
Money market funds	15,768,000	8,684,000
Corporate obligations	3,010,000	2,776,000
Common equity securities	9,522,000	7,172,000
Equity mutual funds	23,026,000	19,480,000
Fixed income mutual funds	3,324,000	3,302,000
Exchange traded funds	<u>21,217,000</u>	<u>16,260,000</u>
	<u>75,867,000</u>	<u>57,674,000</u>
TOTAL ASSETS	<u>\$ 76,015,000</u>	<u>\$ 58,008,000</u>
LIABILITIES		
Accounts payable	\$ -	\$ 96,000
NET POSITION		
Net position restricted for pension benefits	<u>76,015,000</u>	<u>57,912,000</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 76,015,000</u>	<u>\$ 58,008,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE SEVEN – EMPLOYEE BENEFIT PLANS

As of June 30, 2022 and June 30, 2021, the Plan’s statement of changes in fiduciary net position for the Plan year ended July 31, 2021 and July 31, 2020, was as follows (in thousands):

	<u>July 31, 2021</u>	<u>July 31, 2020</u>
ADDITIONS		
Contributions:		
Employers	\$ 15,500,000	\$ 7,940,000
Investment earnings:		
Net appreciation in fair value of investments	12,250,000	1,623,000
Interest and dividends	<u>498,000</u>	<u>605,000</u>
Total investment earnings	12,748,000	2,228,000
Less investment costs:		
Investment expenses	<u>122,000</u>	<u>127,000</u>
Net investment earnings	<u>12,626,000</u>	<u>2,101,000</u>
Total additions	<u>28,126,000</u>	<u>10,041,000</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	9,994,000	4,910,000
Administrative expenses	<u>29,000</u>	<u>25,000</u>
Total deductions	<u>10,023,000</u>	<u>4,935,000</u>
CHANGE IN FIDUCIARY NET POSITION	18,103,000	5,106,000
NET POSITION, BEGINNING OF YEAR	<u>57,912,000</u>	<u>52,806,000</u>
NET POSITION, END OF YEAR	<u>\$ 76,015,000</u>	<u>\$ 57,912,000</u>

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

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

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE SEVEN – EMPLOYEE BENEFIT PLANS

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2020	\$ 70,086	\$ 52,806	\$ 17,280
Changes for the year:			
Service cost	4,140	-	4,140
Interest	4,906	-	4,906
Difference between expected and actual experience	1,752	-	1,752
Assumption changes	6,410	-	6,410
Contributions – employer	-	7,940	(7,940)
Net investment income	-	2,101	(2,101)
Benefits payments, include refund of employee contributions	(4,910)	(4,910)	-
Administrative expenses	-	(25)	25
Net changes	<u>12,298</u>	<u>5,106</u>	<u>7,192</u>
Balances at 6/30/2021	<u>\$ 82,384</u>	<u>\$ 57,912</u>	<u>\$ 24,472</u>

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

Net pension position as of June 30, 2022

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

Net pension position as of June 30, 2021

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

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

For the year ended June 30, 2022, EPB recognized pension expense of \$6.8 million. At June 30, 2022, EPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 10,811	\$ -
Changes in assumptions	8,254	-
Net difference between projected and actual earnings on pension plan investments	-	5,862
Total	<u>\$ 19,065</u>	<u>\$ 5,862</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
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NOTE SEVEN – EMPLOYEE BENEFIT PLANS

For the year ended June 30, 2021, EPB recognized pension expense of \$8.0 million. At June 30, 2021, EPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 10,518	\$ -
Changes in assumptions	8,878	-
Net difference between projected and actual earnings on pension plan investments	<u>1,813</u>	<u>-</u>
Total	<u>\$ 21,209</u>	<u>\$ -</u>

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>	
2023	\$ 274
2024	291
2025	(23)
2026	(313)
2027	1,523
Thereafter	<u>11,451</u>
	<u>\$ 13,203</u>

Payable to the Pension Plan

At June 30, 2022 and 2021, 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, 2021, this Actuarial Accrued Liability has been calculated to be \$62.0 million; with the Actuarial Value of Plan Assets being \$76.0 million. As of August 1, 2020, this Actuarial Accrued Liability has been calculated to be \$61.6 million; with the Actuarial Value of Plan Assets being \$57.9 million. Therefore, the Actuarial Accrued Liability strictly devoted to past service and compensation has been fully covered by plan assets as of August 1, 2021.

401(k) PLAN

Effective August 1, 1984, EPB implemented a 401(k) defined contribution plan, the EPB Retirement Savings Plan, which allows employees to invest up to 100% of their salary in a tax-deferred savings plan. EPB contributes a 100% matching contribution up to 4.0% of an employee’s salary after one year of employment. All employees who have completed three months of employment and have attained age 18 are eligible to participate in the 401(k) defined contribution plan. Participating employees are immediately fully vested in EPB contributions, which amounted to approximately \$1.7 million in both fiscal years 2022 and 2021. Employee contributions were approximately \$4.2 million and \$4.0 million in fiscal years 2022 and 2021, respectively.

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
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NOTE SEVEN – EMPLOYEE BENEFIT PLANS

All employees hired after January 1, 2022 are also eligible for an annual employer contribution of 6.0% of their eligible wages. This employer contribution will be made annually in January using prior year eligible wages. Employees are vested in the annual contributions after five complete years of employment.

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, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Inactive employees or beneficiaries currently receiving benefits	452	417
Inactive employees or beneficiaries but not yet receiving benefits	62	64
Active employees	<u>668</u>	<u>641</u>
Total	<u><u>1,182</u></u>	<u><u>1,122</u></u>

Contributions

The contribution requirements of plan members and EPB are established and may be amended by EPB. Plan members receiving benefits contribute based on retiree’s age, retirement date, and years of service.

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
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NOTE EIGHT – POST-EMPLOYMENT BENEFITS

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

Category	Retirement	Post – March 1, 1991				
	Pre-March 1, 1991	5-9/85%	Years of Service/Percent of Contributions			25+/15%
			10-14,75%	15-19/55%	20-24/35%	
Pre-Age 65, EPO						
Individual	\$ -	\$ 511.08	\$ 450.95	\$ 330.70	\$ 210.44	\$ 90.19
Employee +1	-	1,022.17	901.91	661.40	420.89	180.38
Family	-	1,533.22	1,352.86	992.10	631.34	270.57
Pre-Age 65, PPO						
Individual	-	408.47	360.76	264.56	168.36	72.15
Employee +1	-	817.73	721.53	529.12	336.71	144.31
Family	-	1,226.59	1,082.29	793.68	505.07	216.46
Age 65 & Over						
Individual	-	129.66	118.22	87.71	57.20	26.69
Spouse	-	129.66	118.22	87.71	57.20	26.69

Contribution rates for FY 2021 are as shown in the table below.

Category	Retirement	Post – March 1, 1991				
	Pre-March 1, 1991	5-9/85%	Years of Service/Percent of Contributions			25+/15%
			10-14,75%	15-19/55%	20-24/35%	
Pre-Age 65, EPO						
Individual	\$ -	\$ 475.42	\$ 419.49	\$ 307.69	\$ 195.76	\$ 83.90
Employee +1	-	950.85	838.98	615.25	391.53	167.80
Family	-	1,426.27	1,258.48	922.88	587.29	251.70
Pre-Age 65, PPO						
Individual	-	380.34	335.59	246.10	156.61	67.12
Employee +1	-	760.68	671.19	492.00	313.22	134.24
Family	-	1,141.02	1,006.78	738.31	469.83	201.36
Age 65 & Over						
Individual	-	129.66	118.22	87.71	57.20	26.69
Spouse	-	129.66	118.22	87.71	57.20	26.69

EPB's contributions are calculated based on an actuarially determined rate, which is 3.4% and 3.7% of annual covered payroll as of June 30, 2022 and 2021, respectively.

Net OPEB Liability

EPB's net OPEB liability was measured as of June 30, 2021 (for FY 2022) and 2020 (for FY 2021), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates.

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
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NOTE EIGHT – POST-EMPLOYMENT BENEFITS

Actuarial Assumptions

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

	<u>2022</u>	<u>2021</u>
Healthcare cost trend	6.5% initial, 4.0% ultimate	7.0% initial, 4.0% ultimate
Investment rate of return	6.5%	6.5%
Mortality	UP-1984 Mortality Table	UP-1984 Mortality Table

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2021. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2020.

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

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

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NOTE EIGHT – POST-EMPLOYMENT BENEFITS

Financial Statements

As of June 30, 2022 and June 30, 2021, the Plan’s statement of fiduciary net position was as follows (in thousands):

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
ASSETS		
Interest receivable	\$ 21,000	\$ 24,000
Investments at fair value:		
Money market funds	263,000	315,000
Corporate obligations	1,356,000	1,378,000
Common equity securities	4,160,000	5,232,000
Equity mutual funds	9,618,000	14,271,000
Fixed income mutual funds	1,987,000	1,998,000
Exchange traded funds	<u>11,399,000</u>	<u>10,457,000</u>
	<u>28,783,000</u>	<u>33,651,000</u>
TOTAL ASSETS	<u>\$ 28,804,000</u>	<u>\$ 33,675,000</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
NET POSITION		
Net position restricted for pension benefits	<u>28,804,000</u>	<u>33,675,000</u>
	<u>28,804,000</u>	<u>33,675,000</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 28,804,000</u>	<u>\$ 33,675,000</u>

As of June 30, 2022 and June 30, 2021, the Plan’s statement of changes in fiduciary net position was as follows (in thousands):

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
ADDITIONS		
Contributions:	<u>\$ -</u>	<u>\$ -</u>
Investment earnings:		
Net appreciation (depreciation) in fair value of investments	(5,046,000)	6,334,000
Interest and dividends	<u>309,000</u>	<u>1,055,000</u>
Total investment earnings	(4,737,000)	7,389,000
Less investment costs:		
Investment expenses	<u>76,000</u>	<u>44,000</u>
Net investment earnings	<u>(4,813,000)</u>	<u>7,345,000</u>
Total additions	<u>(4,813,000)</u>	<u>7,345,000</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	35,000	54,000
Administrative expenses	<u>23,000</u>	<u>21,000</u>
Total deductions	<u>58,000</u>	<u>75,000</u>
CHANGE IN FIDUCIARY NET POSITION	(4,871,000)	7,270,000
NET POSITION, BEGINNING OF YEAR	<u>33,675,000</u>	<u>26,405,000</u>
NET POSITION, END OF YEAR	<u>\$ 28,804,000</u>	<u>\$ 33,675,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
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NOTE EIGHT – POST-EMPLOYMENT BENEFITS

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

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) – (b)
Balances at 6/30/2021	\$ 24,447	\$ 26,405	\$ (1,958)
Changes for the year:			
Service cost	943	-	943
Interest	1,589	-	1,589
Difference between expected and actual experience	(433)	-	(433)
Assumption changes	-	-	-
Contributions – employer	-	1,796	(1,796)
Net investment income	-	7,345	(7,345)
Benefits payments, include refund of employee contributions	(1,850)	(1,850)	-
Administrative expenses	-	(21)	21
Net changes	<u>249</u>	<u>7,270</u>	<u>(7,021)</u>
Balances at 6/30/2022	<u>\$ 24,696</u>	<u>\$ 33,675</u>	<u>\$ (8,979)</u>
	Total OPEB Liability (a)	Plan OPEB Net Position (b)	Net OPEB Asset (a) – (b)
Balances at 6/30/2020	\$ 23,581	\$ 26,337	\$ (2,756)
Changes for the year:			
Service cost	950	-	950
Interest	1,533	-	1,533
Difference between expected and actual experience	518	-	518
Assumption changes	(447)	-	(447)
Contributions – employer	-	1,663	(1,663)
Net investment income	-	113	(113)
Benefits payments, include refund of employee contributions	(1,688)	(1,688)	-
Administrative expenses	-	(20)	20
Net changes	<u>866</u>	<u>68</u>	<u>798</u>
Balances at 6/30/2021	<u>\$ 24,447</u>	<u>\$ 26,405</u>	<u>\$ (1,958)</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
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NOTE EIGHT – POST-EMPLOYMENT BENEFITS

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, 2022

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

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

1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 711	\$ (1,958)	\$ (4,223)

The following presents the net OPEB liability (asset) of the Plan, calculated using the healthcare trend rate of 6.5 percent decreasing to an ultimate 4.0 percent for FY 2022 and 7.0 percent decreasing to an ultimate 4.0 percent for FY 2021, as well as what the Plan’s net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent decreasing to 3.0 percent FY 2022; 6.0 percent decreasing to 3.0 percent FY 2021) or 1-percentage-point higher (7.5 percent decreasing to 5.0 percent FY 2022; 8.0 percent decreasing to 5.0 percent FY 2021) than the current rate (in thousands):

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

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

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

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

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, 2021 and 2020.

ELECTRIC POWER BOARD OF CHATTANOOGA
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NOTE EIGHT – POST-EMPLOYMENT BENEFITS

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

For the year ended June 30, 2022, EPB recognized an OPEB revenue of \$0.8 million. At June 30, 2022, EPB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,255	\$ (4,668)
Changes in assumptions	-	(4,934)
Net difference between projected and actual earnings on OPEB plan investments	-	(3,476)
Contributions subsequent to the measurement date	<u>2,068</u>	<u>-</u>
Total	<u>\$ 5,323</u>	<u>\$ (13,078)</u>

For the year ended June 30, 2021, EPB recognized an OPEB expense of \$0.3 million. At June 30, 2021, EPB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,549	\$ (4,727)
Changes in assumptions	-	(5,382)
Net difference between projected and actual earnings on OPEB plan investments	1,132	-
Contributions subsequent to the measurement date	<u>1,796</u>	<u>-</u>
Total	<u>\$ 6,477</u>	<u>\$ (10,109)</u>

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

<u>Fiscal year ended June 30,</u>	
2023	\$ (1,444)
2024	(1,391)
2025	(1,454)
2026	(1,773)
2027	(647)
Thereafter	<u>(3,114)</u>
	<u>\$ (9,823)</u>

Deferred outflows of resources totaling \$2.1 million represent contributions made after the Plan's valuation date. These contributions will be used to reduce the net OPEB liability during 2023.

Payable to the OPEB Plan

At June 30, 2022 and 2021, EPB reported no payable balances for required outstanding contributions to the Plan.

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
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NOTE NINE – COMMITMENTS AND CONTINGENCIES

EPB is party to a contract with TVA dated January 23, 1989, under which the Electric System purchases electric power and energy from TVA for resale. The contract may be terminated by either party at any time upon not less than twenty years prior written notice.

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

NOTE TEN – RISK MANAGEMENT

EPB is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. With respect to operations within the state of Tennessee, EPB is a governmental entity and, to the extent that a tort claim is asserted, operates pursuant to the Tennessee Governmental Tort Liability Act (TNGTLA), T.C.A. § 29-20-101 et seq.. Including T.C.A. § 29-20-403 which provides for maximum limits of Three Hundred Thousand Dollars (\$300,000) for bodily injury or death of any one person in any one accident, occurrence or act and Seven Hundred Thousand Dollars (\$700,000) for bodily injury or death of all persons in any one accident, occurrence or act and to a limit of One Hundred Thousand Dollars (\$100,000) for injury to or destruction of property of others in any one accident, occurrence or act.

EPB is immune under Tennessee State law for state law tort claims from any award or judgment for death, bodily injury and/or property damage in excess of the limits set out in the Act. EPB does not have any such immunity for any federally based claims or in the State of Georgia where it derives less than five percent of its and kilowatt-hour sales. EPB does not have any such immunity for its fiber operations.

EPB is self-insured for any liability claim related to its Electric System operations but maintains a general liability policy with aggregate limits of \$2,000,000 and an excess liability policy with aggregate limits of \$4,000,000 for its fiber optics operations. EPB is self-insured for automobile and vehicle liability claims that might be asserted against it, its officers, employees and agents for its Electric System operations. EPB maintains a separate automobile liability policy with a limit of \$1,000,000 per accident for its fiber operations. There are no significant claims outstanding as of June 30, 2022.

EPB continues its self-insured programs for employee injuries and employee health insurance. EPB provided employee health insurance is self-insured subject to stop loss insurance of \$220,000 per covered employee.

Changes in the balances of claims liabilities for these three areas during the fiscal years ended June 30, 2022 and 2021 are as follows (in thousands):

Unpaid claims, June 30, 2020	\$ 2,436
Incurred claims (including IBNRs)	12,522
Claim payments	<u>(12,437)</u>
Unpaid claims, June 30, 2021	2,521
Incurred claims (including IBNRs)	11,518
Claim payments	<u>(10,971)</u>
Unpaid claims, June 30, 2022	<u>\$ 3,068</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
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NOTE ELEVEN – LEASES

Lessee Transactions

EPB has recorded right to use lease assets as a result of implementing 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 activity for the year ended June 30, 2022, is as follows (in thousands):

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

Right to use activity for the year ended June 30, 2021, is as follows (in thousands):

<u>EPB RIGHT TO USE LEASE ACTIVITY</u>	<u>Restated July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>
Right to use assets				
Leased towers	\$ 147,000	\$ -	\$ -	\$ 147,000
Leased copiers, scanners, and printers	477,000	-	-	477,000
Leased virtual storage equipment	<u>-</u>	<u>2,575,000</u>	<u>-</u>	<u>2,575,000</u>
Total right to use assets	<u>624,000</u>	<u>2,575,000</u>	<u>-</u>	<u>3,199,000</u>
Less accumulated amortization for:				
Leased towers	-	48,000	-	48,000
Leased copiers, scanners, and printers	-	155,000	-	155,000
Leased virtual storage equipment	<u>-</u>	<u>446,000</u>	<u>-</u>	<u>446,000</u>
Total right to use assets	<u>-</u>	<u>649,000</u>	<u>-</u>	<u>649,000</u>
Right to use asset, net	<u>\$ 624,000</u>	<u>\$ 1,926,000</u>	<u>\$ -</u>	<u>\$ 2,550,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
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NOTE ELEVEN – LEASES

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

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

Leases Payable related to the right to use assets noted above for the year ended June 30, 2021, is as follows (in thousands):

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Restated Outstanding July 1, 2020	Issued During Period	Paid and/or Matured During Period	Remeasurements	Restated Outstanding at June 30, 2021
Electric System									
<u>LEASES PAYABLE</u>									
Tower Lease	240,000	2.82%	11/1/2013	10/31/2023	\$ 76,000	\$ -	\$ 24,000	\$ -	\$ 52,000
Tower Lease	240,000	2.82%	8/1/2013	7/31/2023	71,000	-	24,000	-	47,000
Copier and Scanner Leases	Various	2.82%	Various	Various	431,000	-	151,000	-	280,000
Virtual Storage Equipment Lease	2,617,000	2.82%	9/1/2020	8/31/2025	-	2,575,000	446,000	-	2,129,000
Printer Leases	47,358	2.82%	6/1/2021	5/31/2023	46,000	-	4,000	-	42,000
TOTAL LEASES PAYABLE					<u>\$ 624,000</u>	<u>\$ 2,575,000</u>	<u>\$ 649,000</u>	<u>\$ -</u>	<u>\$ 2,550,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE ELEVEN – LEASES

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 is as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 848	\$ 66	\$ 914
2024	661	37	698
2025	669	18	687
2026	223	4	227
2027	54	-	54
Total	<u>\$ 2,455</u>	<u>\$ 125</u>	<u>\$ 2,580</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, 2022, and restated as of June 30, 2021, were \$8.4M and \$6.9M, respectively.

NOTE TWELVE – 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 \$37.5 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, 2022, EPB included in FEMA grants receivable in the accompanying financial statements approximately \$31.7 million of approved FEMA grant amounts, which offset incurred maintenance and operating expenses in addition to capital expenditures resulting from the storms.

REQUIRED SUPPLEMENTARY INFORMATION



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

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:								
Service cost	\$ 4,826	\$ 4,140	\$ 4,008	\$ 4,052	\$ 3,420	\$ 3,192	\$ 2,766	\$ 2,395
Interest	5,355	4,906	4,543	4,222	4,432	4,250	4,043	3,637
Differences between expected and actual experience	1,191	1,752	1,736	2,278	1,460	735	2,594	3,608
Changes of assumptions	-	6,410	-	-	-	4,050	-	-
Benefit payments, including refunds of employee contributions	(9,994)	(4,910)	(5,100)	(5,963)	(7,178)	(6,569)	(5,237)	(2,455)
Net change in total pension liability	<u>1,378</u>	<u>12,298</u>	<u>5,187</u>	<u>4,589</u>	<u>2,134</u>	<u>5,658</u>	<u>4,166</u>	<u>7,185</u>
Total pension liability—beginning	<u>82,384</u>	<u>70,086</u>	<u>64,899</u>	<u>60,310</u>	<u>58,176</u>	<u>52,518</u>	<u>48,352</u>	<u>41,167</u>
Total pension liability—ending (a)	<u>\$ 83,762</u>	<u>\$ 82,384</u>	<u>\$ 70,086</u>	<u>\$ 64,899</u>	<u>\$ 60,310</u>	<u>\$ 58,176</u>	<u>\$ 52,518</u>	<u>\$ 48,352</u>
Plan fiduciary net position:								
Contributions—employer	\$ 15,500	\$ 7,940	\$ 5,600	\$ 5,834	\$ 5,825	\$ 7,000	\$ 5,700	\$ 3,630
Net investment income	12,626	2,101	1,792	3,214	4,174	(346)	2,143	5,735
Benefit payments, including refunds of employee contributions	(9,994)	(4,910)	(5,100)	(5,963)	(7,178)	(6,569)	(5,237)	(2,455)
Administrative expense	(29)	(25)	(24)	(55)	(74)	(74)	(74)	(87)
Net change in plan fiduciary net position	<u>18,103</u>	<u>5,106</u>	<u>2,268</u>	<u>3,030</u>	<u>2,747</u>	<u>11</u>	<u>2,532</u>	<u>6,823</u>
Plan fiduciary net position—beginning	<u>57,912</u>	<u>52,806</u>	<u>50,538</u>	<u>47,508</u>	<u>44,761</u>	<u>44,750</u>	<u>42,218</u>	<u>35,395</u>
Plan fiduciary net position—ending (b)	<u>\$ 76,015</u>	<u>\$ 57,912</u>	<u>\$ 52,806</u>	<u>\$ 50,538</u>	<u>\$ 47,508</u>	<u>\$ 44,761</u>	<u>\$ 44,750</u>	<u>\$ 42,218</u>
Plan's net pension liability—ending (a) – (b)	<u>\$ 7,747</u>	<u>\$ 24,472</u>	<u>\$ 17,280</u>	<u>\$ 14,361</u>	<u>\$ 12,802</u>	<u>\$ 13,415</u>	<u>\$ 7,768</u>	<u>\$ 6,134</u>
Plan fiduciary net position as a percentage of the total pension liability	90.75%	70.30%	75.34%	77.87%	78.77%	76.94%	85.21%	87.31%
Covered payroll	\$ 46,760	\$ 43,578	\$ 42,079	\$ 40,978	\$ 37,196	\$ 35,296	\$ 34,481	\$ 32,127
Net pension liability as a percentage of covered payroll	16.57%	56.16%	41.07%	35.05%	34.42%	38.01%	22.53%	19.09%

Notes to Schedule:

Benefit changes: None.
Changes of assumptions: None
This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 6,692	\$ 7,482	\$ 5,927	\$ 5,597	\$ 5,573	\$ 5,059	\$ 4,447	\$ 3,562	\$ 3,646
Contributions in relation to the actuarially determined contribution	15,500	7,500	5,940	5,600	5,584	5,075	4,500	3,700	3,630
Contribution deficiency (excess)	<u>\$ (8,808)</u>	<u>\$ (18)</u>	<u>\$ (13)</u>	<u>\$ (3)</u>	<u>\$ (11)</u>	<u>\$ (16)</u>	<u>\$ (53)</u>	<u>\$ (138)</u>	<u>\$ 16</u>
Covered payroll	\$ 45,216	\$ 46,760	\$ 43,578	\$ 42,079	\$ 40,978	\$ 37,196	\$ 35,296	\$ 34,481	\$ 32,127
Contributions as a percentage of covered payroll	34.28%	16.04%	13.63%	13.31%	13.63%	13.64%	12.75%	10.73%	11.30%

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Asset valuation method	Three-year smoothing
Inflation	1.5%
Salary increases	3.0%
Investment rate of return	6.5% - 2022 and 2021; 7.0% - 2020 - 2016; 7.5% - 2015 and 2014
Retirement age	3% per year for ages 57-61, 20% at age 62, 10% at ages 63 and 64, and 100% at age 65
Mortality	In the actuarial valuation, assumed life expectancies were computed using the UP 1984 Table.

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

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

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

Notes to Schedule:

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

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

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

Notes to Schedule:

Benefit changes: None.

Changes of assumptions: The estimated Healthcare Cost Trend was changed during FY 2021 based on historical trends.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.

Years will be added to this schedule in future years until 10 years of information is available.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 127,532,000	\$ 125,677,000
Investments	1,987,000	3,202,000
Accounts receivable, less allowance for doubtful accounts of \$1,483,000 and \$2,193,000 in 2022 and 2021, respectively	25,012,000	23,880,000
Unbilled electric sales	42,791,000	33,489,000
Materials and supplies, at average cost	23,252,000	16,586,000
Leases receivable, current	282,000	329,000
Prepayments and other current assets	6,609,000	5,902,000
Total Current Assets	<u>227,465,000</u>	<u>209,065,000</u>
NON-CURRENT ASSETS		
Investments	101,000	1,001,000
Utility plant -		
Utility plant	972,450,000	966,692,000
Less - accumulated provision for depreciation	<u>(346,159,000)</u>	<u>(343,425,000)</u>
Net utility plant	626,291,000	623,267,000
Right to use leased assets, net of amortization	2,455,000	2,550,000
Leases receivable, non-current	2,827,000	2,414,000
FEMA grant receivable	31,679,000	--
Accrued post-employment benefit asset	8,323,000	1,820,000
Other non-current assets	1,304,000	1,481,000
Total Non-Current Assets	<u>672,980,000</u>	<u>632,533,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred bond defeasance outflows	9,249,000	10,138,000
Deferred pension outflows	16,332,000	18,435,000
Deferred OPEB outflows	5,026,000	6,063,000
Total Deferred Outflows of Resources	<u>30,607,000</u>	<u>34,636,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 931,052,000</u>	<u>\$ 876,234,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable -		
Tennessee Valley Authority, for power purchased	\$ 83,295,000	\$ 69,205,000
Other	15,703,000	17,124,000
Customer deposits	4,076,000	4,516,000
Revenue bonds, current portion	13,015,000	12,440,000
Accrued tax equivalents	19,497,000	19,240,000
Accrued interest payable	3,690,000	3,304,000
Lease liabilities, current	848,000	652,000
Other current liabilities	11,870,000	12,234,000
Total Current Liabilities	<u>151,994,000</u>	<u>138,715,000</u>
NON-CURRENT LIABILITIES		
Revenue bonds, net	295,322,000	310,310,000
Net pension liability	6,637,000	21,271,000
Repayable advance payable - Telecom	23,600,000	23,600,000
Repayable advance payable - Video & Internet	25,250,000	25,250,000
Customer deposits	24,686,000	22,958,000
Lease liabilities, non-current	1,607,000	1,898,000
Other non-current liabilities	2,581,000	2,574,000
Total Non-Current Liabilities	<u>379,683,000</u>	<u>407,861,000</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	5,022,000	--
Deferred OPEB inflows	12,122,000	9,396,000
Deferred lease inflows	3,110,000	2,743,000
Deferred other inflows	24,069,000	6,670,000
Total Deferred Inflows of Resources	<u>44,323,000</u>	<u>18,809,000</u>
NET POSITION		
Net investment in capital assets	295,114,000	332,885,000
Restricted for capital assets	--	4,303,000
Unrestricted	59,938,000	(26,339,000)
Total Net Position	<u>355,052,000</u>	<u>310,849,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 931,052,000</u>	<u>\$ 876,234,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Electric sales		
Residential	\$ 257,934,000	\$ 244,073,000
Small commercial	53,052,000	49,026,000
Large commercial	253,011,000	229,516,000
Outdoor lighting systems	6,936,000	6,585,000
Total billed electric sales	570,933,000	529,200,000
Change in unbilled electric sales	9,500,000	4,234,000
Uncollectible electric sales	173,000	(484,000)
Total electric sales	580,606,000	532,950,000
Other operating revenues	36,550,000	30,482,000
Total operating revenues	617,156,000	563,432,000
OPERATING EXPENSES		
Operation		
Power purchased from Tennessee Valley Authority	439,497,000	398,544,000
Other operation expenses	47,107,000	44,275,000
Maintenance	31,916,000	27,638,000
Provision for depreciation and amortization	44,150,000	44,406,000
City, county, and state tax equivalents	11,856,000	12,644,000
Total operating expenses	574,526,000	527,507,000
Net operating income	42,630,000	35,925,000
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue on invested funds	412,000	368,000
Interest expense	(9,761,000)	(9,193,000)
Carrying charge expense - Fiber Optics	(63,000)	(90,000)
FEMA grant revenue	18,577,000	--
Other, net	160,000	104,000
Plant cost recovered through contributions in aid of construction	(19,024,000)	(2,220,000)
Total non-operating expenses	(9,699,000)	(11,031,000)
Income before transfers and contributions	32,931,000	24,894,000
Tax equivalents transferred to the City of Chattanooga	(7,752,000)	(6,717,000)
Contributions in aid of construction	19,024,000	2,220,000
CHANGE IN NET POSITION	44,203,000	20,397,000
NET POSITION, BEGINNING OF YEAR	310,849,000	290,452,000
NET POSITION, END OF YEAR	\$ 355,052,000	\$ 310,849,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 607,503,000	\$ 556,164,000
Payments to suppliers for goods and services	(461,423,000)	(422,660,000)
Payments to employees for services	(43,530,000)	(43,503,000)
Payments in lieu of taxes	(12,635,000)	(12,358,000)
Net cash provided by operating activities	<u>89,915,000</u>	<u>77,643,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(6,717,000)	(6,531,000)
Miscellaneous non-operating revenue, net	160,000	106,000
Net cash used in noncapital financing activities	<u>(6,557,000)</u>	<u>(6,425,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(64,589,000)	(60,933,000)
Removal cost	(1,420,000)	(1,318,000)
Salvage	71,000	591,000
Contributions in aid of construction	5,218,000	2,220,000
Carrying charge payment - Fiber Optics	(63,000)	(128,000)
Repayable advance paid - Telecom	--	(25,000,000)
Repayable advance received - Telecom	--	25,000,000
Repayable advanced paid - Video & Internet	(35,000,000)	(56,000,000)
Repayable advance received - Video & Internet	35,000,000	56,000,000
Payments on line of credit	--	(13,000,000)
Bond principal payment	(12,440,000)	(11,130,000)
Bond interest payment	(10,792,000)	(10,167,000)
Proceeds from bond issuance	--	75,590,000
Bond issuance costs	(12,000)	(577,000)
Line of credit interest expense	(3,000)	(183,000)
Net cash used in capital and related financing activities	<u>(84,030,000)</u>	<u>(19,035,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	3,272,000	--
Purchases of investments	(1,083,000)	(1,000,000)
Interest on investments	338,000	276,000
Net cash provided by (used in) investing activities	<u>2,527,000</u>	<u>(724,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,855,000	51,459,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>125,677,000</u>	<u>74,218,000</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 127,532,000</u>	<u>\$ 125,677,000</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 42,630,000	\$ 35,925,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	44,994,000	45,927,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(1,132,000)	(2,469,000)
Unbilled electric sales	(9,302,000)	(4,233,000)
Lease receivables and payables	(754,000)	--
Materials and supplies	(6,666,000)	(893,000)
Prepayments and other current assets	(707,000)	(1,470,000)
Other deferred charges	177,000	223,000
Accounts payable, net	12,669,000	4,595,000
Customer deposits	1,288,000	1,083,000
Accrued tax equivalents	(75,000)	423,000
Other current liabilities	(364,000)	9,000
Other deferred credits and inflows	7,000	(1,069,000)
Other deferred inflows	17,399,000	668,000
Net pension liability and deferred outflows and inflows of resources	(7,509,000)	406,000
Accrued post-employment benefits and deferred outflows and inflows of resources	(2,740,000)	(1,482,000)
Net cash provided by operating activities	<u>\$ 89,915,000</u>	<u>\$ 77,643,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 18,141,000	\$ 9,170,000
Accounts receivable, less allowance for doubtful accounts of \$94,000 and \$184,000 in 2022 and 2021, respectively	1,961,000	5,084,000
Leases receivable, current	2,508,000	1,770,000
Investments	--	4,241,000
Prepayments and other current assets	105,000	157,000
Total Current Assets	22,715,000	20,422,000
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	12,720,000	10,883,000
Less - accumulated provision for depreciation	(7,840,000)	(5,802,000)
Net utility plant	4,880,000	5,081,000
Repayable advance receivable - Electric	23,600,000	23,600,000
Leases receivable, non-current	1,368,000	966,000
Total Non-Current Assets	29,848,000	29,647,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred other outflows	453,000	623,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 53,016,000	\$ 50,692,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 2,141,000	\$ 4,427,000
Accrued tax equivalents	764,000	779,000
Unearned revenue	427,000	477,000
Other current liabilities	173,000	181,000
Total Current Liabilities	3,505,000	5,864,000
DEFERRED INFLOWS OF RESOURCES		
Deferred lease inflows	3,875,000	2,736,000
NET POSITION		
Net investments in capital assets	4,880,000	5,081,000
Unrestricted	40,756,000	37,011,000
Total Net Position	45,636,000	42,092,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 53,016,000	\$ 50,692,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 15,713,000	\$ 16,282,000
Commercial long distance message revenue	373,000	406,000
Total billed fiber optics sales	<u>16,086,000</u>	<u>16,688,000</u>
Uncollectible accounts	89,000	(74,000)
Total fiber optics sales	<u>16,175,000</u>	<u>16,614,000</u>
Other operating revenues	<u>1,664,000</u>	<u>1,758,000</u>
Total operating revenues	<u>17,839,000</u>	<u>18,372,000</u>
OPERATING EXPENSES		
Cost of services	2,481,000	2,913,000
Operation expenses	8,316,000	7,810,000
General and administrative	984,000	936,000
Provision for depreciation	2,147,000	1,963,000
City, county, and state tax equivalents	436,000	479,000
Total operating expenses	<u>14,364,000</u>	<u>14,101,000</u>
Net operating income	3,475,000	4,271,000
NON-OPERATING REVENUES		
Carrying charge revenue - Electric	30,000	43,000
Interest income on invested funds	116,000	119,000
Other, net	252,000	--
Total non-operating revenues	<u>398,000</u>	<u>162,000</u>
Income before transfers	3,873,000	4,433,000
Tax equivalents transferred to the City of Chattanooga	<u>(329,000)</u>	<u>(301,000)</u>
CHANGE IN NET POSITION	3,544,000	4,132,000
NET POSITION, BEGINNING OF YEAR	<u>42,092,000</u>	<u>37,960,000</u>
NET POSITION, END OF YEAR	<u>\$ 45,636,000</u>	<u>\$ 42,092,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 20,911,000	\$ 17,575,000
Payments to suppliers for goods and services	(13,855,000)	(10,616,000)
Payments in lieu of taxes	(478,000)	(474,000)
Net cash provided by operating activities	6,578,000	6,485,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(301,000)	(297,000)
Miscellaneous non-operating revenue, net	252,000	--
Net cash used in noncapital financing activities	(49,000)	(297,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(1,945,000)	(1,953,000)
Repayable advance received - Electric	--	25,000,000
Repayable advance paid - Electric	--	(25,000,000)
Carrying charge received - Electric	30,000	80,000
Net cash used in capital and related financing activities	(1,915,000)	(1,873,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income on investments	70,000	23,000
Purchases of investments	--	(2,099,000)
Proceeds from sales of investments	4,287,000	2,099,000
Net cash provided by investing activities	4,357,000	23,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,971,000	4,338,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,170,000	4,832,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 18,141,000	\$ 9,170,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 3,475,000	\$ 4,271,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	2,147,000	1,963,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	3,123,000	(777,000)
Prepayments and other current assets	52,000	(30,000)
Accounts payable, net	(2,286,000)	1,089,000
Accrued tax equivalents	(45,000)	4,000
Other current liabilities	(8,000)	21,000
Unearned revenue	(50,000)	(20,000)
Deferred other outflows	170,000	(36,000)
Net cash provided by operating activities	\$ 6,578,000	\$ 6,485,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB VIDEO & INTERNET SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 60,547,000	\$ 38,278,000
Investments	2,518,000	9,102,000
Accounts receivable, less allowance for doubtful accounts of \$927,000 and \$1,436,000 in 2022 and 2021, respectively	7,587,000	8,631,000
Prepayments and other current assets	3,462,000	3,198,000
Leases receivable, current	909,000	940,000
Total Current Assets	75,023,000	60,149,000
NON-CURRENT ASSETS		
Investments	--	2,487,000
Utility plant - Utility plant	157,842,000	155,997,000
Less - accumulated provision for depreciation	(76,864,000)	(68,689,000)
Net utility plant	80,978,000	87,308,000
Repayable advance receivable - Electric	25,250,000	25,250,000
Leases receivable, non-current	496,000	512,000
Accrued post-employment benefit asset	656,000	138,000
Total Non-Current Assets	107,380,000	115,695,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred OPEB outflows	297,000	414,000
Deferred pension outflows	2,733,000	2,774,000
Deferred other outflows	23,616,000	6,047,000
Total Deferred Outflows of Resources	26,646,000	9,235,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 209,049,000	\$ 185,079,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 10,477,000	\$ 12,500,000
Accrued tax equivalents	1,031,000	1,107,000
Unearned revenue	6,089,000	6,061,000
Other current liabilities	3,939,000	3,971,000
Total Current Liabilities	21,536,000	23,639,000
NON-CURRENT LIABILITIES		
Net pension liability	1,110,000	3,201,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	956,000	713,000
Deferred pension inflows	840,000	--
Deferred lease inflows	1,405,000	1,452,000
Total Deferred Inflows of Resources	3,201,000	2,165,000
NET POSITION		
Net investment in capital assets	80,978,000	87,308,000
Unrestricted	102,224,000	68,766,000
Total Net Position	183,202,000	156,074,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 209,049,000	\$ 185,079,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB VIDEO & INTERNET SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 27,590,000	\$ 26,080,000
Residential services revenue	<u>133,198,000</u>	<u>129,358,000</u>
Total billed fiber optics sales	160,788,000	155,438,000
Uncollectible accounts	<u>21,000</u>	<u>(715,000)</u>
Total fiber optics sales	160,809,000	154,723,000
Other operating revenues	<u>8,071,000</u>	<u>8,647,000</u>
Total operating revenues	<u>168,880,000</u>	<u>163,370,000</u>
 OPERATING EXPENSES		
Cost of services	51,957,000	53,581,000
Operation expenses	66,222,000	62,534,000
General and administrative	4,498,000	3,895,000
Provision for depreciation	18,444,000	19,213,000
City, county, and state tax equivalents	<u>639,000</u>	<u>743,000</u>
Total operating expenses	<u>141,760,000</u>	<u>139,966,000</u>
 Net operating income	27,120,000	23,404,000
 NON-OPERATING REVENUES (EXPENSES)		
Interest income on invested funds	285,000	310,000
Carrying charge revenue - Electric	33,000	47,000
Other revenue, net	97,000	--
Plant cost recovered through contributions in aid of construction	<u>(569,000)</u>	<u>(1,492,000)</u>
Total non-operating expenses	<u>(154,000)</u>	<u>(1,135,000)</u>
 Income before transfers and contributions	26,966,000	22,269,000
Tax equivalents transferred to the City of Chattanooga	(407,000)	(384,000)
Contributions in aid of construction	<u>569,000</u>	<u>1,492,000</u>
 CHANGE IN NET POSITION	27,128,000	23,377,000
 NET POSITION, BEGINNING OF YEAR	<u>156,074,000</u>	<u>132,697,000</u>
 NET POSITION, END OF YEAR	<u><u>\$ 183,202,000</u></u>	<u><u>\$ 156,074,000</u></u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB VIDEO & INTERNET SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 169,949,000	\$ 163,326,000
Payments to suppliers for goods and services	(136,077,000)	(112,425,000)
Payments to employees for services	(7,853,000)	(7,756,000)
Payments in lieu of taxes	(739,000)	(732,000)
Net cash provided by operating activities	<u>25,280,000</u>	<u>42,413,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(384,000)	(365,000)
Miscellaneous non-operating revenue, net	97,000	--
Net cash used in noncapital financing activities	<u>(287,000)</u>	<u>(365,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(12,682,000)	(16,806,000)
Carrying charge received - Electric	33,000	48,000
Repayable advance received - Electric	35,000,000	56,000,000
Repayable advance paid - Electric	(35,000,000)	(56,000,000)
Contributions in aid of construction	569,000	1,492,000
Net cash used in capital and related financing activities	<u>(12,080,000)</u>	<u>(15,266,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	--	(3,015,000)
Proceeds from sales of investments	9,226,000	2,042,000
Interest income on investments	130,000	60,000
Net cash provided by (used in) investing activities	<u>9,356,000</u>	<u>(913,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	22,269,000	25,869,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>38,278,000</u>	<u>12,409,000</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 60,547,000</u>	<u>\$ 38,278,000</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 27,120,000	\$ 23,404,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	18,444,000	19,213,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	1,044,000	(276,000)
Prepayments and other current assets	(264,000)	(321,000)
Accounts payable, net	(2,023,000)	113,000
Accrued tax equivalents	(100,000)	10,000
Other current liabilities	(32,000)	626,000
Unearned revenue	28,000	235,000
Net pension liability and deferred outflows and inflows of resources	(1,210,000)	74,000
Accrued post-employment benefits and deferred outflows and inflows of resources	(158,000)	(33,000)
Deferred other outflows	(17,569,000)	(632,000)
Net cash provided by operating activities	<u>\$ 25,280,000</u>	<u>\$ 42,413,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB FIBER OPTICS SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 78,688,000	\$ 47,448,000
Investments	2,518,000	13,343,000
Accounts receivable, less allowance for doubtful accounts of \$1,021,000 and \$1,620,000 in 2022 and 2021, respectively	7,846,000	9,848,000
Leases receivable, current	3,417,000	2,710,000
Prepayments and other current assets	3,567,000	3,355,000
Total Current Assets	<u>96,036,000</u>	<u>76,704,000</u>
NON-CURRENT ASSETS		
Investments	--	2,487,000
Utility plant - Utility plant	170,562,000	166,880,000
Less - accumulated provision for depreciation	(84,704,000)	(74,491,000)
Net utility plant	<u>85,858,000</u>	<u>92,389,000</u>
Accrued post-employment benefit asset	656,000	138,000
Repayable advance receivable - Electric	48,850,000	48,850,000
Leases receivable, non-current	1,864,000	1,478,000
Total Non-Current Assets	<u>137,228,000</u>	<u>145,342,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred OPEB outflows	297,000	414,000
Deferred pension outflows	2,733,000	2,774,000
Deferred other outflows	24,069,000	6,670,000
Total Deferred Outflows of Resources	<u>27,099,000</u>	<u>9,858,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 260,363,000</u>	<u>\$ 231,904,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 10,916,000	\$ 13,060,000
Accrued tax equivalents	1,795,000	1,886,000
Unearned revenue	6,516,000	6,538,000
Other current liabilities	4,112,000	4,152,000
Total Current Liabilities	<u>23,339,000</u>	<u>25,636,000</u>
NON-CURRENT LIABILITIES		
Net pension liability	1,110,000	3,201,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	956,000	713,000
Deferred pension inflows	840,000	--
Deferred lease inflows	5,280,000	4,188,000
Total Deferred Inflows of Resources	<u>7,076,000</u>	<u>4,901,000</u>
NET POSITION		
Net investment in capital assets	85,858,000	92,389,000
Unrestricted	142,980,000	105,777,000
Total Net Position	<u>228,838,000</u>	<u>198,166,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 260,363,000</u>	<u>\$ 231,904,000</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, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 43,303,000	\$ 42,362,000
Commercial long distance message revenue	373,000	406,000
Residential services revenue	133,198,000	129,358,000
Total billed fiber optics sales	176,874,000	172,126,000
Uncollectible accounts	110,000	(789,000)
Total fiber optics sales	176,984,000	171,337,000
Other operating revenues	9,735,000	10,405,000
Total operating revenues	186,719,000	181,742,000
OPERATING EXPENSES		
Cost of services	54,438,000	56,494,000
Operation expenses	74,538,000	70,344,000
General and administrative	5,482,000	4,831,000
Provision for depreciation	20,591,000	21,176,000
City, county, and state tax equivalents	1,075,000	1,222,000
Total operating expenses	156,124,000	154,067,000
Net operating income	30,595,000	27,675,000
NON-OPERATING REVENUES (EXPENSES)		
Carrying charge revenue - Electric	63,000	90,000
Interest income	401,000	429,000
Other revenue, net	349,000	--
Plant cost recovered through contributions in aid of construction	(569,000)	(1,492,000)
Total non-operating revenues (expenses)	244,000	(973,000)
Income before transfers and contributions	30,839,000	26,702,000
Tax equivalents transferred to the City of Chattanooga	(736,000)	(685,000)
Contributions in aid of construction	569,000	1,492,000
CHANGE IN NET POSITION	30,672,000	27,509,000
NET POSITION, BEGINNING OF YEAR	198,166,000	170,657,000
NET POSITION, END OF YEAR	\$ 228,838,000	\$ 198,166,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB FIBER OPTICS SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 190,860,000	\$ 180,901,000
Payments to suppliers for goods and services	(149,932,000)	(123,041,000)
Payments to employees for services	(7,853,000)	(7,756,000)
Payments in lieu of taxes	(1,217,000)	(1,206,000)
Net cash provided by operating activities	<u>31,858,000</u>	<u>48,898,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(685,000)	(662,000)
Miscellaneous non-operating revenue, net	349,000	--
Net cash used in noncapital financing activities	<u>(336,000)</u>	<u>(662,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(14,627,000)	(18,759,000)
Carrying charges received - Electric	63,000	128,000
Repayable advances received - Electric	35,000,000	81,000,000
Repayable advances paid - Electric	(35,000,000)	(81,000,000)
Contributions in aid of construction	569,000	1,492,000
Net cash used in capital and related financing activities	<u>(13,995,000)</u>	<u>(17,139,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	--	(5,114,000)
Proceeds from investment sales	13,513,000	4,141,000
Interest income on investments	200,000	83,000
Net cash provided by (used in) investing activities	<u>13,713,000</u>	<u>(890,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	31,240,000	30,207,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>47,448,000</u>	<u>17,241,000</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 78,688,000</u>	<u>\$ 47,448,000</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 30,595,000	\$ 27,675,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	20,591,000	21,176,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	2,002,000	184,000
Prepayments and other current assets	(212,000)	(351,000)
Accounts payable, net	(2,144,000)	(35,000)
Accrued tax equivalents	(145,000)	14,000
Other current liabilities	(40,000)	647,000
Unearned revenue	(22,000)	215,000
Net pension liability and deferred outflows and inflows of resources	(1,210,000)	74,000
Accrued post-employment benefits and deferred outflows and inflows of resources	(158,000)	(33,000)
Other deferred outflows	(17,399,000)	(668,000)
Net cash provided by operating activities	<u>\$ 31,858,000</u>	<u>\$ 48,898,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Residential		Small		Large		Outdoor		Total	
	Customers	Cents per KWH	Commercial Customers	Cents per KWH	Commercial Customers	Cents per KWH	Lighting Customers	Cents per KWH	Customers	Cents per KWH
2013	149,875	10.19	20,079	11.36	3,387	8.67	143	12.06	173,484	9.47
2014	150,901	10.16	20,482	11.33	3,137	8.55	142	12.14	174,662	9.42
2015	152,503	10.22	20,910	11.39	3,127	8.58	142	12.01	176,682	9.46
2016	154,273	10.58	21,082	11.94	3,178	8.52	144	11.70	178,677	9.58
2017	155,745	10.93	21,500	12.30	3,199	8.55	145	12.07	180,589	9.77
2018	157,547	10.86	21,627	12.23	3,135	8.45	144	12.57	182,453	9.72
2019	159,504	10.94	21,841	12.32	3,173	8.43	143	13.63	184,661	9.76
2020	162,048	10.83	21,745	12.27	3,125	8.35	140	14.18	187,058	9.70
2021	163,996	10.77	22,184	12.24	2,948	8.10	141	14.73	189,269	9.54
2022	165,729	11.42	22,557	12.84	2,982	8.68	138	15.86	191,405	10.14

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, 2022

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal	
2023	2015 A Electric System Revenue Bonds	5.000%	\$ 10,545,000	\$ 7,456,606	\$ 18,001,606	
2024		5.000%	11,160,000	6,903,731	18,063,731	
2025		5.000%	11,810,000	6,318,648	18,128,648	
2026		5.000%	12,485,000	5,700,023	18,185,023	
2027		2.875%	14,735,000	5,242,955	19,977,955	
2028		3.000%	15,160,000	4,793,350	19,953,350	
2029		5.000%	15,610,000	4,067,133	19,677,133	
2030		4.000%	16,395,000	3,390,550	19,785,550	
2031		4.000%	17,050,000	2,712,917	19,762,917	
2032		5.000%	17,730,000	1,860,500	19,590,500	
2033		5.000%	18,615,000	937,125	19,552,125	
2034		4.000%	19,550,000	130,333	19,680,333	
				<u>180,845,000</u>	<u>49,513,871</u>	<u>230,358,871</u>
2023		2015 B Electric System Revenue Bonds	2.900%	1,635,000	157,770	1,792,770
2024	3.050%		1,595,000	109,328	1,704,328	
2025	3.200%		1,560,000	59,620	1,619,620	
2026	3.375%		1,520,000	8,550	1,528,550	
			<u>6,310,000</u>	<u>335,268</u>	<u>6,645,268</u>	

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF BONDS PAYABLE
As of June 30, 2022

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2023	2015 C Electric System Revenue Bonds	4.000%	\$ 835,000	\$ 1,208,917	\$ 2,043,917
2024		5.000%	870,000	1,167,100	2,037,100
2025		4.000%	915,000	1,129,350	2,044,350
2026		5.000%	950,000	1,083,667	2,033,667
2027		5.000%	995,000	1,034,292	2,029,292
2028		5.000%	1,045,000	982,458	2,027,458
2029		5.000%	1,100,000	927,917	2,027,917
2030		5.000%	1,155,000	870,625	2,025,625
2031		5.000%	1,210,000	810,583	2,020,583
2032		5.000%	1,275,000	747,375	2,022,375
2033		5.000%	1,335,000	681,125	2,016,125
2034		5.000%	1,405,000	611,458	2,016,458
2035		5.000%	1,475,000	538,292	2,013,292
2036		5.000%	1,545,000	461,625	2,006,625
2037		5.000%	1,625,000	381,042	2,006,042
2038		5.000%	1,705,000	296,458	2,001,458
2039		5.000%	1,790,000	207,667	1,997,667
2040		5.000%	1,880,000	114,417	1,994,417
2041		5.000%	1,975,000	16,458	1,991,458
				<u>25,085,000</u>	<u>13,270,826</u>
2023	2021 Electric System Revenue Bonds		-	1,741,300	1,741,300
2024			-	1,741,300	1,741,300
2025			-	1,741,300	1,741,300
2026			-	1,741,300	1,741,300
2027			-	1,741,300	1,741,300
2028			-	1,741,300	1,741,300
2029			-	1,741,300	1,741,300
2030			-	1,741,300	1,741,300
2031			-	1,741,300	1,741,300
2032			-	1,741,300	1,741,300
2033			-	1,741,300	1,741,300
2034			-	1,741,300	1,741,300
2035		4.000%	7,830,000	1,480,300	9,310,300
2036		4.000%	8,155,000	1,156,267	9,311,267
2037		2.000%	8,400,000	961,900	9,361,900
2038		2.000%	8,575,000	790,983	9,365,983
2039		2.000%	8,750,000	616,567	9,366,567
2040		2.000%	8,925,000	438,650	9,363,650
2041		2.000%	9,110,000	257,067	9,367,067
2042		2.000%	11,335,000	37,783	11,372,783
			<u>71,080,000</u>	<u>26,635,117</u>	<u>97,715,117</u>
	Total		<u>\$ 283,320,000</u>	<u>\$ 89,755,082</u>	<u>\$ 373,075,082</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Agency or Pass-Through Number	Accrued Grant Revenues June 30, 2021	Grant Revenues Received	Expenditures	Accrued Grant Revenues June 30, 2022
U.S. DEPARTMENT OF ENERGY Smart and Flexible Microgrid with Scalable Open-Source Controller	81.135	A16-1328-S002-A01	\$ 1,082	\$ 2,165	\$ 1,083	\$ -
SIC Based Modular Transformer-less MW-Scale Power Conditioning System and Control for Flexible CHP System	81.086	A19-0435-S001	-	261	261	-
SIC Based Modular Transformer-less MW-Scale Power Conditioning System and Control for Flexible Manufacturing Plants	81.086	A21-0512-S001	169	759	675	85
Total U.S. Department of Energy			1,251	3,185	2,019	85
FEDERAL EMERGENCY MANAGEMENT AGENCY						
FEMA Disaster Recovery Grants (FRID FEMA-4541-DR-TN)	97.036	000-U015E-00/ 065-01AE5-00	-	1,246,573	32,926,539	31,679,966
Total Federal Emergency Management Agency			-	1,246,573	32,926,539	31,679,966
Total Expenditures of Federal Awards			<u>\$ 1,251</u>	<u>\$ 1,249,758</u>	<u>\$ 32,928,558</u>	<u>\$ 31,680,051</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

The FEMA Disaster Recovery Grant expenditures were incurred by the Electric Power Board of Chattanooga during FY 2020. The approved Project Worksheet documentation for these grants from FEMA was received during FY 2022.



CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Electric Power Board of Chattanooga, Tennessee (“EPB”, an enterprise fund of the City of Chattanooga, Tennessee), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise EPB’s basic financial statements, and have issued our report thereon dated September 12, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Chattanooga, Tennessee
September 12, 2022

Henderson Hutcherson



CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

Opinion on Each Major Federal Program

We have audited EPB's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of EPB's major federal programs for the year ended June 30, 2022. EPB's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, EPB complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of EPB and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of EPB's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to EPB's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on EPB's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about EPB's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 EPB's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of EPB's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of EPB's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Chattanooga, Tennessee
September 12, 2022

*Henderson Hutcherson
& McCullough, PLLC*

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022

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.

Internal Control Deficiencies over Major Programs:

None disclosed.

Opinion on Compliance for Major Programs:

Unmodified opinion.

Findings Disclosed under the Uniform Guidance:

None disclosed.

Major Programs:

U.S. Department of Homeland Security
FEMA Disaster Recovery Grant

ALN

97.036

Dollar Threshold Level between Type A and Type B Programs:

\$987,857

Low-Risk Auditee under the Uniform Guidance:

No

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2022

SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

None reported.