Consolidated

Financial Statements and Supplemental Information
June 30, 2023 and 2022

KUB Board of Commissioners

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Knoxville Utilities Board
Index
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Commissioners
Knoxville Utilities Board
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Knoxville Utilities Board (KUB), a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise KUB's basic financial statements as listed in the index.

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 KUB as of June 30, 2023 and 2022, and the changes in its financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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* (GAS), 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 KUB 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 opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2021, KUB adopted new accounting guidance Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

As discussed in Note 2, KUB's basic financial statements were expanded in fiscal year 2022 to meet the requirements of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

KUB's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

Board of Commissioners
Knoxville Utilities Board
Knoxville, Tennessee

Responsibilities of Management for the Financial Statements (continued)

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 KUB'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 opinion. 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 GAS 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 GAS, 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 KUB'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 KUB'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 on pages 4 through 29 and the required supplementary information on pages 76 through 80 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.

COULTER & JUSTUS, P.C.

Board of Commissioners
Knoxville Utilities Board
Knoxville, Tennessee

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise KUB's basic financial statements. 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* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 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. The other information comprises the statistical information but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of KUB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KUB's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. KUB's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC), and the Governmental Accounting Standards Board (GASB), as applicable.

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of KUB's financial activity, (c) identify major changes in KUB's financial position, and (d) identify any financial concerns.

The Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2023, activities, resulting changes, and current known facts, and should be read in conjunction with KUB's consolidated financial statements.

Consolidated Highlights

System Highlights

KUB experienced normal operations this fiscal year. However, inflation had a significant impact to operating costs and capital projects. Supply chain issues improved throughout the year but impacted the timing of some capital projects in fiscal year 2023. KUB continued to make progress constructing its fiber network on the electric system in year two of its deployment and continues adding customers each month.

As of June 30, 2023, KUB served 486,213 customers. KUB added 8,073 new customers to these systems in fiscal year 2023, representing growth of one percent.

KUB's electric system's record peak in demand remains 1,328 megawatt hours, set in February 2015. Due to an extreme cold weather event in December 2022, the natural gas system set a new record peak in demand of 169,458 dekatherms.

KUB has completed all work associated with the 2005 Federal Consent Decree. A request for Consent Decree termination was submitted in January 2022 and was granted on June 16, 2022, by the applicable regulatory authorities.

KUB launched its new Fiber Division in fiscal year 2022 after gaining approval from TVA, state, and local authorities. Fiber infrastructure installation has begun, and broadband services were available to electric customers in fiscal year 2023.

In April 2023, KUB launched Knoxville's first community solar program in partnership with the City of Knoxville and the Tennessee Valley Authority. KUB invested $1.4 million to build the 1 MW array, which is located at the City of Knoxville's Public Works Complex. KUB Community Solar allows customers to subscribe to clean, locally generated renewable energy and access the benefits of a shared solar array. As of the end of the fiscal year, the program was 87% subscribed.

During fiscal year 2023, KUB sold $89 million in revenue bonds for the purpose of funding system expenditures.

KUB's electric system maintains a Diamond Level designation by the American Public Power Association's (APPA) Reliable Public Power Provider (RP3) program, the highest level of recognition of the program.

KUB's natural gas system was named to the American Public Gas Association's (APGA) System Operational Achievement Recognition (SOAR) Program in 2018, reflecting KUB's focus on system integrity, continuous improvement, safety, and employee development. KUB is a Gold Level winner and remains a member of the program through 2023. KUB was recognized as a Safety Contest Winner for calendar year 2022 by APGA. KUB received the 2023 APGA Communications & Marketing Award for its natural gas growth efforts.

KUB's treatment plants continue to meet high standards of operation. KUB was awarded the National Association of Clean Water Agencies (NACWA) Peak Performance recognition for all Wastewater Treatment Plants in calendar year 2022. Fourth Creek, Loves Creek, and Eastbridge Wastewater Treatment Plants won gold awards while Kuwahee won silver.

KUB continues to maintain Platinum certification with the National Biosolids Partnership following a rigorous review process and independent audit that was conducted in December 2022. Biosolids are nutrient-rich organic matter produced by wastewater treatment and is a registered fertilizer with the Tennessee Department of Agriculture.

Century II Infrastructure Program

Century II is KUB's proactive long-range program to improve and maintain the electric, natural gas, water, and wastewater systems for its customers. It includes maintenance and asset replacement strategies for each system and establishes sustainable replacement cycles. Century II moves KUB into its second century of service by improving each system through sound planning, resource allocation, and continued investment.

In June 2017, the Board adopted three annual rate increases for all KUB Divisions. The three approved electric rate increases went into effect in October 2017, October 2018, and October 2019, generating $10.9 million, $11.2 million, and $5.7 million in additional annual Electric Division revenue, respectively. The three approved gas rate increases went into effect in October 2017, October 2018, and October 2019, generating $2.2 million, $2.3 million, and $2.3 million in additional annual Gas Division revenue, respectively. The three water rate increases went into effect July 2017, July 2018, and July 2019, generating $3.1 million, $3.1 million, and $3.3 million of additional annual Water Division revenue, respectively. The three approved wastewater rate increases went into effect in July 2017, July 2018, and July 2019, generating $4.3 million, $4.2 million, and $4.5 million in additional annual Wastewater Division revenue, respectively.

In June 2021, the Board approved a 2 percent water rate increase effective in July 2021, generating $1.1 million in additional annual Water Division revenue.

In September 2021, the Board approved the next phase of electric rate increases to support both the Century II program and expanded fiber network. The first two of three approved 3 percent electric rate increases went into effect April 2022 and April 2023 generating $16.7 million and $17.4 million in additional annual Electric Division revenue, respectively. The remaining rate increase is effective April 2024 and is expected to provide an additional $18 million in annual Electric Division revenue.

In June 2022, the Board approved the next phase of water and wastewater rate increases to support the Century II program. The first of three approved 5 percent water rate increases went into effect July 2022, generating $3.4 million of additional annual Water Division revenue. The remaining two rate increases are effective July 2023 and July 2024, and are expected to provide an additional $3.4 million and $3.6 million in annual Water Division revenue, respectively. The first of three approved 4 percent wastewater rate increases went into effect July 2022, generating $3.9 million of additional annual Wastewater Division revenue. The remaining two rate increase are effective July 2023 and July 2024, and are expected to provide an additional $4 million and $4.2 million in annual Wastewater Division revenue, respectively.

KUB is currently in the process of implementing a Water Plant Redundancy initiative to ensure that high quality, reliable water service will be provided to customers over the long term. KUB maintains a single water treatment plant for its system. In lieu of building a second treatment facility to ensure capacity will be available to meet the needs of current and future water customers, KUB will invest approximately $158 million in various redundant facilities at the site of its existing Mark B. Whitaker Water Treatment Plant over a 16-year period that began in fiscal year 2017. Construction of a new generator building with three 2,500 kW diesel generators and associated switchgear was completed at the Mark B. Whitaker Water Treatment Plant.

Knox County has committed $2.6 million in a Tennessee Department of Environment and Conservation (TDEC) non-competitive grant and $10 million in direct American Rescue Plan Act (ARPA) funding, and the City of Knoxville has committed $7.5 million in a TDEC non-competitive grant and $5 million in direct ARPA funding each for a total of $25.1 million in grant money. The grants will be used to help fund KUB's new water filter project at its Mark B. Whitaker Water Treatment Plant. The project commenced in October 2022 and is projected to be completed by May 2025.

For the fiscal year, KUB stayed on track with its overall Century II capital budget and production goals. The electric system replaced 9 miles of transmission lines and 6.9 miles of underground cable. In the natural gas system, 6.3 miles of gas steel main were replaced. In the water system, 3.2 miles of galvanized water main and 5.2 miles of cast iron water main were replaced. In the wastewater system, 9.5 miles of main were rehabilitated or replaced.

Fiber Network

During fiscal year 2021, KUB developed a Fiber to the Home Business Plan for the provision of broadband services to customers within its electric system service territory. In accordance with state law and KUB's wholesale power supply contract with TVA, the Business Plan was submitted to the Office of the Comptroller of the Treasury for Tennessee and TVA for review. The Office of the Comptroller found KUB's Business Plan to be financially feasible and TVA approved the Business Plan, finding no cross-subsidization exists between the proposed Fiber Division and the Electric Division.

After gaining the required approvals from TVA, the State of Tennessee, KUB's Board, and City Council, KUB launched its new Fiber Division. Broadband services will be provided by a high-speed fiber optic network that will be owned and maintained by the Electric Division. The Fiber Division will share in the cost to build and operate the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division will also pay the Electric Division an annual utilization fee based on attachments to the network. In addition to providing broadband services, the fiber network will allow KUB to implement new advanced technologies to improve the reliability of its electric system.

As a component of the Fiber Division's start-up financing plan, approved by KUB's Board and TVA, the Electric Division will provide $55 million of interdivisional loans. The first $10 million was provided in October 2021, an additional $7 million was provided in August 2022, and $13 million was provided in February 2023, all maturing in June 2030.

In fiscal year 2022, KUB began the seven-year buildout on extending fiber infrastructure to make broadband service available to electric customers. KUB commenced a pilot customer program in June 2022, and the first broadband customers began receiving service in September 2022.

As of June 30, 2023, the Fiber Division had 2,331 customers.

The Tennessee Emergency Broadband Fund selected KUB for a grant of $15.3 million to assist in the provision of broadband access to Grainger, Jefferson, Sevier, and Union Counties.

In August 2022, the Board approved KUB's entrance into an Interlocal Cooperation Agreement with Knox County for the purpose of providing funding for KUB's Community Low-Income Internet Program for eligible low-income student households receiving KUB internet service located within the jurisdictional limits of Knox County and outside of the jurisdictional limits of the City of Knoxville. KUB's pilot program, ConnectED, provides eligible households $50 monthly toward fiber-related charges.

The fiber network is an integral component of a $702 million ten-year Enhanced Grid Modernization effort for the Electric Division. The program will be funded by a combination of electric rate increases, new bonds, grant funds, and projected payments from the new Fiber Division.

Consent Decree

In February 2005, a Consent Decree was entered into federal court regarding the operation of KUB's wastewater system. Under the terms of the Consent Decree, the remediation of identified sanitary sewer overflows (SSOs) on KUB's wastewater system had to be completed by June 30, 2016. KUB completed all the requirements of the Consent Decree for the collection system two years in advance of the deadline.

The Consent Decree also required KUB to perform an evaluation of the wet weather performance and capacity of its wastewater treatment plants. In July 2007, KUB submitted a Composite Correction Plan (CCP) for its wastewater treatment plants to EPA for review. The development and filing of the CCP was a requirement of the federal order of February 2005. The CCP includes recommended improvements to KUB's Kuwahee and Fourth Creek treatment plants to address wet weather capacity issues noted in prior assessments. The EPA approved the CCP in January 2009 including a recommended schedule of plant improvements that extends beyond the expiration date of the original Consent Decree. An amendment to the Consent Decree incorporating and establishing this schedule was agreed to by all parties and was entered on June 23, 2009. The purpose of the Amendment is to allow KUB to complete a portion of work outlined in the CCP after the Consent Decree deadline of June 30, 2016. The CCP provided for a biologically enhanced high-rate clarification (the BEHRC) secondary treatment system to be installed at the Fourth Creek treatment plant and at the Kuwahee treatment plant. KUB successfully completed the installation of the BEHRC system at the Fourth Creek treatment plant in the 2018 fiscal year. The project at the Kuwahee treatment plant was completed this fiscal year. The total cost of the CCP improvements at the Fourth Creek treatment plant and Kuwahee treatment plant was approximately $120 million.

KUB's funding plan for the Consent Decree included long-term bonds and a series of rate increases phased in over the term of the order. Bond proceeds fund all types of wastewater capital projects, the majority of which are related to the Consent Decree. As of June 30, 2022, the Wastewater Division had issued $594.8 million in bonds to fund wastewater system capital improvements since the inception of the Consent Decree. The Board approved two 50 percent rate increases, which went into effect in April 2005 and January 2007. The Board also approved an 8 percent rate increase, which was effective in September 2008, two 12 percent rate increases, which were effective in April 2011 and October 2012, three 6 percent rate increases, which were effective October 2014, October 2015, and October 2016, three 5 percent rate increases, which were effective July 2017, July 2018, and July 2019, and three 4 percent rate increases, which are effective July 2022, July 2023, and July 2024. KUB anticipates additional bond issues and rate increases over the next decade to help fund wastewater capital improvements.

KUB successfully completed the first cycle of Maintenance Operation Management (MOM) requirements one year before the deadline by inspecting manholes and gravity mains, smoke testing gravity mains, performing required inspections of pump stations and the related force mains, and completing all Corrective Action Plan/Engineering Report (CAP/ER) projects. KUB initiated the second MOM cycle that continues to focus on the prevention of SSOs. As part of the Century II initiative, formally known as the PACE10 program, KUB has installed storage tanks providing 34 million gallons of wastewater storage to control wet weather overflows and rehabilitated or replaced 432 miles of collection system pipe. KUB also continues to maintain a proactive operations and maintenance plan for the wastewater collection system including inspection, grease control, and private lateral enforcement. The result of the PACE10/Century II initiative has been an 80 percent reduction in SSOs.

As of June 30, 2022, the Wastewater Division had completed its 18th full year under the Consent Decree, spending $579.8 million on capital investments to meet Consent Decree requirements.

KUB's request for termination of the Consent Decree was submitted in January 2022 and was granted on June 16, 2022, by the applicable regulatory authorities.

Financial Highlights

During fiscal year 2023, KUB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), using a full retrospective approach. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, have been restated for the change, which reduced net position by $136,963.

During fiscal year 2022, KUB adopted GASB Statement No. 87, *Leases* (Statement No. 87) using a full retrospective approach. This statement requires a lessee to recognize an intangible right of use asset and a lease liability, and a lessor to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information regarding leasing activities. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2021, have been restated for the change, which did not have an impact on the net position.

Fiscal Year 2023 Compared to Fiscal Year 2022

KUB's consolidated Change in Net Position increased $69.5 million in fiscal year 2023. Comparatively, net position increased by $77.7 million in fiscal year 2022.

Operating revenue increased $66.8 million as a result of the flow through of higher energy costs in KUB's rates, along with rate increases in the Electric, Water, and Wastewater Divisions. Purchased energy expense (power and natural gas) increased $41.3 million or 8.1 percent, the combined effect of a $36.2 million increase in purchased power cost and a $5.1 million increase in purchased gas cost. Margin from sales (operating revenue less purchased energy expense) increased $25.5 million or 6.5 percent compared with the prior fiscal year.

Operating expenses (excluding purchased power and purchased gas expense) increased $51.1 million. Operating and maintenance (O&M) expenses were $44 million higher than the previous year, due to higher labor-related expenses driven by higher pension expenses, and outside contractor and consultant expenses. Depreciation and amortization expense increased $5.8 million or 6.6 percent. Taxes and tax equivalents increased $1.3 million or 3.4 percent.

Interest income was $8 million higher than the prior fiscal year, due to rising interest rates throughout the fiscal year. Interest expense increased $2.4 million or six percent, reflecting interest expense from new revenue bonds sold during fiscal year 2023.

Capital contributions increased $2.7 million, the result of a higher level of assets contributed by developers.

Total capital assets (net) increased $102.9 million or 4.6 percent over the last fiscal year.

Long-term debt represented 43.4 percent of KUB's consolidated capital structure, compared to 43.6 percent last fiscal year. Capital structure equals long-term debt (including the current and long-term portion of revenue bonds), plus net position.

Fiscal Year 2022 Compared to Fiscal Year 2021

KUB's consolidated Change in Net Position increased $77.7 million in fiscal year 2022. Comparatively, net position increased by $75.5 million in fiscal year 2021.

Operating revenue increased $83.4 million as a result of the flow through of higher energy costs in KUB's rates and increased sales volumes across all divisions. Purchased energy expense (power and natural gas) increased $70 million or 15.8 percent, the combined effect of a $44.1 million increase in purchased power cost and a $25.9 million increase in purchased gas cost. Margin from sales (operating revenue less purchased energy expense) increased $13.4 million or 3.5 percent compared with the prior fiscal year.

Operating expenses (excluding purchased power and purchased gas expense) increased $14.5 million. Operating and maintenance (O&M) expenses were $16.3 million higher than the previous year, due to higher labor-related expenses and vegetation management expenses. Depreciation and amortization expense decreased $2.4 million or 2.6 percent. Taxes and tax equivalents increased $0.5 million or 1.4 percent.

Interest income was $0.3 million higher than the prior fiscal year. Interest expense decreased $1.5 million or 3.7 percent, reflecting the net impact of interest expense from new revenue bonds sold during fiscal year 2022 and savings on refunding of outstanding bonds.

Capital contributions increased $0.7 million, the result of a higher level of assets contributed by developers.

Total capital assets (net) increased $63.8 million or 2.9 percent over the last fiscal year.

Long-term debt represented 43.6 percent of KUB's consolidated capital structure, compared to 44.8 percent last fiscal year. Capital structure equals long-term debt (including the current and long-term portion of revenue bonds), plus net position.

Knoxville Utilities Board Consolidated Financial Statements

KUB's financial performance is reported under three basic consolidated financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

KUB's basic financial statements were expanded to meet the requirement of GASB Statement No. 84. The fiduciary activities of KUB include the Knoxville Utilities Board Pension Plan and the Knoxville Utilities Board Other Post-Employment Benefits Trust and are included on Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position.

Statement of Net Position

KUB reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, plant in service, intangible, or other assets.

Liabilities are classified as current, other, or long-term debt. Net position is classified as net investment in capital assets, restricted, or unrestricted. Net position tells the user what KUB has done with its accumulated earnings, not just the balance.

Net investment in capital assets reflects the book value of all capital assets and intangible assets, less lease and subscription liabilities and the outstanding balances of debt used to acquire, construct, or improve those assets.

Restricted net position includes assets that have been limited to specific uses by KUB's bond covenants or through resolutions passed by the KUB Board.

Unrestricted net position is a residual classification; the amount remaining after reporting net position as either invested in capital or restricted is reported there.

Statement of Revenues, Expenses and Changes in Net Position

KUB reports its revenues and expenses (both operating and non-operating) on the Statement of Revenues, Expenses and Changes in Net Position. In addition, any capital contributions or assets donated by developers are reported on this statement.

Total revenue less total expense equals the change in net position for the reporting period. Net position at the beginning of the period is increased or decreased, as applicable, by the change in net position for the reporting period.

The change in net position for the reporting period is added to the net position segment of the Statement of Net Position.

Statement of Cash Flows

KUB reports cash flows from operating activities, capital and related financing activities, non-capital and related financing activities, and investing activities on the Statement of Cash Flows. This statement tells the user the sources and uses of cash during the reporting period.

The statement indicates the beginning cash balance and ending cash balance and how it was either increased or decreased during the reporting period.

The statement also reconciles cash flow to operating income as it appears on the Statement of Revenues, Expenses and Changes in Net Position.

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Condensed Financial Statements

Statement of Net Position

The following table reflects the condensed consolidated Statement of Net Position for KUB compared to the prior two fiscal years.

Statements of Net Position
As of June 30

(in thousands of dollars)	2023	2022 as restated	2021 as restated
Current, restricted, intangible, and other assets	$ 460,223	$ 510,710	$ 435,426
Capital assets, net	2,355,801	2,252,920	2,189,154
Deferred outflows of resources	67,744	27,740	24,006
Total assets and deferred outflows of resources	2,883,768	2,791,370	2,648,586
Current and other liabilities	277,812	257,650	202,775
Long-term debt outstanding	1,167,157	1,124,918	1,112,346
Deferred inflows of resources	5,939	45,474	47,820
Total liabilities and deferred inflows of resources	1,450,908	1,428,042	1,362,941
Net position			
Net investment in capital assets	1,154,845	1,098,790	1,049,324
Restricted	23,818	22,343	21,755
Unrestricted	254,197	242,195	214,566
Total net position	$ 1,432,860	$ 1,363,328	$ 1,285,645

Normal Impacts on Statement of Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Net Position presentation:

- Change in net position (from Statement of Revenues, Expenses and Changes in Net Position): impacts (increase/decrease) current and other assets and/or capital and intangible assets and unrestricted net position.
- Issuing debt for capital: increases deferred outflows of resources and long-term debt.
- Spending debt proceeds on new capital: reduces current assets and increases capital assets.
- Spending of non-debt related current assets on new capital: (a) reduces current assets and increases capital assets, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Principal payment on debt: (a) reduces current and other assets and reduces long-term debt, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Reduction of capital assets through depreciation: reduces capital assets and net investment in capital assets.

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2023 Compared to Fiscal Year 2022

Current, restricted, intangible, and other assets decreased $50.5 million or 9.9 percent, due to a decrease in the actuarially determined net pension asset of $64.1 million offset by an increase in inventories of $8.8 million and an increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of $6 million.

Fiscal Year 2022 Compared to Fiscal Year 2021

Current, restricted, intangible, and other assets increased $75.3 million or 17.3 percent, due to an increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of $27.4 million, an increase in the actuarially determined net pension asset of $19 million, an increase in net intangible assets of $11.9 million, an increase in accounts receivable of $9.2 million, an increase of $3.8 million in inventories, and an increase in gas storage of $3.4 million. KUB under recovered $2.4 million in wholesale power costs from its customers in fiscal year 2022. This under recovery of costs will be charged to KUB's electric customers during the next fiscal year through adjustments to rates via the Purchased Power Adjustment.

Capital Assets

Fiscal Year 2023 Compared to Fiscal Year 2022

Capital assets (net) increased $102.9 million or 4.6 percent. Major capital expenditures (reflected in both plant additions and work in progress) in fiscal year 2023 included $46 million for fiber network buildout, $30.5 million for various electric distribution system improvements, $20.4 million related to wastewater Century II projects, $13.9 million for electric services and extensions, $9.6 million for water main replacements, $7.4 million for gas service extensions, $6.6 million for pole replacements for the electric system, and $6.4 million for water plant redundancy. System assets of $17.9 million were retired during fiscal year 2023.

Fiscal Year 2022 Compared to Fiscal Year 2021

Capital assets (net) increased $63.8 million or 2.9 percent. Major capital expenditures (reflected in both plant additions and work in progress) in fiscal year 2022 included $37.7 million related to wastewater Century II projects, $25.4 million for various electric distribution system improvements, $17.2 million for Grid Modernization and advanced metering including Supervisory Control and Data Acquisition (SCADA) system upgrades, $8.7 million for the construction of gas mains, $6.9 million for pole replacements for the electric system, $6.8 million for water main replacements, and $6.5 million for building improvements. System assets of $32.6 million were retired during fiscal year 2022.

Deferred Outflows of Resources

Fiscal Year 2023 Compared to Fiscal Year 2022

Deferred outflows of resources increased $40 million compared to the prior year, primarily due to an increase in pension outflow of $40.7 million when compared to the prior fiscal year.

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred outflows of resources increased $3.7 million compared to the prior year, reflecting a $5.2 million increase in OPEB outflow offset by a decrease in unamortized bond refunding costs of $1 million and a decrease in pension outflow of $0.4 million when compared to the prior fiscal year.

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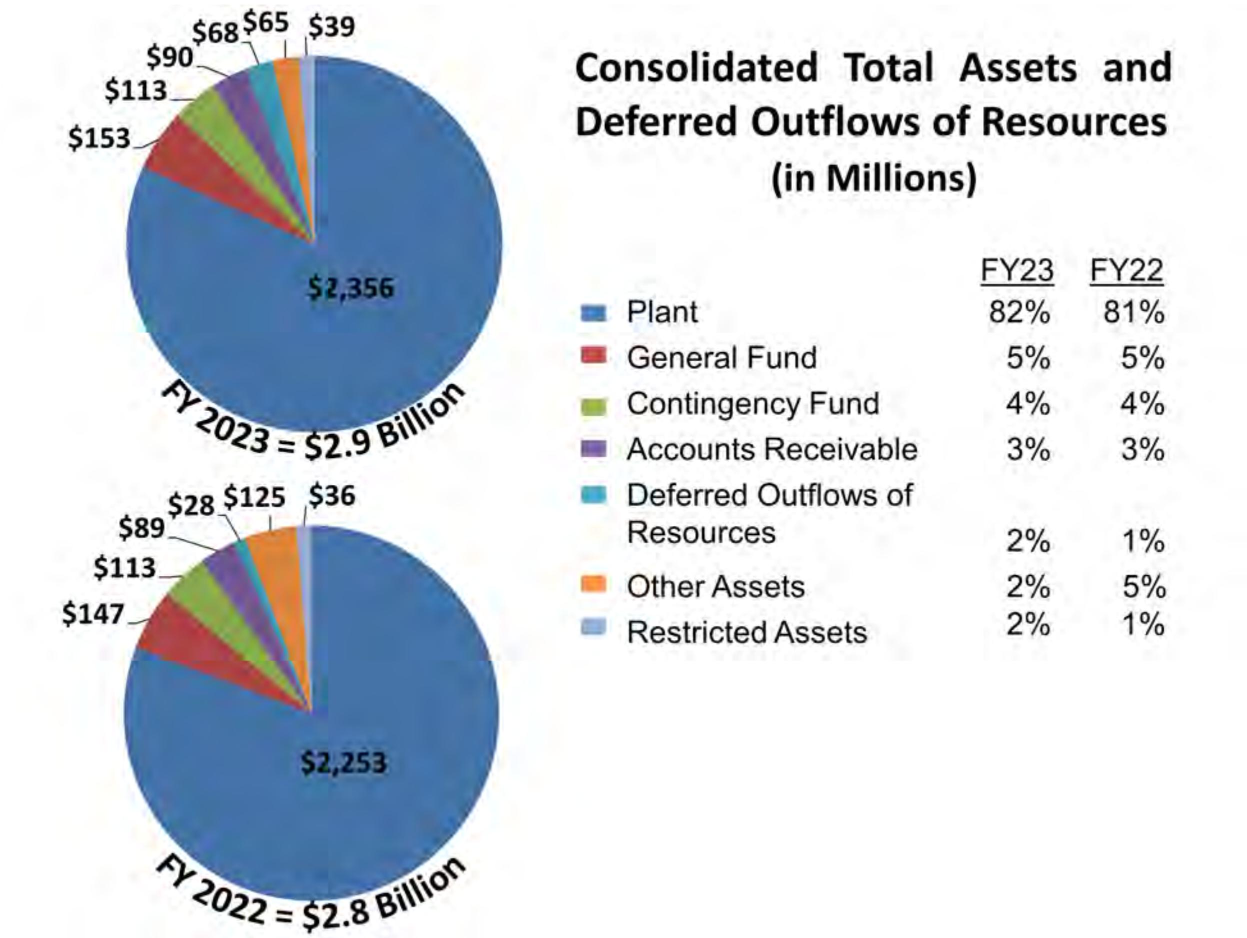

Current and Other Liabilities

Fiscal Year 2023 Compared to Fiscal Year 2022

Current and other liabilities increased $20.2 million or 7.8 percent compared to the prior fiscal year. This reflects an increase of $22.2 million in the actuarially determined net pension liability, an increase of $2.6 million in accrued interest on revenue bonds, an increase of $1.7 million in the actuarially determined net OPEB liability, and an increase of $1.4 million in the current portion of revenue bonds offset by a decrease of $8.4 in accrued expenses and a decrease of $3 million in payables. KUB over recovered $3.5 million in wholesale power costs from its customers in fiscal year 2023, as compared to a $2.4 million under recovery in fiscal year 2022. This over recovery of costs will be credited to KUB's electric customers during the next fiscal year through adjustments to rates via the Purchased Power Adjustment. KUB over recovered $4.4 million in wholesale gas costs from its customers in fiscal year 2023, as compared to a $4.2 million over recovery in fiscal year 2022. This over recovery of costs will be credited to KUB's gas customers during the next fiscal year through adjustments to rates via the Purchased Gas Adjustment.

Fiscal Year 2022 Compared to Fiscal Year 2021

Current and other liabilities increased $54.9 million or 27.1 percent compared to the prior fiscal year. This reflects an increase of $18.2 million in payables, an increase of $11.2 million in the actuarially determined net OPEB liability, an increase of $8.3 million in current and long-term subscription liability, an increase of $6.5 million in accrued expenses, an increase of $3.6 million in current and long-term lease liability, and an increase of $2.1 million in customer deposits. KUB over recovered $4.2 million in wholesale gas costs from its customers in fiscal year 2022, as compared to a $1.4 million under recovery in fiscal year 2021. This over recovery of costs will be flowed back to KUB's gas customers during the next fiscal year through adjustments to rates via the Purchased Gas Adjustment.

Long-term Debt

Fiscal Year 2023 Compared to Fiscal Year 2022

Long-term debt increased $42.2 million or 3.8 percent. The increase is due in part to the net impact of the scheduled repayment of debt and $89 million in electric and wastewater system revenue bonds sold in November 2022.

Fiscal Year 2022 Compared to Fiscal Year 2021

Long-term debt increased $12.6 million or 1.1 percent. The increase is due in part to the net impact of the scheduled repayment of debt and $56.8 million in electric and wastewater system revenue bonds sold in April 2022. KUB also sold $65.3 million in electric, water, and wastewater revenue refunding bonds in April 2022 with a premium of $4.1 million to refund $68.6 million in outstanding debt, resulting in a reduction of principal of $3.3 million.

Deferred Inflows of Resources

Fiscal Year 2023 Compared to Fiscal Year 2022

Deferred inflows decreased $39.5 million compared to the prior fiscal year, due to a $39.3 million decrease in pension inflow and a $0.2 million decrease in lease inflow.

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred inflows decreased $2.3 million compared to the prior fiscal year, due to an $8 million decrease in OPEB inflow offset by a $3.3 million increase in pension inflow, a $1.4 million increase in unamortized bond refunding costs, and a $0.9 million increase in lease inflow.

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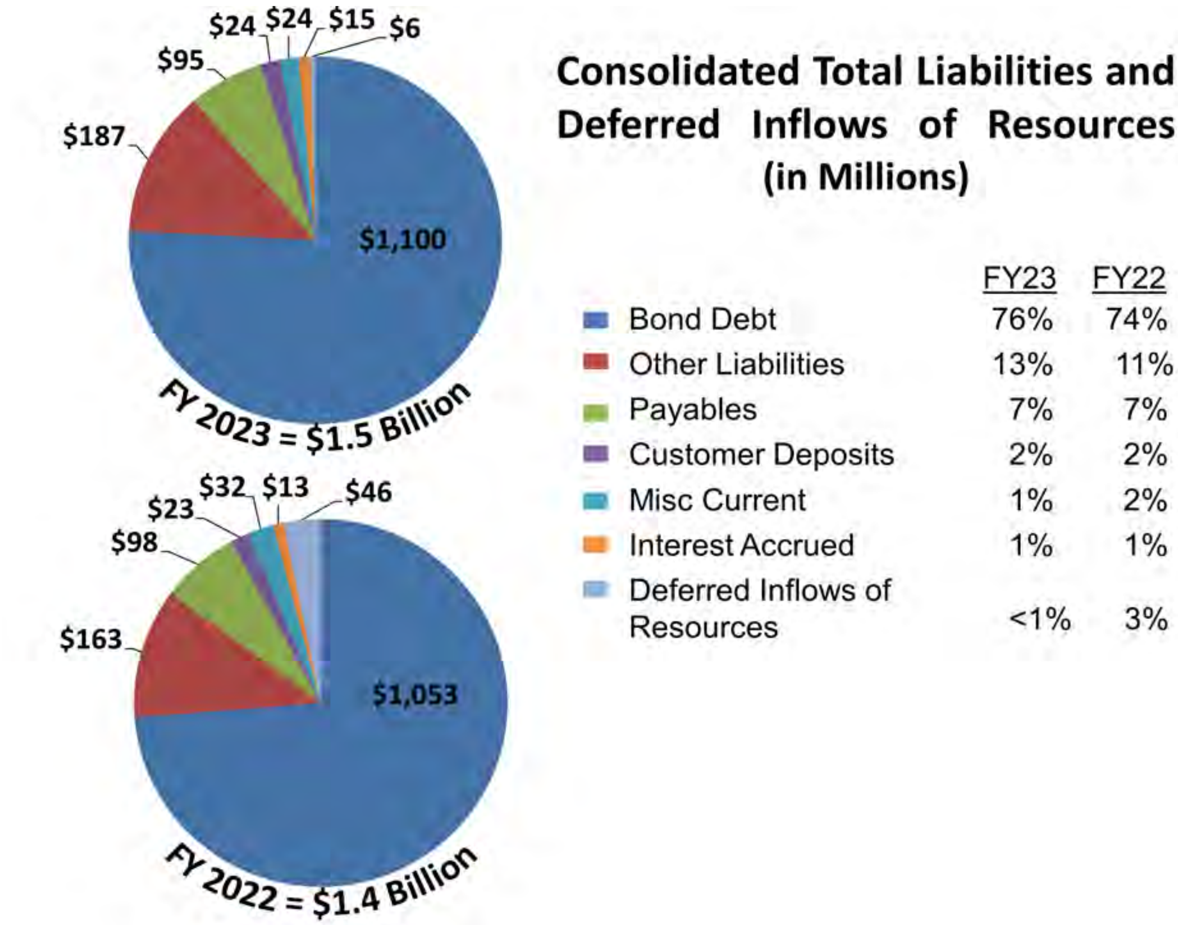

Net Position

Fiscal Year 2023 Compared to Fiscal Year 2022

Total net position increased $69.5 million or 5.1 percent. Net investment in capital assets increased $56 million or 5.1 percent, the result of an increase of $102.9 million in net plant additions offset by a $46.2 million increase in the current portion of revenue bonds and total long-term debt. Restricted net position increased $1.5 million compared to the prior year. Unrestricted net position increased $12 million or 5 percent compared to the previous fiscal year, due to an $8.8 million increase in inventories and a $6 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) offset by a $3 million decrease in payables.

Fiscal Year 2022 Compared to Fiscal Year 2021

Total net position increased $77.7 million or 6 percent. Net investment in capital assets increased $49.5 million or 4.7 percent, the result of an increase of $63.8 million in net plant additions and an increase of $11.9 million in net intangible assets offset by an $11 million increase in the current portion of revenue bonds and total long-term debt, a $8.3 million increase in subscription liabilities, and a $3.6 million increase in lease liabilities. Restricted net position increased $0.6 million compared to the prior year. Unrestricted net position increased $27.6 million or 12.9 percent compared to the previous fiscal year, primarily due to a $27.4 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments).

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed consolidated Statement of Revenues, Expenses and Changes in Net Position for KUB compared to the prior two fiscal years.

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30

(in thousands of dollars)	2023	2022 as restated	2021 as restated
Operating revenues	$ 972,519	$ 905,714	$ 822,290
Less: Purchased energy expense	553,595	512,342	442,299
Margin from sales	418,924	393,372	379,991
Operating expenses			
Treatment	20,707	18,999	17,098
Fiber products and promotions	3,142	854	-
Distribution and collection	86,742	77,355	69,388
Customer service	15,659	15,200	14,033
Administrative and general	65,698	35,524	31,086
Depreciation and amortization	93,928	88,121	90,488
Taxes and tax equivalents	39,260	37,964	37,448
Total operating expenses	325,136	274,017	259,541
Operating income	93,788	119,355	120,450
Interest income	9,122	1,107	837
Interest expense	(42,674)	(40,276)	(41,827)
Other income/(expense)	4,971	(4,141)	(4,917)
Change in net position before capital contributions	65,207	76,045	74,543
Capital contributions	4,325	1,638	983
Change in net position	$ 69,532	$ 77,683	$ 75,526

Normal Impacts on Statement of Revenues, Expenses and Changes in Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Revenues, Expenses and Changes in Net Position presentation:

- Operating revenue is largely determined by volume of sales for the fiscal year. Any change (increase/decrease) in retail rates would also be a cause of change in operating revenue.
- Purchased energy expense is determined by volume of power purchases from TVA and volume of natural gas purchases for the fiscal year. Also, any change (increase/decrease) in wholesale power and/or gas rates would result in a change in purchased energy expense.
- Operating expenses (distribution, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor cost (staffing, wage rates), active employee and retiree medical expenses, and system maintenance.
- Depreciation and amortization expense is impacted by intangible assets, plant additions and retirements during the fiscal year.

- Taxes and equivalents are impacted by plant additions/retirements, changes in property tax rates, and gross margin levels.

- Interest income is impacted by level of interest rates and investments.

- Interest expense on debt is impacted by level of outstanding debt and the interest rate(s) on the outstanding debt.

- Other income/(expense) is impacted by miscellaneous non-operating revenues and expenses.

- Capital contributions are impacted by a donation of facilities/infrastructure to KUB by developers and governmental agencies. The contributions are recognized as revenue and recorded as plant in service based on the fair market value of the asset(s).

Impacts and Analysis

Change in Net Position

Fiscal Year 2023 Compared to Fiscal Year 2022

KUB's consolidated Change in Net Position increased $69.5 million in fiscal year 2023. Comparatively, net position increased $77.7 million in fiscal year 2022.

Fiscal Year 2022 Compared to Fiscal Year 2021

KUB's consolidated Change in Net Position increased $77.7 million in fiscal year 2022. Comparatively, net position increased $75.5 million in fiscal year 2021.

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Margin from Sales

Fiscal Year 2023 Compared to Fiscal Year 2022

Operating revenue was $66.8 million higher than the previous fiscal year. Both electric and natural gas experienced increases in wholesale energy prices. Electric Division operating revenue increased $51.7 million, the net result of a one percent decrease in billed sales volumes, additional revenue from the April 2023 rate increase, and higher wholesale energy costs. Fiber Division reported $0.9 million in revenue this fiscal year. Gas Division revenue increased $4.6 million for the fiscal year, the net result of a 2.2 percent decrease in billed sales volumes and higher natural gas prices. Water Division revenue increased $4.2 million, reflecting a 2.8 percent increase in billed sales volumes and additional revenue from the July 2022 rate increase. Wastewater Division revenue was $5.4 million higher than the previous year, reflecting a 2.3 percent increase in billable wastewater flows and additional revenue from the July 2022 rate increase.

Wholesale energy expense increased $41.3 million or 8.1 percent. Purchased power expense increased $36.2 million compared to last year, due to the flow through of higher wholesale power costs. KUB received $9.1 million in wholesale power rate credits during the fiscal year as part of KUB's long-term Partnership Agreement with TVA, which decreased power expenses in the current fiscal year. Purchased gas expense was $5.1 million higher than the prior year, reflecting higher natural gas prices for the fiscal year.

Margin from sales (operating revenue less purchased energy expense) increased $25.5 million compared to the previous year.

Fiscal Year 2022 Compared to Fiscal Year 2021

Operating revenue was $83.4 million higher than the previous fiscal year. Both electric and natural gas experienced significant increases in wholesale energy prices. Electric Division operating revenue increased $51.9 million, due to the net result of a three percent increase in sales volumes, additional revenue from the April 2022 rate increase, higher wholesale energy costs, and the flow through of prior year over recovered purchased power costs to electric customers. Gas Division revenue increased $26.5 million for the fiscal year, the result of a 2.2 percent increase in billed sales and higher natural gas prices. Water Division revenue increased $2.6 million, reflecting a 2.3 percent increase in billed sales volumes. Wastewater Division revenue was $2.4 million higher than the previous year, reflecting a 2.2 percent increase in billable wastewater flows.

Wholesale energy expense increased $70 million or 15.8 percent. Purchased power expense increased $44.1 million compared to last year, reflecting the combined effect of three percent higher customer demand and flow through of higher wholesale power costs. KUB received $9.3 million in wholesale power rate credits during the fiscal year as part of KUB's long-term Partnership Agreement with TVA, which decreased power expenses in the current fiscal year. Purchased gas expense was $25.9 million higher, reflecting significantly higher natural gas prices and slightly higher customer demand for the fiscal year.

Margin from sales (operating revenue less purchased energy expense) increased $13.4 million compared to the previous year.

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Operating Expenses

Fiscal Year 2023 Compared to Fiscal Year 2022

Operating expenses (excluding wholesale purchased energy expense) increased $51.1 million compared to fiscal year 2022. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, fiber products and promotions, distribution and collection, customer service, and administrative and general.

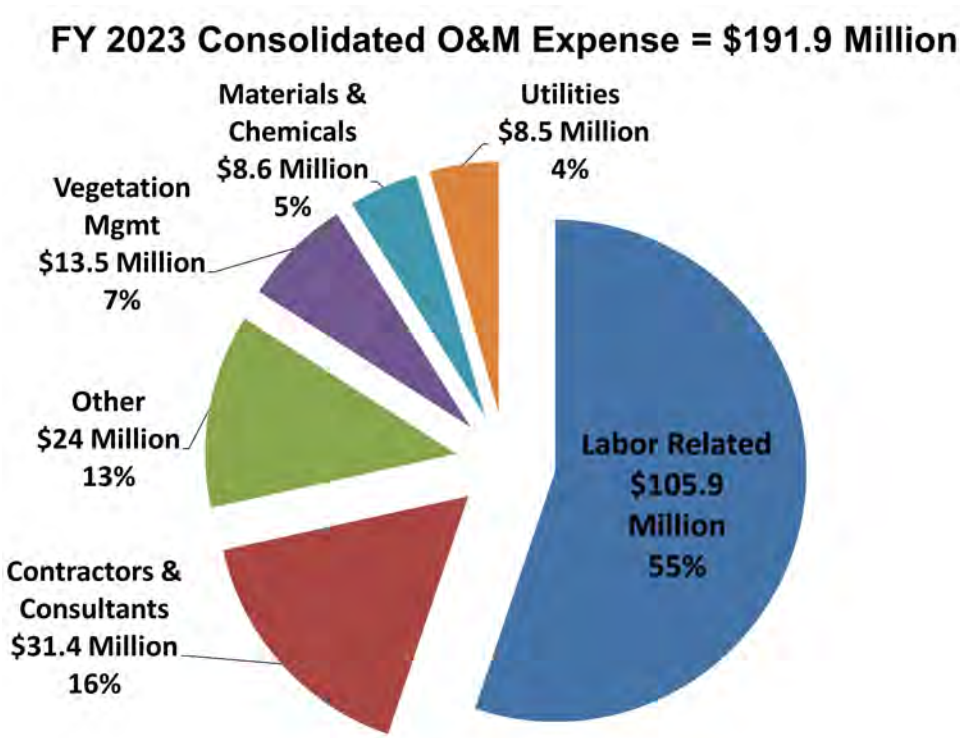
- Treatment expenses increased $1.7 million, primarily due to chemical expenses and higher labor-related expenses.

- Fiber products and promotions increased $2.3 million, primarily due to corporate advertising expense, as well as access and utilization expenses.

- Distribution and collection expenses increased $9.4 million or 12.1 percent, primarily due to labor-related expenses, outside contractor and consultant expenses, and vegetation management circuit work.

- Customer service expenses increased $0.5 million, primarily due to labor-related expenses.

- Administrative and general expenses increased $30.1 million, primarily due to an increase in labor-related expenses, driven by higher pension expenses resulting from investment losses, and technology subscription expenses.



- Depreciation and amortization expense increased $5.8 million or 6.6 percent. KUB added $137.4 million in assets during fiscal year 2023. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on $182.5 million in assets placed in service during fiscal year 2022. In addition, $17.9 million of assets were retired during fiscal year 2023.

- Taxes and tax equivalents increased $1.3 million or 3.4 percent, primarily due to increased plant in service levels and employer Federal Insurance Contributions Act (FICA) taxes.

Fiscal Year 2022 Compared to Fiscal Year 2021

Operating expenses (excluding wholesale purchased energy expense) increased $14.5 million compared to fiscal year 2021. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, fiber products and promotions, distribution and collection, customer service, and administrative and general.

- Treatment expenses increased $1.9 million, primarily due to higher labor-related expenses.

- Fiber products and promotions increased $0.9 million, primarily due to corporate advertising expense, as well as telephone and television programming expenses.

- Distribution and collection expenses increased $8 million or 11.5 percent, primarily due to the catch up from the pandemic related timing delay on vegetation management circuit work and labor-related expenses.

- Customer service expenses increased $1.2 million, primarily due to payment processing fees and labor-related expenses.

- Administrative and general expenses increased $4.4 million, primarily due to an increase in labor-related expenses, including higher OPEB expenses related to the introduction of the Health Reimbursement Arrangement.

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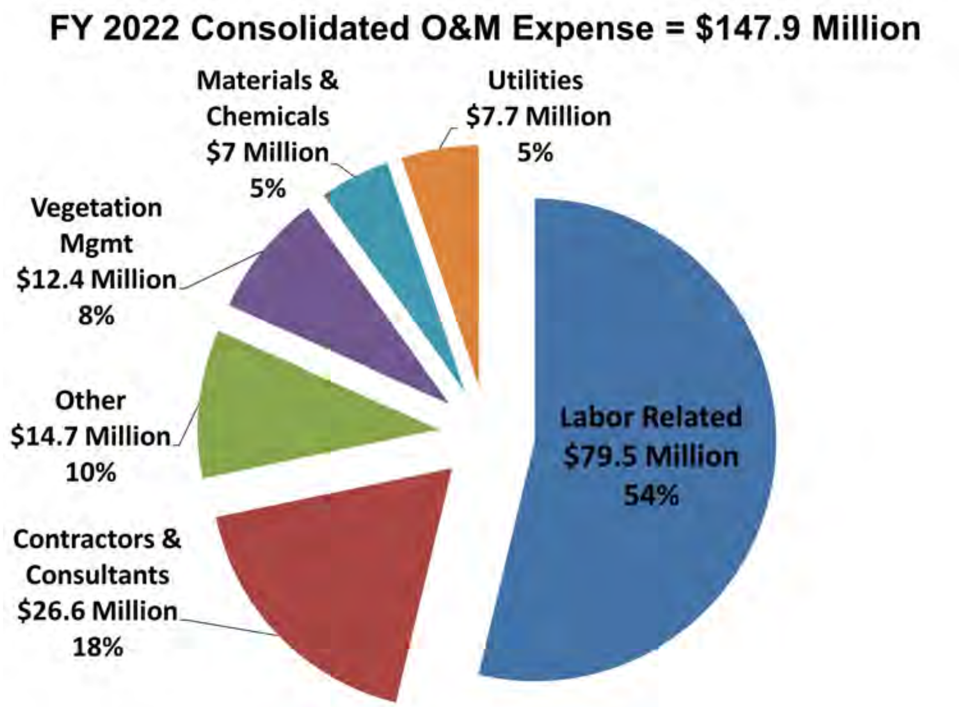

- Depreciation and amortization expense decreased $2.4 million or 2.6 percent. KUB added $182.5 million in assets during fiscal year 2022. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on $207.1 million in assets placed in service during fiscal year 2021. In addition, $32.6 million of assets were retired during fiscal year 2022.

- Taxes and tax equivalents increased $0.5 million or 1.4 percent, primarily due to increased employer Federal Insurance Contributions Act (FICA) taxes. Tax equivalent payments to taxing jurisdictions in which KUB's utility systems are located were flat this fiscal year.

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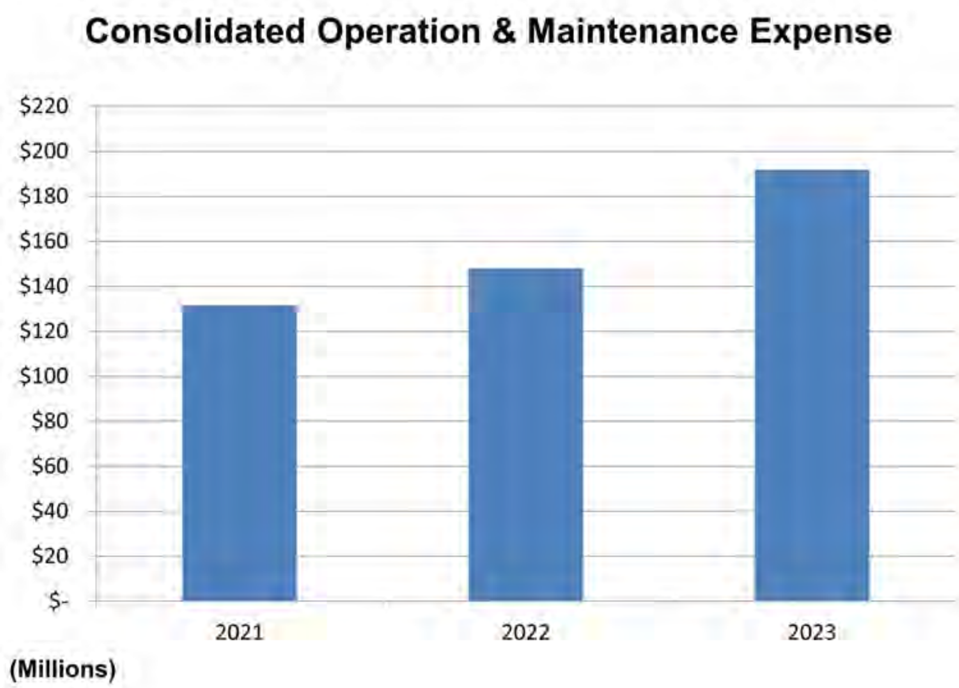

Other Income and Expense

Fiscal Year 2023 Compared to Fiscal Year 2022

Interest income increased $8 million compared to the prior fiscal year, reflecting rising interest rates throughout the year.

Interest expense increased $2.4 million or six percent, reflecting the interest expense from new revenue bonds sold during the fiscal year.

Other income (net) increased $9.1 million, primarily due to mark-to-market adjustments on investments.

Capital contributions by developers were $2.7 million higher, due to an increase in donated utility assets compared to the prior fiscal year.

Fiscal Year 2022 Compared to Fiscal Year 2021

Interest income increased $0.3 million compared to the prior fiscal year, reflecting additional interest earnings on more cash on hand combined with rising interest rates throughout the year.

Interest expense decreased $1.5 million or 3.7 percent, reflecting the net impact of interest expense from new revenue bonds sold during the fiscal year and savings on refunding of outstanding bonds.

Other expense (net) decreased $0.8 million, primarily due to smaller losses on disposal of property compared to the prior fiscal year.

Capital contributions by developers were $0.7 million higher, due to an increase in donated utility assets compared to the prior fiscal year.

Capital Assets

Capital Assets
As of June 30
(Net of Depreciation)

(in thousands of dollars)	**2023**	**2022 as restated**	**2021**
Production Plant (Intakes)	$ 6	$ 6	$ 7
Pumping and Treatment Plant	268,410	271,764	220,317
Distribution and Collection Plant			
Mains and metering	$ 940,034	$ 926,287	$ 904,584
Services and meters	164,010	163,738	164,537
Electric station equipment	85,676	61,180	62,704
Poles, towers and fixtures	163,802	161,519	157,575
Overhead conductors	150,166	143,776	133,419
Line transformers	62,002	61,351	61,575
Other accounts	188,126	190,393	194,011
Total Distribution & Collection Plant	$ 1,753,816	$ 1,708,244	$ 1,678,405
General Plant	112,247	111,153	100,917
Total Plant Assets	$ 2,134,479	$ 2,091,167	$ 1,999,646
Work In Progress	221,322	161,753	189,508
Total Net Plant	$ 2,355,801	$ 2,252,920	$ 2,189,154

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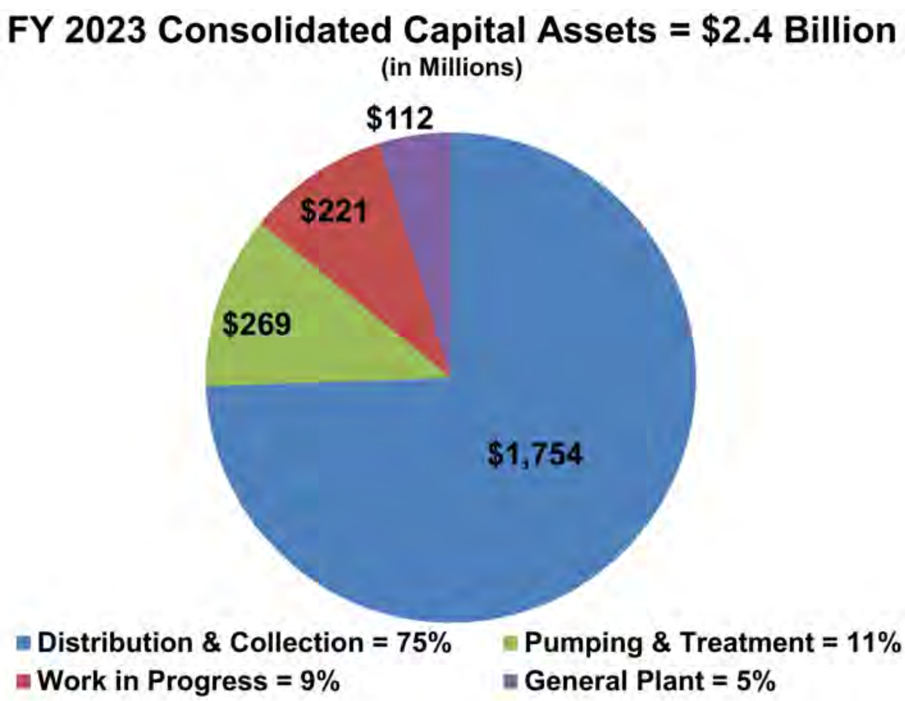
Fiscal Year 2023 Compared to Fiscal Year 2022

As of June 30, 2023, KUB had $2.4 billion invested in capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $102.9 million or 4.6 percent over the end of the last fiscal year.

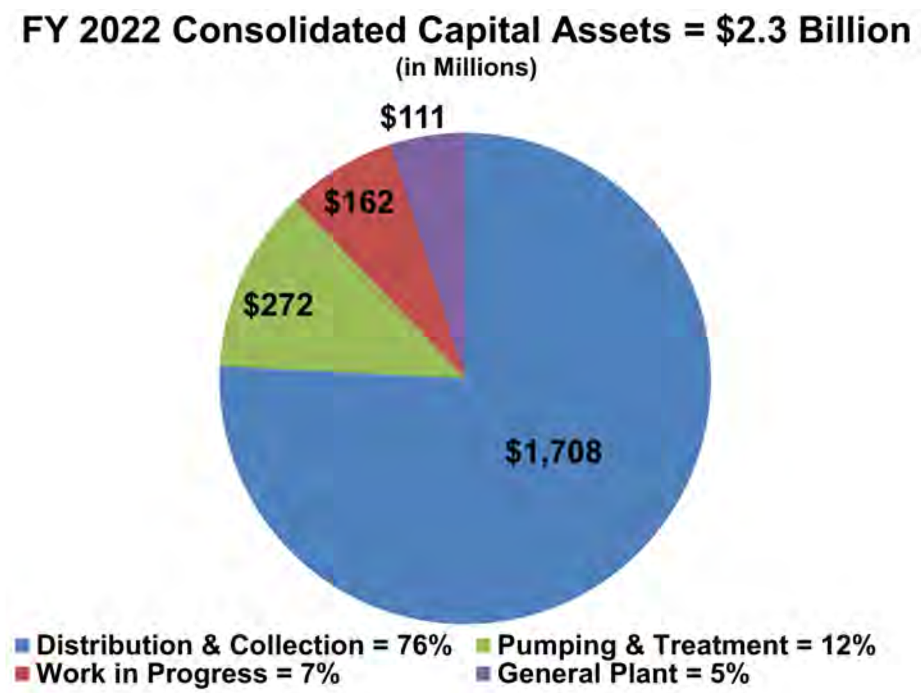


Major capital asset additions during the year were as follows:

- $46 million for fiber network buildout
- $30.5 million for various electric distribution system improvements
- $20.4 million related to wastewater Century II projects
  - $8.2 million for pump station construction and improvements
  - $5.2 million for sewer mini-basin rehabilitation and replacement
  - $5.1 million for wastewater treatment plant upgrades
  - $1.2 million for short line projects
- $13.9 million for installation of new electric services and the upgrade or replacement of existing services.
- $9.6 million for water main replacements
- $7.4 million for the gas service extensions
- $6.6 million for pole replacements for the electric system
- $6.4 million for water plant redundancy
- $4.6 million for auto and truck purchases

Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, KUB had $2.3 billion invested in capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $63.8 million or 2.9 percent over the end of the last fiscal year.



Major capital asset additions during the year were as follows:

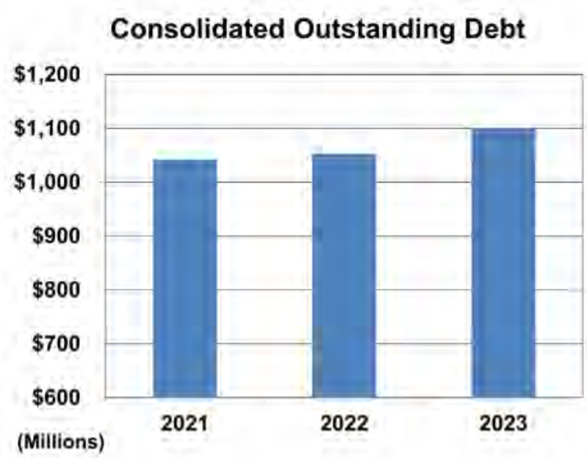
- $37.7 million related to wastewater Century II projects
    - $19.7 million for wastewater treatment plant upgrades
    - $8.1 million for pump station construction and improvements
    - $4.1 million for sewer mini-basin rehabilitation and replacement
    - $3.8 million for short line projects
    - $2 million for sewer trunk line rehabilitation and replacement
- $25.4 million for various electric distribution system improvements
- $17.2 million for Grid Modernization and advanced metering, including SCADA system upgrades, for the electric system
- $8.7 million for the construction of gas mains
- $6.9 million for pole replacements for the electric system
- $6.8 million for water main replacements
- $6.5 million for building improvements

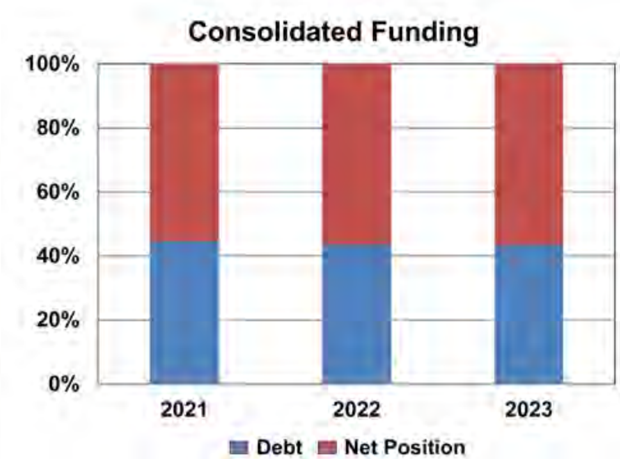
Debt Administration

KUB's outstanding debt was $1.1 billion as of June 30, 2023. Debt as a percentage of capital structure was 43.4 percent in 2023, 43.6 percent in 2022, and 44.8 percent in 2021.

Outstanding Debt
As of June 30

(in thousands of dollars)	2023	2022	2021
Revenue bonds	$ 1,099,510	$ 1,053,280	$ 1,042,270
Total outstanding debt	$ 1,099,510	$ 1,053,280	$ 1,042,270





KUB will pay $459.5 million in principal payments over the next ten years, representing 41.8 percent of outstanding bonds.

Fiscal Year 2023 Compared to Fiscal Year 2022

As of June 30, 2023, KUB had $1.1 billion in outstanding debt (including the current portion of revenue bonds), representing an increase of $46.2 million. As of June 30, 2023, KUB's weighted average cost of debt was 3.90 percent (3.86 percent including the impact of Build America Bonds rebates).

KUB sold $79 million in electric system revenue bonds in November 2022 for the purpose of funding electric system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.09 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2053.

KUB sold $10 million in wastewater system revenue bonds in November 2022 for the purpose of funding wastewater system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.08 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2052.

KUB's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2023, Standard & Poor's rated the revenue bonds of the Water Division AAA, the Wastewater Division AA+, the revenue bonds of the Electric Division AA- and the Gas Division AA. Moody's Investors Service rated the bonds of the Water Division Aa1 and the Electric, Gas, and Wastewater Divisions Aa2.

Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, KUB had $1.05 billion in outstanding debt (including the current portion of revenue bonds), representing an increase of $11 million. As of June 30, 2022, KUB's weighted average cost of debt was 3.89 percent (3.85 percent including the impact of Build America Bonds rebates).

KUB sold $45.7 million in electric system revenue bonds in April 2022 for the purpose of funding electric system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 3.36 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2052.

KUB sold $27.2 million in electric system revenue refunding bonds in April 2022 for the purpose of refinancing existing electric system revenue bonds. KUB will realize a total debt service savings of $2 million over the life of the bonds ($1.3 million on a net present value basis). The true interest cost of the bonds, which were sold through a competitive bidding process, was 3.55 percent. The bonds have a final maturity in fiscal year 2046.

KUB sold $14.9 million in water system revenue refunding bonds in April 2022 for the purpose of refinancing existing water system revenue bonds. KUB will realize a total debt service savings of $0.7 million over the life of the bonds ($0.4 million on a net present value basis). The true interest cost of the bonds, which were sold through a competitive bidding process, was 3.52 percent. The bonds have a final maturity in fiscal year 2045.

KUB sold $11.1 million in wastewater system revenue bonds in April 2022 for the purpose of funding wastewater system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 3.4 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2051.

KUB sold $23.2 million in wastewater system revenue refunding bonds in April 2022 for the purpose of refinancing existing wastewater system revenue bonds. KUB will realize a total debt service savings of $1.3 million over the life of the bonds ($0.7 million on a net present value basis). The true interest cost of the bonds, which were sold through a competitive bidding process, was 3.69 percent. The bonds have a final maturity in fiscal year 2050.

KUB's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2022, Standard & Poor's rated the revenue bonds of the Water Division AAA, the Wastewater Division AA+, the revenue bonds of the Electric Division AA- and the Gas Division AA. Moody's Investors Service rated the bonds of the Water Division Aa1 and the Electric, Gas, and Wastewater Divisions Aa2. Standard & Poor's dropped its Electric Division rating from AA, as a result of KUB's planned expansion of its fiber network to allow for the sale of broadband services within its electric service territory.

Impacts on Future Financial Position

KUB anticipates an increase of 16,050 customers, including 12,000 fiber system customers, during fiscal year 2024.

In May 2023, the Board approved the issuance of electric system revenue bonds not to exceed $55 million, water system revenue bonds not to exceed $20 million, and wastewater system revenue bonds not to exceed $10 million, for the purpose of funding electric, water, and wastewater system capital improvements, respectively. The bonds will be sold through a competitive bidding process during fiscal year 2024.

On August 24, 2023, TVA's board voted to approve a 4.5 percent electric base rate increase effective October 1, 2023. The 2.5 percent Pandemic Relief Credit that had been provided to local power companies for the prior three years will expire at the same time. These increases will flow through directly to KUB's electric customers.

In September 2023, KUB elected to participate in TVA's Power Supply Expanded Flexibility Program which will allow KUB to produce its own power, up to 5% of its energy supply.

As a component of the Fiber Division's start-up financing plan, the Electric Division will provide $55 million of interdivisional loans. The first $10 million was provided in October 2021, an additional $7 million was provided in August 2022, and $13 million was provided in February 2023.

KUB long-term debt includes $20.3 million of Wastewater Division 2010 Build America Bond (BABs). The BABs were sold on a taxable basis with the United States Treasury providing a rebate to KUB for a percentage of the interest cost. The interest rebates were subject to federal sequestration during the fiscal year and were reduced by 5.7 percent. Any future actions by Congress may also affect the anticipated rebates for future fiscal years.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of $1,108,147 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. Subsequent to June 30, 2023, an actuarial valuation was completed and resulted in an actuarially determined contribution of $2,210,234 for the fiscal year ending June 30, 2025, based on the Plan's current funding policy. For the Plan year beginning January 1, 2023, the Plan's actuarial funded ratio is 106.88 percent, and the market value funded ratio is 91.43 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of $1,187,768 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. Subsequent to June 30, 2023, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,279,985 for the fiscal year ending June 30, 2025, based on the Plan's current funding policy. The Plan's actuarial funded ratio is 92.14 percent, and the market value funded ratio is 79.62 percent.

GASB Statement No. 99, *Omnibus 2022*, Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023. GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB No. 62,* is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 101, *Compensated Absences,* is effective for fiscal years beginning after December 15, 2023. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on KUB's financial position or results of operations during fiscal year 2023.

Financial Contact

KUB's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of KUB's financial position and results of operations for the fiscal years ended June 30, 2023, and 2022. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board
Consolidated Statements of Net Position
June 30, 2023 and 2022

	2023	2022 as restated
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 152,766,323	$ 146,776,546
Short-term contingency fund investments	97,122,004	20,236,852
Other current assets	1,111,263	1,593,637
Accrued interest receivable	224,641	33,990
Accounts receivable, less allowance of uncollectible accounts of $760,386 in 2023 and $773,791 in 2022	89,514,189	89,053,689
Current portion of lease receivable	555,779	516,649
Inventories	27,830,020	19,032,578
Prepaid expenses	1,124,777	1,085,686
Gas storage	9,679,117	9,867,611
Total current assets	379,928,113	288,197,238
Restricted assets:		
Bond funds	39,187,155	35,073,534
Student internet special fund	300,000	-
Other funds	1,518	1,515
Unused bond proceeds	13	1,298,143
Total restricted assets	39,488,686	36,373,192
Plant in service	3,268,468,254	3,148,970,963
Less accumulated depreciation	(1,133,989,255)	(1,057,804,184)
	2,134,478,999	2,091,166,779
Retirement in progress	1,731,799	2,363,210
Construction in progress	219,590,439	159,390,109
Net plant in service	2,355,801,237	2,252,920,098
Intangible assets:		
Intangible right of use asset	4,670,258	4,587,687
Intangible subscription asset	9,323,779	9,273,959
Less accumulated amortization	(3,394,948)	(1,521,980)
Net intangible assets	10,599,089	12,339,666
Other assets:		
Net pension asset	-	64,137,714
Long-term contingency fund investments	15,810,229	92,549,625
Long-term lease receivable	3,815,799	3,972,652
TVA conservation program receivable	250,291	575,535
Under recovered purchased power cost	-	2,382,423
Other	10,330,017	10,181,850
Total other assets	30,206,336	173,799,799
Total assets	2,816,023,461	2,763,629,993
Deferred outflows of resources:		
Pension outflow	48,544,818	7,842,910
OPEB outflow	5,478,678	5,209,694
Unamortized bond refunding costs	13,720,819	14,687,019
Total deferred outflows of resources	67,744,315	27,739,623
Total assets and deferred outflows of resources	$ 2,883,767,776	$ 2,791,369,616

The accompanying notes are an integral part of these consolidated financial statements.

Knoxville Utilities Board
Consolidated Statements of Net Position
June 30, 2023 and 2022

	2023	2022 as restated
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 44,140,000	$ 42,765,000
Current portion of lease liability	830,979	844,904
Current portion of subscription liability	910,426	709,324
Sales tax collections payable	1,506,080	1,552,467
Accounts payable	93,625,995	96,628,151
Unearned revenue	84,112	-
Accrued expenses	22,273,997	30,689,445
Customer deposits plus accrued interest	24,344,078	23,259,401
Accrued interest on revenue bonds	15,370,481	12,731,785
Total current liabilities	203,086,148	209,180,477
Other liabilities:		
TVA conservation program	271,138	613,757
Accrued compensated absences	10,546,869	10,759,104
Customer advances for construction	11,299,795	10,681,887
Lease liability	2,696,599	3,215,556
Subscription liability	6,722,232	7,563,890
Net pension liability	22,219,032	-
Net OPEB liability	12,930,655	11,202,507
Over recovered purchased power cost	3,548,522	-
Over recovered purchased gas cost	4,371,708	4,188,264
Other	119,620	244,656
Total other liabilities	74,726,170	48,469,621
Long-term debt:		
Revenue bonds	1,055,370,000	1,010,515,000
Unamortized premiums/discounts	111,787,156	114,402,894
Total long-term debt	1,167,157,156	1,124,917,894
Total liabilities	1,444,969,474	1,382,567,992
Deferred inflows of resources:		
Pension inflow	214,234	39,528,961
Unamortized bond refunding costs	1,539,009	1,531,357
Lease inflow	4,185,227	4,413,743
Total deferred inflows of resources	5,938,470	45,474,061
Total liabilities and deferred inflows of resources	1,450,907,944	1,428,042,053
Net position		
Net investment in capital assets	1,154,844,526	1,098,789,734
Restricted for:		
Debt service	23,816,674	22,341,750
Other	1,518	1,515
Unrestricted	254,197,114	242,194,564
Total net position	1,432,859,832	1,363,327,563
Total liabilities, deferred inflows, and net position	$ 2,883,767,776	$ 2,791,369,616

The accompanying notes are an integral part of these consolidated financial statements.

Knoxville Utilities Board
Consolidated Statements of Revenues, Expenses and Changes in Net Position
June 30, 2023 and 2022

	2023	2022 as restated
Operating revenues		
Electric	$ 649,815,033	$ 598,066,936
Fiber	866,833	-
Gas	146,108,765	141,525,161
Water	68,034,640	63,819,881
Wastewater	107,693,416	102,302,391
Total operating revenues	972,518,687	905,714,369
Operating expenses		
Purchased power	470,554,241	434,366,317
Purchased gas	83,040,477	77,975,231
Treatment	20,706,623	18,999,493
Fiber products and promotions	3,141,625	854,452
Distribution and collection	86,741,918	77,354,703
Customer service	15,659,354	15,200,264
Administrative and general	65,698,005	35,524,085
Depreciation and amortization	93,927,866	88,120,953
Taxes and tax equivalents	39,260,576	37,964,437
Total operating expenses	878,730,685	786,359,935
Operating income	93,788,002	119,354,434
Non-operating revenues (expenses)		
Contributions in aid of construction	16,464,196	5,753,345
Interest income	9,122,264	1,107,621
Interest expense	(42,673,630)	(40,276,175)
Amortization of debt costs	4,528,002	4,183,347
Write-down of plant for costs recovered through contributions	(16,464,196)	(5,753,345)
Other	442,203	(8,324,453)
Total non-operating revenues (expenses)	(28,581,161)	(43,309,660)
Change in net position before capital contributions	65,206,841	76,044,774
Capital contributions	4,325,428	1,637,701
Change in net position	69,532,269	77,682,475
Net position, beginning of year, as restated	1,363,327,563	1,285,645,088
Net position, end of year	$ 1,432,859,832	$ 1,363,327,563

The accompanying notes are an integral part of these consolidated financial statements.

Knoxville Utilities Board
Consolidated Statements of Cash Flows
June 30, 2023 and 2022

		2023		2022 as restated
Cash flows from operating activities:				
Cash receipts from customers	$	982,886,025	$	894,545,730
Cash receipts from other operations		18,600,726		11,513,747
Cash payments to suppliers of goods or services		(692,162,690)		(595,651,020)
Cash payments to employees for services		(81,439,080)		(65,895,305)
Payment in lieu of taxes		(33,337,681)		(32,447,067)
Cash receipts from collections of TVA conservation loan program participants		347,182		581,728
Cash payments for TVA Conservation loan program		(364,556)		(598,877)
Net cash provided by operating activities		194,529,926		212,048,936
Cash flows from capital and related financing activities:				
Net proceeds from bond issuance		91,636,173		62,023,967
Principal paid on revenue bonds		(42,765,000)		(42,545,000)
Increase (decrease) in unused bond proceeds		1,298,130		(1,298,143)
Interest paid on revenue bonds		(39,590,694)		(39,065,102)
Acquisition and construction of plant		(220,706,513)		(162,933,188)
Changes in bond funds, restricted		(4,113,621)		(1,487,885)
Customer advances for construction		1,263,519		843,152
Proceeds received on disposal of plant		288,181		388,899
Principal paid on lease liabilities		(900,865)		(604,425)
Principal paid on subscription liabilities		(709,324)		(676,147)
Interest paid on lease and subscription liabilities		(444,240)		(311,050)
Implementation costs paid for subscription asset		-		(304,802)
Cash received from developers and individuals for capital purposes		16,464,196		5,753,345
Net cash used in capital and related financing activities		(198,280,058)		(180,216,379)
Cash flows from investing activities:				
Purchase of investment securities		(19,523,792)		(81,164,257)
Maturities of investment securities		20,329,649		75,680,769
Interest received		8,891,802		1,047,141
Other property and investments		42,250		2,461
Net cash provided by (used in) investing activities		9,739,909		(4,433,886)
Net increase in cash and cash equivalents		5,989,777		27,398,671
Cash and cash equivalents, beginning of year		146,776,546		119,377,875
Cash and cash equivalents, end of year	$	152,766,323	$	146,776,546
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$	93,788,002	$	119,354,434
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expense		96,800,042		91,152,921
Changes in operating assets and liabilities:				
Accounts receivable		9,110,151		(9,246,789)
Lease receivable		117,723		(964,597)
Inventories		(8,797,442)		(3,838,054)
Prepaid expenses		149,403		(3,574,350)
TVA conservation program receivable		325,244		527,650
Other assets		279,148		(306,358)
Sales tax collections payable		(46,387)		158,688
Accounts payable and accrued expenses		(4,011,484)		14,458,555
TVA conservation program payable		(342,619)		(544,799)
Unrecovered purchased power cost		5,930,945		(2,809,774)
Underrecovered gas costs		183,444		5,560,040
Customer deposits plus accrued interest		1,084,677		2,101,992
Other liabilities		(40,921)		19,377
Net cash provided by operating activities	$	194,529,926	$	212,048,936
Noncash capital activities:				
Acquisition of plant assets through developer contributions	$	4,325,428	$	1,637,701
Record intangible right of use asset and lease liability	$	367,983	$	4,194,029
Record intangible subscription asset and subscription liability	$	68,768	$	8,949,361

The accompanying notes are an integral part of these consolidated financial statements.

Knoxville Utilities Board
Statements of Fiduciary Net Position
June 30, 2023 and 2022

	2023			2022		
	Pension Plan	Other Post Employment Benefits Trust	Total Fiduciary Funds	Pension Plan	Other Post Employment Benefits Trust	Total Fiduciary Funds
Assets						
Cash and cash equivalents	$ 1,231,407	$ 209,362	$ 1,440,769	$ 1,993,568	$ 195,558	$ 2,189,126
Interest and dividends receivable	516,960	-	516,960	528,281	-	528,281
Due from broker for investment sales	361,962	-	361,962	67,500	-	67,500
Prepaid assets	-	10,000	10,000	-	-	-
Investments at fair value	230,723,302	49,494,378	280,217,680	304,471,594	48,284,215	352,755,809
Total assets	232,833,631	49,713,740	282,547,371	307,060,943	48,479,773	355,540,716
Liabilities						
Accounts payable	280,054	31,579	311,633	269,209	32,781	301,990
Due to broker for investment purchases	365,886	-	365,886	452,240	-	452,240
Benefit obligations	-	975,714	975,714	-	1,113,219	1,113,219
Total liabilities	645,940	1,007,293	1,653,233	721,449	1,146,000	1,867,449
Net position restricted for Pensions and Other Post Employment Benefits	$232,187,691	$ 48,706,447	$280,894,138	$306,339,494	$ 47,333,773	$353,673,267

The accompanying notes are an integral part of these consolidated financial statements.

Knoxville Utilities Board
Statements of Changes in Fiduciary Net Position
June 30, 2023 and 2022

	2023			2022		
	Pension Plan	Other Post Employment Benefits Trust	Total Fiduciary Funds	Pension Plan	Other Post Employment Benefits Trust	Total Fiduciary Funds
Additions (reductions)						
Contributions:						
Employer	$ 3,144,770	$ 1,413,392	$ 4,558,162	$ 3,416,428	$ 1,989,066	$ 5,405,494
Participants	3,812,595	-	3,812,595	3,939,687	-	3,939,687
Total contributions	6,957,365	1,413,392	8,370,757	7,356,115	1,989,066	9,345,181
Investment income (loss):						
Net change in fair value of investments	(69,612,173)	4,399,322	(65,212,851)	29,797,721	(8,045,801)	21,751,920
Less investment expenses	(366,989)	(65,784)	(432,773)	(437,318)	(76,616)	(513,934)
Interest income	2,386,899	-	2,386,899	2,056,828	-	2,056,828
Dividend income	4,098,278	-	4,098,278	6,158,335	-	6,158,335
Net investment income (loss)	(63,493,985)	4,333,538	(59,160,447)	37,575,566	(8,122,417)	29,453,149
Other	9,415	-	9,415	112,484	-	112,484
Total net additions (reductions)	(56,527,205)	5,746,930	(50,780,275)	45,044,165	(6,133,351)	38,910,814
Deductions						
Benefit payments	17,065,610	3,937,977	21,003,587	17,653,963	3,576,893	21,230,856
Claims processing fees	-	335,093	335,093	-	331,742	331,742
General and administrative expenses	498,988	101,186	600,174	441,017	71,187	512,204
Death benefits	60,000	-	60,000	72,000	-	72,000
Total deductions	17,624,598	4,374,256	21,998,854	18,166,980	3,979,822	22,146,802
Change in net position	(74,151,803)	1,372,674	(72,779,129)	26,877,185	(10,113,173)	16,764,012
Net position restricted for Pensions and Other Post Employment Benefits						
Beginning of the year	306,339,494	47,333,773	353,673,267	279,462,309	57,446,946	336,909,255
End of the year	$232,187,691	$ 48,706,447	$280,894,138	$306,339,494	$ 47,333,773	$353,673,267

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. KUB's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC), and the Governmental Accounting Standards Board (GASB), as applicable.

2. Significant Accounting Policies

Basis of Accounting

In conformity with Generally Accepted Accounting Principles (GAAP), KUB follows the provisions of GASB Statement No. 34 (Statement No. 34), *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as amended by GASB Statement No. 63 (Statement No. 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* Statement No. 34 established standards for external financial reporting for all state and local governmental entities. Under Statement No. 63, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and report *net position* instead of net assets. In addition, KUB follows GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* as it relates to certain items for regulatory accounting. Regulatory accounting allows a regulated utility to defer a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that through the rate making process, there will be a corresponding increase or decrease in future revenues. Accordingly, KUB has recognized certain regulatory assets and regulatory liabilities in the accompanying Statements of Net Position.

The consolidated financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The accounting and financial reporting treatment applied is determined by measurement focus. The transactions are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted for capital activity and debt service, and unrestricted components.

KUB's basic financial statements were expanded to meet the requirement of GASB Statement No. 84 (Statement No. 84), *Fiduciary Activities*. The fiduciary activities of KUB include the Knoxville Utilities Board Pension Plan and the Knoxville Utilities Board Other Post-Employment Benefits Trust and are included on Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. The financial statements, note disclosures, and required supplementary information for these fiduciary activities are presented herein and can also be found in separately issued reports.

Recently Adopted New Accounting Pronouncements

In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In May 2020, the GASB issued GASB Statement No. 96 (Statement No. 96), *Subscription-Based Information Technology Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Statement No. 96 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement is reflected on KUB's financial statements.

Principles of Consolidation
The consolidated financial statements include the accounts of the Electric, Fiber, Gas, Water, and Wastewater Divisions. All significant intercompany balances and transactions have been eliminated in consolidation.

KUB issues separate financial reports, which include financial statements and required supplementary information, for the Electric, Fiber, Gas, Water, and Wastewater Divisions. These reports may be obtained by writing Knoxville Utilities Board, P.O. Box 59017, Knoxville, TN 37950-9017.

Plant
Plant and other property are stated on the basis of original cost. The costs of current repairs and minor replacements are charged to operating expense. The costs of renewals and improvements are capitalized. The original cost of utility plant assets retired or otherwise disposed of and the cost of removal less salvage value is charged to accumulated depreciation. When other property is retired, the related asset and accumulated depreciation are removed from the accounts, and the gain or loss is included in the results of operations.

The provision for depreciation of plants in service is based on the estimated useful lives of the assets, which range from three to sixty-seven years, and is computed using the straight-line method. Pursuant to FERC/NARUC, the caption "Depreciation and amortization" in the consolidated Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment of $2,872,176 in fiscal year 2023 and $3,031,968 in fiscal year 2022.

Operating Revenue
Operating revenue consists primarily of charges for services provided by the principal operations of KUB. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of $2,181,182 in fiscal year 2023 and $2,529,796 in fiscal year 2022.

Non-operating Revenue
Non-operating revenue consists of revenues that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Expense
When an expense is incurred for purposes for which there are both restricted and unrestricted assets available, it is KUB's policy to apply those expenses to restricted assets to the extent such are available and then to unrestricted assets.

Net Position

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets, net position-restricted, and net position-unrestricted.

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes, lease and subscription liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Net position-restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- Net position-unrestricted – This component of net position consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Contributions in Aid of Construction and Capital Contributions

Contributions in aid of construction are cash collections from customers, grantors, or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

Capital contributions represent contributions of utility plant infrastructure constructed by developers and others in industrial parks and other developments and transferred to KUB upon completion of construction and the initiation of utility service. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, such contributions are recognized as revenues and capital assets upon receipt.

Inventories

Inventories, consisting of plant materials and operating supplies, are valued at the lower of average cost or replacement value.

OPEB Trust

KUB's OPEB Trust was established by KUB's Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. Effective January 1, 2022, the Plan was expanded to include two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a June 30, 2023, and 2022, measurement date, respectively. The net OPEB liability is $12,930,655 as of June 30, 2023, and $11,202,507 as of June 30, 2022.

Pension Plan and Qualified Excess Benefit Arrangement

KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 12). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. The net pension liability is $22,219,032 as of June 30, 2023, and the net pension asset is $64,137,714 as of June 30, 2022.

KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single-employer defined benefit pension plan, administered by KUB (Note 13). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2023, and 2022.

Investments

Investments are carried at fair value as determined by quoted market prices at the reporting date.

Self-Insurance

KUB has established self-insurance programs covering portions of workers' compensation, employee health, environmental liability, general liability, property and casualty liability, and automobile liability claims. A liability is accrued for claims as they are incurred. When applicable, claims in excess of the self-insured risk are covered by KUB's insurance carrier. Additionally, KUB provides certain lifetime health benefits to eligible retired employees under a self-insurance plan administered by a third party.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and various other assumptions that KUB believes are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments routinely require adjustment. Estimates are used for, but not limited to, inventory valuation, allowance for uncollectible accounts, depreciable lives of plant assets, unbilled revenue volumes, pension trust valuations, OPEB trust valuations, insurance liability reserves, and potential losses from contingencies and litigation. Actual results could differ from those estimates.

Restricted and Designated Assets

Certain assets are restricted by bond resolutions for the construction of utility plant and debt repayment. Certain additional assets are designated by management for contingency purposes and economic development.

Cash Equivalents

For purposes of the Statements of Cash Flows, KUB considers all unrestricted and undesignated highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the non-cancelable period of the lease plus an additional period covered by either an option to extend or not to terminate the lease that the lessee is reasonably certain to exercise, or an option to extend or not to terminate the lease controlled by the lessor. KUB uses its estimated incremental borrowing rate as the discount rate for leases.

KUB monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the intangible right of use asset.

Subscription-Based Information Technology Arrangements

KUB determines if an arrangement is or contains a subscription-based information technology arrangement (subscription) at contract inception and recognizes an intangible subscription asset and a subscription liability at the commencement date. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. The subscription term includes the non-cancelable period of the subscription plus an additional period covered by either an option to extend or not to terminate the subscription that KUB is reasonably certain to exercise, or an option to extend or not to terminate the subscription controlled by the vendor. KUB uses its estimated incremental borrowing rate as the discount rate for subscriptions.

KUB monitors for events or changes in circumstances that require a reassessment of its subscriptions. When a reassessment results in the remeasurement of a subscription liability, a corresponding adjustment is made to the carrying amount of the subscription asset.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. Deferred inflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Deferred outflows of resources also include employer pension contributions made subsequent to the measurement date of the net pension liability and before the end of the employer’s reporting period in accordance with Statement No. 71. Deferred inflows and deferred outflows also include the net difference between projected and actual earnings on pension plan investments and OPEB plan investments, differences between expected and actual experience, and changes in assumptions in accordance with Statements No. 68, 73, and 75. Deferred inflows are also recorded at the commencement of the lease term and recognized as revenue over the course of the lease in accordance with Statement No. 87.

Debt Premium/Discount

KUB records unamortized premium and discount on debt as a separate line item in the Long-Term Debt section of the Financial Statements. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Debt Issuance Costs

In accordance with regulatory accounting, KUB records debt issuance costs as an Other Asset. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Deferred Gain/Loss on Refunding of Debt

KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. In accordance with FERC presentation, amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Compensated Absences

KUB accrues a liability for earned but unpaid paid time off (PTO) days.

TVA Conservation Program

KUB previously served as a fiscal intermediary for the Tennessee Valley Authority (TVA), whereby loans were made to KUB customers by TVA to be used in connection with TVA's Energy Right Residential Program. While KUB still holds existing loans on behalf of TVA, no loans were made through this program after October 31, 2015.

Restatement for GASB 96

During fiscal year 2023, KUB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) using a full retrospective approach. GASB 96 requires the recognition of an intangible subscription asset and a subscription liability, thereby enhancing the relevance and reliability of information regarding subscription activities. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, have been restated for the change, which impacted net position by $136,963.

As a result of adopting GASB 96, as of June 30, 2022, KUB recorded total subscription assets of $9,273,959 with accumulated amortization of $832,906 and recognized total subscription liabilities of $8,273,214 ($709,324 current). KUB also reclassified the net amount of $914,103 from administrative and general expense to $832,905 as amortization expense and $218,161 as interest expense, with a net impact of $136,963 to net position. In addition, there were $304,802 in implementation costs for the year ended June 30, 2022, that were previously recorded in plant in service and reclassified to the subscription asset.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 96.

Subsequent Events

KUB has evaluated events and transactions through October 31, 2023, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Purchased Power Adjustment

In October 2002, the Board adopted a Purchased Power Adjustment (PPA) to address changes in wholesale power costs. The PPA was established in response to an amendment to KUB's power supply contract under which, among other things, TVA relinquished its regulatory authority over KUB retail electric rates. The PPA allows KUB to promptly adjust retail electric rates in response to wholesale rate changes or adjustments, thus ensuring that KUB will recover the costs incurred for purchased power. These changes in electric costs are reflected as adjustments to the base electric rates established by the Board. The rate-setting authority vested in the Board by the City Charter meets the “self-regulated” provisions of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and KUB meets the remaining criteria of Statement No. 62.

TVA implemented a fuel cost adjustment in October 2006 applied on a quarterly basis to wholesale power rates. TVA’s quarterly fuel cost adjustment became a monthly fuel cost adjustment effective October 2009. KUB flows changes to wholesale power rates from TVA’s fuel cost adjustment mechanism directly through to its retail electric rates via the PPA.

In April 2011, TVA modified its wholesale rate structure to demand and energy billing for its distributors. In response, KUB revised its PPA to include a deferred accounting component to ensure appropriate matching of revenue and expense and cost recovery. KUB will adjust its retail rates on an annual basis to flow any over or under recovery of wholesale power costs through to its customers via the PPA.

During the period of October 2020 to September 2021, TVA provided a Pandemic Relief Credit to local power companies. KUB excluded the Standard Service portion of this credit from the Purchased Power Adjustment in order to assist customers in need of financial assistance due to the pandemic. $6,550,000 was made available to residential and small business customers through the COVID Utility Relief Effort (CURE) fund.

During the period of October 2021 to September 2022, TVA provided a Pandemic Recovery Credit to local power companies. KUB excluded the Standard Service portion of this credit from the Purchased Power Adjustment in order to assist customers in need of financial assistance due to the pandemic, making $7,300,000 available to residential and small business customers.

During the period of October 2022 to September 2023, TVA is providing a Pandemic Recovery Credit to local power companies. KUB has included this credit in the Purchased Power Adjustment in order for all customers to benefit from this credit.

Under the PPA mechanism, KUB tracks the actual over/(under) recovered amount in the Over/(Under) Recovered Purchased Power Cost accounts. These accounts are rolled into the PPA rate adjustments thereby assuring that any over/(under) recovered amounts are promptly passed on to KUB’s electric customers. The amount of over/(under) recovered cost was $3,548,522 as of June 30, 2023, and ($2,382,423) as of June 30, 2022.

Purchased Gas Adjustment

In November 1990, the Board implemented a deferred Purchased Gas (Cost) Adjustment (PGA) mechanism, which allows KUB to flow changes in purchased gas costs through to its customers. These changes in gas costs are reflected as adjustments to the base gas rates established by the Board. The rate-setting authority vested in the Board by the City Charter meets the “self-regulated” provisions of GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The PGA is intended to ensure that KUB recovers the total cost of natural gas purchased, transported and/or reserved for delivery to its sales and transportation customers on an equitable basis. The PGA is also intended to ensure that no excess or deficient cost recovery from KUB’s customers occurs.

Under the PGA mechanism, KUB tracks the actual over/(under) recovered amount in the Over/(Under) Recovered Purchased Gas Cost accounts. These accounts are rolled into the PGA rate adjustment on June 30 of each year thereby ensuring that any over/(under) recovered amounts are passed on to KUB’s gas system customers. The amount of over/(under) recovered cost was $4,371,708 as of June 30, 2023, and $4,188,264 as of June 30, 2022.

Recently Issued Accounting Pronouncements

In April 2022, the GASB issued GASB Statement No. 99 (Statement No. 99), *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. Paragraphs 26-32 were effective immediately. Paragraphs 11-25 are effective for fiscal years beginning after June 15, 2022. Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued GASB Statement No. 100 (Statement No. 100), *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.* The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 is effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued GASB Statement No. 101 (Statement No. 101), *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023.

KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

3. Deposits and Investments

KUB follows the provisions of Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. This Statement establishes and modifies disclosure requirements for state and local governments related to deposit and investment risks. KUB classifies its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*.

KUB's investment policy provides the framework for the administration and investment of cash deposits. The investment policy follows Tennessee State law and defines the parameters under which KUB funds should be invested. State law authorizes KUB to invest in obligations of the United States Treasury, its agencies and instrumentalities; certificates of deposit; repurchase agreements; money market funds; and the State Treasurer's Investment Pool.

Interest Rate Risk. KUB's primary investment objectives are to place investments in a manner to ensure the preservation of capital, remain sufficiently liquid to meet all operating requirements, and maximize yield of return. KUB minimizes its exposure to interest rate risk by adhering to Tennessee State law requirements for the investment of public funds. This includes limiting investments to those types described above and limiting maturity horizons. The maximum maturity is four years from the date of investment. KUB also limits its exposure by holding investments to maturity unless cash flow requirements dictate otherwise.

Credit Risk. KUB's investment policy, as required by state law, is to apply the prudent-person rule: Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived, as well as the probable safety of their capital.

Custodial Credit Risk. KUB's investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in KUB's name by a third-party custodian bank(s) acting as KUB's agent(s), or through the State of Tennessee's collateral pool. Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of KUB's investments is generally held in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is a part of the State Pooled Investment Fund and is sponsored by the State of Tennessee Treasury Department. Tennessee Code Annotated ¶9-4-701 *et seq*. authorizes local governments to invest in the LGIP. None of KUB's investments are exposed to custodial credit risk.

Classification of deposits and investments per Statement of Net Position:

	2023	2022
Current assets		
Cash and cash equivalents	$ 152,766,323	$ 146,776,546
Short-term contingency fund investments	97,029,690	20,236,708
Other assets		
Long-term contingency fund investments	15,661,112	92,390,868
Restricted assets		
Unused bond proceeds	13	1,298,143
Bond fund	39,187,155	35,073,534
Student internet special fund	300,000	-
Other funds	1,518	1,515
	$ 304,945,811	$ 295,777,314

The above amounts do not include accrued interest of $241,431 in fiscal year 2023 and $158,901 in fiscal year 2022. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's deposits and investments as held by financial institutions as of June 30, 2023:

	Deposit and Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-5
Supersweep NOW and Other Deposits	$ 178,516,265	$ 178,516,265	$ -
State Treasurer's Investment Pool	23,862,746	23,862,746	-
Agency Bonds	103,789,986	88,128,874	15,661,112
Certificates of Deposits	3,757,083	3,757,083	-
	$ 309,926,080	$ 294,264,968	$ 15,661,112

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. 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.

KUB has the following recurring fair value measurements as of June 30, 2023:

- U.S. Agency bonds of $15,661,112, which have a maturity at purchase of greater than one year, are valued using quoted market prices (Level 1 inputs)

KUB measures investments with a maturity at purchase of one year or less at amortized cost, which is considered a fair value equivalent due to their nature. Investments in the State Treasurer's Investment Pool are measured at net asset value (NAV) per share.

4. Accounts Receivable

Accounts receivable consists of the following:

	2023	2022
Wholesale and retail customers		
Billed services	$ 47,349,019	$ 51,992,050
Unbilled services	29,988,499	35,838,200
Other	12,937,057	1,997,230
Allowance for uncollectible accounts	(760,386)	(773,791)
	$ 89,514,189	$ 89,053,689

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2023	2022
Trade accounts	$ 93,625,995	$ 96,628,151
Salaries and wages	1,598,485	1,296,808
Advances on pole rental	1,482,546	1,393,933
Self-insurance liabilities	2,566,095	2,252,221
Other current liabilities	16,626,871	25,746,483
	$ 115,899,992	$ 127,317,596

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6. Long-Term Obligations

	Balance June 30, 2022	Additions	Payments	Defeased	Balance June 30, 2023	Amounts Due Within One Year
Electric						
EE-2015 - 2.0 - 5.0%	$ 21,530,000	$ -	$ 2,300,000	$ -	$ 19,230,000	$ 2,415,000
FF-2015 - 2.0 - 5.0%	1,675,000	-	825,000	-	850,000	850,000
GG-2016 - 2.0 - 5.0%	35,700,000	-	1,000,000	-	34,700,000	1,050,000
HH-2017 - 2.5 - 5.0%	15,225,000	-	2,305,000	-	12,920,000	2,400,000
II-2017 - 3.0 - 5.0%	36,885,000	-	890,000	-	35,995,000	935,000
JJ-2018 - 3.0 - 5.0%	37,550,000	-	895,000	-	36,655,000	930,000
KK-2020 - 5.0%	13,225,000	-	1,215,000	-	12,010,000	1,270,000
LL-2021 - 4.0 - 5.0%	70,180,000	-	4,610,000	-	65,570,000	4,855,000
MM-2022 - 4.0 - 5.0%	45,650,000	-	-	-	45,650,000	765,000
NN-2022 - 4.0 - 5.0%	27,215,000	-	-	-	27,215,000	-
OO-2022 - 4.0 - 5.0%	-	79,000,000	-	-	79,000,000	-
Total bonds	$ 304,835,000	$ 79,000,000	$ 14,040,000	$ -	$ 369,795,000	$ 15,470,000
Unamortized Premium	29,092,437	3,099,539	1,850,102		30,341,874	-
Total long term debt	$ 333,927,437	$ 82,099,539	$ 15,890,102	$ -	$ 400,136,874	$ 15,470,000
Gas						
U-2015 - 2.0 - 5.0%	$ 8,175,000	$ -	$ 795,000	$ -	$ 7,380,000	$ 805,000
V-2016 - 2.125 - 5.0%	10,525,000	-	300,000	-	10,225,000	325,000
W-2017 - 5.0%	4,500,000	-	815,000	-	3,685,000	850,000
X-2017 - 2.0 - 5.0%	10,790,000	-	285,000	-	10,505,000	300,000
Y-2018 - 3.0 - 5.0%	7,305,000	-	180,000	-	7,125,000	185,000
Z-2020 - 4.0 - 5.0%	5,585,000	-	585,000	-	5,000,000	615,000
AA-2021 - 4.0 - 5.0%	37,915,000	-	3,730,000	-	34,185,000	3,590,000
Total bonds	$ 84,795,000	$ -	$ 6,690,000	$ -	$ 78,105,000	$ 6,670,000
Unamortized Premium	8,901,291	-	922,378	-	7,978,913	-
Total long term debt	$ 93,696,291	$ -	$ 7,612,378	$ -	$ 86,083,913	$ 6,670,000
Water						
BB-2015 - 2.0 - 5.0%	$ 18,075,000	$ -	$ 1,050,000	$ -	$ 17,025,000	$ 1,110,000
CC-2015 - 2.0 - 4.0%	2,050,000	-	475,000	-	1,575,000	500,000
DD-2016 - 3.0 - 5.0%	22,100,000	-	625,000	-	21,475,000	650,000
EE-2016 - 2.0 - 5.0%	17,185,000	-	1,315,000	-	15,870,000	1,380,000
FF-2017 - 3.0 - 5.0%	2,895,000	-	530,000	-	2,365,000	550,000
GG-2017 - 2.125 - 5.0%	18,170,000	-	460,000	-	17,710,000	485,000
HH-2018 - 3.0 - 5.0%	18,285,000	-	430,000	-	17,855,000	440,000
II-2019 - 3.0 - 5.0%	18,850,000	-	400,000	-	18,450,000	420,000
JJ-2020 - 3.0 - 5.0%	18,395,000	-	445,000	-	17,950,000	445,000
KK-2020 - 3.0 - 5.0%	8,665,000	-	180,000	-	8,485,000	190,000
LL-2021 - 4.0 - 5.0%	31,955,000	-	1,265,000	-	30,690,000	1,305,000
MM-2022 - 3.0 - 5.0%	14,915,000	-	100,000	-	14,815,000	-
Total bonds	$ 191,540,000	$ -	$ 7,275,000	$ -	$ 184,265,000	$ 7,475,000
Unamortized Premium	15,240,672	-	801,642	-	14,439,030	-
Total long term debt	$ 206,780,672	$ -	$ 8,076,642	$ -	$ 198,704,030	$ 7,475,000
Wastewater						
2010C - 1.18 - 6.1%	$ 20,250,000	$ -	$ -	$ -	$ 20,250,000	$ -
2015A - 3.0 - 5.0%	104,950,000	-	6,005,000	-	98,945,000	3,720,000
2015B - 3.0 - 5.0%	1,800,000	-	575,000	-	1,225,000	600,000
2016 - 2.0 - 5.0%	17,300,000	-	525,000	-	16,775,000	550,000
2017A - 3.0 - 5.0%	4,285,000	-	1,775,000	-	2,510,000	595,000
2017B - 2.0 - 5.0%	22,635,000	-	600,000	-	22,035,000	630,000
2018 - 3.0 - 5.0%	10,985,000	-	270,000	-	10,715,000	280,000
2019 - 3.0 - 5.0%	15,135,000	-	330,000	-	14,805,000	345,000
2020A - 3.0 - 5.0%	26,765,000	-	715,000	-	26,050,000	750,000
2020B - 3.0 - 4.0%	26,355,000	-	580,000	-	25,775,000	600,000
2021A - 4.0 - 5.0%	187,325,000	-	3,060,000	-	184,265,000	6,085,000
2022A - 4.0 - 5.0%	11,125,000	-	225,000	-	10,900,000	200,000
2022B - 4.0 - 5.0%	23,200,000	-	100,000	-	23,100,000	-
2022C - 4.0 - 5.0%	-	9,995,000	-		9,995,000	170,000
Total bonds	$ 472,110,000	$ 9,995,000	$ 14,760,000	$ -	$ 467,345,000	$ 14,525,000
Unamortized Premium	61,168,494	351,129	2,492,284	-	59,027,339	-
Total long term debt	$ 533,278,494	$ 10,346,129	$ 17,252,284	$ -	$ 526,372,339	$ 14,525,000
Consolidated						
Total Bonds	$ 1,053,280,000	$ 88,995,000	$ 42,765,000	$ -	$ 1,099,510,000	$ 44,140,000
Total unamortized premium	114,402,894	3,450,668	6,066,406	-	111,787,156	-
Total long term debt	$ 1,167,682,894	$ 92,445,668	$ 48,831,406	$ -	$ 1,211,297,156	$ 44,140,000

	Balance June 30, 2021	Additions	Payments	Defeased	Balance June 30, 2022	Amounts Due Within One Year
Electric						
AA-2012 - 3.0 - 5.0%	$ 3,270,000	$ -	$ 3,270,000	-	$ -	$ -
BB-2012 - 3.0 - 4.0%	825,000	-	825,000	-	-	-
CC-2013 - 3.0 - 4.0%	540,000	-	540,000	-	-	-
DD-2014 - 2.0 - 4.0%	875,000	-	875,000	-	-	-
EE-2015 - 2.0 - 5.0%	23,765,000	-	2,235,000	-	21,530,000	2,300,000
FF-2015 - 2.0 - 5.0%	31,375,000	-	800,000	28,900,000	1,675,000	825,000
GG-2016 - 2.0 - 5.0%	36,650,000	-	950,000	-	35,700,000	1,000,000
HH-2017 - 2.5 - 5.0%	17,420,000	-	2,195,000	-	15,225,000	2,305,000
II-2017 - 3.0 - 5.0%	37,730,000	-	845,000	-	36,885,000	890,000
JJ-2018 - 3.0 - 5.0%	38,405,000	-	855,000	-	37,550,000	895,000
KK-2020 - 5.0%	14,380,000	-	1,155,000	-	13,225,000	1,215,000
LL-2021 - 4.0 - 5.0%	70,180,000	-	-	-	70,180,000	4,610,000
MM-2022 - 4.0 - 5.0%	-	45,650,000	-	-	45,650,000	-
NN-2022 - 4.0 - 5.0%	-	27,215,000	-	-	27,215,000	-
Total bonds	$ 275,415,000	$ 72,865,000	$ 14,545,000	$ 28,900,000	$ 304,835,000	$ 14,040,000
Unamortized Premium	25,718,420	6,718,375	1,731,604	1,612,754	29,092,437	-
Total long term debt	$ 301,133,420	$ 79,583,375	$ 16,276,604	$ 30,512,754	$ 333,927,437	$ 14,040,000
Gas						
U-2015 - 2.0 - 5.0%	$ 8,915,000	$ -	$ 740,000	$ -	$ 8,175,000	$ 795,000
V-2016 - 2.125 - 5.0%	10,800,000	-	275,000	-	10,525,000	300,000
W-2017 - 5.0%	5,280,000	-	780,000	-	4,500,000	815,000
X-2017 - 2.0 - 5.0%	11,060,000	-	270,000	-	10,790,000	285,000
Y-2018 - 3.0 - 5.0%	7,475,000	-	170,000	-	7,305,000	180,000
Z-2020 - 4.0 - 5.0%	6,145,000	-	560,000	-	5,585,000	585,000
AA-2021 - 4.0 - 5.0%	41,920,000	-	4,005,000	-	37,915,000	3,730,000
Total bonds	$ 91,595,000	$ -	$ 6,800,000	$ -	$ 84,795,000	$ 6,690,000
Unamortized Premium	9,823,667	-	922,376	-	8,901,291	-
Total long term debt	$ 101,418,667	$ -	$ 7,722,376	$ -	$ 93,696,291	$ 6,690,000
Water						
BB-2015 - 2.0 - 5.0%	$ 19,075,000	$ -	$ 1,000,000	$ -	$ 18,075,000	$ 1,050,000
CC-2015 - 2.0 - 4.0%	17,575,000	-	475,000	15,050,000	2,050,000	475,000
DD-2016 - 3.0 - 5.0%	22,675,000	-	575,000	-	22,100,000	625,000
EE-2016 - 2.0 - 5.0%	18,430,000	-	1,245,000	-	17,185,000	1,315,000
FF-2017 - 3.0 - 5.0%	3,405,000	-	510,000	-	2,895,000	530,000
GG-2017 - 2.125 - 5.0%	18,610,000	-	440,000	-	18,170,000	460,000
HH-2018 - 3.0 - 5.0%	18,695,000	-	410,000	-	18,285,000	430,000
II-2019 - 3.0 - 5.0%	19,230,000	-	380,000	-	18,850,000	400,000
JJ-2020 - 3.0 - 5.0%	18,890,000	-	495,000	-	18,395,000	445,000
KK-2020 - 3.0 - 5.0%	8,835,000	-	170,000	-	8,665,000	180,000
LL-2021 - 4.0 - 5.0%	33,180,000	-	1,225,000	-	31,955,000	1,265,000
MM-2022 - 3.0 - 5.0%	-	14,915,000	-	-	14,915,000	100,000
Total bonds	$ 198,600,000	$ 14,915,000	$ 6,925,000	$ 15,050,000	$ 191,540,000	$ 7,275,000
Unamortized Premium	15,798,371	448,952	788,056	218,595	15,240,672	-
Total long term debt	$ 214,398,371	$ 15,363,952	$ 7,713,056	$ 15,268,595	$ 206,780,672	$ 7,275,000
Wastewater						
2010C - 1.18 - 6.1%	$ 20,250,000	$ -	$ -	$ -	$ 20,250,000	$ -
2015A - 3.0 - 5.0%	110,625,000	-	5,675,000	-	104,950,000	6,005,000
2015B - 3.0 - 5.0%	26,950,000	-	550,000	24,600,000	1,800,000	575,000
2016 - 2.0 - 5.0%	17,800,000	-	500,000	-	17,300,000	525,000
2017A - 3.0 - 5.0%	5,970,000	-	1,685,000	-	4,285,000	1,775,000
2017B - 2.0 - 5.0%	23,205,000	-	570,000	-	22,635,000	600,000
2018 - 3.0 - 5.0%	11,240,000	-	255,000	-	10,985,000	270,000
2019 - 3.0 - 5.0%	15,450,000	-	315,000	-	15,135,000	330,000
2020A - 3.0 - 5.0%	27,445,000	-	680,000	-	26,765,000	715,000
2020B - 3.0 - 4.0%	26,910,000	-	555,000	-	26,355,000	580,000
2021A - 4.0 - 5.0%	190,815,000	-	3,490,000	-	187,325,000	3,060,000
2022A - 4.0 - 5.0%	-	11,125,000	-	-	11,125,000	225,000
2022B - 4.0 - 5.0%	-	23,200,000	-	-	23,200,000	100,000
Total bonds	$ 476,660,000	$ 34,325,000	$ 14,275,000	$ 24,600,000	$ 472,110,000	$ 14,760,000
Unamortized Premium	61,280,352	2,748,402	2,410,559	449,701	61,168,494	-
Total long term debt	$ 537,940,352	$ 37,073,402	$ 16,685,559	$ 25,049,701	$ 533,278,494	$ 14,760,000
Consolidated						
Total Bonds	$ 1,042,270,000	$ 122,105,000	$ 42,545,000	$ 68,550,000	$ 1,053,280,000	$ 42,765,000
Total unamortized premium	112,620,811	9,915,728	5,852,595	2,281,050	114,402,894	-
Total long term debt	$ 1,154,890,811	$ 132,020,728	$ 48,397,595	$ 70,831,050	$ 1,167,682,894	$ 42,765,000

Debt service over remaining term of the debt is as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 44,140,000	$ 42,680,879	$ 86,820,879
2025	46,580,000	40,624,649	87,204,649
2026	45,040,000	38,750,601	83,790,601
2027	46,420,000	36,867,572	83,287,572
2028	47,700,000	34,887,722	82,587,722
2029-2033	229,555,000	145,698,392	375,253,392
2034-2038	216,770,000	102,911,893	319,681,893
2039-2043	231,160,000	58,533,149	289,693,149
2044-2048	146,450,000	22,212,562	168,662,562
2049-2053	45,695,000	3,908,519	49,603,519
Total	$ 1,099,510,000	$ 527,075,938	$ 1,626,585,938

The Divisions have pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet bond principal and interest payments of revenue bonds when due. Such bond requirements are being met through monthly deposits to the bond funds as required by the bond covenants. As of June 30, 2023, these requirements have been satisfied.

During fiscal year 2022, KUB's Electric Division issued Series MM 2022 bonds to fund electric system capital improvements. KUB's Electric Division also issued Series NN 2022 bonds to retire a portion of outstanding Series FF 2015 bonds. On May 13, 2022, $27.2 million in revenue refunding bonds with an average interest rate of 4.1 percent were issued to advance refund $28.9 million of outstanding bonds with an average interest rate of 4.1 percent. The net proceeds of $29.5 million (after payment of $0.4 million in issuance costs plus premium of $2 million and an additional issuer equity contribution of $0.6 million) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the bonds, with the exception of the July 1, 2022, and the July 1, 2023, debt service payments. As a result, the remaining bonds are considered to be refunded and the liability of $28.9 million for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the life of the debt by $2 million, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1.3 million.

During fiscal year 2023, KUB's Electric Division issued Series OO 2022 bonds to fund electric system capital improvements.

During fiscal year 2022, KUB's Water Division issued Series MM 2022 bonds to retire a portion of outstanding Series CC 2015 bonds. On May 13, 2022, $14.9 million in revenue refunding bonds with an average interest rate of 3.6 percent were issued to currently refund $15.1 million of outstanding bonds with an average interest rate of 3.9 percent. The net proceeds of $15.2 million (after payment of $0.3 million in issuance costs plus premium of $0.4 million and an additional issuer equity contribution of $0.1 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the life of the debt by $0.7 million, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $0.4 million.

During fiscal year 2011, KUB's Wastewater Division issued Series 2010C bonds to fund capital improvements. These bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment.

These bonds are subject to a reduction in rebate payment amounts which is subject to change based on Congressional action. As of October 1, 2021, the effective reduction in rebate is 5.7 percent.

During fiscal year 2022, KUB's Wastewater Division issued Series 2022A bonds to fund wastewater system capital improvements. KUB's Wastewater Division also issued Series 2022B bonds to retire a portion of outstanding Series 2015B bonds. On May 13, 2022, $23.2 million in revenue refunding bonds with an average interest rate of 4.2 percent were issued to currently refund $24.6 million of outstanding bonds with an average interest rate of 4 percent. The net proceeds of $24.7 million (after payment of $0.3 million in issuance costs plus premium of $1.7 million and an additional issuer equity contribution of $0.1 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the life of the debt by $1.3 million, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $0.7 million.

During fiscal year 2023, KUB's Wastewater Division issued Series 2022C bonds to fund wastewater system capital improvements.

Other liabilities consist of the following:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
TVA conservation program	$ 613,757	$ 25,487	$ (368,106)	$ 271,138
Accrued compensated absences	10,759,104	21,378,328	(21,590,563)	10,546,869
Customer advances for construction	10,681,887	4,972,019	(4,354,111)	11,299,795
Other	244,656	199,418	(324,454)	119,620
	$ 22,299,404	$ 26,575,252	$ (26,637,234)	$ 22,237,422

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
TVA conservation program	$ 1,158,556	$ 64,619	$ (609,418)	$ 613,757
Accrued compensated absences	10,341,485	22,498,166	(22,080,547)	10,759,104
Customer advances for construction	10,373,106	4,764,867	(4,456,086)	10,681,887
Other	225,278	325,770	(306,392)	244,656
	$ 22,098,425	$ 27,653,422	$ (27,452,443)	$ 22,299,404

7. Lease Receivables

KUB, as lessor, leases office space, land, and fiber optic cables under non-cancelable lease arrangements. Terms of the leases range from one to ten years and contain fixed payment terms. Certain leases contain an option to renew that has been considered in the lease receivable when the lessee is reasonably certain to exercise the renewal option. KUB recognized lease revenue, which is included in other operating revenues, of $631,140 in 2023 and $451,074 in 2022. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $153,241 in 2023 and $127,593 in 2022. Total lease receivables were $4,371,578 ($555,779 current) and $4,489,301 ($516,649 current) as of June 30, 2023, and 2022, respectively, and are included in other assets on the Statement of Net Position.

8. Lease Liability

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total lease liabilities	$ 4,060,460	$ 367,985	$ (900,867)	$ 3,527,578
Less current portion	(844,904)			(830,979)
Long-term portion	$ 3,215,556			$ 2,696,599

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total lease liabilities	$ 470,858	$ 4,300,561	$ (710,959)	$ 4,060,460
Less current portion	(377,192)			(844,904)
Long-term portion	$ 93,666			$ 3,215,556

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to twenty years and contain fixed payment terms. Certain office space leases contain the option for renewal, which has been considered in the lease liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2023, are summarized as follows:

	Lease Maturities	Interest Requirements
2024	$ 830,980	$ 119,183
2025	880,026	88,904
2026	914,471	56,015
2028	744,564	21,227
2028	19,470	6,992
2029-2033	32,592	30,070
2034-2038	45,904	26,739
2039-2043	59,571	18,573
	$ 3,527,578	$ 367,703

9. Subscription-Based Information Technology Agreement Liabilities

Changes in SBITA liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total SBITA liabilities	$ 8,273,214	$ 68,768	$ (709,324)	$ 7,632,658
Less current portion	(709,324)			(910,426)
Long-term portion	$ 7,563,890			$ 6,722,232

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total SBITA liabilities	$ -	$ 8,949,361	$ (676,147)	$ 8,273,214
Less current portion	-			(709,324)
Long-term portion	$ -			$ 7,563,890

KUB has subscription-based information technology agreements (SBITAs) which grant non-cancelable rights to use underlying information technology software. Terms of agreement range from five to eighteen years and contain fixed and variable payment terms. Certain SBITAs contain the option for renewal, which has been considered in the SBITA liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2023, are summarized as follows:

	Subscription Maturities	Interest Requirements
2024	$ 910,427	$ 280,086
2025	1,037,806	243,407
2026	1,206,487	199,923
2027	1,237,452	151,139
2028	1,296,953	101,933
2029-2032	1,943,534	125,307
	$ 7,632,659	$ 1,101,795

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10. Capital and Intangible Assets

Capital and intangible asset activity was as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Production Plant (Intakes)	$ 742,503	$ -	$ -	$ 742,503
Pumping and Treatment Plant	413,102,170	8,398,801	(2,089,203)	419,411,768
Distribution and Collection Plant				
Mains and metering	1,191,235,230	39,651,835	(4,331,459)	1,226,555,606
Services and meters	243,710,892	10,060,281	(1,566,110)	252,205,063
Electric station equipment	187,970,174	32,116,980	(1,162,790)	218,924,364
Poles, towers and fixtures	229,318,620	9,047,087	(1,272,890)	237,092,817
Overhead conductors	189,890,503	12,186,366	(2,991,982)	199,084,887
Line transformers	108,462,711	3,275,116	(554,944)	111,182,883
Other accounts	305,772,862	5,543,567	(1,335,591)	309,980,838
Total Distribution & Collection Plant	$ 2,456,360,992	$ 111,881,232	$ (13,215,766)	$ 2,555,026,458
	-	-	-	
General Plant	278,765,298	17,085,602	(2,563,375)	293,287,525
Total Plant Assets	$ 3,148,970,963	$ 137,365,635	$ (17,868,344)	$ 3,268,468,254
Less Accumulated Depreciation	(1,057,804,184)	(95,226,575)	19,041,504	(1,133,989,255)
Net Plant Assets	$ 2,091,166,779	$ 42,139,060	$ 1,173,160	$ 2,134,478,999
Work In Progress	161,753,319	194,937,382	(135,368,463)	221,322,238
Total Net Plant	$ 2,252,920,098	$ 237,076,442	$ (134,195,303)	$ 2,355,801,237
Intangible Right of Use Assets				
Office space	$ 4,361,497	$ -	$ (154,920)	$ 4,206,577
Equipment	82,407	67,006	(16,410)	133,003
Other	143,783	330,678	(143,783)	330,678
Total Intangible Right of Use Assets	$ 4,587,687	$ 397,684	$ (315,113)	$ 4,670,258
Less Accumulated Amortization	(689,074)	(851,664)	175,503	(1,365,235)
Net Intangible Right of Use Assets	$ 3,898,613	$ (453,981)	$ (139,610)	$ 3,305,023
Intangible Subscription Assets				
Intangible Subscription Assets	$ 9,273,959	$ 49,820	$ -	$ 9,323,779
Less Accumulated Amortization	(832,906)	(1,196,807)	-	(2,029,713)
Net Intangible Subscription Assets	$ 8,441,053	$ (1,146,987)	$ -	$ 7,294,066

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	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Production Plant (Intakes)	$ 742,503	$ -	$ -	$ 742,503
Pumping and Treatment Plant	354,812,995	60,466,147	(2,176,972)	413,102,170
Distribution and Collection Plant				
Mains and metering	1,152,024,908	47,031,973	(7,821,651)	1,191,235,230
Services and meters	235,855,917	9,064,223	(1,209,248)	243,710,892
Electric station equipment	182,343,725	6,005,230	(378,781)	187,970,174
Poles, towers and fixtures	219,670,116	10,399,090	(750,586)	229,318,620
Overhead conductors	180,227,318	14,958,175	(5,294,990)	189,890,503
Line transformers	106,735,123	2,395,194	(667,606)	108,462,711
Other accounts	308,765,680	7,007,574	(10,000,392)	305,772,862
Total Distribution & Collection Plant	$ 2,385,622,787	$ 96,861,459	$ (26,123,254)	$ 2,456,360,992
	-	-	-	
General Plant	257,906,388	25,181,782	(4,322,872)	278,765,298
Total Plant Assets	$ 2,999,084,673	$ 182,509,388	$ (32,623,098)	$ 3,148,970,963
Less Accumulated Depreciation	(999,438,900)	(89,664,008)	31,298,724	(1,057,804,184)
Net Plant Assets	$ 1,999,645,773	$ 92,845,380	$ (1,324,374)	$ 2,091,166,779
Work In Progress	189,507,909	156,312,285	(184,066,875)	161,753,319
Total Net Plant	$ 2,189,153,682	$ 249,157,665	$ (185,391,249)	$ 2,252,920,098
Intangible Right of Use Assets				
Office space	$ 645,078	$ 4,239,246	$ (522,827)	$ 4,361,497
Equipment	92,684	27,415	(37,692)	82,407
Other	154,143	52,204	(62,564)	143,783
Total Intangible Right of Use Assets	$ 891,905	$ 4,318,865	$ (623,083)	$ 4,587,687
Less Accumulated Amortization	(421,047)	(689,074)	421,047	(689,074)
Net Intangible Right of Use Assets	$ 470,858	$ 3,629,791	$ (202,036)	$ 3,898,613
Intangible Subscription Assets				
Intangible Subscription Assets	$ -	$ 9,273,959	$ -	$ 9,273,959
Less Accumulated Amortization	-	(832,906)	-	(832,906)
Net Intangible Subscription Assets	$ -	$ 8,441,053	$ -	$ 8,441,053

11. Risk Management

KUB is exposed to various risks of loss related to active and retiree medical claims; injuries to workers; theft of, damage to, and destruction of assets; environmental damages; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

These liabilities are included in accrued expenses in the Statement of Net Position. The liability is KUB's best estimate based on available information. On June 30, 2023, and June 30, 2022, the amount of these liabilities was $2,566,095 and $2,252,221, respectively, resulting from the following changes:

	2023	2022
Balance, beginning of year	$ 2,252,221	$ 1,936,245
Current year claims and changes in estimates	21,658,882	18,435,605
Claims payments	(21,345,008)	(18,119,629)
Balance, end of year	$ 2,566,095	$ 2,252,221

12. Pension Plan

Description of Plan

The Knoxville Utilities Board Pension Plan (the Plan) is a governmental plan as defined by the Employee Retirement Income Security Act of 1974 (ERISA or the Act), is not subject to any of the provisions of the Act, and was revised January 1, 2020, to include all prior approved amendments. The Plan is a single-employer contributory, defined benefit pension plan established by Knoxville Utilities Board Resolution No. 980 dated February 18, 1999, effective July 1, 1999, as authorized by the Charter of the City of Knoxville §1107(J). KUB Board Resolution No. 979, effective July 1, 1999, as amended by Resolution No. 1037, establishing the KUB Retirement System, was amended effective June 18, 2020, to amend the term "Trustee" to include both custodians and/or trustees, in order to provide flexibility should KUB choose to change from its current Pension trustee. The Plan is designed to provide retirement, disability, and death benefits to KUB employees. KUB administers the Plan through an Administrative Committee consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Plan involving costs not approved in the operating budget must be adopted by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Plan may be approved by KUB's President and CEO upon 60 days notification to the Board's Audit and Finance Committee. The Plan issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017.

Effective January 1, 2011, KUB closed the Plan such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and to accrue benefits under the Plan.

Participants in the Plan consisted of the following as of December 31:

	2022	2021
Inactive plan members:		
Terminated vested participants	14	12
Retirees and beneficiaries	603	600
Active plan members	431	478
Total	1,048	1,090

Retirement Benefits

The Plan provides three benefit arrangements for KUB participants, retirees, and beneficiaries.

The Plan provides pension benefits through the Career Equity Program ("CEP") for eligible employees hired on or after January 1, 1999, and for eligible former "City System Plan A" participants who elected CEP coverage as of July 1, 1999. The guaranteed pension benefit payable to a participant who has completed five or more years of service (or reached the normal retirement date, if earlier) upon termination of KUB employment shall be a lump sum equal to the participant's average compensation times their benefit percentage, as defined in the Plan document, or an annuity may be chosen by the participant.

In addition, the Plan provided retirement benefits through "Plan A" for former City System Plan A participants who elected not to participate in the CEP. Plan A is a closed plan and is not available to KUB employees hired after July 1, 1999. Plan A provides for early retirement benefits with 25 years of service and normal retirement benefits at age 62 or later. Benefits provided to Plan A participants include several different forms of monthly annuity payments.

The Plan also provides retirement benefits through "Plan B" for former "City System Plan B" participants. Plan B is a closed plan providing benefits to participants not covered by Social Security.

Benefits provided to Plan B participants include several different forms of monthly annuity payments available to participants.

Effective January 1, 2012, KUB began to provide for additional monthly supplements, which are not subject to cost-of-living adjustments, to certain former employees and surviving dependents of former employees who are eligible for and have elected coverage under the KUB retiree medical plan and are eligible for Medicare. This was done to compensate for the elimination of drug coverage under the KUB retiree medical plan and to assist such individuals in obtaining prescription drug coverage under Medicare Part D.

Contributions

Participation in Plan A requires employee contributions of three percent of the first $4,800 of annual earnings and five percent of annual earnings in excess of $4,800. KUB contributions are determined by the enrolled actuary of the Plan and equal to the amount necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions. The method of funding shall be consistent with Plan objectives.

Plan Funding

KUB maintains a Funding Policy for the Plan in accordance with Tennessee State Law. The primary goal of the Policy is to document the method KUB has adopted to provide assurance that future KUB and employee contributions and current Plan assets will be sufficient to fund all benefits expected to be paid to current active, inactive and retired Plan participants and their beneficiaries. Per the Funding Policy, KUB fully funds its annual Actuarially Determined Contribution.

Investments

The Plan's investments are held by State Street Bank and Trust Company (the "Trustee"). The Plan's policy in regard to the allocation of invested assets is established by the Retirement System Investment Committee and approved by the KUB Board of Commissioners and may only be amended by the KUB Board of Commissioners. It is the policy of the Retirement System Investment Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Plan's adopted asset allocation policy as of December 31, 2022:

Asset Class	Target Allocation
Domestic equity – large cap	20% - 50%
Domestic equity – mid cap	0% - 15%
Domestic equity – small cap	0% - 15%
Domestic equity – convertible securities	0% - 10%
Non-U.S. equity	0% - 20%
Real estate equity	0% - 10%
Fixed income – aggregate bonds	5% - 25%
Fixed income – long-term bonds	10% - 25%
Cash and deposits	0% - 5%

Contributions of $2,624,373 and $3,665,168 for 2021 and 2020, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2023, and 2022, respectively. The fiscal year 2023 contribution was determined as part of the January 1, 2021, valuation using the Individual Entry Age Normal funding method. The objective under this method is to fund each participant's benefits under the Plan as payments which are level as a percentage of salary, starting on the original participation date (employment date) and continuing until the assumed retirement, termination, disability, or death.

Net Pension Liability (Asset)

The below summarizes the disclosures of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB 68”), which requires measurement of the net pension liability as total pension liability less the amount of the Plan’s fiduciary net position. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB’s measurements as of June 30, 2023, and 2022, will be based on the December 31, 2022, and 2021, measurement date, respectively.

GASB 68 requires certain disclosures related to the net pension liability (asset) of the Plan as disclosed below:

	2022	2021
Total pension liability	$ 254,406,723	$ 242,201,780
Plan fiduciary net position	(232,187,691)	(306,339,494)
Plan's net pension liability (asset)	$ 22,219,032	$ (64,137,714)
Plan fiduciary net position as a percentage of the total pension liability	91.27%	126.48%

Changes in Net Pension Liability (Asset) are as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2021	$ 242,201,780	$ 306,339,494	$ (64,137,714)
Changes for the year:			
Service cost	6,349,402	-	6,349,402
Interest	17,430,465	-	17,430,465
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	282,014	-	282,014
Changes of Assumptions	5,268,672	-	5,268,672
Contributions - employer	-	3,144,770	(3,144,770)
Contributions - rollovers	-	3,080	(3,080)
Contributions - member	-	3,809,515	(3,809,515)
Net investment income	-	(63,484,570)	63,484,570
Benefit payments	(17,125,610)	(17,125,610)	-
Administrative expense	-	(498,988)	498,988
Net changes	12,204,943	(74,151,803)	86,356,746
Balances at December 31, 2022	$ 254,406,723	$ 232,187,691	$ 22,219,032

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation dates	January 1, 2022, rolled forward to December 31, 2022; January 1, 2021, rolled forward to December 31, 2021
Discount rate	7.00% as of December 31, 2022; 7.25% as of December 31, 2021
Salary increases	From 2.50% to 5.65%, based on years of service as of December 31, 2022, and 2021
Mortality	115% and 110% of the PubG-2010 table for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of December 31, 2022, and 2021
Inflation	2.5% as of December 31, 2022, and 2021

The actuarial assumptions used in the January 1, 2022, and 2021, valuations were based on an actuarial experience study covering the period January 1, 2014, through December 31, 2018.

The long-term expected rate of return on 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 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. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2022, and 2021, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. The Plan has both aggregate and long duration fixed income.

	Long Term Expected Real Rate of Return	
Asset Class	**2022**	**2021**
Domestic equity	5.0%	5.1%
Non-U.S. equity	6.1%	6.0%
Real estate equity	5.4%	5.4%
Debt securities	0.5%	0.2%
Cash and deposits	(0.1%)	(0.3%)

Discount rate
The discount rate used to measure the total pension liability was 7.00 percent as of December 31, 2022, and 7.25 percent as of December 31, 2021. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. 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 plan members. 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.

Sensitivity of the net pension liability (asset) to changes in the discount rate
The following presents the net pension liability of the Plan as of December 31, 2022, calculated using the discount rate of 7.00 percent, as well as what the Plan's net pension liability would be if

it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability	$ 45,400,841	$ 22,219,032	$ 2,259,345

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

For the year ended June 30, 2023, KUB recognized pension expense of $8,973,269.

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2021, this average was four years. During the measurement year, there was a liability experience loss of $282,014, with $70,504 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $211,510. Unrecognized liability experience losses from prior periods were $2,609,559, of which $869,853 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,739,706. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of $1,951,216. Unrecognized liability gains from prior periods were $542,777, of which $331,952 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $210,825.

During the measurement year, there was an assumption change loss of $5,268,672, with $1,317,168 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $3,951,504. Net unrecognized assumption change losses from prior periods were $3,389,264, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $1,694,632.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $85,314,262, of which $17,062,852 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $38,969,257, of which $10,346,356 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment losses this year, along with unrecognized investment gains from prior periods, results in a deferred outflow of $39,628,509.

In addition, KUB recorded a deferred outflow of resources of $1,312,188 for employer contributions made between December 31, 2022, and June 30, 2023.

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,951,216	$ 210,825
Changes in assumptions	5,646,136	-
Net difference between projected and actual earnings on pension plan investments	39,628,509	-
Contributions subsequent to measurement date	1,312,188	-
Total	$ 48,538,049	$ 210,825

$1,312,188 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2024	$ 4,785,008
2025	10,279,066
2026	14,888,108
2027	17,062,854
Thereafter	-

For the year ended June 30, 2022, KUB recognized pension expense of ($11,639,307).

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. During the measurement year, there was a liability experience loss of $1,935,276, with approximately $483,819 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $1,451,457.

Unrecognized liability experience losses from prior periods were $1,544,136, of which $386,034 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,158,102. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of $2,609,559. Unrecognized liability gains from prior periods were $1,092,163, of which $549,386 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $542,777.

During the measurement year, there were no benefit changes or assumption changes. Net unrecognized assumption change losses from prior periods were $5,083,896, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $3,389,264. Net unrecognized assumption change gains from prior periods were $71,525, of which the remaining $71,525 was recognized as a decrease in Pension Expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $17,812,070, of which $3,562,414 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $34,994,864, of which $10,275,263 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with unrecognized investment gains from prior periods, results in a deferred inflow of $38,969,257.

In addition, KUB recorded a deferred outflow of resources of $1,832,582 for employer contributions made between December 31, 2021, and June 30, 2022.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,609,559	$ 542,777
Changes in assumptions	3,389,264	-
Net difference between projected and actual earnings on pension plan investments	-	38,969,257
Contributions subsequent to measurement date	1,832,582	-
Total	$ 7,831,405	$ 39,512,034

13. Qualified Excess Benefit Arrangement

Description

In fiscal year 2017, KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single employer defined benefit pension plan administered by KUB. The number of participants in any given year for the QEBA is determined by the number of KUB Pension Plan participants who exceed the current year's section 415(b) limitations, as calculated by the KUB Pension Plan actuary. The amount of QEBA benefit will be the amount specified by the terms of the KUB Pension Plan without regard to Section 415(b) limitations minus the amount payable from the KUB Pension Plan as limited by Section 415(b). QEBA benefits are subject to cost-of-living adjustments.

As of June 30, 2023, there are 404 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2023, and 2022.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. There is no Total Pension Liability as of June 30, 2023, and 2022.

GASB 73 requires certain disclosures related to the total pension liability of the QEBA, as disclosed below:

	2022	**2021**
Total pension liability	$0	$0
Deferred outflows	(6,779)	(11,505)
Deferred inflows	3,408	16,927
Net impact on Statement of Net Position	($3,371)	$5,422
Covered payroll	$37,412,132	$38,074,863
Total pension liability as a % of covered payroll	0.00%	0.00%

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

For the year ended June 30, 2023, KUB recognized pension expense of ($8,793) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [($3,371) - $5,422 + $-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. There was a deferred inflow at the end of the measurement year of $3,408 from experience gains in prior years and a deferred outflow of $4,073 from experience losses in prior years.

There was a deferred outflow of $2,706 from assumption changes in prior years.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,073	$ 3,408
Changes in assumptions	2,706	-
Total	$ 6,779	$ 3,408

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:		
2024	$	3,023
2025		348
2026		-
2027		-
2028		-
Thereafter		-

For the year ended June 30, 2022, KUB recognized pension expense of $16,613 for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA [$19,875], but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$5,422 - $8,684 + $19,875].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. During the measurement year, there was an experience gain of $6,816, with $1,704 recognized in the current year and each of the next three years, resulting in a deferred inflow of $5,112. There was a deferred inflow at the end of the measurement year of $7,225 from experience gains in prior years and a deferred outflow of $6,112 from experience losses in prior years.

During the measurement year, there were no assumption changes. There was a deferred inflow at the end of the measurement year of $4,590 and a deferred outflow of $5,393 from assumption changes in prior years.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	6,112	$	12,337
Changes in assumptions		5,393		4,590
Total	$	11,505	$	16,927

14. Defined Contribution Plan

The KUB Asset Accumulation 401(k) Plan (the "401(k) Plan") is a defined contribution 401(k) employee retirement savings plan covering eligible KUB employees established by the KUB Board of Commissioners in accordance with the Charter of the City of Knoxville, Tennessee. The 401(k) Plan's assets are held in trust under an agreement between KUB and Fidelity Management Trust Company. Employees hired prior to January 1, 2011, may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. Employees hired on or after January 1, 2011, have an enhanced 401(k) due to the closure of the Defined Benefit Pension Plan. They may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. They also receive a non-elective KUB contribution of three percent to six percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and non-elective contributions of $3,794,561 and $3,125,903, respectively, for the years ended June 30, 2023, and 2022.

15. Other Post-Employment Benefits (OPEB)

Description of Trust

The Knoxville Utilities Board Other Post-Employment Benefits Trust (the Trust) is a single-employer trust established by the KUB Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The Trust, along with the KUB Health Plan, make up a Voluntary Employee Beneficiary Association ("VEBA") and are intended to be tax-exempt pursuant to Code §501(c)(9). The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. The applicable documentation was submitted to the State Funding Board and, in December 2007, the State Funding Board approved the Trust. The Trust was also approved by the Internal Revenue Service in June 2008. KUB administers the Trust through a Board of Trustees consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Trust involving costs not approved in the operating budget must be approved by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Trust may be approved by KUB's President and CEO upon 60 days notification to the Board's Audit and Finance Committee. The investment of all deposits to the Trust is governed by an Investment Policy, which was adopted by the KUB Board and approved by the State Funding Board. The Trust issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017.

Effective January 1, 2022, the Plan was expanded to two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

Participants in the Plan consisted of the following as of June 30:

	HRA		Retiree Medical Benefit	
	2023	**2022**	**2023**	**2022**
Retirees	6	4	542	549
Dependents of retirees	2	2	596	612
Eligible active employees	25	15	140	145
Total	33	21	1,278	1,306

Benefits

Benefits for pre-July 1, 1999, eligible participants may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare Part B or Part D premiums, life insurance, long-term care, and long-term disability. Post-July 1, 1999, eligible participants are eligible for HRA benefits which include up to $50,000 to be used exclusively for reimbursement of qualified medical expenses of the retiree and his or her spouse and dependents. Any unused HRA amounts will remain assets of the OPEB Trust.

Contributions and Funding

The primary goal of the Funding Policy for the Trust is to document the method KUB has adopted to provide assurance that future KUB and retiree contributions and current Trust assets will be sufficient to fund all benefits expected to be paid to Trust beneficiaries. Per the Funding Policy, KUB's current practice is to fully fund its annual Actuarially Determined Contribution, which is determined by actuarial valuation.

Contributions are authorized by the terms of the Trust as established by KUB Resolution No. 1168, as amended, as approved by the Tennessee State Funding Board. KUB shall have the right at any time to amend, in whole or in part, the provisions of this Trust; however, no such amendment shall authorize or permit the assets of the Trust to be used for or diverted to purposes other than those expressed in the Declaration of Trust.

It shall be the sole and exclusive responsibility of KUB to determine the level of contributions KUB will make to the Trust for the purpose of financing other post-employment benefits accrued by its respective participants. Neither the Trust, nor the Trust's Board, shall be responsible for collecting or otherwise determining the level of contributions needed by KUB to finance any other post-employment benefits offered by KUB. The assets of the Trust shall be expended solely to make payments for other post-employment benefits pursuant to, and in accordance with, the terms of the Trust and to pay the cost of administration.

Based on the date of retirement, certain retired members are required to contribute specified amounts monthly to maintain health insurance. Those who retired prior to July 1983 have no required monthly premiums for themselves or dependents. The retirees, or their surviving dependents, who retired between August 1983 and January 1998 are required to pay $262.50 per month for pre-Medicare family health insurance. For individuals who retired after January 1998, the required monthly premium for pre-Medicare health insurance is $262.50 for single coverage and $525 for family coverage. There is currently no premium for Medicare eligible retirees or dependents. KUB is responsible for determining the level of retired plan member contributions on an annual basis as part of its review of healthcare cost sharing.

Participants in the Health Reimbursement Arrangement are not eligible for health insurance and are not required to make contributions.

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203. The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2023:

Asset Class	Target Allocation
Domestic Equity:	
Large Cap	30%
Small Cap	8%
International Equity:	
Developed	16%
Emerging	8%
Real Estate Equity	8%
Debt Securities	30%
Total	100%

Actuarially determined contributions for the fiscal year ended June 30, 2023, were $1,413,392. For the fiscal year ended June 30, 2022, an actuarially determined contribution of $489,066 was made to the OPEB Trust, along with an additional $1,500,000 contribution to help fund the HRA. These were based on the OPEB actuarial valuations as of January 1, 2021, and 2020.

Net OPEB Liability

The below summarizes the disclosures of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”), which requires measurement of the net OPEB liability as total OPEB liability less the amount of the Trust’s fiduciary net position. The amounts reported as of June 30 are based on the reporting date for the KUB Other Post-Employment Benefits Plan which is June 30. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2023, and 2022, and the Total OPEB Liability as of the valuation date January 1, 2022, updated to June 30, 2023, and January 1, 2021, updated to June 30, 2022, respectively. KUB’s total net OPEB liability was $12,930,655 as of June 30, 2023, and $11,202,507 as of June 30, 2022.

The components of the total net OPEB liability of the Trust are as follows as of June 30:

	2023	2022
Total OPEB liability	$ 61,637,102	$ 58,536,280
Plan fiduciary net position	48,706,447	47,333,773
Net OPEB liability	$ 12,930,655	$ 11,202,507
Plan fiduciary net position as a percentage of the total OPEB liability	79.02%	80.86%

Changes in Net OPEB Liability are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	$ 58,536,280	$ 47,333,773	$ 11,202,507
Changes for the year:			
Service cost	595,392	-	595,392
Interest	4,133,008	-	4,133,008
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	117,668	-	117,668
Changes of Assumptions	2,527,824	-	2,527,824
Contributions - employer	-	1,413,392	(1,413,392)
Contributions - member	-	-	-
Net investment income	-	4,333,538	(4,333,538)
Benefit payments	(4,273,070)	(4,273,070)	-
Administrative expense	-	(101,186)	101,186
Net changes	3,100,822	1,372,674	1,728,148
Balances at June 30, 2023	$ 61,637,102	$ 48,706,447	$ 12,930,655

Actuarial assumptions
The total OPEB liability was determined by actuarial valuations, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation dates:	January 1, 2022, rolled forward to June 30, 2023; January 1, 2021, rolled forward to June 30, 2022
Discount rate:	7.00% as of June 30, 2023, and 7.25% as of June 30, 2022
Healthcare cost trend rates:	Pre-Medicare: 5.75% grading down to 3.935% over 20 years as of June 30, 2023, and 6.75% grading down to 4.04% as of June 30, 2022 Medicare: 11.30% grading down to 3.935% over 20 years as of June 30, 2023, and 6.30% grading down to 4.04% as of June 30, 2022 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010) for males and females, respectively, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.50%

The actuarial assumptions used in the January 1, 2022, and January 1, 2021, valuations were based on the results of actuarial experience studies for the periods January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Trust 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 long-term expected rate of return may be lower in periods of current strong performance due to future valuations that mean revert to the long-term average. Best estimates of arithmetic real rates of return for each major asset class included in the Trust's target asset allocation (see the discussion of the Trust's Investment Policy) are summarized in the chart below.

	Long Term Expected Real Rate of Return	
Asset Class	**2023**	**2022**
Domestic equity	5.1%	5.5%
International equity	6.1%	6.5%
Emerging Market equity	8.4%	8.6%
Real estate equity	5.3%	5.7%
Debt securities	1.8%	1.2%
Cash and deposits	0.7%	0.2%

Discount rate
The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023, and 7.25 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate.
The following presents the net OPEB liability of the Trust as of June 30, 2023, calculated using the discount rate of 7.00 percent, as well as what the Trust's net OPEB liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	$19,738,026	$12,930,655	$7,246,454

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.
The following presents the net OPEB liability of the Trust as of June 30, 2023, as well as what the Trust's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower or one percent higher than the current rate:

	1% Decrease	Baseline Trends	1% Increase
Net OPEB liability	$7,364,325	$12,930,655	$19,461,880

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2023, KUB recognized OPEB expense of $2,872,556.

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was seven years. During the measurement year, there was an experience loss of $117,668, with $16,810 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of $100,858. Unrecognized experience losses from prior periods were $30,475, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were no benefit changes.

During the measurement year, there was an assumption change loss of $2,527,824, with $361,118 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of $2,166,706.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $1,007,293, of which $201,459 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred inflow of resources of $805,834. Net unrecognized investment losses from prior periods were $5,179,219, of which $1,162,271 was recognized as an increase in OPEB expense in the current year, resulting in a net deferred outflow of $4,016,948. The combination of unrecognized gains this year, along with the net unrecognized investment losses from prior periods, results in a deferred outflow of resources of $3,211,114. The following table summarizes the current balances of deferred outflows and deferred inflows of resources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 100,858	$ -
Changes in assumptions	2,166,706	-
Net difference between projected and actual earnings on OPEB plan investments	3,211,114	-
Total	$ 5,478,678	$ -

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	$ 1,221,213
2025	705,391
2026	2,619,751
2027	176,471
2028	377,928
Thereafter	377,924

For the year ended June 30, 2022, KUB recognized OPEB expense of $5,976,502.

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was two years. During the measurement year, there was an experience loss of $60,951, with $30,476 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $30,475. Unrecognized experience losses from prior periods were $21,401, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were benefit changes that increased the Total OPEB Liability by $6,594,293. Unrecognized assumption changes from prior periods were $2,052,917, of which the entire amount is recognized as a decrease in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $12,216,418, of which $2,443,284 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred outflow of resources of $9,773,134. Net unrecognized investment gains from prior periods were $5,905,689, of which $1,311,774 was recognized as a decrease in OPEB expense in the current year, resulting in a net deferred inflow of $4,593,915. The combination of unrecognized losses this year, along with the net unrecognized investment gains from prior periods, results in a deferred outflow of resources of $5,179,219. The following table summarizes the current balances of deferred outflows and deferred inflows of resources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 30,475	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	5,179,219	-
Total	$ 5,209,694	$ -

16. Related Party Transactions

KUB, in the normal course of operations, is involved in transactions with the City of Knoxville. Such transactions for the years ended June 30, 2023, and 2022, are summarized as follows:

	2023	**2022**
City of Knoxville		
Amounts billed by KUB for utilities and related services	$ 14,835,602	$ 13,087,853
Payments by KUB in lieu of property tax	22,798,626	21,305,955
Payments by KUB for services provided	1,684,395	2,209,682
Grant expenditures incurred	2,937,000	-

With respect to these transactions, accounts receivable from the City of Knoxville included in the balance sheet at year end were as follows:

	2023	**2022**
Accounts receivable	$ 686,079	$ 838,238
Amounts eligible for reimbursement from grants	2,937,000	-

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17. Natural Gas Supply Contract Commitments

For fiscal year 2023, the Gas Division hedged 25 percent of its total gas purchases via gas supply contracts. As of June 30, 2023, the Gas Division had hedged the price on approximately six percent of its anticipated gas purchases for fiscal year 2024.

KUB contracts separately for the purchase, transportation, and storage of natural gas. Purchase commitments for the next five years and thereafter are as follows:

Firm obligations related to purchased gas – demand

	2024	2025	2026	2027	2028
Transportation					
Tennessee Gas Pipeline	$ 3,404,232	$ 3,404,232	$ 1,134,744	$ -	$ -
East Tennessee Natural Gas	12,582,997	12,582,997	3,435,624	-	-
Texas Eastern	328,500	328,500	109,500	-	-
Storage					
Tennessee Gas Pipeline	1,513,248	1,513,248	504,416	-	-
East Tennessee Natural Gas	1,081,500	1,081,500	-	-	-
Saltville Natural Gas	2,000,160	1,845,150	1,380,120	1,380,120	1,035,090
Bobcat	198,000	198,000	66,000	-	-
Demand Total	$ 21,108,637	$ 20,953,627	$ 6,630,404	$ 1,380,120	$ 1,035,090

Firm obligations related to purchased gas – commodity

	2024	2025	2026	2027	2028	2029-2054
Baseload						
BP Energy Company	$ 1,198,770	$ -	$ -	$ -	$ -	$ -
NextEra Energy	1,898,880	-	-	-	-	-
CNX	3,249,912	-	-	-	-	-
Enervest Operating LLC	2,839,998	2,496,676	-	-	-	-
Tennergy Corporation 2021A	2,581,424	3,192,756	3,442,778	3,457,684	3,391,300	81,345,066
Tennergy Corporation 2022	2,715,493	3,325,946	3,576,325	3,586,436	3,583,028	92,553,420
Commodity Total	$ 14,484,477	$ 9,015,378	$ 7,019,103	$ 7,044,120	$ 6,974,328	$ 173,898,486

The total commodity values presented here are based upon firm supply obligations with each individual natural gas supplier. The firm obligations value for BP Energy Company and NextEra Energy are based upon firm supply obligations and locked prices with those suppliers. The firm obligations value for CNX and Enervest Operating LLC are based upon firm supply obligations and the applicable NYMEX strip prices on June 30, 2023. The firm obligations value for Tennergy Corporation are based upon 30-year prepay gas contracts valued at the applicable Tennessee Zone 0 and Tennessee 800L strip prices on June 30, 2023.

18. Other Commitments and Contingencies

In the normal course of business, there are various lawsuits pending against KUB. Management has reviewed these lawsuits with counsel, who is vigorously defending KUB's position and is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on KUB's financial position, results of operations, or cash flows.

In February 2005, a Consent Decree was entered into federal court regarding the operation of KUB's wastewater system. Under the terms of the Consent Decree, the remediation of identified sanitary sewer overflows (SSOs) on KUB's wastewater system had to be completed by June 30, 2016. KUB completed all the requirements of the Consent Decree for the collection system two years in advance of the deadline.

The Consent Decree also required KUB to perform an evaluation of the wet weather performance and capacity of its wastewater treatment plants. In July 2007, KUB submitted a Composite Correction Plan (CCP) for its wastewater treatment plants to EPA for review. The development and filing of the CCP was a requirement of the federal order of February 2005. The CCP includes recommended improvements to KUB's Kuwahee and Fourth Creek treatment plants to address wet weather capacity issues noted in prior assessments. The EPA approved the CCP in January 2009 including a recommended schedule of plant improvements that extends beyond the expiration date of the original Consent Decree. An amendment to the Consent Decree incorporating and establishing this schedule was agreed to by all parties and was entered on June 23, 2009. The purpose of the Amendment is to allow KUB to complete a portion of work outlined in the CCP after the Consent Decree deadline of June 30, 2016. The CCP provided for a biologically enhanced high-rate clarification (the BEHRC) secondary treatment system to be installed at the Fourth Creek treatment plant and at the Kuwahee treatment plant. KUB successfully completed the installation of the BEHRC system at the Fourth Creek treatment plant in the 2018 fiscal year. The project at the Kuwahee treatment plant was completed this fiscal year. The total cost of the CCP improvements at the Fourth Creek treatment plant and Kuwahee treatment plant is approximately $120 million.

KUB's funding plan for the Consent Decree included long-term bonds and a series of rate increases phased in over the term of the order. Bond proceeds fund all types of wastewater capital projects, the majority of which are related to the Consent Decree. As of June 30, 2022, the Wastewater Division had issued $594.8 million in bonds to fund wastewater system capital improvements since the inception of the Consent Decree. The Board approved two 50 percent rate increases, which went into effect in April 2005 and January 2007. The Board also approved an 8 percent rate increase, which was effective in September 2008, two 12 percent rate increases, which were effective in April 2011 and October 2012, three 6 percent rate increases, which were effective October 2014, October 2015, and October 2016, three 5 percent rate increases, which were effective July 2017, July 2018, and July 2019, and three 4 percent rate increases, which are effective July 2022, July 2023, and July 2024. KUB anticipates additional bond issues and rate increases over the next decade to help fund wastewater capital improvements.

KUB successfully completed the first cycle of Maintenance Operation Management (MOM) requirements one year before the deadline by inspecting manholes and gravity mains, smoke testing gravity mains, performing required inspections of pump stations and the related force mains, and completing all Corrective Action Plan/Engineering Report (CAP/ER) projects. KUB initiated the second MOM cycle that continues to focus on the prevention of SSOs. As part of the Century II initiative, formally known as the PACE10 program, KUB has installed storage tanks providing 34 million gallons of wastewater storage to control wet weather overflows and rehabilitated or replaced 432 miles of collection system pipe. KUB also continues to maintain a proactive operations and maintenance plan for the wastewater collection system including inspection, grease control, and private lateral enforcement. The result of the PACE10/Century II initiative has been an 80 percent reduction in SSOs.

As of June 30, 2022, the Wastewater Division had completed its 18th full year under the Consent Decree, spending $579.8 million on capital investments to meet Consent Decree requirements.

KUB's request for termination of the Consent Decree was submitted in January 2022 and was granted on June 16, 2022, by the applicable regulatory authorities.

19. Segment Information

The following financial information represents identifiable activities for which the revenue bonds and other revenue backed debt are outstanding for the respective Divisions:

Condensed Statement of Net Position

	2023				
	Electric	Fiber	Gas	Water	Wastewater
Assets and Deferred Outflows of Resources					
Current assets	$ 201,697,793	$ 14,320,294	$ 61,235,456	$ 43,435,987	$ 60,834,992
Restricted assets	23,046,903	300,046	3,243,888	4,617,470	8,280,378
Net capital assets	784,490,342	4,509,599	335,049,856	387,497,822	844,253,618
Net intangible assets	3,577,870	4,992,518	1,067,322	850,822	110,558
Other assets	32,931,262	123,426	1,566,074	6,402,832	16,799,407
Total assets	$ 1,045,744,170	$ 24,245,883	$ 402,162,596	$ 442,804,933	$ 930,278,953
Deferred outflows of resources	25,733,906	-	9,943,478	11,528,524	21,401,637
Total assets and deferred outflows of resources	$ 1,071,478,076	$ 24,245,883	$ 412,106,074	$ 454,333,457	$ 951,680,590
Liabilities and Deferred Inflows of Resources					
Current liabilities	$ 141,924,131	$ 3,191,498	$ 18,680,883	$ 14,631,116	$ 26,254,927
Other liabilities	37,186,119	5,125,649	15,030,219	8,745,689	8,638,496
Long-term debt	384,666,874	27,616,667	79,413,913	191,229,030	511,847,339
Total liabilities	$ 563,777,124	$ 35,933,814	$ 113,125,015	$ 214,605,835	$ 546,740,762
Deferred inflows of resources	3,755,093	119,933	992,855	1,033,153	900,665
Total liabilities and deferred inflows of resources	$ 567,532,217	$ 36,053,747	$ 114,117,870	$ 215,638,988	$ 547,641,427
Net position					
Net investment in capital assets	$ 376,865,221	$ (390,086)	$ 247,958,911	$ 192,818,920	$ 333,081,961
Restricted	15,470,822	46	2,223,691	2,491,963	3,631,669
Unrestricted	111,609,816	(11,417,824)	47,805,602	43,383,586	67,325,533
Total net position	$ 503,945,859	$ (11,807,864)	$ 297,988,204	$ 238,694,469	$ 404,039,163

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Condensed Statement of Net Position

2022
as restated

	Electric	Fiber	Gas	Water	Wastewater
Assets and Deferred Outflows of Resources					
Current assets	$ 158,820,919	$ 3,508,355	$ 48,281,211	$ 40,660,318	$ 37,333,853
Restricted assets	20,266,914	-	3,354,168	4,534,404	8,217,706
Net capital assets	712,994,298	4,037,681	329,129,124	375,152,303	831,606,692
Net intangible assets	4,231,336	5,785,290	1,171,270	1,017,435	134,337
Other assets	84,355,546	2,761	30,073,394	24,586,111	44,406,984
Total assets	$ 980,669,013	$ 13,334,087	$ 412,009,167	$ 445,950,571	$ 921,699,572
Deferred outflows of resources	6,233,902	-	2,518,890	4,558,876	15,166,134
Total assets and deferred outflows of resources	$ 986,902,915	$ 13,334,087	$ 414,528,057	$ 450,509,447	$ 936,865,706
Liabilities and Deferred Inflows of Resources					
Current liabilities	$ 149,737,880	$ 785,921	$ 23,024,524	$ 13,406,742	$ 22,632,827
Other liabilities	22,601,060	5,488,555	11,355,510	4,476,311	4,548,185
Long-term debt	319,887,437	9,625,000	87,006,291	199,505,672	518,518,494
Total liabilities	$ 492,226,377	$ 15,899,476	$ 121,386,325	$ 217,388,725	$ 545,699,506
Deferred inflows of resources	22,151,109	-	8,674,041	7,536,771	7,850,319
Total liabilities and deferred inflows of resources	$ 514,377,486	$ 15,899,476	$ 130,060,366	$ 224,925,496	$ 553,549,825
Net position					
Net investment in capital assets	$ 373,317,161	$ 97,314	$ 234,171,043	$ 172,829,853	$ 314,336,681
Restricted	14,040,851	-	2,230,358	2,411,963	3,660,092
Unrestricted	85,167,417	(2,662,703)	48,066,290	50,342,135	65,319,108
Total net position	$ 472,525,429	$ (2,565,389)	$ 284,467,691	$ 225,583,951	$ 383,315,881

Restated per GASB 96, see Footnote 2 for further disclosure.

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Condensed Statement of Revenues, Expenses and Changes in Net Position

	2023				
	Electric	**Fiber**	**Gas**	**Water**	**Wastewater**
Operating revenues	$ 660,231,612	$ 879,506	$ 146,698,445	$ 68,702,749	$ 108,369,907
Operating expenses	581,648,717	8,662,989	116,464,623	39,182,366	51,207,657
Depreciation and amortization	40,651,472	832,662	15,720,232	12,439,495	24,284,005
Total operating expenses	622,300,189	9,495,651	132,184,855	51,621,861	75,491,662
Operating income (loss)	37,931,423	(8,616,145)	14,513,590	17,080,888	32,878,245
Non-operating expense	(6,510,993)	(626,330)	(1,317,027)	(4,835,478)	(15,291,333)
Change in net position before capital contributions	31,420,430	(9,242,475)	13,196,563	12,245,410	17,586,912
Capital contributions	-	-	323,950	865,108	3,136,370
Change in net position	31,420,430	(9,242,475)	13,520,513	13,110,518	20,723,282
Net position					
Beginning of year	472,525,429	(2,565,389)	284,467,691	225,583,951	383,315,881
End of year	$ 503,945,859	$ (11,807,864)	$ 297,988,204	$ 238,694,469	$ 404,039,163

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2022 as restated				
	Electric	**Fiber**	**Gas**	**Water**	**Wastewater**
Operating revenues	$ 606,335,419	$ -	$ 141,949,970	$ 64,558,346	$ 102,936,574
Operating expenses	524,061,008	1,950,847	106,300,769	32,394,619	43,597,681
Depreciation and amortization	38,871,150	269,399	15,310,127	11,840,748	21,829,529
Total operating expenses	562,932,158	2,220,246	121,610,896	44,235,367	65,427,210
Operating income (loss)	43,403,261	(2,220,246)	20,339,074	20,322,979	37,509,364
Non-operating expense	(14,212,120)	(345,143)	(3,329,912)	(7,007,352)	(18,415,133)
Change in net position before capital contributions	29,191,141	(2,565,389)	17,009,162	13,315,627	19,094,231
Capital contributions	-	-	86,435	1,043,657	507,609
Change in net position	29,191,141	(2,565,389)	17,095,597	14,359,284	19,601,840
Net position					
Beginning of year	443,334,288	-	267,372,094	211,224,667	363,714,041
End of year	$ 472,525,429	$ (2,565,389)	$ 284,467,691	$ 225,583,951	$ 383,315,881

Restated per GASB 96, see Footnote 2 for further disclosure.

Condensed Statement of Cash Flows

	2023				
	Electric	**Fiber**	**Gas**	**Water**	**Wastewater**
Net cash provided by (used in) operating activities	$ 79,512,886	$ (8,730,680)	$ 30,649,396	$ 30,584,697	$ 62,513,630
Net cash used in capital and related financing activities	(62,795,475)	(1,045,729)	(32,455,214)	(44,356,312)	(57,627,327)
Net cash provided by noncapital and related financing activities	-	18,331,982	-	-	-
Net cash provided by (used in) investing activities	(17,567,708)	435,087	5,174,984	1,345,800	2,019,761
Net increase (decrease) in cash and cash equivalents	(850,297)	8,990,660	3,369,166	(12,425,815)	6,906,064
Cash and cash equivalents, beginning of year	73,338,766	3,274,143	22,724,648	25,868,356	21,570,632
Cash and cash equivalents, end of year	$ 72,488,469	$ 12,264,803	$ 26,093,814	$ 13,442,541	$ 28,476,696

Condensed Statement of Cash Flows

	2022 as restated				
	Electric	**Fiber**	**Gas**	**Water**	**Wastewater**
Net cash provided by operating activities	$ 90,283,073	$ (1,985,556)	$ 37,547,001	$ 30,459,088	$ 55,745,328
Net cash used in capital and related financing activities	(42,034,612)	(4,491,697)	(39,041,544)	(29,791,226)	(64,857,303)
Net cash provided by noncapital and related financing activities	-	9,740,667	-	-	-
Net cash provided by (used in) investing activities	(14,884,130)	10,729	220,510	175,533	302,808
Net increase (decrease) in cash and cash equivalents	33,364,331	3,274,143	(1,274,033)	843,395	(8,809,167)
Cash and cash equivalents, beginning of year	39,974,435	-	23,998,681	25,024,961	30,379,799
Cash and cash equivalents, end of year	$ 73,338,766	$ 3,274,143	$ 22,724,648	$ 25,868,356	$ 21,570,632

Restated per GASB 96, see Footnote 2 for further disclosure.

Knoxville Utilities Board
Required Supplementary Information - Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2023

	*Year ended December 31								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total pension liability									
Service cost	$ 6,349,402	$ 6,647,220	$ 5,227,657	$ 6,142,213	$ 5,095,488	$ 4,607,486	$ 4,226,985	$ 4,157,062	$ 4,092,808
Interest	17,430,465	16,982,226	16,393,202	16,030,626	15,344,193	15,015,282	14,966,559	14,812,784	14,698,657
Changes of benefit terms	-	-	-	163,199	-	-	-	-	-
Differences between expected and actual experience	282,014	1,935,276	1,930,170	(1,054,117)	(605,649)	(1,087,161)	(2,233,762)	(1,890,334)	-
Changes of assumptions	5,268,672	-	-	8,473,160	-	(357,633)	(2,932,883)	-	-
Benefit payments, including refunds of member contributions	(17,125,610)	(17,725,963)	(16,006,565)	(15,094,475)	(15,274,814)	(14,969,979)	(14,138,511)	(15,350,926)	(15,533,167)
Net change in total pension liability	12,204,943	7,838,759	7,544,464	14,660,606	4,559,218	3,207,995	(111,612)	1,728,586	3,258,298
Total pension liability - beginning	242,201,780	234,363,021	226,818,557	212,157,951	207,598,733	204,390,738	204,502,350	202,773,764	199,515,466
Total pension liability - ending (a)	$ 254,406,723	$ 242,201,780	$ 234,363,021	$ 226,818,557	$ 212,157,951	$ 207,598,733	$ 204,390,738	$ 204,502,350	$ 202,773,764
Plan fiduciary net position									
Contributions - employer	$ 3,144,770	$ 3,416,428	$ 2,876,752	$ 2,871,241	$ 3,456,475	$ 4,286,597	$ 5,243,146	$ 5,991,887	$ 5,908,541
Contributions - participants	3,812,595	3,939,687	2,284,727	3,170,825	2,081,125	1,488,632	555,075	487,546	475,854
Net investment income	(63,493,985)	37,575,566	44,814,914	49,938,315	(11,748,396)	32,360,219	13,788,263	(95,430)	22,292,369
Other additions	9,415	112,484	7,740	13,579	62,616	82,239	45,848	30,879	29,733
Benefit payments, including refunds of member contributions	(17,065,610)	(17,653,963)	(15,962,565)	(15,030,475)	(15,174,814)	(14,895,979)	(14,044,511)	(15,274,926)	(15,405,167)
Administrative expense	(498,988)	(441,017)	(455,191)	(467,748)	(445,916)	(385,282)	(441,332)	(397,160)	(378,085)
Death benefits	(60,000)	(72,000)	(44,000)	(64,000)	(100,000)	(74,000)	(94,000)	(76,000)	(128,000)
Net change in plan fiduciary net position**	(74,151,803)	26,877,185	33,522,377	40,431,737	(21,868,910)	22,862,426	5,052,489	(9,333,204)	12,795,245
Plan fiduciary net position - beginning**	306,339,494	279,462,309	245,939,932	205,508,195	227,377,105	204,514,679	199,462,190	208,795,394	196,000,149
Plan fiduciary net position - ending (b)**	$ 232,187,691	$ 306,339,494	$ 279,462,309	$ 245,939,932	$ 205,508,195	$ 227,377,105	$ 204,514,679	$ 199,462,190	$ 208,795,394
Plan's net pension liability - ending (a) - (b)	$ 22,219,032	$ (64,137,714)	$ (45,099,288)	$ (19,121,375)	$ 6,649,756	$ (19,778,372)	$ (123,941)	$ 5,040,160	$ (6,021,630)
Plan fiduciary net position as a percentage of the total pension liability	91.27%	126.48%	119.24%	108.43%	96.87%	109.53%	100.06%	97.54%	102.97%
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747	$ 44,446,743	$ 44,076,351
Plan's net pension liability as a percentage of covered payroll	59.39%	(168.45%)	(108.61%)	(47.48%)	15.78%	(45.67%)	(0.28%)	11.34%	(13.66%)

Notes to Schedule:

* Information not reflected prior to 2014 due to changes in actuary methodologies required under GASB 67, which was implemented in 2014.

** Excludes amounts related to 401(k) matching contributions.

Knoxville Utilities Board
Required Supplementary Information - Schedule of Employer Pension Contributions
June 30, 2023

	*Year ended December 31								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 3,144,770	$ 3,416,428	$ 2,876,752	$ 2,871,241	$ 3,456,475	$ 4,286,597	$ 5,243,146	$ 5,991,887	$ 5,908,541
Contribution in relation to the actuarially determined contribution	3,144,770	3,416,428	2,876,752	2,871,241	3,456,475	4,286,597	5,243,146	5,991,887	5,908,541
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747	$ 44,446,743	$ 44,076,351
Contributions as a percentage of covered payroll	8.41%	8.97%	6.93%	7.13%	8.20%	9.90%	11.80%	13.48%	13.41%

Notes to Schedule:

Timing:	Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.
Valuation Dates:	January 1, 2021 and January 1, 2020

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual entry age
Asset valuation method:	5-year smoothed market
Amortization method:	As of January 1, 2021: Level dollar, 30-year closed period with 20 years remaining, or a level dollar, 30-year open period for a negative unfunded liability As of January 1, 2020: Level dollar, 30-year closed period with 21 years remaining, or a level dollar, 30-year open period for a negative unfunded liability As of January 1, 2021 and 2020, the unfunded liability was negative.
Discount rate:	7.25% as of January 1, 2021 and January 1, 2020
Salary increases:	2.50% to 5.65%, based on years of service; As of January 1, 2021, a one-time reduction was applied to reduce the 2020 compensation by 3.7% to account for an additional 2020 pay period
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational
Inflation:	2.5%

* Schedule of Employer Contribution information is not reflected prior to 2014 due to changes in actuary methodologies required under GASB 67, which was implemented 2014.
Please refer to prior year's audited financial statements for prior methods and assumptions.

Knoxville Utilities Board
Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2023

	*Year ended June 30					
	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	$ 595,392	$ 416,277	$ 283,786	$ 256,270	$ 270,515	$ 202,603
Interest	4,133,008	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	-	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	117,668	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	2,527,824	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	3,100,822	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	58,536,280	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	$ 61,637,102	$ 58,536,280	$ 51,515,118	$ 54,544,240	$ 50,197,938	$ 45,604,431
Plan fiduciary net position						
Contributions - employer	$ 1,413,392	$ 1,989,066	$ 757,226	$ 311,324	$ -	$ -
Net investment income	4,333,538	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(101,186)	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	1,372,674	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	47,333,773	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	$ 48,706,447	$ 47,333,773	$ 57,446,946	$ 46,954,793	$ 48,750,196	$ 49,355,499
Net OPEB liability (asset) - ending (a) - (b)	$ 12,930,655	$ 11,202,507	$ (5,931,828)	$ 7,589,447	$ 1,447,742	$ (3,751,068)
Plan fiduciary net position as a percentage of the total OPEB liability	79.02%	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	$ 70,129,341	$ 73,927,857	$ 21,578,366	$ 23,363,536	$ 24,346,735	$ 23,677,080
Net OPEB liability (asset) as a percentage of covered employee payroll	18.44%	15.15%	(27.49%)	32.48%	5.95%	(15.84%)

Notes to Schedule:

* Information not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.

** The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

Knoxville Utilities Board
Required Supplementary Information – Schedule of Employer OPEB Contributions
June 30, 2023

	*Year ended June 30 2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 1,413,392	$ 489,066	$ 757,226	$ 311,324	$ -	$ -
Contribution in relation to the annual required contribution	1,413,392	1,989,066	757,226	311,324	-	-
Contribution deficiency/(excess)	$ -	$ (1,500,000)	$ -	$ -	$ -	$ -
Covered employee payroll*	$ 70,129,341	$ 73,927,857	$ 21,578,366	$ 23,363,536	$ 24,346,735	$ 23,677,080
Contributions as a percentage of covered employee payroll	2.02%	2.69%	3.51%	1.33%	0.00%	0.00%

* The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

KUB elected to make a $1,500,000 voluntary contribution to the Trust to initially fund the HRA benefit which was effective January 1, 2022.
This contribution was not required.

Notes to Schedule:

Valuation Date:	January 1, 2021 and January 1, 2020
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 15 years remaining as of January 1, 2021 (16 years as of January 1, 2020), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2020 and 2021, the unfunded liability was positive
Discount rate:	7.25%
Healthcare cost trend rate:	Pre-Medicare: 6.50% grading down to 4.04% over 19 years as of January 1, 2021; 6.75% grading down to 4.04% over 20 years as of January 1, 2020 Medicare: 6.20% grading down to 4.04% over 19 years as of January 1, 2021; 6.30% grading down to 4.04% over 20 years as of January 1, 2020 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.5%
Investment rate of return:	7.25%
Retirement age:	2% at ages 50-57, grading up to 100% at age 70

* Schedule of Employer Contribution information is not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.
Please refer to prior year's audited financial statement for prior methods and assumptions.

Knoxville Utilities Board
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 2023

	*Year ended December 31						
	2022	2021	2020	2019	2018	2017	2016
Total pension liability							
Service cost	$ -	$ -	$ -	$ -	$ 941	$ 584	$ -
Interest (includes interest on service cost)	-	268	388	9,181	9,676	7,535	-
Changes of benefit terms	-	-	-	(218,272)	-	-	185,077
Differences between expected and actual experience	-	(6,816)	10,165	34	(36,125)	13,684	-
Changes of assumptions	-	-	91	13,342	(22,950)	73,461	-
Benefit payments, including refunds of member contributions	-	(12,166)	(12,166)	(15,932)	-	-	-
Net change in total pension liability	-	(18,714)	(1,522)	(211,647)	(48,458)	95,264	185,077
Total pension liability - beginning	-	18,714	20,236	231,883	280,341	185,077	-
Total pension liability - ending	$ -	$ -	$ 18,714	$ 20,236	$ 231,883	$ 280,341	$ 185,077
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747
Total pension liability as a percentage of covered payroll	0.00%	0.00%	0.05%	0.05%	0.55%	0.65%	0.42%

Notes to Schedule:

* There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 73 to pay related benefits.

Knoxville Utilities Board
Supplemental Information
Schedule of Expenditures of Federal Awards
June 30, 2023

Federal Grantor/ Pass-Through Grantor	Program Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Treasury through City of Knoxville	COVID-19: Coronavirus State and Local Fiscal Recovery Fund	21.027	DW20191385	$2,937,000
U.S. Department of Treasury through Knox County	COVID-19: Coronavirus State and Local Fiscal Recovery Fund	21.027	DW-COSTR-1	$2,576,160
U.S. Department of Treasury through Tennessee Department of Economic and Community Development	COVID-19: Tennessee Emergency Broadband Fund - American Rescue Plan - Union County	21.027	33007-44923	$ 1,512,383
U.S. Department of Treasury through Tennessee Department of Economic and Community Development	COVID-19: Tennessee Emergency Broadband Fund - American Rescue Plan - Grainger County	21.027	33007-46723	$ 2,200,106
		Total Program 21.027		$ 9,225,649
U.S. Department of Homeland Security through Tennessee Department of Military	Disaster Grants - Public Assistance	97.036	714348	$ 84,970
		Total Federal Awards		$ 9,310,619

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards and State Financial Assistance includes the award activity of Knoxville Utilities Board (KUB) under programs of the federal government for the year ended June 30, 2023, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee Audit Manual. KUB did not elect to use 10% de minimis indirect cost rate.

Crime
Covers losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - $5,000,000; $250,000 retention.

Directors' and Officers' Liability Insurance
Covers KUB personnel appropriately authorized to make decisions on behalf of KUB (including but not limited to Commissioners, President and CEO, Senior Vice Presidents, Vice Presidents, and Directors) for wrongful acts. Limits of coverage - $20,000,000; $500,000 corporate deductible, $0 individual deductible.

Employment Practices Liability
Coverage for costs related to actual or alleged employment practices violations for amounts exceeding specified amount ($500,000). Limits of coverage - $10,000,000.

Fiduciary
Covers losses resulting from wrongful acts related to KUB's Pension, 401(k), OPEB Trust funds, and Medical Plan. Limits of coverage - $10,000,000; $150,000 deductible.

Environmental and Pollution Legal Liability
Environmental and Pollution coverage for covered losses resulting from a pollution or environmental event. Limits of coverage - $15,000,000.

Property Insurance
This coverage provides protection of KUB's property for fire, extended coverage, vandalism and malicious mischief, and coverage on boilers and machinery. Also included are flood and earthquake damage and mechanical failure. Limits of coverage - $250,000,000 per occurrence (subject to certain sublimits); $2,500,000 deductible per occurrence.

Travel Accident
Covers losses related to employees' business travel. Limits of coverage - $1,000,000 aggregate.

Excess Insurance for General Liability
As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). Limits of coverage - $5,000,000; $700,000 retention.

Excess Insurance for Workers' Compensation
Covers all losses exceeding specified amount per occurrence ($1,000,000). Limits of coverage - Statutory; stop loss coverage applies for aggregate losses over $5,000,000.

Employee Health Plan Stop Loss Coverage
KUB's employee health plan is self-funded. KUB has purchased stop loss insurance, which covers KUB's exposure to annual expenses for more than $600,000 per individual participant.

Cyber Security Liability
Covers losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - $3,000,000; $500,000 retention.

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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*

Board of Commissioners
Knoxville Utilities Board
Knoxville, 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 (*Government Auditing Standards*), the financial statements of the Knoxville Utilities Board (KUB), a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise KUB's basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KUB's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KUB's internal control. Accordingly, we do not express an opinion on the effectiveness of KUB'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 KUB's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COULTER & JUSTUS, P.C.

Board of Commissioners
Knoxville Utilities Board
Knoxville, Tennessee

Report on Compliance and Other Matters

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

Purpose of this Report

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

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

Board of Commissioners
Knoxville Utilities Board
Knoxville, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited compliance of the Knoxville Utilities Board (KUB), a component unit of the City of Knoxville, Tennessee, 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 KUB's major federal program for the year ended June 30, 2023. KUB'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, KUB complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

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 KUB 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 KUB's compliance with the compliance requirements referred to above.

Board of Commissioners
Knoxville Utilities Board
Knoxville, Tennessee

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 KUB'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 KUB'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 KUB'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 KUB'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 KUB'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 KUB'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.

Board of Commissioners
Knoxville Utilities Board
Knoxville, Tennessee

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.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023

Knoxville Utilities Board
Schedule of Findings and Questioned Costs
June 30, 2023

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Non-compliance material to financial statements:	No

Federal Awards

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	No

Identification of major programs:

CFDA	Name of Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II -- Financial Statement Findings
None reported.

Section III – Federal Award Findings and Questioned Costs
None reported.

Section IV -- Summary Schedule of Prior Year Audit Findings
Not applicable as there were no prior year findings reported.

Section V – Corrective Action Plan
Not applicable as there were no current year findings reported.

Electric Division

Financial Statements and Supplemental Information
June 30, 2023 and 2022

KUB Board of Commissioners

Adrienne Simpson-Brown, Chair
Tyvi Small, Vice Chair
Claudia Caballero
Ron Feinbaum
Cynthia Gibson
Kathy Hamilton
Celeste Herbert

Management

Gabriel Bolas II
President and Chief Executive Officer

Mark Walker
Senior Vice President and Chief Financial Officer

Susan Edwards
Senior Vice President and Chief Administrative Officer

Derwin Hagood
Senior Vice President of Operations

John Williams
Senior Vice President of Engineering & Construction

Jamie Davis
Vice President Fiber and Chief Technology Officer

Tiffany Martin
Vice President and Chief Customer Officer

John Gresham
Vice President of Operations

Knoxville Utilities Board Electric Division
Index
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Commissioners
Electric Division of the Knoxville Utilities Board
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Electric Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Division as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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* (GAS*)*, 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 the Division 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 opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2021, the Division adopted new accounting guidance Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Board of Commissioners
Electric Division of the Knoxville Utilities Board
Knoxville, Tennessee

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 opinion. 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 GAS 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 GAS, 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 the Division'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 the Division'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 on pages 4 through 27 and the required supplementary information on pages 67 through 71 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.

Board of Commissioners
Electric Division of the Knoxville Utilities Board
Knoxville, Tennessee

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Division's basic financial statements. The supplemental information, as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information 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. The other information comprises the statistical information but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Electric Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions. The Electric Division (Division) provides services to certain customers in Knox County and in seven surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Electric Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2023, and 2022, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Division's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Division's financial activity, (c) identify major changes in the Division's financial position, and (d) identify any financial concerns.

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2023, activities, resulting changes and current known facts, and should be read in conjunction with the Division's financial statements.

Electric Division Highlights

System Highlights

KUB experienced normal operations this fiscal year. However, inflation had a significant impact to operating costs and capital projects. Supply chain issues improved throughout the year but impacted the timing of some capital projects in fiscal year 2023. KUB continued to make progress constructing its fiber network on the electric system in year two of its deployment and remains on schedule for the seven-year deployment. KUB's ability to serve its electric customers has remained strong.

KUB serves 218,344 electric customers over a 688 square mile service area and maintains 5,490 miles of service lines and 63 electric substations to provide 5.9 million megawatt hours to its customers annually.

KUB's electric system record peak in demand remains 1,328 megawatt hours, set in February 2015.

In April 2023, KUB launched Knoxville's first community solar program in partnership with the City of Knoxville and the Tennessee Valley Authority. KUB invested $1.4 million to build the 1 MW array, which is located at the City of Knoxville's Public Works Complex. KUB Community Solar allows customers to subscribe to clean, locally generated renewable energy and access the benefits of a shared solar array. As of the end of the fiscal year, the program was 87% subscribed.

KUB has added 7,951 electric system customers over the past three years, representing annual growth of 1.2 percent. In fiscal year 2023, 3,080 customers were added.

The typical residential customer's average monthly electric bill was $127.53 as of June 30, 2023, representing an increase of $12.80 compared to June 30, 2022. Bill levels are based on 1,000 kwh of monthly power use. The increase in the monthly bill during fiscal year 2023 was the net result of the flow through of TVA wholesale rate adjustments, the April 2023 rate increase, and prior year under recovered wholesale power costs.

KUB's electric system maintains a Diamond Level designation by the American Public Power Association's (APPA) Reliable Public Power Provider (RP3) program, the highest level of recognition of the program.

Century II Infrastructure Program

Century II is KUB's proactive long-range program to improve and maintain its electric, natural gas, water, and wastewater systems for its customers. It includes maintenance and asset replacement strategies for each utility system and establishes sustainable replacement cycles. Century II moves KUB into its second century of service by improving each system through sound planning, resource allocation, and continued investment.

In May 2017, a new Century II funding resolution was adopted by the KUB Board to express the continued commitment to funding Century II programs for the next ten years. The funding will be achieved through a combination of rate increases and debt issues supplemented by cost savings and new revenue from net customer additions.

In June 2017, the Board approved three electric rate increases to support the Century II program. The approved electric rate increases went into effect in October 2017, October 2018, and October 2019 generating $10.9 million, $11.2 million, and $5.7 million in additional annual Electric Division revenue, respectively.

In September 2021, the Board approved the next phase of electric rate increases to support both the Century II program and expanded fiber network. The first two of three approved 3 percent electric rate increases went into effect April 2022 and April 2023 generating $16.7 million and $17.4 million in additional annual Electric Division revenue, respectively. The remaining rate increase is effective April 2024 and is expected to provide an additional $18 million in annual Electric Division revenue.

During the fiscal year, KUB replaced 9 miles of transmission lines, and 6.9 miles of underground cable and stayed within the Electric Division's total capital budget.

Fiber Network

During fiscal year 2021, KUB developed a Fiber to the Home Business Plan for the provision of broadband services to customers within its electric system service territory. In accordance with state law and KUB's wholesale power supply contract with TVA, the Business Plan was submitted to the Office of the Comptroller of the Treasury for Tennessee and TVA for review. The Office of the Comptroller found KUB's Business Plan to be financially feasible and TVA approved the Business Plan, finding no cross-subsidization exists between the proposed Fiber Division and the Electric Division.

After gaining the required approvals from TVA, the State of Tennessee, KUB's Board, and City Council, KUB launched its new Fiber Division. Broadband services will be provided by a high-speed fiber optic network that will be owned and maintained by the Electric Division. The Fiber Division will share in the cost to build and operate the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division will also pay the Electric Division an annual utilization fee based on attachments to the network. In addition to providing broadband services, the fiber network will allow KUB to implement new advanced technologies to improve the reliability of its electric system.

As a component of the Fiber Division's start-up financing plan, approved by KUB's Board and TVA, the Electric Division will provide $55 million of interdivisional loans. The first $10 million was provided in October 2021, an additional $7 million was provided in August 2022, and $13 million was provided in February 2023, all maturing in June 2030.

In fiscal year 2022, KUB began the seven-year buildout on extending fiber infrastructure to make broadband service available to electric customers. The first broadband customers began receiving service in September 2022.

The Tennessee Emergency Broadband Fund selected KUB for a grant of $15.3 million to assist in the provision of broadband access to Grainger, Jefferson, Sevier, and Union Counties.

The fiber network is an integral component of a $702 million ten-year Enhanced Grid Modernization effort for the Electric Division. The program will be funded by a combination of electric rate increases, new bonds, grant funds, and projected payments from the new Fiber Division.

Financial Highlights

During fiscal year 2023, KUB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), using a full retrospective approach. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, have been restated for the change, which did not have an impact on the net position.

During fiscal year 2022, KUB adopted GASB Statement No. 87, *Leases* (Statement No. 87) using a full retrospective approach. This statement requires a lessee to recognize an intangible right of use asset and a lease liability, and a lessor to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information regarding leasing activities. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2021, have been restated for the change, which did not have an impact on the net position.

Fiscal Year 2023 Compared to Fiscal Year 2022

The Division's Change in Net Position increased $31.4 million in fiscal year 2023. Comparatively, net position increased by $29.2 million in fiscal year 2022.

Operating revenue increased $53.9 million or 8.9 percent over the prior fiscal year. The increase in operating revenue was the net result of a one percent decrease in billed sales, additional revenue from the April 2023 rate increase, and an increase to wholesale power costs. KUB flows changes to wholesale power rates directly through to its retail electric rates via its Purchased Power Adjustment.

Seventy-four percent of Electric Division sales revenue was used to purchase electric power from TVA for the fiscal year ended June 30, 2023. Purchased power expense increased $36.8 million compared to last fiscal year due to higher wholesale power costs.

Margin on electric sales (operating revenue less purchased power expense) increased $17.1 million or 10.2 percent.

Operating expenses (excluding purchased power expense) increased $22.6 million. Operating and maintenance (O&M) expenditures increased $20.2 million. Depreciation and amortization expense increased $1.8 million or 4.6 percent. Taxes and tax equivalents were $0.6 million higher than the prior fiscal year.

Interest income was $4.2 million higher than the prior fiscal year, due to rising interest rates throughout the year. Interest expense increased $2.8 million or 26.1 percent, reflecting interest expense from new revenue bonds sold during fiscal year 2023.

Total capital assets (net) increased $71.5 million or 10 percent over the end of the last fiscal year, reflecting the fiber network buildout and other distribution system improvements as part of KUB's Century II electric program.

KUB sold $79 million in electric system revenue bonds in November 2022 for the purpose of funding electric system capital improvements.

Long-term debt represented 42.3 percent of the Division's capital structure as of June 30, 2023, compared to 39.2 percent last year. Capital structure equals long-term debt (including the current and long-term portion of any revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 4.09. Maximum debt service coverage for future fiscal years is 3.24.

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's Change in Net Position increased $29.2 million in fiscal year 2022. Comparatively, net position increased by $31.6 million in fiscal year 2021.

Operating revenue increased $52.4 million or 9.5 percent over the prior fiscal year. The increase in operating revenue was the net result of additional revenue from a three percent increase in billed sales, additional revenue from the April 2022 rate increase, and the flow through of $0.4 million of over recovered purchased power from the prior year. KUB flows changes to wholesale power rates directly through to its retail electric rates via its Purchased Power Adjustment.

Seventy-four percent of Electric Division sales revenue was used to purchase electric power from TVA for the fiscal year ended June 30, 2022. Purchased power expense increased $44.6 million compared to last fiscal year due to higher wholesale power costs.

Margin on electric sales (operating revenue less purchased power expense) increased $7.9 million or 4.9 percent.

Operating expenses (excluding purchased power expense) increased $7.7 million. Operating and maintenance (O&M) expenditures increased $9 million. Depreciation and amortization expense decreased $1.5 million or 3.7 percent. Taxes and tax equivalents were $0.1 million higher than the prior fiscal year.

Interest income was $0.5 million higher than the prior fiscal year, due to additional interest earnings on more cash on hand combined with rising interest rates throughout the year. Interest expense decreased $0.5 million or 4.3 percent.

Total capital assets (net) increased $21.6 million or 3.1 percent over the end of the last fiscal year, reflecting electric grid modernization and other distribution system improvements as part of KUB's Century II electric program.

During fiscal year 2022, KUB sold $45.7 million in electric system revenue bonds in April 2022 for the purpose of funding electric system capital improvements. KUB also refinanced outstanding debt, selling $27.2 million in electric system revenue refunding bonds in April 2022. KUB will realize a total debt service savings of $2 million over the life of the bonds ($1.3 million on a net present value basis).

Long-term debt represented 39.2 percent of the Division's capital structure as of June 30, 2022, compared to 38.3 percent last year. Capital structure equals long-term debt (including the current and long-term portion of any revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 4.14. Maximum debt service coverage for future fiscal years is 3.76.

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Knoxville Utilities Board Electric Division - Financial Statements

The Division’s financial performance is reported under three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Division reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, electric plant in service, intangible, or other assets.

Liabilities are classified as current, other, or long-term debt. Net position is classified as net investment in capital assets, restricted, or unrestricted. Net position tells the user what the Division has done with its accumulated earnings, not just the balance.

Net investment in capital assets reflects the book value of all capital assets and intangible assets, less lease and subscription liabilities and the outstanding balances of debt used to acquire, construct, or improve those assets.

Restricted net position includes assets that have been limited to specific uses by the Division’s bond covenants or through resolutions passed by the KUB Board.

Unrestricted net position is a residual classification; the amount remaining after reporting net position as either invested in capital or restricted is reported there.

Statement of Revenues, Expenses and Changes in Net Position

The Division reports its revenues and expenses (both operating and non-operating) on the Statement of Revenues, Expenses and Changes in Net Position. In addition, any capital contributions or assets donated by developers are reported on this statement.

Total revenue less total expense equals the change in net position for the reporting period. Net position at the beginning of the period is increased or decreased, as applicable, by the change in net position for the reporting period.

The change in net position for the reporting period is added to the net position segment of the Statement of Net Position.

Statement of Cash Flows

The Division reports its cash flows from operating activities, capital and related financing activities, non-capital and related financing activities, and investing activities on its Statement of Cash Flows. This statement tells the user the Division’s sources and uses of cash during the reporting period.

The statement indicates the Division’s beginning cash balance and ending cash balance and how it was either increased or decreased during the reporting period.

The statement also reconciles cash flow back to operating income as it appears on the Statement of Revenues, Expenses and Changes in Net Position.

Condensed Financial Statements

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the Electric Division compared to the prior two fiscal years.

Statements of Net Position
As of June 30

(in thousands of dollars)	2023	2022 as restated	2021 as restated
Current, restricted, intangible, and other assets	$ 261,254	$ 267,675	$ 196,624
Capital assets, net	784,490	712,994	691,361
Deferred outflows of resources	25,734	6,234	3,971
Total assets and deferred outflows of resources	1,071,478	986,903	891,956
Current and other liabilities	179,110	172,339	138,958
Long-term debt outstanding	384,667	319,888	286,588
Deferred inflows of resources	3,755	22,151	23,076
Total liabilities and deferred inflows of resources	567,532	514,378	448,622
Net position			
Net investment in capital assets	376,865	373,317	384,826
Restricted	15,471	14,041	14,546
Unrestricted	111,610	85,167	43,962
Total net position	$ 503,946	$ 472,525	$ 443,334

Normal Impacts on Statement of Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Net Position presentation:

- Change in net position (from Statement of Revenues, Expenses and Changes in Net Position): impacts (increase/decrease) current and other assets and/or capital and intangible assets, and unrestricted net position.
- Issuing debt for capital: increases deferred outflows of resources and long-term debt.
- Spending debt proceeds on new capital: reduces current assets and increases capital assets.
- Spending of non-debt related current assets on new capital: (a) reduces current assets and increases capital assets, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Principal payment on debt: (a) reduces current and other assets and reduces long-term debt, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Reduction of capital assets through depreciation: reduces capital assets and net investment in capital assets.

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2023 Compared to Fiscal Year 2022

Current, restricted, intangible, and other assets decreased $6.4 million or 2.4 percent. The change reflects a $30 million decrease in the actuarially determined net pension asset and a decrease of $4.6 million in accounts receivable. These decreases were offset by a $19.1 million increase in notes receivable, a $6.3 million increase in inventories, and a $4.1 million increase in electric bond fund.

Fiscal Year 2022 Compared to Fiscal Year 2021

Current, restricted, intangible, and other assets increased $71.1 million or 36.1 percent. The change reflects an increase in general fund cash (consisting of cash and cash equivalents, short-term investments, and long-term investments) of $33.4 million, an increase in notes receivable of $10 million, an increase in the actuarially determined net pension asset of $8.3 million, an increase in accounts receivable of $6.9 million, an increase in contingency fund investments of $4.3 million, an increase in net intangible assets of $4 million, an increase in inventories of $3.2 million, and an increase in unused bond proceeds of $1.3 million. These increases were offset by a decrease in the actuarially determined net OPEB asset of $2.8 million.

KUB under recovered $2.4 million in wholesale power costs from its customers in fiscal year 2022, as compared to a $0.4 million over recovery in fiscal year 2021. This under recovery of costs will be recovered from KUB's electric customers during the next fiscal year through adjustments to rates via the Purchased Power Adjustment.

Capital Assets

Fiscal Year 2023 Compared to Fiscal Year 2022

Capital assets, net of depreciation, increased $71.5 million or 10 percent. Major capital expenditures included $46 million for the fiber network buildout, $30.5 million for distribution system improvements, $13.9 million for installation or replacement of electric services, $6.6 million for pole replacements, $4.5 million for auto and truck purchases, and $2.6 million for building improvements. Electric system assets of $8.8 million were retired in fiscal year 2023.

Fiscal Year 2022 Compared to Fiscal Year 2021

Capital assets, net of depreciation, increased $21.6 million or 3.1 percent. Major capital expenditures included $25.4 million for distribution system improvements, $17.2 million for Grid Modernization including Supervisory Control and Data Acquisition (SCADA) system upgrades, $6.9 million for pole replacements, $5.7 million for installation or replacement of electric services, and $2.1 million for building improvements. Electric system assets of $19.3 million were retired in fiscal year 2022.

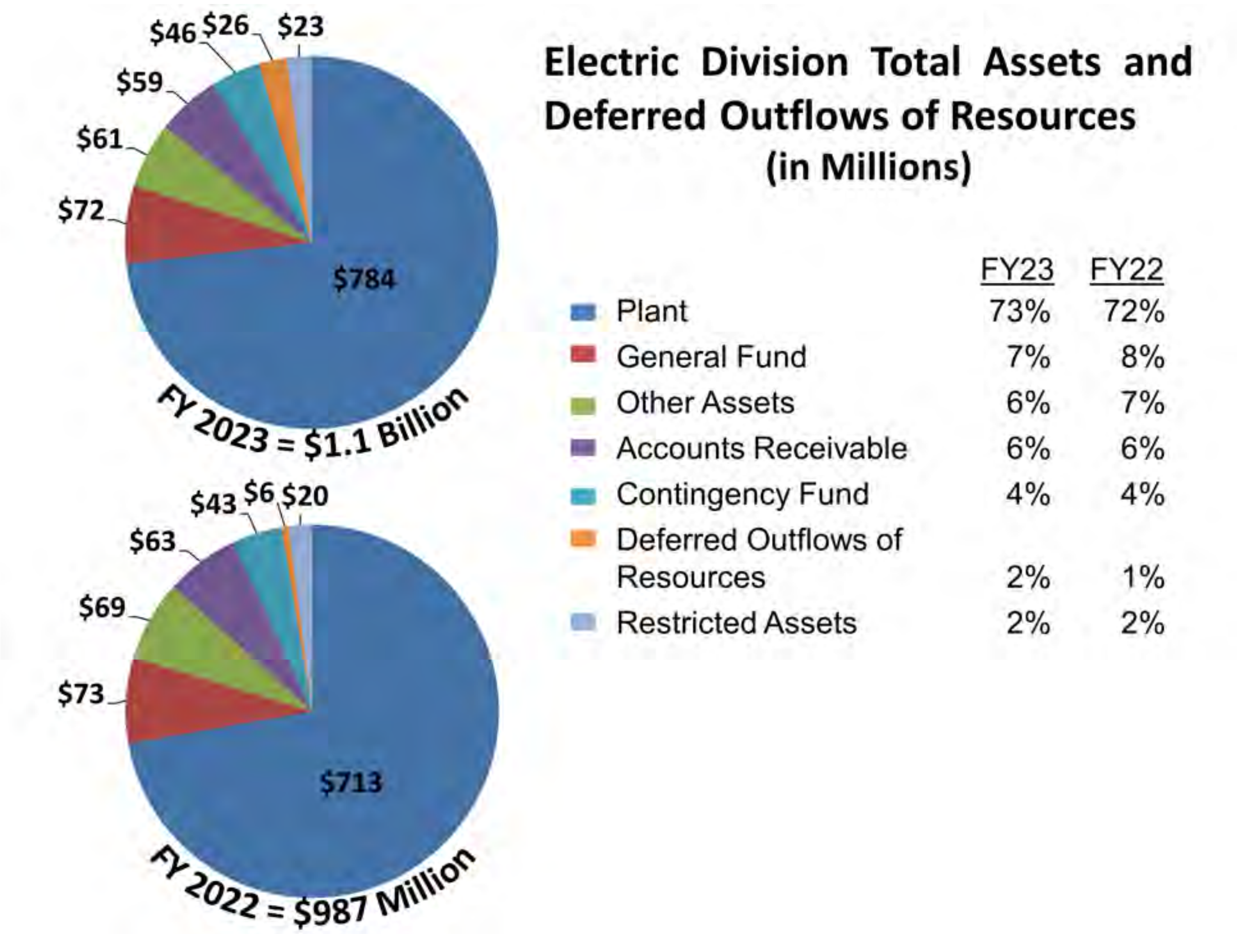
Deferred Outflows of Resources

Fiscal Year 2023 Compared to Fiscal Year 2022

Deferred outflows of resources increased $19.5 million compared to the prior fiscal year, due to an increase in pension outflow of $19.4 million and an increase in OPEB outflow of $0.1 million.

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred outflows of resources increased $2.3 million compared to the prior fiscal year, due to an increase in OPEB outflow of $2.4 million offset by a decrease in pension outflow of $0.1 million.



Current and Other Liabilities

Fiscal Year 2023 Compared to Fiscal Year 2022

Current and other liabilities increased $6.8 million. The actuarially determined net pension liability increased $10.6 million, accrued interest on revenue bonds increased $2.6 million, and the current portion of revenue bonds increased $1.4 million. These increases were offset by an $8.1 million decrease in accrued expenses and a $4.5 million decrease in accounts payable. The outstanding balance on TVA conservation loans declined by $0.3 million, as KUB ceased issuance of any new loans in fiscal year 2016.

KUB over recovered $3.5 million in wholesale power costs from its customers in fiscal year 2023, as compared to a $2.4 million under recovery in fiscal year 2022. This over recovery of costs will be credited to KUB's electric customers during the next fiscal year through adjustments to rates via the Purchased Power Adjustment.

Fiscal Year 2022 Compared to Fiscal Year 2021

Current and other liabilities increased $33.4 million. Accounts payable increased $16 million, accrued expenses increased $6.9 million, the actuarially determined net OPEB liability increased $5.2 million, the current and long-term portions of subscription liability increased $2.4 million, and the current and long-term portions of lease liability increased $1.7 million. The outstanding balance on TVA conservation loans declined by $0.5 million, as KUB ceased issuance of any new loans in fiscal year 2016.

Long-Term Debt

Fiscal Year 2023 Compared to Fiscal Year 2022

Long-term debt increased $64.8 million or 20.3 percent. The increase is due in part to the net impact of the issuance of $79 million of electric system revenue bonds in November 2022 offset by the scheduled repayment of debt.

Fiscal Year 2022 Compared to Fiscal Year 2021

Long-term debt increased $33.3 million or 11.6 percent. The increase is due in part to the net impact of the issuance of $45.7 million of electric system revenue bonds in April 2022 offset by the scheduled repayment of debt. KUB also sold $27.2 million in electric system revenue refunding bonds in April 2022 with a premium of $2 million to refund $28.9 million in outstanding debt, resulting in a reduction of principal of $1.7 million.

Deferred Inflows of Resources

Fiscal Year 2023 Compared to Fiscal Year 2022

Deferred inflows decreased $18.4 million compared to the prior fiscal year, due to a decrease to pension inflow of $18.2 million and a decrease to lease inflow of $0.2 million.

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred inflows decreased $0.9 million compared to the prior fiscal year, due to a decrease to OPEB inflow of $3.8 million offset by a $1.4 million increase in unamortized bond refunding costs, a $1.1 million increase in pension inflow, and a $0.4 million increase in lease inflow.

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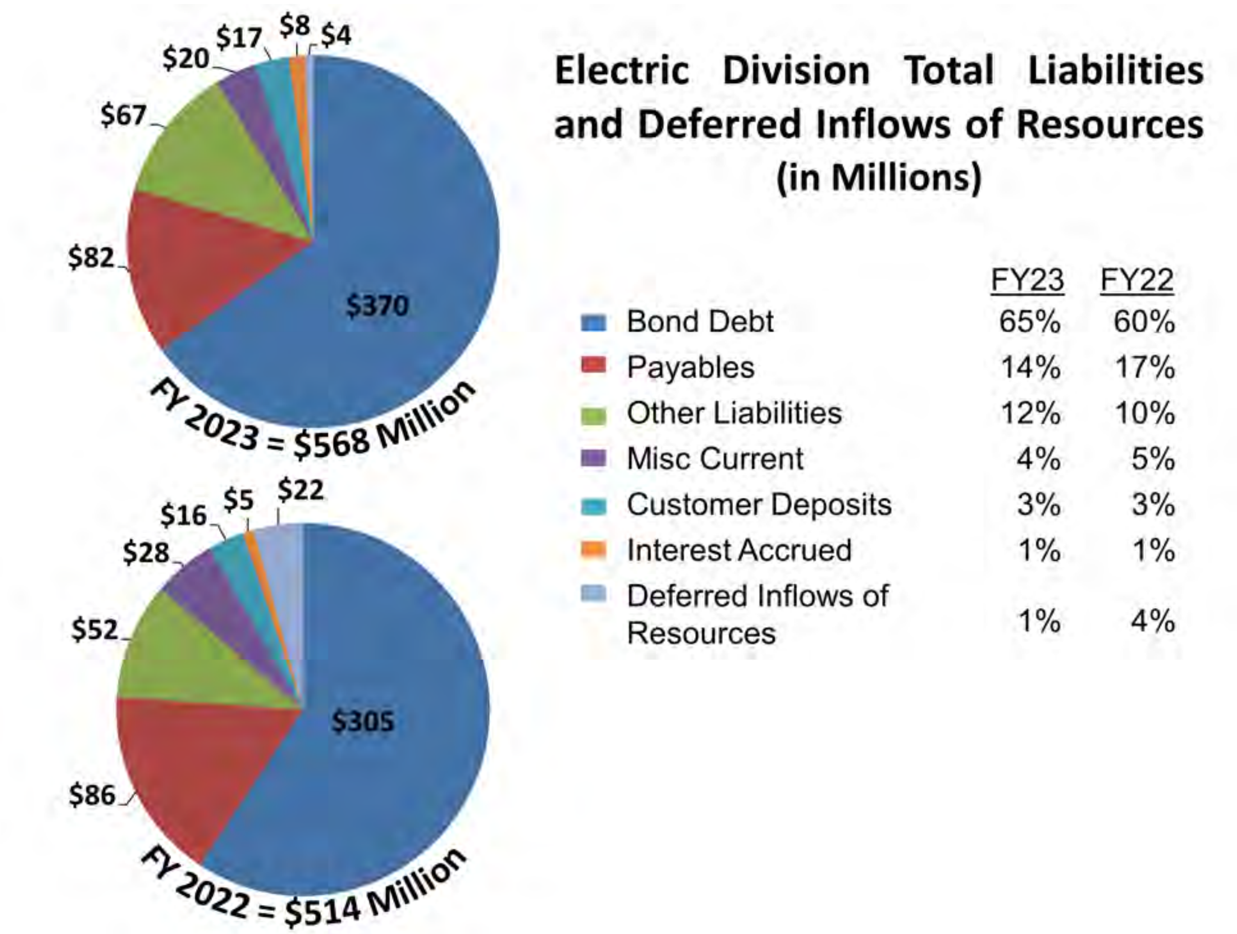

Net Position

Fiscal Year 2023 Compared to Fiscal Year 2022

Total net position increased $31.4 million or 6.6 percent. Net investment in capital assets increased by $3.5 million or one percent. The change was primarily the result of an increase of $71.5 million in net electric plant additions offset by an increase in the electric revenue bonds outstanding of $65 million. Restricted net position increased $1.4 million, due to the net increase of the electric bond fund and the associated interest payable. Unrestricted net position increased $26.4 million, primarily due to an increase in notes receivable of $19.1 million, and an increase in inventories of $6.3 million.

Fiscal Year 2022 Compared to Fiscal Year 2021

Total net position increased $29.2 million or 6.6 percent. Net investment in capital assets decreased by $11.5 million or three percent. The change was primarily the result of an increase of $21.6 million in net electric plant additions offset by an increase in the electric revenue bonds outstanding of $29.4 million. Restricted net position decreased $0.5 million, due to the net decrease of the electric bond fund and the associated interest payable. Unrestricted net position increased $41.2 million, primarily due to an increase in general fund cash of $33.4 million.

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Position for the Electric Division compared to the prior two fiscal years.

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30

(in thousands of dollars)	2023	2022 as restated	2021 as restated
Operating revenues	$ 660,232	$ 606,335	$ 553,898
Less: Purchased power expense	475,900	439,115	394,542
Margin from sales	184,332	167,220	159,356
Operating expenses			
Distribution	51,183	43,441	37,118
Customer service	6,102	6,651	6,204
Administrative and general	28,546	15,560	13,285
Depreciation and amortization	40,651	38,871	40,385
Taxes and tax equivalents	19,919	19,294	19,147
Total operating expenses	146,401	123,817	116,139
Operating income	37,931	43,403	43,217
Interest income	4,879	716	237
Interest expense	(13,538)	(10,739)	(11,218)
Other income/(expense)	2,149	(4,189)	(646)
Change in net position	$ 31,421	$ 29,191	$ 31,590

Normal Impacts on Statement of Revenues, Expenses and Changes in Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Revenues, Expenses and Changes in Net Position presentation:

- Operating revenue is largely determined by the volume of electric power sales for the fiscal year. Any change (increase/decrease) in retail electric rates would also be a cause of change in operating revenue.

- Purchased power expense is determined by volume of power purchases from TVA for the fiscal year. Also, any change (increase/decrease) in TVA wholesale power rates would result in a change in purchased power expense.

- Operating expenses (distribution, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor costs (staffing, wage rates), active employee and retiree medical costs, and overhead line maintenance (tree trimming, pole inspection, etc.).

- Depreciation and amortization expense is impacted by intangible assets, plant additions and retirements during the fiscal year.

- Taxes and tax equivalents are impacted by plant additions/retirements, changes in property tax rates, and margin (operating revenue less purchased power expense) levels.

- Interest income is impacted by the level of interest rates and investments.

- Interest expense on debt is impacted by the level of outstanding debt and the interest rates on the outstanding debt.

- Other income/(expense) is impacted by miscellaneous non-operating revenues and expenses.

- Capital contributions are impacted by a donation of facilities/infrastructure to KUB by developers and governmental agencies. The contributions are recognized as revenue and recorded as plant in service based on the fair market value of the asset(s).

Impacts and Analysis

Change in Net Position

Fiscal Year 2023 Compared to Fiscal Year 2022

The Division's Change in Net Position increased $31.4 million in fiscal year 2023. Comparatively, net position increased $29.2 million in fiscal year 2022.

The higher earnings were attributable to the net effect of a $17.1 million increase in margin on sales offset by a $22.6 million increase in operating expenses and a $7.7 million decrease in non-operating expenses.

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's Change in Net Position increased $29.2 million in fiscal year 2022. Comparatively, net position increased $31.6 million in fiscal year 2021.

The lower earnings were attributable to the net effect of a $7.9 million increase in margin on sales offset by a $7.7 million increase in operating expenses and a $2.6 million increase in non-operating expenses.

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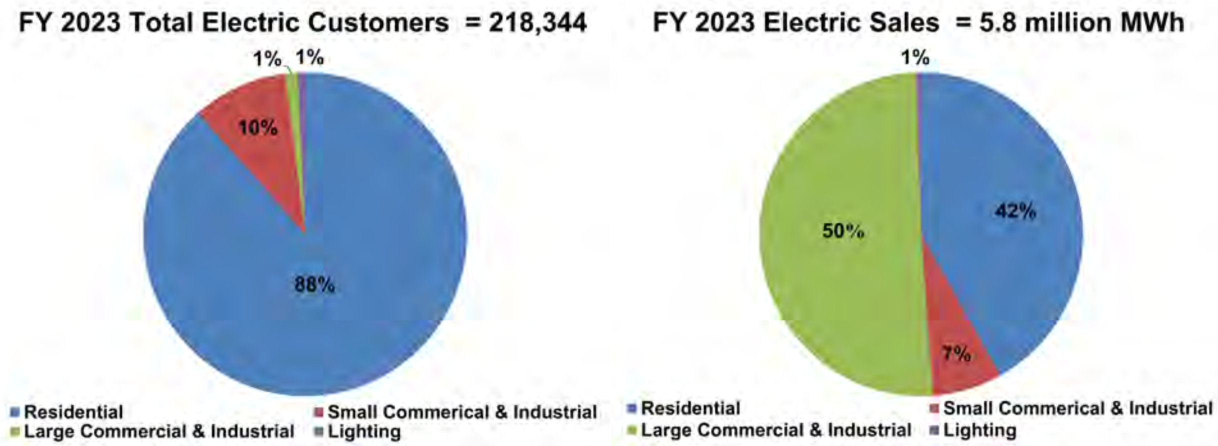
Margin from Sales

Fiscal Year 2023 Compared to Fiscal Year 2022

Margin on electric sales grew $17.1 million, reflecting additional revenue from the April 2023 rate increase.

Operating revenue increased $53.9 million or 8.9 percent. Billed power sales decreased one percent compared to fiscal year 2022. Purchased power expense increased $36.8 million from the prior year due to higher wholesale power costs. KUB received $9.1 million as a result of TVA's Long-Term Partnership Credit, which decreased power expenses in the current fiscal year.



Residential customers represented 88 percent of total electric system customers and accounted for 42 percent of electric sales volumes for the year. Large commercial and industrial customers accounted for 50 percent of electric sales volumes.

KUB's ten largest electric customers accounted for 25 percent of KUB's billed volumes. Those ten customers represent three industrial and seven commercial customers, including three governmental customers. Sales to Carpenter Creek LLC, KUB's largest industrial customer, accounted for 9.4 percent of total electric system sales.

KUB has added 7,951 electric system customers over the past three years, representing annual growth of 1.2 percent. Electric billed sales volumes have increased three percent over the past three years. Fiscal year 2023 customer growth was 3,080.

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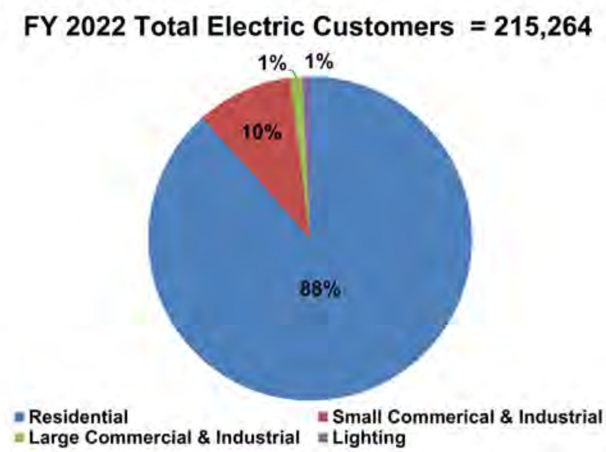
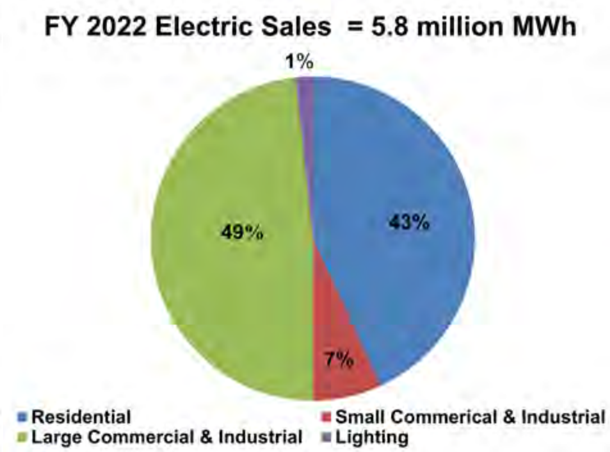
Fiscal Year 2022 Compared to Fiscal Year 2021

Margin on electric sales grew $7.9 million, reflecting increased sales volumes and additional revenue from the April 2022 rate increase.

Operating revenue increased $52.4 million or 9.5 percent. Billed power sales increased three percent compared to fiscal year 2021. Purchased power expense increased $44.6 million from the prior year due to higher wholesale power costs. KUB received $9.3 million as a result of TVA's Long-Term Partnership Credit, which decreased power expenses in the current fiscal year.





Residential customers represented 88 percent of total electric system customers and accounted for 43 percent of electric sales volumes for the year. Large commercial and industrial customers accounted for 49 percent of electric sales volumes.

KUB's ten largest electric customers accounted for 24 percent of KUB's billed volumes. Those ten customers represent three industrial and seven commercial customers, including three governmental customers. Sales to Carpenter Creek LLC, KUB's largest industrial customer, accounted for 8.4 percent of total electric system sales.

KUB has added 6,282 electric system customers over the past three years, representing annual growth of one percent. Electric billed sales volumes have increased 2.5 percent over the past three years. Fiscal year 2022 customer growth was 2,256.

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Operating Expenses

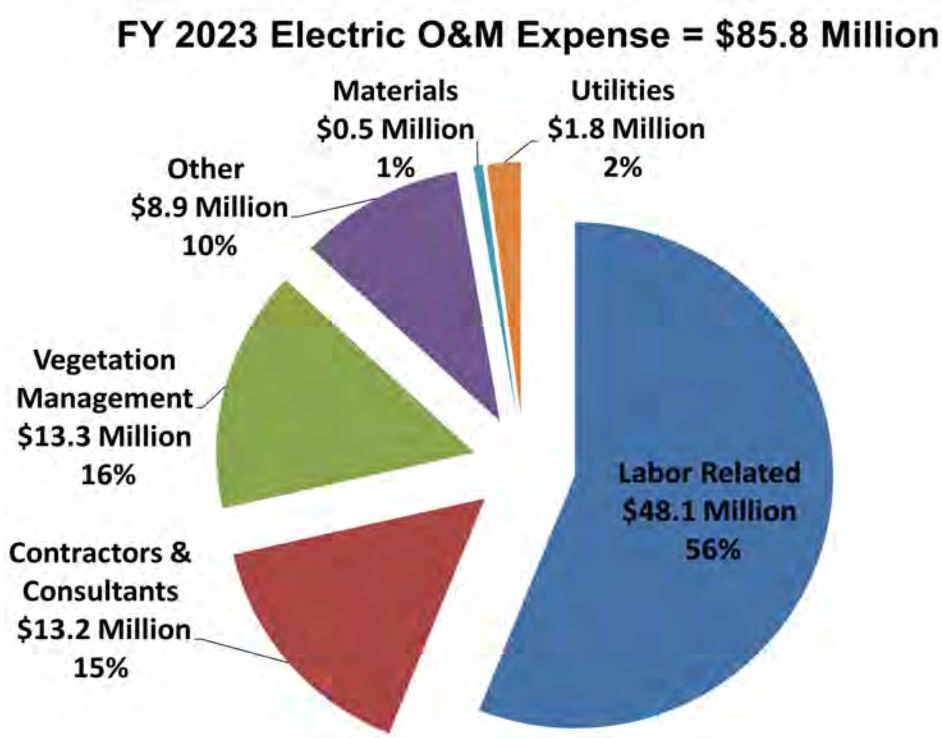
Fiscal Year 2023 Compared to Fiscal Year 2022

Operating expenses (excluding purchased power expense) increased $22.6 million compared to fiscal year 2022. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as distribution, customer service, and administrative and general.

- Distribution expenses increased $7.7 million or 17.8 percent, primarily due to an increase in labor-related expenses, vegetation management expenses, and outside consultant expenses.

- Customer service expenses were $0.5 million lower, primary due to a decrease in computer software expenses due to the implementation of GASB 96.

- Administrative and general expenses increased $13 million, primarily due to an increase in labor-related expenses, driven by higher pension expenses resulting from investment losses, and legal expenses.



- Depreciation and amortization expense increased $1.8 million or 4.6 percent. KUB added $77.3 million in assets during fiscal year 2023. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on $55.8 million in assets placed in service during fiscal year 2022. In addition, $8.8 million of assets were retired in fiscal year 2023.

- Taxes and tax equivalents were $0.6 million higher than the prior fiscal year, primarily due to increased plant in service levels and employer Federal Insurance Contributions Act (FICA) taxes.

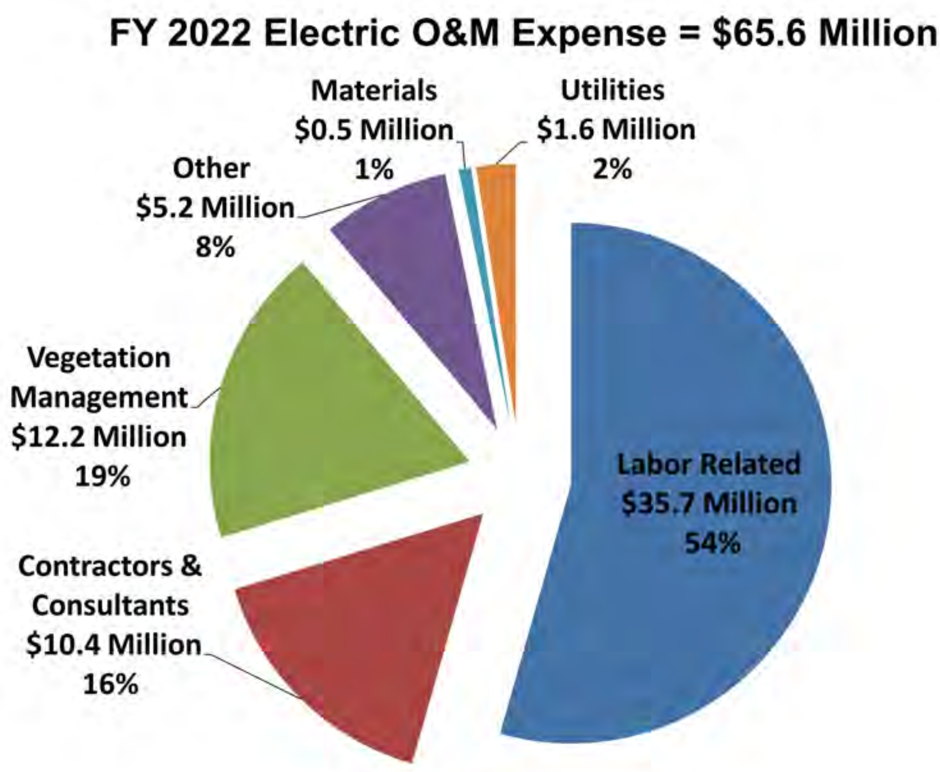
Fiscal Year 2022 Compared to Fiscal Year 2021

Operating expenses (excluding purchased power expense) increased $7.7 million compared to fiscal year 2021. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as distribution, customer service, and administrative and general.

- Distribution expenses increased $6.3 million or 17 percent, primarily due to the catch up from the pandemic related timing delay on vegetation management circuit work and increased labor-related expenses.

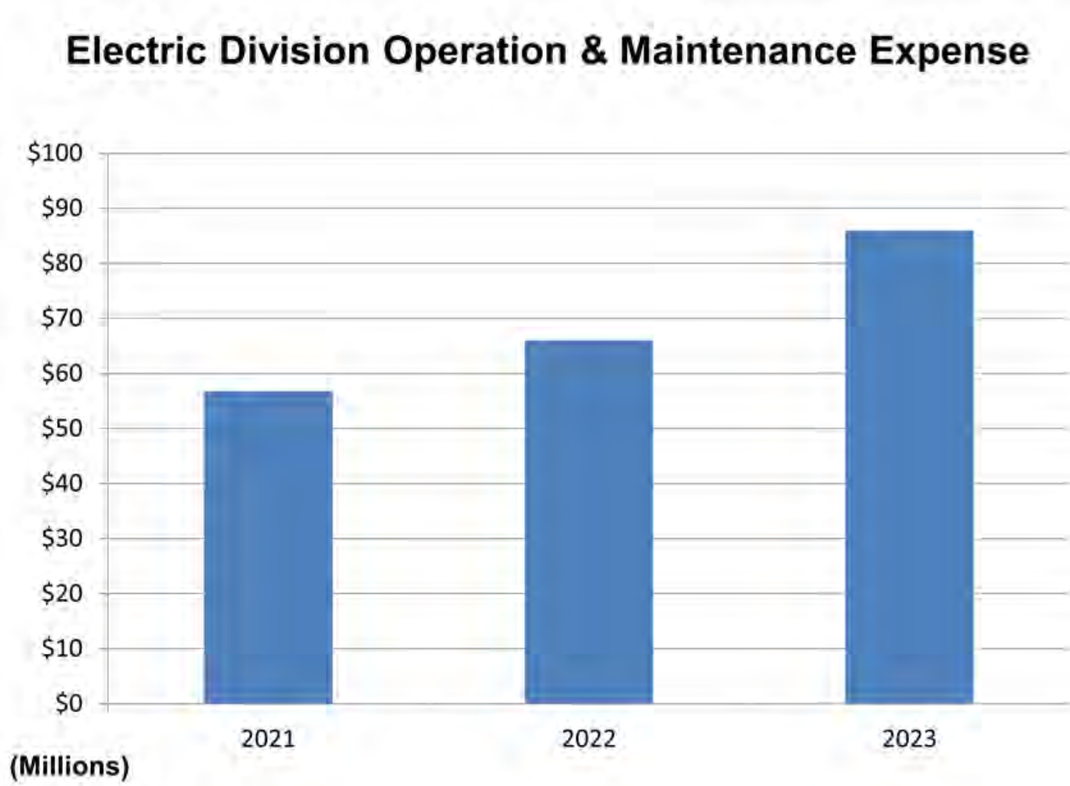
- Customer service expenses were $0.4 million higher, primarily due to increased payment processing fees.

- Administrative and general expenses increased $2.3 million, primarily due to an increase in labor-related expenses, including higher OPEB costs related to the introduction of the Health Reimbursement Arrangement.



- Depreciation and amortization expense decreased $1.5 million or 3.7 percent. KUB added $55.8 million in assets during fiscal year 2022. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on $96.4 million in assets placed in service during fiscal year 2021. In addition, $19.3 million of assets were retired in fiscal year 2022.

- Taxes and tax equivalents were $0.1 million higher than the prior fiscal year.



Other Income and Expense

Fiscal Year 2023 Compared to Fiscal Year 2022

Interest income increased $4.2 million compared to the prior fiscal year, primarily due to rising interest rates throughout the year.

Interest expense increased $2.8 million or 26.1 percent due to new revenue bonds sold during fiscal year 2023.

Other income (net) increased $6.3 million, primarily due mark-to-market adjustments on investments.

Fiscal Year 2022 Compared to Fiscal Year 2021

Interest income increased $0.5 million compared to the prior fiscal year, primarily due to more cash on hand combined with rising interest rates throughout the year.

Interest expense decreased $0.5 million or 4.3 percent.

Other expense (net) increased $3.5 million, primarily due to losses on disposal of property.

Capital Assets

Capital Assets
As of June 30
(Net of Depreciation)

(in thousands of dollars)	**2023**	**2022**	**2021**
Distribution Plant			
Services and Meters	$ 44,256	$ 43,038	$ 46,748
Electric Station Equipment	85,676	61,180	62,704
Poles, Towers and Fixtures	163,802	161,519	157,575
Overhead Conductors	150,166	143,776	133,419
Line Transformers	62,002	61,351	61,575
Other Accounts	113,932	114,399	117,350
Total Distribution Plant	$ 619,834	$ 585,263	$ 579,371
General Plant	67,698	65,544	57,524
Total Plant Assets	$ 687,532	$ 650,807	$ 636,895
Work In Progress	96,958	62,187	54,466
Total Net Plant	$ 784,490	$ 712,994	$ 691,361

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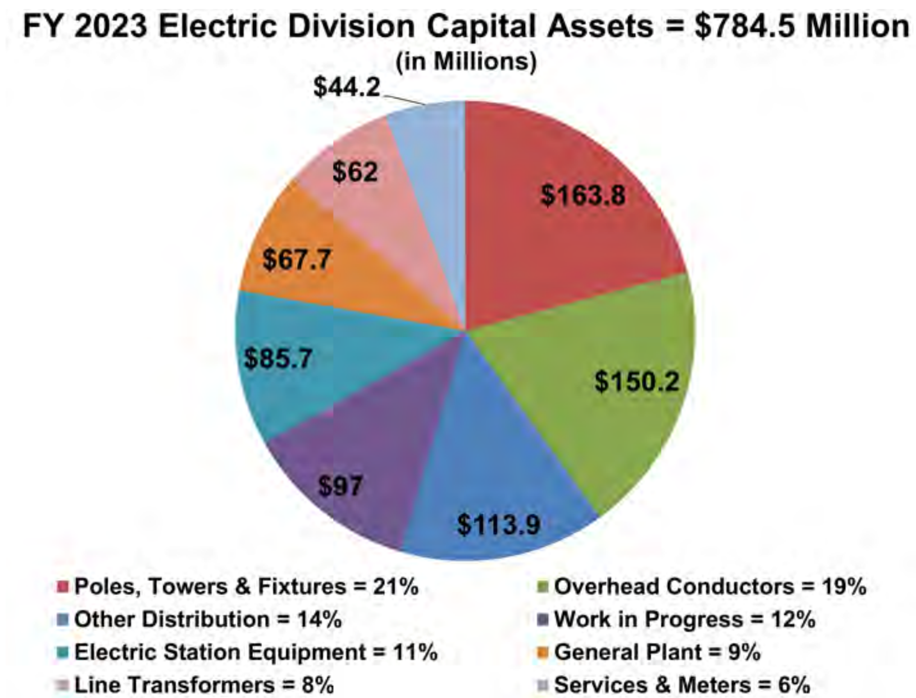
Fiscal Year 2023 Compared to Fiscal Year 2022

As of June 30, 2023, the Division had $784.5 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $71.5 million or 10 percent over the end of the last fiscal year.



Major capital asset expenditures during the year were as follows:

- $46 million for fiber network buildout
- $30.5 million for electric distribution system improvements
- $13.9 million for installation of new electric services and the upgrade or replacement of existing services
- $6.6 million for pole replacements
- $4.5 million for auto and truck purchases
- $2.6 million for building improvements

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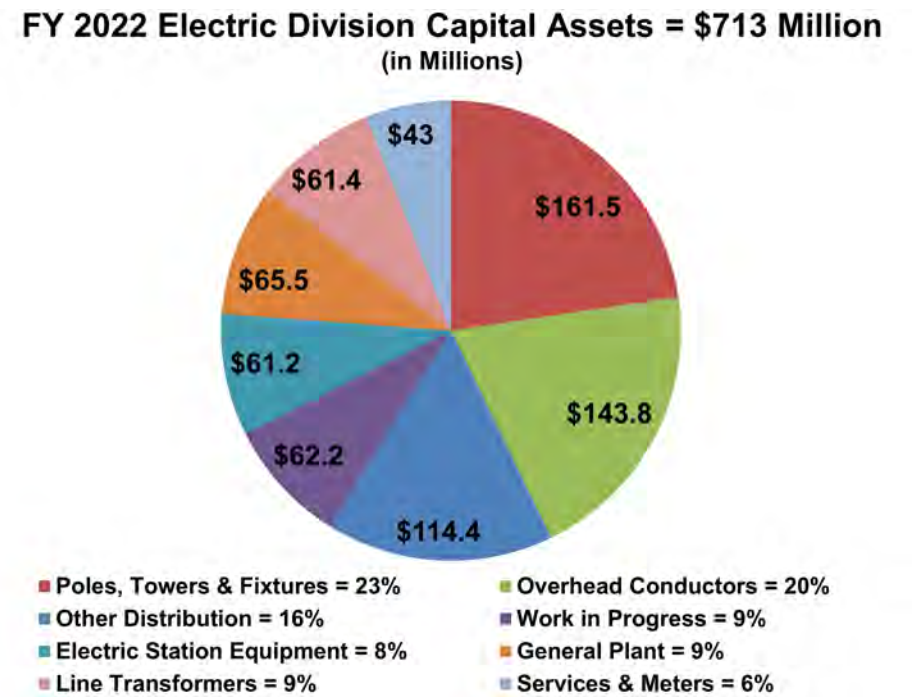
Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $713 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $21.6 million or 3.1 percent over the end of the last fiscal year.



Major capital asset expenditures during the year were as follows:

- $25.4 million for electric distribution system improvements
- $17.2 million for Grid Modernization, including SCADA system upgrades
- $6.9 million for pole replacements
- $5.7 million for installation of new electric services and the upgrade or replacement of existing services
- $2.1 million for building improvements

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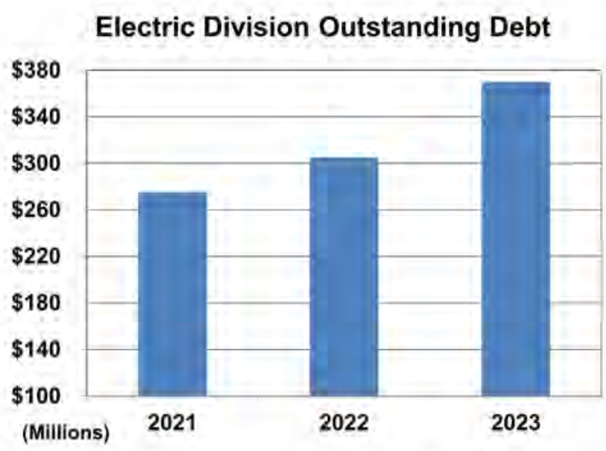
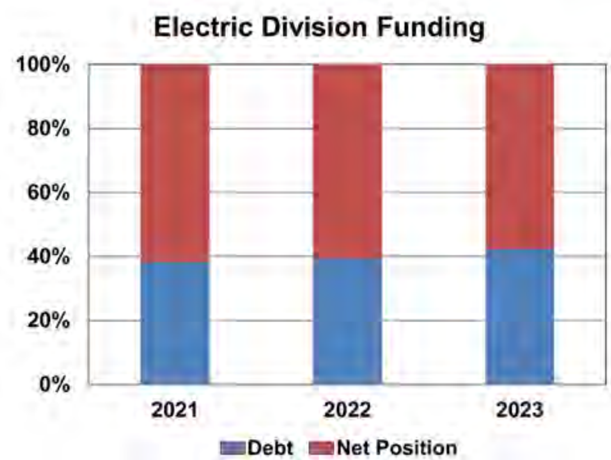
Debt Administration

The Division's outstanding debt was $369.8 million as of June 30, 2023. The bonds are secured solely by revenues of the Electric Division. Debt as a percentage of the Division's capital structure was 42.3 percent in 2023, 39.2 percent in 2022, and 38.3 percent in 2021. KUB's Debt Management Policy limits the Division's debt ratio to 50 percent or less.

Outstanding Debt
As of June 30

(in thousands of dollars)	**2023**	**2022**	**2021**
Revenue bonds	$ 369,795	$ 304,835	$ 275,415
Total outstanding debt	$ 369,795	$ 304,835	$ 275,415





The Division will pay $145.7 million in principal payments over the next ten years, representing 39.4 percent of the outstanding bonds. KUB's Debt Management Policy requires that a minimum of 30 percent of electric debt principal be repaid over the next ten years.

Fiscal Year 2023 Compared to Fiscal Year 2022

As of June 30, 2023, the Division had $369.8 million in outstanding debt (including the current portion of revenue bonds), representing an increase of $65 million or 21.3 percent. As of June 30, 2023, the Division's weighted average cost of debt was 4.02 percent.

KUB sold $79 million in electric system revenue bonds in November 2022 for the purpose of funding electric system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.09 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2053.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2023, the Division's revenue bonds were rated AA- by Standard & Poor's and Aa2 by Moody's Investors Service.

Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $304.8 million in outstanding debt (including the current portion of revenue bonds), representing an increase of $29.4 million or 10.7 percent. As of June 30, 2022, the Division's weighted average cost of debt was 3.93 percent.

KUB sold $45.7 million in electric system revenue bonds in April 2022 for the purpose of funding electric system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 3.36 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2052.

KUB sold $27.2 million in electric system revenue refunding bonds in April 2022 for the purpose of refinancing existing electric system revenue bonds. KUB will realize a total debt service savings of $2 million over the life of the bonds ($1.3 million on a net present value basis). The true interest cost of the bonds, which were sold through a competitive bidding process, was 3.55 percent. The bonds have a final maturity in fiscal year 2046.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2022, the Division's revenue bonds were rated AA- by Standard & Poor's and Aa2 by Moody's Investors Service. Standard & Poor's dropped its rating from AA, as a result of KUB's planned expansion of its fiber network to allow for the sale of broadband services within its electric service territory.

Impacts on Future Financial Position

KUB anticipates adding 1,900 additional electric customers in fiscal year 2024.

In May 2023, the Board approved the issuance of electric system revenue bonds not to exceed $55 million for the purpose of funding electric system capital improvements. The bonds will be sold through a competitive bidding process during fiscal year 2024.

On August 24, 2023, TVA's board voted to approve a 4.5 percent electric base rate increase effective October 1, 2023. The 2.5 percent Pandemic Relief Credit that had been provided to local power companies for the prior three years will expire at the same time. These increases will flow through directly to KUB's electric customers.

In September 2023, KUB elected to participate in TVA's Power Supply Expanded Flexibility Program which will allow KUB to produce its own power, up to 5% of its energy supply.

As a component of the Fiber Division's start-up financing plan, the Electric Division will provide $55 million of interdivisional loans. The first $10 million was provided in October 2021, an additional $7 million was provided in August 2022, and $13 million was provided in February 2023. A $9 million loan is anticipated during fiscal year 2024.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of $1,108,147 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2023, measurement date. Subsequent to June 30, 2023, an actuarial valuation was completed and resulted in an actuarially determined contribution of $2,210,234 for the fiscal year ending June 30, 2025, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2024, measurement date. For the Plan year beginning January 1, 2023, the Plan's actuarial funded ratio is 106.88 percent, and the market value funded ratio is 91.43 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of $1,187,768 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2024, measurement date. Subsequent to June 30, 2023, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,279,985 for the fiscal year ending June 30, 2025, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2025, measurement date. The Plan's actuarial funded ratio is 92.14 percent, and the market value funded ratio is 79.62 percent.

GASB Statement No. 99, *Omnibus 2022*, Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023. GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB No. 62,* is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 101, *Compensated Absences,* is effective for fiscal years beginning after December 15, 2023. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2023.

Financial Contact

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 2023, and 2022. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board Electric Division
Statements of Net Position
June 30, 2023 and 2022

	2023	2022 as restated
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 72,488,469	$ 73,338,766
Short-term contingency fund investments	46,249,233	5,593,407
Accrued interest receivable	234,444	48,330
Accounts receivable, less allowance of uncollectible accounts of $563,258 in 2023 and $569,961 in 2022	58,562,825	63,145,224
Current portion of lease receivable	275,129	266,032
Current portion of notes receivable	1,500,000	375,000
Inventories	21,543,132	15,238,237
Prepaid expenses	844,561	815,923
Total current assets	201,697,793	158,820,919
Restricted assets:		
Electric bond fund	23,046,192	18,968,044
Other funds	698	727
Unused bond proceeds	13	1,298,143
Total restricted assets	23,046,903	20,266,914
Electric plant in service	1,204,870,069	1,136,436,118
Less accumulated depreciation	(517,337,699)	(485,629,439)
	687,532,370	650,806,679
Retirement in progress	1,600,620	1,805,146
Construction in progress	95,357,352	60,382,473
Net plant in service	784,490,342	712,994,298
Intangible assets:		
Intangible right of use asset	2,211,509	2,161,609
Intangible subscription asset	2,798,972	2,784,950
Less accumulated amortization	(1,432,611)	(715,223)
Net intangible assets	3,577,870	4,231,336
Other assets:		
Net pension asset	-	29,962,099
Long-term contingency fund investments	-	36,977,855
Long-term lease receivable	1,840,780	2,007,968
Notes receivable	27,616,667	9,625,000
TVA conservation program receivable	250,291	575,535
Under recovered purchased power cost	-	2,382,423
Other	3,223,524	2,824,666
Total other assets	32,931,262	84,355,546
Total assets	1,045,744,170	980,669,013
Deferred outflows of resources:		
Pension outflow	23,178,444	3,813,999
OPEB outflow	2,555,462	2,419,903
Total deferred outflows of resources	25,733,906	6,233,902
Total assets and deferred outflows of resources	$ 1,071,478,076	$ 986,902,915

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Electric Division
Statements of Net Position
June 30, 2023 and 2022

	2023	2022 as restated
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 15,470,000	$ 14,040,000
Current portion of lease liability	391,979	403,643
Current portion of subscription liability	398,116	376,935
Sales tax collections payable	1,006,222	1,037,881
Accounts payable	80,599,899	85,126,362
Accrued expenses	19,350,429	27,424,262
Customer deposits plus accrued interest	17,131,418	16,400,877
Accrued interest on revenue bonds	7,576,068	4,927,920
Total current liabilities	141,924,131	149,737,880
Other liabilities:		
TVA conservation program	271,138	613,757
Accrued compensated absences	4,818,595	5,029,077
Customer advances for construction	8,995,706	8,170,574
Lease liability	1,281,971	1,514,058
Subscription liability	1,649,633	2,018,104
Net pension liability	10,563,017	-
Net OPEB liability	6,019,220	5,203,565
Over recovered purchased power cost	3,548,522	-
Other	38,317	51,925
Total other liabilities	37,186,119	22,601,060
Long-term debt:		
Electric revenue bonds	354,325,000	290,795,000
Unamortized premiums/discounts	30,341,874	29,092,437
Total long-term debt	384,666,874	319,887,437
Total liabilities	563,777,124	492,226,377
Deferred inflows of resources:		
Pension inflow	291,384	18,466,274
Unamortized bond refunding costs	1,437,283	1,433,692
OPEB inflow	-	15,541
Lease inflow	2,026,426	2,235,602
Total deferred inflows of resources	3,755,093	22,151,109
Total liabilities and deferred inflows of resources	567,532,217	514,377,486
Net position		
Net investment in capital assets	376,865,221	373,317,161
Restricted for:		
Debt service	15,470,124	14,040,124
Other	698	727
Unrestricted	111,609,816	85,167,417
Total net position	503,945,859	472,525,429
Total liabilities, deferred inflows, and net position	$ 1,071,478,076	$ 986,902,915

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Electric Division
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022 as restated
Operating revenues	$ 660,231,612	$ 606,335,419
Operating expenses		
Purchased power	475,899,728	439,114,687
Distribution	51,183,020	43,441,366
Customer service	6,101,877	6,650,825
Administrative and general	28,545,522	15,560,475
Depreciation and amortization	40,651,472	38,871,150
Taxes and tax equivalents	19,918,570	19,293,655
Total operating expenses	622,300,189	562,932,158
Operating income	37,931,423	43,403,261
Non-operating revenues (expenses)		
Contributions in aid of construction	6,662,468	3,019,363
Interest income	4,879,006	716,419
Interest expense	(13,538,166)	(10,739,172)
Amortization of debt costs	1,674,346	1,416,669
Write-down of plant for costs recovered through contributions	(6,662,468)	(3,019,363)
Other	473,821	(5,606,036)
Total non-operating revenues (expenses)	(6,510,993)	(14,212,120)
Change in net position	31,420,430	29,191,141
Net position, beginning of year	472,525,429	443,334,288
Net position, end of year	$ 503,945,859	$ 472,525,429

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Electric Division
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

		2023		2022 as restated
Cash flows from operating activities:				
Cash receipts from customers	$	658,686,516	$	589,479,000
Cash receipts from other operations		15,794,121		9,028,574
Cash payments to suppliers of goods or services		(537,312,442)		(463,723,558)
Cash payments to employees for services		(40,462,300)		(27,692,446)
Payment in lieu of taxes		(17,175,635)		(16,791,348)
Cash receipts from collections of TVA conservation loan program participants		347,182		581,728
Cash payments for TVA conservation loan program		(364,556)		(598,877)
Net cash provided by operating activities		79,512,886		90,283,073
Cash flows from capital and related financing activities:				
Net proceeds from bond issuance		81,476,644		50,016,599
Principal paid on revenue bonds		(14,040,000)		(14,545,000)
Decrease (increase) in unused bond proceeds		1,298,130		(1,298,143)
Interest paid on revenue bonds		(10,746,078)		(10,038,195)
Acquisition and construction of electric plant		(124,026,082)		(69,377,420)
Changes in electric bond fund, restricted		(4,078,148)		(47,067)
Customer advances for construction		1,322,218		649,006
Proceeds received on disposal of plant		285,248		378,922
Principal paid on lease liabilities		(429,000)		(282,522)
Principal paid on subscription liabilities		(376,935)		(361,246)
Interest paid on lease and subscription liabilities		(143,940)		(148,909)
Cash received from developers and individuals for capital purposes		6,662,468		3,019,363
Net cash used in capital and related financing activities		(62,795,475)		(42,034,612)
Cash flows from investing activities:				
Purchase of investment securities		(8,720,000)		(33,780,832)
Maturities of investment securities		5,600,000		28,235,589
Issuance of notes receivable from Fiber Division		(20,000,000)		(10,000,000)
Payments received on notes receivable from Fiber Division		883,333		-
Interest received		4,705,409		659,942
Other property and investments		(36,450)		1,171
Net cash used in investing activities		(17,567,708)		(14,884,130)
Net (decrease) increase in cash and cash equivalents		(850,297)		33,364,331
Cash and cash equivalents, beginning of year		73,338,766		39,974,435
Cash and cash equivalents, end of year		72,488,469	$	73,338,766
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$	37,931,423	$	43,403,261
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expense		42,152,113		40,447,550
Changes in operating assets and liabilities:				
Accounts receivable		8,294,889		(6,875,994)
Lease receivable		158,090		(446,075)
Inventories		(6,304,895)		(3,158,737)
Prepaid expenses		(28,638)		(60,421)
TVA conservation program receivable		325,244		527,650
Other assets		51,902		(59,637)
Sales tax collections payable		(31,659)		116,667
Accounts payable and accrued expenses		(9,340,844)		18,349,075
Unrecovered purchased power cost		5,930,945		(2,809,774)
TVA conservation program payable		(342,619)		(544,799)
Customer deposits plus accrued interest		730,541		1,403,729
Other liabilities		(13,606)		(9,422)
Net cash provided by operating activities	$	79,512,886	$	90,283,073
Noncash capital activities:				
Record intangible right of use asset and lease liability	$	187,374	$	1,974,211
Record intangible subscription asset and subscription liability	$	29,645	$	2,756,285

The accompanying notes are an integral part of these financial statements.

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Electric Division (Division) provides services to certain customers in Knox County and in seven surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform Division of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Electric Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2023, and 2022, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies

Basis of Accounting

In conformity with Generally Accepted Accounting Principles (GAAP), KUB follows the provisions of GASB Statement No. 34 (Statement No. 34), *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as amended by GASB Statement No. 63 (Statement No. 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* Statement No. 34 established standards for external financial reporting for all state and local governmental entities. Under Statement No. 63, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and report *net position* instead of net assets. In addition, KUB follows GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* as it relates to certain items for regulatory accounting. Regulatory accounting allows a regulated utility to defer a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that through the rate making process there will be a corresponding increase or decrease in future revenues. Accordingly, KUB has recognized certain regulatory assets and regulatory liabilities in the accompanying Statements of Net Position.

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The accounting and financial reporting treatment applied to the Division is determined by measurement focus. The transactions of the Division are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted for capital activity and debt service, and unrestricted components.

Recently Adopted New Accounting Pronouncements

In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In May 2020, the GASB issued GASB Statement No. 96 (Statement No. 96), *Subscription-Based Information Technology Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Statement No. 96 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement is reflected on KUB's financial statements.

Electric Plant

Electric plant and other property are stated on the basis of original cost. The cost of current repairs and minor replacements is charged to operating expense. The cost of renewals and improvements is capitalized. The original cost of utility plant assets retired or otherwise disposed of and the cost of removal less salvage value is charged to accumulated depreciation. When other property is retired, the related asset and accumulated depreciation are removed from the accounts, and the gain or loss is included in the results of operations.

The provision for depreciation of electric plant in service is based on the estimated useful lives of the assets, which range from three to forty years, and is computed using the straight-line method. Pursuant to FERC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment of $1,500,641 in fiscal year 2023 and $1,576,400 in fiscal year 2022.

Operating Revenue

Operating revenue consists primarily of charges for services provided by the principal operations of the KUB Electric Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of $1,610,396 in fiscal year 2023 and $1,981,625 in fiscal year 2022.

Non-operating Revenue

Non-operating revenue consists of revenues that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Expense

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is KUB's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets, net position-restricted, and net position-unrestricted.

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease

and subscription liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Net position-restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- Net position-unrestricted – This component of net position consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Contributions in Aid of Construction and Capital Contributions
Contributions in aid of construction are cash collections from customers, grantors, or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

Capital contributions represent contributions of utility plant infrastructure constructed by developers and others in industrial parks and other developments and transferred to KUB upon completion of construction and the initiation of utility service. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, such contributions are recognized as revenues and capital assets upon receipt.

Inventories
Inventories, consisting of plant materials and operating supplies, are valued at the lower of average cost or replacement value.

OPEB Trust
KUB’s OPEB Trust was established by KUB’s Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The purpose of the Trust is to fund KUB’s post-employment health care plan (the “Plan”), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. Effective January 1, 2022, the Plan was expanded to include two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, given that each eligible employee meets the “Rule of 80”, the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

KUB’s policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan’s fiduciary net position. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB’s measurements as of June 30, 2023, and 2022, are based on a June 30, 2023, and 2022, measurement date, respectively. The net OPEB liability is $12,930,655 (Division’s share $6,019,220) as of June 30, 2023, and $11,202,507 (Division’s share $5,203,565) as of June 30, 2022.

Pension Plan and Qualified Excess Benefit Arrangement

KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 12). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. The net pension liability is $22,219,032 (Division's share $10,563,017) as of June 30, 2023, and the net pension asset is $64,137,714 (Division's share $29,962,099) as of June 30, 2022.

KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single-employer defined benefit pension plan, administered by KUB (Note 13). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2023, and 2022.

Investments

Investments are carried at fair value as determined by quoted market prices at the reporting date.

Self-Insurance

KUB has established self-insurance programs covering portions of workers' compensation, employee health, environmental liability, general liability, property and casualty liability, and automobile liability claims. A liability is accrued for claims as they are incurred. When applicable, claims in excess of the self-insured risk are covered by KUB's insurance carrier. Additionally, KUB provides certain lifetime health benefits to eligible retired employees under a self-insurance plan administered by a third party.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and various other assumptions that KUB believes are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments routinely require adjustment. Estimates are used for, but are not limited to, inventory valuation, allowance for uncollectible accounts, depreciable lives of plant assets, unbilled revenue volumes, pension trust valuations, OPEB trust valuations, insurance liability reserves, and potential losses from contingencies and litigation. Actual results could differ from those estimates.

Restricted and Designated Assets

Certain assets are restricted by bond resolutions for the construction of utility plant and debt repayment. Certain additional assets are designated by management for contingency purposes and economic development.

Cash Equivalents

For purposes of the Statements of Cash Flows, KUB considers all unrestricted and undesignated highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the non-cancelable period of the lease plus an additional period covered by either an option to extend or not to terminate the lease that the lessee is reasonably certain to exercise, or an option to extend or not to terminate the lease controlled by the lessor. KUB uses its estimated incremental borrowing rate as the discount rate for leases.

KUB monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the intangible right of use asset.

Subscription-Based Information Technology Arrangements

KUB determines if an arrangement is or contains a subscription-based information technology arrangement (subscription) at contract inception and recognizes an intangible subscription asset and a subscription liability at the commencement date. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. The subscription term includes the non-cancelable period of the subscription plus an additional period covered by either an option to extend or not to terminate the subscription that KUB is reasonably certain to exercise, or an option to extend or not to terminate the subscription controlled by the vendor. KUB uses its estimated incremental borrowing rate as the discount rate for subscriptions.

KUB monitors for events or changes in circumstances that require a reassessment of its subscriptions. When a reassessment results in the remeasurement of a subscription liability, a corresponding adjustment is made to the carrying amount of the subscription asset.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. Deferred inflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Deferred outflows of resources also include employer pension contributions made subsequent to the measurement date of the net pension liability and before the end of the employer's reporting period in accordance with Statement No. 71. Deferred inflows and deferred outflows also include the net difference between projected and actual earnings on pension plan investments and OPEB plan investments, differences between expected and actual experience, and changes in assumptions in accordance with Statements No. 68, 73, and 75. Deferred inflows are also recorded at the commencement of the lease term and recognized as revenue over the course of the lease in accordance with Statement No. 87.

Debt Premium/Discount

KUB records unamortized premium and discount on debt as a separate line item in the Long-Term Debt section of the Financial Statements. Amortization of these amounts is recorded over the life of the applicable debt and is recorded as amortization expense.

Debt Issuance Costs

In accordance with regulatory accounting, KUB records debt issuance costs as an Other Asset. Amortization of these amounts is recorded over the life of the applicable debt and is recorded as amortization expense.

Deferred Gain/Loss on Refunding of Debt

KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. In accordance with FERC presentation, amortization of these amounts is recorded over the life of the applicable debt and is recorded as amortization expense.

Compensated Absences

KUB accrues a liability for earned but unpaid paid time off (PTO) days.

TVA Conservation Program

KUB previously served as a fiscal intermediary for the Tennessee Valley Authority (TVA), whereby loans were made to KUB customers by TVA to be used in connection with TVA's Energy Right Residential Program. While KUB still holds existing loans on behalf of TVA, no loans were made through this program after October 31, 2015.

Restatement for GASB 96

During fiscal year 2023, KUB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) using a full retrospective approach. GASB 96 requires the recognition of an intangible subscription asset and a subscription liability, thereby enhancing the relevance and reliability of information regarding subscription activities. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, have been restated for the change, which did not have an impact on the net position.

As a result of adopting GASB 96, as of June 30, 2022, KUB's Electric Division recorded total subscription assets of $2,784,950 with accumulated amortization of $389,911 and recognized total subscription liabilities of $2,395,039 ($376,935 current). KUB's Electric Division also reclassified $489,579 from administrative and general expense to $389,911 as amortization expense and $99,668 as interest expense.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 96.

Subsequent Events

KUB has evaluated events and transactions through October 31, 2023, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Purchased Power Adjustment

In October 2002, the Board adopted a Purchased Power Adjustment (PPA) to address changes in wholesale power costs. The PPA was established in response to an amendment to KUB's power supply contract under which, among other things, TVA relinquished its regulatory authority over KUB's retail electric rates. The PPA allows KUB to promptly adjust retail electric rates in response to wholesale rate changes or adjustments, thus ensuring that KUB will recover the costs incurred for purchased power. These changes in electric costs are reflected as adjustments to the base electric rates established by the Board. The rate-setting authority vested in the Board by the City Charter meets the "self-regulated" provisions of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and KUB meets the remaining criteria of Statement No. 62.

TVA implemented a fuel cost adjustment in October 2006 applied on a quarterly basis to wholesale power rates. TVA's quarterly fuel cost adjustment became a monthly fuel cost adjustment effective October 2009. KUB flows changes to wholesale power rates from TVA's fuel cost adjustment mechanism directly through to its retail electric rates via the PPA.

In April 2011, TVA modified its wholesale rate structure to demand and energy billing for its distributors. In response, KUB revised its PPA to include a deferred accounting component to ensure appropriate matching of revenue and expense and cost recovery. KUB will adjust its retail rates on an annual basis to flow any over or under recovery of wholesale power costs through to its customers via the PPA.

During the period of October 2020 to September 2021, TVA provided a Pandemic Relief Credit to local power companies. KUB excluded the Standard Service portion of this credit from the Purchased Power Adjustment in order to assist customers in need of financial assistance due to the pandemic. $6,550,000 was made available to residential and small business customers through the COVID Utility Relief Effort (CURE) fund.

During the period of October 2021 to September 2022, TVA provided a Pandemic Recovery Credit to local power companies. KUB excluded the Standard Service portion of this credit from the Purchased Power Adjustment in order to assist customers in need of financial assistance due to the pandemic, making $7,300,000 available to residential and small business customers.

During the period of October 2022 to September 2023, TVA is providing a Pandemic Recovery Credit to local power companies. KUB has included this credit in the Purchased Power Adjustment in order for all customers to benefit from this credit.

Under the PPA mechanism, KUB tracks the actual over/(under) recovered amount in the Over/(Under) Recovered Purchased Power Cost accounts. These accounts are rolled into the PPA rate adjustments thereby assuring that any over/(under) recovered amounts are promptly passed on to KUB's electric customers. The amount of over/(under) recovered cost was $3,548,522 as of June 30, 2023, and ($2,382,423) as of June 30, 2022.

Recently Issued Accounting Pronouncements

In April 2022, the GASB issued GASB Statement No. 99 (Statement No. 99), *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. Paragraphs 26-32 were effective immediately. Paragraphs 11-25 are effective for fiscal years beginning after June 15, 2022. Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued GASB Statement No. 100 (Statement No. 100), *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.* The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 is effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued GASB Statement No. 101 (Statement No. 101), *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023.

KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

3. Deposits and Investments

KUB follows the provisions of Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. This Statement establishes and modifies disclosure requirements for state and local governments related to deposit and investment risks. KUB classifies its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*.

KUB's investment policy provides the framework for the administration and investment of cash deposits. The investment policy follows Tennessee State law and defines the parameters under which KUB funds should be invested. State law authorizes KUB to invest in obligations of the United States Treasury, its agencies and instrumentalities; certificates of deposit; repurchase agreements; money market funds; and the State Treasurer's Investment Pool.

Interest Rate Risk. KUB's primary investment objectives are to place investments in a manner to ensure the preservation of capital, remain sufficiently liquid to meet all operating requirements, and maximize yield of return. KUB minimizes its exposure to interest rate risk by adhering to Tennessee State law requirements for the investment of public funds. This includes limiting investments to those types described above and limiting maturity horizons. The maximum maturity is four years from the date of investment. KUB also limits its exposure by holding investments to maturity unless cash flow requirements dictate otherwise.

Credit Risk. KUB's investment policy, as required by state law, is to apply the prudent-person rule: Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived, as well as the probable safety of their capital.

Custodial Credit Risk. KUB's investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in KUB's name by a third-party custodian bank(s) acting as KUB's agent(s), or through the State of Tennessee's collateral pool. Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of KUB's investments is generally held in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is a part of the State Pooled Investment Fund and is sponsored by the State of Tennessee Treasury Department. Tennessee Code Annotated ¶9-4-701 *et seq*. authorizes local governments to invest in the LGIP. None of KUB's investments are exposed to custodial credit risk.

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Classification of deposits and investments per Statement of Net Position:

		2023		2022
Current assets				
Cash and cash equivalents	$	72,488,469	$	73,338,766
Short-term contingency fund investments		46,178,476		5,593,368
Other assets				
Long-term contingency fund investments		-		36,931,070
Restricted assets				
Unused bond proceeds		13		1,298,143
Electric bond fund		23,046,192		18,968,044
Other funds		698		727
	$	141,713,848	$	136,130,118

The above amounts do not include accrued interest of $70,757 in fiscal year 2023 and $46,824 in fiscal year 2022. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's deposits and investments as held by financial institutions as of June 30, 2023:

Electric

	Deposit and Investment Maturities (in Years)					
		Fair Value		Less Than 1		1-5
Supersweep NOW and Other Deposits	$	95,439,707	$	95,439,707	$	-
State Treasurer's Investment Pool		8,768,094		8,768,094		-
Agency Bonds		37,410,396		37,410,396		-
Certificates of Deposits		2,578,333		2,578,333		-
	$	144,196,530	$	144,196,530	$	-

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. 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.

The Division has no recurring fair value measurements as of June 30, 2023.

KUB measures investments with a maturity at purchase of one year or less at amortized cost, which is considered a fair value equivalent due to their nature. Investments in the State Treasurer's Investment Pool are measured at net asset value (NAV) per share.

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4. Accounts Receivable

Accounts receivable consists of the following:

	2023	2022
Wholesale and retail customers		
Billed services	$ 32,312,101	$ 36,073,890
Unbilled services	21,686,119	26,407,180
Other	5,127,863	1,234,115
Allowance for uncollectible accounts	(563,258)	(569,961)
	$ 58,562,825	$ 63,145,224

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2023	2022
Trade accounts	$ 80,599,899	$ 85,126,362
Salaries and wages	838,620	723,454
Advances on pole rental	1,482,546	1,393,933
Self-insurance liabilities	1,188,749	1,067,781
Other current liabilities	15,840,514	24,239,094
	$ 99,950,328	$ 112,550,624

6. Long-Term Obligations

Long-term debt consists of the following:

	Balance June 30, 2022	Additions	Payments	Defeased	Balance June 30, 2023	Amounts Due Within One Year
Electric						
EE-2015 - 2.0 - 5.0%	$ 21,530,000	$ -	$ 2,300,000	$ -	$ 19,230,000	$ 2,415,000
FF-2015 - 2.0 - 5.0%	1,675,000	-	825,000	-	850,000	850,000
GG-2016 - 2.0 - 5.0%	35,700,000	-	1,000,000	-	34,700,000	1,050,000
HH-2017 - 2.5 - 5.0%	15,225,000	-	2,305,000	-	12,920,000	2,400,000
II-2017 - 3.0 - 5.0%	36,885,000	-	890,000	-	35,995,000	935,000
JJ-2018 - 3.0 - 5.0%	37,550,000	-	895,000	-	36,655,000	930,000
KK-2020 - 5.0%	13,225,000	-	1,215,000	-	12,010,000	1,270,000
LL-2021 - 4.0 - 5.0%	70,180,000	-	4,610,000	-	65,570,000	4,855,000
MM-2022 - 4.0 - 5.0%	45,650,000	-	-	-	45,650,000	765,000
NN-2022 - 4.0 - 5.0%	27,215,000	-	-	-	27,215,000	-
OO-2022 - 4.0 - 5.0%	-	79,000,000	-	-	79,000,000	-
Total bonds	$ 304,835,000	$ 79,000,000	$ 14,040,000	$ -	$ 369,795,000	$ 15,470,000
Unamortized Premium	29,092,437	3,099,539	1,850,102		30,341,874	-
Total long term debt	$ 333,927,437	$ 82,099,539	$ 15,890,102	$ -	$ 400,136,874	$ 15,470,000

	Balance June 30, 2021	Additions	Payments	Defeased	Balance June 30, 2022	Amounts Due Within One Year
Electric						
AA-2012 - 3.0 - 5.0%	$ 3,270,000	$ -	$ 3,270,000	-	$ -	$ -
BB-2012 - 3.0 - 4.0%	825,000	-	825,000	-	-	-
CC-2013 - 3.0 - 4.0%	540,000	-	540,000	-	-	-
DD-2014 - 2.0 - 4.0%	875,000	-	875,000	-	-	-
EE-2015 - 2.0 - 5.0%	23,765,000	-	2,235,000	-	21,530,000	2,300,000
FF-2015 - 2.0 - 5.0%	31,375,000	-	800,000	28,900,000	1,675,000	825,000
GG-2016 - 2.0 - 5.0%	36,650,000	-	950,000	-	35,700,000	1,000,000
HH-2017 - 2.5 - 5.0%	17,420,000	-	2,195,000	-	15,225,000	2,305,000
II-2017 - 3.0 - 5.0%	37,730,000	-	845,000	-	36,885,000	890,000
JJ-2018 - 3.0 - 5.0%	38,405,000	-	855,000	-	37,550,000	895,000
KK-2020 - 5.0%	14,380,000	-	1,155,000	-	13,225,000	1,215,000
LL-2021 - 4.0 - 5.0%	70,180,000	-	-	-	70,180,000	4,610,000
MM-2022 - 4.0 - 5.0%	-	45,650,000	-	-	45,650,000	-
NN-2022 - 4.0 - 5.0%	-	27,215,000	-	-	27,215,000	-
Total bonds	$ 275,415,000	$ 72,865,000	$ 14,545,000	$ 28,900,000	$ 304,835,000	$ 14,040,000
Unamortized Premium	25,718,420	6,718,375	1,731,604	1,612,754	29,092,437	-
Total long term debt	$ 301,133,420	$ 79,583,375	$ 16,276,604	$ 30,512,754	$ 333,927,437	$ 14,040,000

Debt service over remaining term of the debt is as follows:

Fiscal Year	Total Principal	Interest	Grand Total
2024	$ 15,470,000	$ 14,648,930	$ 30,118,930
2025	17,320,000	13,776,899	31,096,899
2026	15,575,000	13,062,274	28,637,274
2027	16,230,000	12,366,074	28,596,074
2028	16,865,000	11,688,922	28,553,922
2029-2033	64,205,000	49,649,106	113,854,106
2034-2038	59,850,000	37,302,476	97,152,476
2039-2043	69,205,000	24,842,933	94,047,933
2044-2048	63,330,000	11,832,558	75,162,558
2049-2053	31,745,000	3,064,100	34,809,100
Total	$ 369,795,000	$ 192,234,272	$ 562,029,272

The Division has pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet the revenue bonds principal and interest payments when due. Such bond requirements are being met through monthly deposits to the Electric Bond Fund as required by the bond covenants. As of June 30, 2023, these requirements had been satisfied.

During fiscal year 2022, KUB's Electric Division issued Series MM 2022 bonds to fund electric system capital improvements. KUB's Electric Division also issued Series NN 2022 bonds to retire a portion of outstanding Series FF 2015 bonds. On May 13, 2022, $27.2 million in revenue refunding bonds with an average interest rate of 4.1 percent were issued to advance refund $28.9 million of outstanding bonds with an average interest rate of 4.1 percent. The net proceeds of $29.5 million (after payment of $0.4 million in issuance costs plus premium of $2 million and an additional issuer equity contribution of $0.6 million) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the bonds, with the exception of the July 1, 2022, and the July 1, 2023, debt service payments. As a result, the remaining bonds are considered to be refunded and the liability of $28.9 million for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the life of the bonds by $2 million, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1.3 million.

During fiscal year 2023, KUB's Electric Division issued Series OO 2022 bonds to fund electric system capital improvements.

Other liabilities consist of the following:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
TVA conservation program	$ 613,757	$ 25,487	$ (368,106)	$ 271,138
Accrued compensated absences	5,029,077	9,682,169	(9,892,651)	4,818,595
Customer advances for construction	8,170,574	4,171,839	(3,346,707)	8,995,706
Other	51,925	27,639	(41,247)	38,317
	$ 13,865,333	$ 13,907,134	$ (13,648,711)	$ 14,123,756

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
TVA conservation program	$ 1,158,556	$ 64,619	$ (609,418)	$ 613,757
Accrued compensated absences	4,654,095	10,402,464	(10,027,482)	5,029,077
Customer advances for construction	7,866,759	3,533,447	(3,229,632)	8,170,574
Other	61,347	70,613	(80,035)	51,925
	$ 13,740,757	$ 14,071,143	$ (13,946,567)	$ 13,865,333

7. Lease Receivables

KUB, as lessor, leases office space, land, and fiber optic cables under non-cancelable lease arrangements. Terms of the leases range from one to ten years and contain fixed payment terms. Certain leases contain an option to renew that has been considered in the lease receivable when the lessee is reasonably certain to exercise the renewal option. KUB recognized lease revenue, which is included in other operating revenues, of $310,609 in 2023 and $235,576 in 2022. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $75,046 in 2023 and $66,221 in 2022. Total lease receivables were $2,115,909 ($275,129 current) and $2,274,000 ($266,032 current) as of June 30, 2023, and 2022, respectively, and are included in other assets on the Statement of Net Position.

8. Lease Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total lease liabilities	$ 1,917,701	$ 187,374	$ (431,125)	$ 1,673,950
Less current portion	(403,643)			(391,979)
Long-term portion	$ 1,514,058			$ 1,281,971

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total lease liabilities	$ 226,012	$ 2,029,005	$ (337,316)	$ 1,917,701
Less current portion	(181,052)			(403,643)
Long-term portion	$ 44,960			$ 1,514,058

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to twenty years and contain fixed payment terms. Certain office space leases contain the option for renewal, which has been considered in the lease liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2023, are summarized as follows:

	Lease Maturities	Interest Requirements
2024	$ 391,979	$ 56,664
2025	415,195	42,390
2026	431,738	26,877
2027	351,969	10,463
2028	9,894	3,681
2029-2033	17,274	15,937
2034-2038	24,329	14,172
2039-2043	31,572	9,844
	$ 1,673,950	$ 180,028

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9. Subscription-Based Information Technology Agreement Liabilities

Changes in SBITA liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total SBITA liabilities	$ 2,395,039	$ 29,645	$ (376,935)	$ 2,047,749
Less current portion	(376,935)			(398,116)
Long-term portion	$ 2,018,104			$ 1,649,633

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total SBITA liabilities	$ -	$ 2,756,285	$ (361,246)	$ 2,395,039
Less current portion	-			(376,935)
Long-term portion	$ -			$ 2,018,104

KUB has subscription-based information technology agreements (SBITAs) which grant non-cancelable rights to use underlying information technology software. Terms of agreement range from five to eighteen years and contain fixed and variable payment terms. Certain SBITAs contain the option for renewal, which has been considered in the SBITA liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2023, are summarized as follows:

	Subscription Maturities	Interest Requirements
2024	$ 398,116	$ 71,353
2025	385,741	56,561
2026	401,691	41,324
2027	419,616	25,418
2028	442,585	8,678
	$ 2,047,749	$ 203,334

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10. Capital and Intangible Assets

Capital and intangible asset activity was as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Distribution Plant				
Services and Meters	$ 74,990,605	$ 4,866,515	$ (377,028)	$ 79,480,092
Electric Station Equipment	187,970,173	32,116,981	(1,162,790)	218,924,364
Poles, Towers and Fixtures	229,318,620	9,047,087	(1,272,890)	237,092,817
Overhead Conductors	189,890,504	12,186,365	(2,991,982)	199,084,887
Line Transformers	108,462,710	3,275,117	(554,944)	111,182,883
Other Accounts	195,635,304	5,032,720	(1,301,346)	199,366,678
Total Distribution Plant	$ 986,267,916	$ 66,524,785	$ (7,660,980)	$ 1,045,131,721
General Plant	150,168,202	10,726,797	(1,156,651)	159,738,348
Total Plant Assets	$ 1,136,436,118	$ 77,251,582	$ (8,817,631)	$ 1,204,870,069
Less Accumulated Depreciation	(485,629,439)	(41,580,780)	9,872,520	(517,337,699)
Net Plant Assets	$ 650,806,679	$ 35,670,802	$ 1,054,889	$ 687,532,370
Work In Progress	62,187,619	113,518,468	(78,748,115)	96,957,972
Total Net Plant	$ 712,994,298	$ 149,189,270	$ (77,693,226)	$ 784,490,342
Intangible Right of Use Assets				
Office space	$ 2,040,220	$ -	$ (60,106)	$ 1,980,114
Equipment	53,811	14,919	(7,549)	61,181
Other	67,578	170,214	(67,578)	170,214
Total Intangible Right of Use Assets	$ 2,161,609	$ 185,133	$ (135,233)	$ 2,211,509
Less Accumulated Amortization	(325,312)	(399,992)	82,926	(642,378)
Net Intangible Right of Use Assets	$ 1,836,297	$ (214,859)	$ (52,307)	$ 1,569,131
Intangible Subscription Assets				
Intangible Subscription Assets	$ 2,784,950	$ 14,022	$ -	$ 2,798,972
Less Accumulated Amortization	(389,911)	(400,322)	-	(790,233)
Net Intangible Subscription Assets	$ 2,395,039	$ (386,300)	$ -	$ 2,008,739

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	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Distribution Plant				
Services and Meters	$ 74,579,437	$ 507,367	$ (96,199)	$ 74,990,605
Electric Station Equipment	182,343,725	6,005,229	(378,781)	187,970,173
Poles, Towers and Fixtures	219,670,116	10,399,090	(750,586)	229,318,620
Overhead Conductors	180,227,318	14,958,176	(5,294,990)	189,890,504
Line Transformers	106,735,123	2,395,193	(667,606)	108,462,710
Other Accounts	200,200,670	5,364,515	(9,929,881)	195,635,304
Total Distribution Plant	$ 963,756,389	$ 39,629,570	$ (17,118,043)	$ 986,267,916
General Plant	136,238,677	16,140,890	(2,211,365)	150,168,202
Total Plant Assets	$ 1,099,995,066	$ 55,770,460	$ (19,329,408)	$ 1,136,436,118
Less Accumulated Depreciation	(463,099,778)	(39,790,345)	17,260,684	(485,629,439)
Net Plant Assets	$ 636,895,288	$ 15,980,115	$ (2,068,724)	$ 650,806,679
Work In Progress	54,465,567	65,383,303	(57,661,251)	62,187,619
Total Net Plant	$ 691,360,855	$ 81,363,418	$ (59,729,975)	$ 712,994,298
Intangible Right of Use Assets				
Office space	$ 309,638	$ 1,995,795	$ (265,213)	$ 2,040,220
Equipment	44,488	27,415	(18,092)	53,811
Other	73,988	24,101	(30,511)	67,578
Total Intangible Right of Use Assets	$ 428,114	$ 2,047,311	$ (313,816)	$ 2,161,609
Less Accumulated Amortization	(202,103)	(363,925)	240,716	(325,312)
Net Intangible Right of Use Assets	$ 226,011	$ 1,683,387	$ (73,099)	$ 1,836,297
Intangible Subscription Assets				
Intangible Subscription Assets	$ -	$ 2,784,950	$ -	$ 2,784,950
Less Accumulated Amortization	-	(389,911)	-	(389,911)
Net Intangible Subscription Assets	$ -	$ 2,395,039	$ -	$ 2,395,039

11. Risk Management

KUB is exposed to various risks of loss related to active and retiree medical claims; injuries to workers; theft of, damage to, and destruction of assets; environmental damages; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

These liabilities are included in accrued expenses in the Statement of Net Position. The liability is KUB's best estimate based on available information. As of June 30, 2023, and June 30, 2022, the amount of these liabilities was $1,188,749 and $1,067,781, respectively, resulting from the following changes:

	2023	2022
Balance, beginning of year	$ 1,067,781	$ 929,396
Current year claims and changes in estimates	10,265,043	8,769,088
Claims payments	(10,144,075)	(8,630,703)
Balance, end of year	$ 1,188,749	$ 1,067,781

12. Pension Plan

Description of Plan

The Knoxville Utilities Board Pension Plan (the Plan) is a governmental plan as defined by the Employee Retirement Income Security Act of 1974 (ERISA or the Act), is not subject to any of the provisions of the Act, and was revised January 1, 2020, to include all prior approved amendments. The Plan is a single-employer contributory, defined benefit pension plan established by Knoxville Utilities Board Resolution No. 980 dated February 18, 1999, effective July 1, 1999, as authorized by the Charter of the City of Knoxville §1107(J). KUB Board Resolution No. 979, effective July 1, 1999, as amended by Resolution No. 1037, establishing the KUB Retirement System, was amended effective June 18, 2020, to amend the term “Trustee” to include both custodians and/or trustees, in order to provide flexibility should KUB choose to change from its current Pension trustee. The Plan is designed to provide retirement, disability, and death benefits to KUB employees. KUB administers the Plan through an Administrative Committee consisting of seven KUB employees that are appointed by KUB’s President and CEO. Any amendments to the Plan involving costs not approved in the operating budget must be adopted by KUB’s Board of Commissioners, upon recommendation by KUB’s President and CEO. All other amendments to the Plan may be approved by KUB’s President and CEO upon 60 days notification to the Board’s Audit and Finance Committee. The Plan issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division’s share is specified.

Effective January 1, 2011, KUB closed the Plan such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and to accrue benefits under the Plan.

Participants in the Plan consisted of the following as of December 31:

	2022	2021
Inactive plan members:		
Terminated vested participants	14	12
Retirees and beneficiaries	603	600
Active plan members	431	478
Total	1,048	1,090

Retirement Benefits

The Plan provides three benefit arrangements for KUB participants, retirees, and beneficiaries.

The Plan provides pension benefits through the Career Equity Program (“CEP”) for eligible employees hired on or after January 1, 1999, and for eligible former “City System Plan A” participants who elected CEP coverage as of July 1, 1999. The guaranteed pension benefit payable to a participant who has completed five or more years of service (or reached the normal retirement date, if earlier) upon termination of KUB employment shall be a lump sum equal to the participant’s average compensation times their benefit percentage, as defined in the Plan document, or an annuity may be chosen by the participant.

In addition, the Plan provided retirement benefits through “Plan A” for former City System Plan A participants who elected not to participate in the CEP. Plan A is a closed plan and is not available to KUB employees hired after July 1, 1999. Plan A provides for early retirement benefits with 25 years of service and normal retirement benefits at age 62 or later. Benefits provided to Plan A participants include several different forms of monthly annuity payments.

The Plan also provides retirement benefits through "Plan B" for former "City System Plan B" participants. Plan B is a closed plan providing benefits to participants not covered by Social Security. Benefits provided to Plan B participants include several different forms of monthly annuity payments available to participants.

Effective January 1, 2012, KUB began to provide for additional monthly supplements, which are not subject to cost-of-living adjustments, to certain former employees and surviving dependents of former employees who are eligible for and have elected coverage under the KUB retiree medical plan and are eligible for Medicare. This was done to compensate for the elimination of drug coverage under the KUB retiree medical plan and to assist such individuals in obtaining prescription drug coverage under Medicare Part D.

Contributions

Participation in Plan A requires employee contributions of three percent of the first $4,800 of annual earnings and five percent of annual earnings in excess of $4,800. KUB contributions are determined by the enrolled actuary of the Plan and equal the amount necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions. The method of funding shall be consistent with Plan objectives.

Plan Funding

KUB maintains a Funding Policy for the Plan in accordance with Tennessee State Law. The primary goal of the Policy is to document the method KUB has adopted to provide assurance that future KUB and employee contributions and current Plan assets will be sufficient to fund all benefits expected to be paid to current active, inactive and retired Plan participants and their beneficiaries. Per the Funding Policy, KUB fully funds its annual Actuarially Determined Contribution.

Investments

The Plan's investments are held by State Street Bank and Trust Company (the "Trustee"). The Plan's policy in regard to the allocation of invested assets is established by the Retirement System Investment Committee and approved by the KUB Board of Commissioners and may only be amended by the KUB Board of Commissioners. It is the policy of the Retirement System Investment Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Plan's adopted asset allocation policy as of December 31, 2022:

Asset Class	Target Allocation
Domestic equity – large cap	20% - 50%
Domestic equity – mid cap	0% - 15%
Domestic equity – small cap	0% - 15%
Domestic equity – convertible securities	0% - 10%
Non-U.S. equity	0% - 20%
Real estate equity	0% - 10%
Fixed income – aggregate bonds	5% - 25%
Fixed income – long-term bonds	10% - 25%
Cash and deposits	0% - 5%

Contributions of $2,624,373 and $3,665,168 for 2021 and 2020, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2023, and 2022, respectively. Of these amounts, $1,247,636 and $1,712,192 are attributable to the Electric Division. The fiscal year 2023 contribution was determined as part of the January 1, 2021, valuation using the Individual Entry Age Normal funding method. The objective under this method is to fund each participant's benefits under the Plan as payments which are level as a percentage of salary, starting on the original participation date (employment date) and continuing until the assumed retirement, termination, disability, or death.

Net Pension Liability (Asset)

The below summarizes the disclosures of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB 68"), which requires measurement of the net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, will be based on the December 31, 2022, and 2021, measurement date, respectively. The net pension liability is $22,219,032 (Division's share $10,563,017) as of June 30, 2023, and the net pension asset is $64,137,714 (Division's share $29,962,099) as of June 30, 2022.

GASB 68 requires certain disclosures related to the net pension liability (asset) of the Plan as disclosed below:

	2022	2021
Total pension liability	$ 254,406,723	$ 242,201,780
Plan fiduciary net position	(232,187,691)	(306,339,494)
Plan's net pension liability (asset)	$ 22,219,032	$ (64,137,714)
Plan fiduciary net position as a percentage of the total pension liability	91.27%	126.48%

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Changes in Net Pension Liability (Asset) are as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2021	$ 242,201,780	$ 306,339,494	$ (64,137,714)
Changes for the year:			
Service cost	6,349,402	-	6,349,402
Interest	17,430,465	-	17,430,465
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	282,014	-	282,014
Changes of Assumptions	5,268,672	-	5,268,672
Contributions - employer	-	3,144,770	(3,144,770)
Contributions - rollovers	-	3,080	(3,080)
Contributions - member	-	3,809,515	(3,809,515)
Net investment income	-	(63,484,570)	63,484,570
Benefit payments	(17,125,610)	(17,125,610)	-
Administrative expense	-	(498,988)	498,988
Net changes	12,204,943	(74,151,803)	86,356,746
Balances at December 31, 2022	$ 254,406,723	$ 232,187,691	$ 22,219,032

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation dates	January 1, 2022, rolled forward to December 31, 2022; January 1, 2021, rolled forward to December 31, 2021
Discount rate	7.00% as of December 31, 2022; 7.25% as of December 31, 2021
Salary increases	From 2.50% to 5.65%, based on years of service as of December 31, 2022, and 2021
Mortality	115% and 110% of the PubG-2010 table for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of December 31, 2022, and 2021
Inflation	2.5% as of December 31, 2022, and 2021

The actuarial assumptions used in the January 1, 2022, and 2021, valuations were based on an actuarial experience study covering the period January 1, 2014, through December 31, 2018.

The long-term expected rate of return on 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 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. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2022, and 2021, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. The Plan has both aggregate and long duration fixed income.

	Long Term Expected Real Rate of Return	
Asset Class	**2022**	**2021**
Domestic equity	5.0%	5.1%
Non-U.S. equity	6.1%	6.0%
Real estate equity	5.4%	5.4%
Debt securities	0.5%	0.2%
Cash and deposits	(0.1%)	(0.3%)

Discount rate
The discount rate used to measure the total pension liability was 7.00 percent as of December 31, 2022, and 7.25 percent as of December 31, 2021. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. 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 plan members. 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.

Sensitivity of the net pension liability (asset) to changes in the discount rate
The following presents the net pension liability of the Plan as of December 31, 2022, calculated using the discount rate of 7.00 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1% Increase (8.00%)**
Plan's net pension liability	$ 45,400,841	$ 22,219,032	$ 2,259,345

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

For the year ended June 30, 2023, KUB recognized pension expense of $8,973,269 and the Electric Division's share was $4,252,758.

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2021, this average was four years. During the measurement year, there was a liability experience loss of $282,014, with $70,504 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $211,510. Unrecognized liability experience losses from prior periods were $2,609,559, of which $869,853 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,739,706. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of $1,951,216 (Division's share $927,616). Unrecognized liability gains from prior periods were $542,777, of which $331,952 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $210,825 (Division's share $100,227).

During the measurement year, there was an assumption change loss of $5,268,672, with $1,317,168 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $3,951,504. Net unrecognized assumption change losses from prior periods were $3,389,264, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $1,694,632. The total deferred outflow is $5,646,136 (Division's share $2,684,196).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $85,314,262, of which $17,062,852 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $38,969,257, of which $10,346,356 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment losses this year, along with unrecognized investment gains from prior periods, results in a deferred outflow of $39,628,509 (Division's share $18,839,551).

The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred inflow of $252,695, with $63,174 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred inflow of resources of $189,521. Net proportionate share changes from prior periods were $150,014, of which $50,005 was recognized in the current year, resulting in a deferred outflow of resources of $100,009. In addition, KUB's Electric Division recorded a deferred outflow of resources of $623,818 for employer contributions made between December 31, 2022, and June 30, 2023.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Electric Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 927,616	$ 100,227
Changes in assumptions	2,684,196	-
Net difference between projected and actual earnings on pension plan investments	18,839,551	-
Change in proportionate share	100,009	189,521
Contributions subsequent to measurement date	623,818	-
Total	$ 23,175,190	$ 289,748

$623,818 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2024	$ 2,261,643
2025	4,873,540
2026	7,014,692
2027	8,111,749
Thereafter	-

For the year ended June 30, 2022, KUB recognized pension expense of ($11,639,307) and the Electric Division’s share was ($5,387,327).

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. During the measurement year, there was a liability experience loss of $1,935,276, with approximately $483,819 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $1,451,457. Unrecognized liability experience losses from prior periods were $1,544,136, of which $386,034 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,158,102. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of $2,609,559 (Division’s share $1,219,063). Unrecognized liability gains from prior periods were $1,092,163, of which $549,386 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $542,777 (Division’s share $253,560).

During the measurement year, there were no benefit changes or assumption changes. Net unrecognized assumption change losses from prior periods were $5,083,896, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $3,389,264 (Division’s share $1,583,303). Net unrecognized assumption change gains from prior periods were $71,525, of which the remaining $71,525 was recognized as a decrease in Pension Expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $17,812,070, of which $3,562,414 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $34,994,864, of which $10,275,263 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with unrecognized investment gains from prior periods, results in a deferred inflow of $38,969,257 (Division's share $18,204,589).

The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred outflow of $200,018, with $50,005 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred outflow of resources of $150,014. In addition, KUB's Electric Division recorded a deferred outflow of resources of $856,097 for employer contributions made between December 31, 2021, and June 30, 2022.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Electric Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,219,063	$ 253,560
Changes in assumptions	1,583,303	-
Net difference between projected and actual earnings on pension plan investments	-	18,204,589
Change in proportionate share	150,014	-
Contributions subsequent to measurement date	856,097	-
Total	$ 3,808,477	$ 18,458,149

13. Qualified Excess Benefit Arrangement

Description

In fiscal year 2017, KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single-employer defined benefit pension plan administered by KUB. The number of participants in any given year for the QEBA is determined by the number of KUB Pension Plan participants who exceed the current year's section 415(b) limitations, as calculated by the KUB Pension Plan actuary. The amount of QEBA benefit will be the amount specified by the terms of the KUB Pension Plan without regard to Section 415(b) limitations minus the amount payable from the KUB Pension Plan as limited by Section 415(b). QEBA benefits are subject to cost-of-living adjustments.

As of June 30, 2023, there are 404 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2023, and 2022.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. There is no Total Pension Liability as of June 30, 2023, and 2022.

GASB 73 requires certain disclosures related to the total pension liability of the QEBA, as disclosed below:

	2022	**2021**
Total pension liability	$0	$0
Deferred outflows	(6,779)	(11,505)
Deferred inflows	3,408	16,927
Net impact on Statement of Net Position	($3,371)	$5,422
Covered payroll	$37,412,132	$38,074,863
Total pension liability as a % of covered payroll	0.00%	0.00%

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

For the year ended June 30, 2023, KUB recognized pension expense of ($8,793) (Division's share ($4,221)) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [($3,371) - $5,422 + $-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. There was a deferred inflow at the end of the measurement year of $3,408 (Division's share $1,636) from experience gains in prior years and a deferred outflow of $4,073 (Division's share $1,955) from experience losses in prior years.

There was a deferred outflow of $2,706 (Division's share $1,299) from assumption changes in prior years.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,073	$ 3,408
Changes in assumptions	2,706	-
Total	$ 6,779	$ 3,408
Division's share	$ 3,254	$ 1,636

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2024	$ 3,023
2025	348
2026	-
2027	-
2028	-
Thereafter	-

For the year ended June 30, 2022, KUB recognized pension expense of $16,613 (Division's share $7,974) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($19,875), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$5,422 - $8,684 + $19,875].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. During the measurement year, there was an experience gain of $6,816, with $1,704 recognized in the current year and each of the next three years, resulting in a deferred inflow of $5,112 (Division's share $2,454). There was a deferred inflow at the end of the measurement year of $7,225 (Division's share $3,468) from experience gains in prior years and a deferred outflow of $6,112 (Division's share $2,933) from experience losses in prior years.

During the measurement year, there were no assumption changes. There was a deferred inflow at the end of the measurement year of $4,590 (Division's share $2,203) and a deferred outflow of $5,393 (Division's share $2,589) from assumption changes in prior years.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,112	$ 12,337
Changes in assumptions	5,393	4,590
Total	$ 11,505	$ 16,927
Division's share	$ 5,522	$ 8,125

14. Defined Contribution Plan

The KUB Asset Accumulation 401(k) Plan (the “401(k) Plan”) is a defined contribution 401(k) employee retirement savings plan covering eligible KUB employees established by the KUB Board of Commissioners in accordance with the Charter of the City of Knoxville, Tennessee. The 401(k) Plan’s assets are held in trust under an agreement between KUB and Fidelity Management Trust Company. Employees hired prior to January 1, 2011, may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. Employees hired on or after January 1, 2011, have an enhanced 401(k) due to the closure of the Defined Benefit Pension Plan. They may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. They also receive a non-elective KUB contribution of three percent to six percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and non-elective contributions of $3,794,561 (Division’s share $1,745,498) and $3,125,903 (Division’s share $1,500,433), respectively, for the years ended June 30, 2023, and 2022.

15. Other Post-Employment Benefits (OPEB)

Description of Trust

The Knoxville Utilities Board Other Post-Employment Benefits Trust (the Trust) is a single-employer trust established by the KUB Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The Trust, along with the KUB Health Plan, make up a Voluntary Employee Beneficiary Association (“VEBA”) and are intended to be tax-exempt pursuant to Code §501(c)(9). The purpose of the Trust is to fund KUB’s post-employment health care plan (the “Plan”), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. The applicable documentation was submitted to the State Funding Board and, in December 2007, the State Funding Board approved the Trust. The Trust was also approved by the Internal Revenue Service in June 2008. KUB administers the Trust through a Board of Trustees consisting of seven KUB employees that are appointed by KUB’s President and CEO. Any amendments to the Trust involving costs not approved in the operating budget must be approved by KUB’s Board of Commissioners, upon recommendation by KUB’s President and CEO. All other amendments to the Trust may be approved by KUB’s President and CEO upon 60 days notification to the Board’s Audit and Finance Committee. The investment of all deposits to the Trust is governed by an Investment Policy, which was adopted by the KUB Board and approved by the State Funding Board. The Trust issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division’s share is specified.

Effective January 1, 2022, the Plan was expanded to two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement (HRA), given that each eligible employee meets the “Rule of 80”, the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

Participants in the Plan consisted of the following as of June 30:

	HRA		Retiree Medical Benefit	
	2023	**2022**	**2023**	**2022**
Retirees	6	4	542	549
Dependents of retirees	2	2	596	612
Eligible active employees	25	15	140	145
Total	33	21	1,278	1,306

Benefits

Benefits for pre-July 1, 1999, eligible participants may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare Part B or Part D premiums, life insurance, long-term care, and long-term disability. Post-July 1, 1999, eligible participants are eligible for HRA benefits which include up to $50,000 to be used exclusively for reimbursement of qualified medical expenses of the retiree and his or her spouse and dependents. Any unused HRA amounts will remain assets of the OPEB Trust.

Contributions and Funding

The primary goal of the Funding Policy for the Trust is to document the method KUB has adopted to provide assurance that future KUB and retiree contributions and current Trust assets will be sufficient to fund all benefits expected to be paid to Trust beneficiaries. Per the Funding Policy, KUB’s current practice is to fully fund its annual Actuarially Determined Contribution, which is determined by actuarial valuation.

Contributions are authorized by the terms of the Trust as established by KUB Resolution No. 1168, as amended, as approved by the Tennessee State Funding Board. KUB shall have the right at any time to amend, in whole or in part, the provisions of this Trust; however, no such amendment shall authorize or permit the assets of the Trust to be used for or diverted to purposes other than those expressed in the Declaration of Trust.

It shall be the sole and exclusive responsibility of KUB to determine the level of contributions KUB will make to the Trust for the purpose of financing other post-employment benefits accrued by its respective participants. Neither the Trust, nor the Trust’s Board, shall be responsible for collecting or otherwise determining the level of contributions needed by KUB to finance any other post-employment benefits offered by KUB. The assets of the Trust shall be expended solely to make payments for other post-employment benefits pursuant to, and in accordance with, the terms of the Trust and to pay the cost of administration.

Based on the date of retirement, certain retired members are required to contribute specified amounts monthly to maintain health insurance. Those who retired prior to July 1983 have no required monthly premiums for themselves or dependents. The retirees, or their surviving dependents, who retired between August 1983 and January 1998 are required to pay $262.50 per month for pre-Medicare family health insurance. For individuals who retired after January 1998, the required monthly premium for pre-Medicare health insurance is $262.50 for single coverage and $525 for family coverage. There is currently no premium for Medicare eligible retirees or dependents. KUB is responsible for determining the level of retired plan member contributions on an annual basis as part of its review of healthcare cost sharing.

Participants in the Health Reimbursement Arrangement are not eligible for health insurance and are not required to make contributions.

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203. The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2023:

Asset Class	Target Allocation
Domestic Equity:	
Large Cap	30%
Small Cap	8%
International Equity:	
Developed	16%
Emerging	8%
Real Estate Equity	8%
Debt Securities	30%
Total	100%

Actuarially determined contributions for the Electric Division for the fiscal year ended June 30, 2023, were $657,934. For the fiscal year ended June 30, 2022, an actuarially determined contribution for the Electric Division of $923,921 was made to the OPEB Trust, which includes the division's share of an additional $1,500,000 contribution to help fund the HRA. These were based on the OPEB actuarial valuations as of January 1, 2021, and 2020.

Net OPEB Liability

The below summarizes the disclosures of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), which requires measurement of the net OPEB liability as total OPEB liability less the amount of the Trust's fiduciary net position. The amounts reported as of June 30 are based on the reporting date for the KUB Other Post-Employment Benefits Plan which is June 30. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2023, and 2022, and the Total OPEB Liability as of the valuation date January 1, 2022, updated to June 30, 2023, and January 1, 2021, updated to June 30, 2022, respectively. The Division's share of the total net OPEB liability was $6,019,220 as of June 30, 2023, and $5,203,565 as of June 30, 2022.

The components of the net OPEB liability (asset) of the Trust are as follows as of June 30:

	2023	2022
Total OPEB liability	$ 61,637,102	$ 58,536,280
Plan fiduciary net position	48,706,447	47,333,773
Net OPEB liability	$ 12,930,655	$ 11,202,507
Plan fiduciary net position as a percentage of the total OPEB liability	79.02%	80.86%

Changes in Net OPEB Liability are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	$ 58,536,280	$ 47,333,773	$ 11,202,507
Changes for the year:			
Service cost	595,392	-	595,392
Interest	4,133,008	-	4,133,008
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	117,668	-	117,668
Changes of Assumptions	2,527,824	-	2,527,824
Contributions - employer	-	1,413,392	(1,413,392)
Contributions - member	-	-	-
Net investment income	-	4,333,538	(4,333,538)
Benefit payments	(4,273,070)	(4,273,070)	-
Administrative expense	-	(101,186)	101,186
Net changes	3,100,822	1,372,674	1,728,148
Balances at June 30, 2023	$ 61,637,102	$ 48,706,447	$ 12,930,655

Actuarial assumptions

The total OPEB liability was determined by actuarial valuations, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation dates:	January 1, 2022, rolled forward to June 30, 2023; January 1, 2021, rolled forward to June 30, 2022
Discount rate:	7.00% as of June 30, 2023, and 7.25% as of June 30, 2022
Healthcare cost trend rates:	Pre-Medicare: 5.75% grading down to 3.935% over 20 years as of June 30, 2023, and 6.75% grading down to 4.04% as of June 30, 2022 Medicare: 11.30% grading down to 3.935% over 20 years as of June 30, 2023, and 6.30% grading down to 4.04% as of June 30, 2022 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65

Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010) for males and females, respectively, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.50%

The actuarial assumptions used in the January 1, 2022, and January 1, 2021, valuations were based on the results of actuarial experience studies for the periods January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Trust 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 long-term expected rate of return may be lower in periods of current strong performance due to future valuations that mean revert to the long-term average. Best estimates of arithmetic real rates of return for each major asset class included in the Trust's target asset allocation (see the discussion of the Trust's Investment Policy) are summarized in the chart below.

	Long Term Expected Real Rate of Return	
Asset Class	**2023**	**2022**
Domestic equity	5.1%	5.5%
International equity	6.1%	6.5%
Emerging Market equity	8.4%	8.6%
Real estate equity	5.3%	5.7%
Debt securities	1.8%	1.2%
Cash and deposits	0.7%	0.2%

Discount rate
The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023, and 7.25 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate.
The following presents the net OPEB liability of the Division's share of the Trust as of June 30, 2023, calculated using the discount rate of 7.00 percent, as well as what the Trust's net OPEB liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	\$19,738,026	\$12,930,655	\$7,246,454

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.
The following presents the net OPEB liability of the Division's share of the Trust as of June 30, 2023, as well as what the Trust's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower or one percent higher than the current rate:

	1% Decrease	Baseline Trends	1% Increase
Net OPEB liability	\$7,364,325	\$12,930,655	\$19,461,880

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2023, KUB's Electric Division recognized OPEB expense of \$1,322,490.

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was seven years. During the measurement year, there was an experience loss of \$117,668, with \$16,810 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of \$100,858 (Division's share \$46,949). Unrecognized experience losses from prior periods were \$30,475, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were no benefit changes.

During the measurement year, there was an assumption change loss of \$2,527,824, with \$361,118 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of \$2,166,706 (Division's share \$1,008,602).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$1,007,293, of which \$201,459 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred inflow of resources of \$805,834. Net unrecognized investment losses from prior periods were \$5,179,219, of which \$1,162,271 was recognized as an increase in OPEB expense in the current year, resulting in a net deferred outflow of \$4,016,948. The combination of unrecognized gains this year, along with the net unrecognized investment losses from prior periods, results in a deferred outflow of resources of \$3,211,114 (Division's share \$1,494,774).

The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred outflow of \$5,993, with \$856 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred outflow of resources of \$5,137. Net proportionate share changes from prior periods were \$15,541, of which the entire amount was recognized in the current year. The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Electric Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 46,949	$ -
Changes in assumptions	1,008,602	-
Net difference between projected and actual earnings on OPEB plan investments	1,494,774	-
Change in proportionate share	5,137	-
Total	$ 2,555,462	$ -

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	$ 569,331
2025	329,216
2026	1,220,350
2027	83,003
2028	176,781
Thereafter	176,780

For the year ended June 30, 2022, KUB's Electric Division recognized OPEB expense of $2,760,543.

The impact of liability experience gains or losses and assumption changes on the Electric Division's Share of the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was two years. During the measurement year, there was an experience loss of $60,951, with $30,476 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $30,475 (Division's share $14,156). Unrecognized experience losses from prior periods were $21,401, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were benefit changes that increased the Total OPEB Liability by $6,594,293. This increase is recognized immediately in the June 30, 2022, OPEB expense.

Unrecognized gains due to assumption changes from prior periods were $2,052,917, of which the entire amount is recognized as a decrease in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $12,216,418, of which $2,443,284 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred outflow of resources of $9,773,134. Net unrecognized investment gains from prior periods were $5,905,689, of which $1,311,774 was recognized as a decrease in OPEB expense in the current year, resulting in a net deferred inflow of $4,593,915. The combination of unrecognized losses this year, along with the net unrecognized investment gains from prior periods, results in a deferred outflow of resources of $5,179,219 (Division's share $2,405,747).

The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is two years. This change resulted in a deferred inflow of $31,083, with $15,542 of that recognized in the current year and the remaining amount recognized in the next year, resulting in a deferred inflow of resources of $15,541. The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Electric Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,156	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	2,405,747	-
Change in proportionate share	-	15,541
Total	$ 2,419,903	$ 15,541

16. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with the City of Knoxville and with other divisions of KUB. Such transactions for the years ended June 30, 2023, and 2022, are summarized as follows:

	2023	**2022**
City of Knoxville		
Amounts billed by the Division for utilities and related services	$ 7,241,007	$ 6,078,236
Payments by the Division in lieu of property tax	9,461,144	8,702,736
Payments by the Division for services provided	26,493	85,061
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	7,249,101	6,419,319
Interdivisional rental expense	154,703	151,362
Interdivisional rental income	1,966,590	1,793,661
Amounts billed to the Division by other divisions for utilities services provided	288,850	235,944
Interdivisional interest income	848,675	291,750
Interdivisional access and utilization income	1,200,888	55,503

With respect to these transactions, accounts receivable from the City of Knoxville included in the balance sheet at year end were as follows:

	2023	**2022**
Accounts receivable	$ 238,814	$ 371,553

The Fiber Division's broadband services are provided by a high-speed fiber optic network that is owned and maintained by the Division. The Fiber Division shares in the cost to build and operate the Fiber network by paying the Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division also pays the Division an annual utilization fee based on attachments to the network.

In October 2021, the Division issued an interdivisional loan of $10 million to the Fiber Division at an interest rate of 3.89 percent. In August 2022, the Division issued an interdivisional loan of $7 million to the Fiber Division at an interest rate of 3.93 percent. In February 2023, the Division issued an interdivisional loan of $13 million to the Fiber Division at an interest rate of 4.02 percent. The Division recognized interest income of $848,675 for the year ended June 30, 2023, and $291,750 for the year ended June 30, 2022.

17. Other Commitments and Contingencies

In the normal course of business, there are various lawsuits pending against KUB. Management has reviewed these lawsuits with counsel, who is vigorously defending KUB's position and is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on KUB's financial position, results of operations, or cash flows.

Knoxville Utilities Board Electric Division
Required Supplementary Information – Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2023

*Year ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	$ 6,349,402	$ 6,647,220	$ 5,227,657	$ 6,142,213	$ 5,095,488	$ 4,607,486	$ 4,226,985	$ 4,157,062	$ 4,092,808
Interest	17,430,465	16,982,226	16,393,202	16,030,626	15,344,193	15,015,282	14,966,559	14,812,784	14,698,657
Changes of benefit terms	-	-	-	163,199	-	-	-	-	-
Differences between expected and actual experience	282,014	1,935,276	1,930,170	(1,054,117)	(605,649)	(1,087,161)	(2,233,762)	(1,890,334)	-
Changes of assumptions	5,268,672	-	-	8,473,160	-	(357,633)	(2,932,883)	-	-
Benefit payments, including refunds of member contributions	(17,125,610)	(17,725,963)	(16,006,565)	(15,094,475)	(15,274,814)	(14,969,979)	(14,138,511)	(15,350,926)	(15,533,167)
Net change in total pension liability	12,204,943	7,838,759	7,544,464	14,660,606	4,559,218	3,207,995	(111,612)	1,728,586	3,258,298
Total pension liability - beginning	242,201,780	234,363,021	226,818,557	212,157,951	207,598,733	204,390,738	204,502,350	202,773,764	199,515,466
Total pension liability - ending (a)	$ 254,406,723	$ 242,201,780	$ 234,363,021	$ 226,818,557	$ 212,157,951	$ 207,598,733	$ 204,390,738	$ 204,502,350	$ 202,773,764
Plan fiduciary net position									
Contributions - employer	$ 3,144,770	$ 3,416,428	$ 2,876,752	$ 2,871,241	$ 3,456,475	$ 4,286,597	$ 5,243,146	$ 5,991,887	$ 5,908,541
Contributions - participants	3,812,595	3,939,687	2,284,727	3,170,825	2,081,125	1,488,632	555,075	487,546	475,854
Net investment income	(63,493,985)	37,575,566	44,814,914	49,938,315	(11,748,396)	32,360,219	13,788,263	(95,430)	22,292,369
Other additions	9,415	112,484	7,740	13,579	62,616	82,239	45,848	30,879	29,733
Benefit payments, including refunds of member contributions	(17,065,610)	(17,653,963)	(15,962,565)	(15,030,475)	(15,174,814)	(14,895,979)	(14,044,511)	(15,274,926)	(15,405,167)
Administrative expense	(498,988)	(441,017)	(455,191)	(467,748)	(445,916)	(385,282)	(441,332)	(397,160)	(378,085)
Death benefits	(60,000)	(72,000)	(44,000)	(64,000)	(100,000)	(74,000)	(94,000)	(76,000)	(128,000)
Net change in plan fiduciary net position**	(74,151,803)	26,877,185	33,522,377	40,431,737	(21,868,910)	22,862,426	5,052,489	(9,333,204)	12,795,245
Plan fiduciary net position - beginning**	306,339,494	279,462,309	245,939,932	205,508,195	227,377,105	204,514,679	199,462,190	208,795,394	196,000,149
Plan fiduciary net position - ending (b)**	$ 232,187,691	$ 306,339,494	$ 279,462,309	$ 245,939,932	$ 205,508,195	$ 227,377,105	$ 204,514,679	$ 199,462,190	$ 208,795,394
Plan's net pension liability - ending (a) - (b)	$ 22,219,032	$ (64,137,714)	$ (45,099,288)	$ (19,121,375)	$ 6,649,756	$ (19,778,372)	$ (123,941)	$ 5,040,160	$ (6,021,630)
Plan fiduciary net position as a percentage of the total pension liability	91.27%	126.48%	119.24%	108.43%	96.87%	109.53%	100.06%	97.54%	102.97%
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747	$ 44,446,743	$ 44,076,351
Plan's net pension liability as a percentage of covered payroll	59.39%	(168.45%)	(108.61%)	(47.48%)	15.78%	(45.67%)	(0.28%)	11.34%	(13.66%)

Notes to Schedule:

* Information not reflected prior to 2014 due to changes in actuary methodologies required under GASB 67, which was implemented in 2014.

** Excludes amounts related to 401(k) matching contributions.

Knoxville Utilities Board Electric Division
Required Supplementary Information – Schedule of Employer Pension Contributions
June 30, 2023

*Year ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 3,144,770	$ 3,416,428	$ 2,876,752	$ 2,871,241	$ 3,456,475	$ 4,286,597	$ 5,243,146	$ 5,991,887	$ 5,908,541
Contribution in relation to the actuarially determined contribution	3,144,770	3,416,428	2,876,752	2,871,241	3,456,475	4,286,597	5,243,146	5,991,887	5,908,541
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747	$ 44,446,743	$ 44,076,351
Contributions as a percentage of covered payroll	8.41%	8.97%	6.93%	7.13%	8.20%	9.90%	11.80%	13.48%	13.41%

Notes to Schedule:

Timing:	Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.
Valuation Dates:	January 1, 2021 and January 1, 2020

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual entry age
Asset valuation method:	5-year smoothed market
Amortization method:	As of January 1, 2021: Level dollar, 30-year closed period with 20 years remaining, or a level dollar, 30-year open period for a negative unfunded liability As of January 1, 2020: Level dollar, 30-year closed period with 21 years remaining, or a level dollar, 30-year open period for a negative unfunded liability As of January 1, 2021 and 2020, the unfunded liability was negative.
Discount rate:	7.25% as of January 1, 2021 and January 1, 2020
Salary increases:	2.50% to 5.65%, based on years of service; As of January 1, 2021, a one-time reduction was applied to reduce the 2020 compensation by 3.7% to account for an additional 2020 pay period
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational
Inflation:	2.5%

* Schedule of Employer Contribution information is not reflected prior to 2014 due to changes in actuary methodologies required under GASB 67, which was implemented 2014.
Please refer to prior year's audited financial statements for prior methods and assumptions.

Knoxville Utilities Board Electric Division
Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2023

	*Year ended June 30					
	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	$ 595,392	$ 416,277	$ 283,786	$ 256,270	$ 270,515	$ 202,603
Interest	4,133,008	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	-	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	117,668	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	2,527,824	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	3,100,822	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	58,536,280	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	$ 61,637,102	$ 58,536,280	$ 51,515,118	$ 54,544,240	$ 50,197,938	$ 45,604,431
Plan fiduciary net position						
Contributions - employer	$ 1,413,392	$ 1,989,066	$ 757,226	$ 311,324	$ -	$ -
Net investment income	4,333,538	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(101,186)	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	1,372,674	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	47,333,773	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	$ 48,706,447	$ 47,333,773	$ 57,446,946	$ 46,954,793	$ 48,750,196	$ 49,355,499
Net OPEB liability (asset) - ending (a) - (b)	$ 12,930,655	$ 11,202,507	$ (5,931,828)	$ 7,589,447	$ 1,447,742	$ (3,751,068)
Plan fiduciary net position as a percentage of the total OPEB liability	79.02%	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	$ 70,129,341	$ 73,927,857	$ 21,578,366	$ 23,363,536	$ 24,346,735	$ 23,677,080
Net OPEB liability (asset) as a percentage of covered employee payroll	18.44%	15.15%	(27.49%)	32.48%	5.95%	(15.84%)

Notes to Schedule:

* Information not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.

** The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Required Supplementary Information – Schedule of Employer OPEB Contributions
June 30, 2023

	*Year ended June 30					
	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 1,413,392	$ 489,066	$ 757,226	$ 311,324	$ -	$ -
Contribution in relation to the annual required contribution	1,413,392	1,989,066	757,226	311,324	-	-
Contribution deficiency/(excess)	$ -	$ (1,500,000)	$ -	$ -	$ -	$ -
Covered employee payroll*	$ 70,129,341	$ 73,927,857	$ 21,578,366	$ 23,363,536	$ 24,346,735	$ 23,677,080
Contributions as a percentage of covered employee payroll	2.02%	2.69%	3.51%	1.33%	0.00%	0.00%

* The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

KUB elected to make a $1,500,000 voluntary contribution to the Trust to initially fund the HRA benefit which was effective January 1, 2022.
This contribution was not required.

Notes to Schedule:

Valuation Date:	January 1, 2021 and January 1, 2020
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 15 years remaining as of January 1, 2021 (16 years as of January 1, 2020), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2020 and 2021, the unfunded liability was positive
Discount rate:	7.25%
Healthcare cost trend rate:	Pre-Medicare: 6.50% grading down to 4.04% over 19 years as of January 1, 2021; 6.75% grading down to 4.04% over 20 years as of January 1, 2020 Medicare: 6.20% grading down to 4.04% over 19 years as of January 1, 2021; 6.30% grading down to 4.04% over 20 years as of January 1, 2020 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.5%
Investment rate of return:	7.25%
Retirement age:	2% at ages 50-57, grading up to 100% at age 70

* Schedule of Employer Contribution information is not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.
Please refer to prior year's audited financial statement for prior methods and assumptions.

Knoxville Utilities Board Electric Division
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 2023

	*Year ended December 31						
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Total pension liability							
Service cost	$ -	$ -	$ -	$ -	$ 941	$ 584	$ -
Interest (includes interest on service cost)	-	268	388	9,181	9,676	7,535	-
Changes of benefit terms	-	-	-	(218,272)	-	-	185,077
Differences between expected and actual experience	-	(6,816)	10,165	34	(36,125)	13,684	-
Changes of assumptions	-	-	91	13,342	(22,950)	73,461	-
Benefit payments, including refunds of member contributions	-	(12,166)	(12,166)	(15,932)	-	-	-
Net change in total pension liability	-	(18,714)	(1,522)	(211,647)	(48,458)	95,264	185,077
Total pension liability - beginning	-	18,714	20,236	231,883	280,341	185,077	-
Total pension liability - ending	$ -	$ -	$ 18,714	$ 20,236	$ 231,883	$ 280,341	$ 185,077
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747
Total pension liability as a percentage of covered payroll	0.00%	0.00%	0.05%	0.05%	0.55%	0.65%	0.42%

Notes to Schedule:

* There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 73 to pay related benefits.

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2023

Continued on Next Page

FY	EE-2015 Principal	EE-2015 Interest	FF-2015 Principal	FF-2015 Interest	GG-2016 Principal	GG-2016 Interest	HH-2017 Principal	HH-2017 Interest	II-2017 Principal	II-2017 Interest	JJ-2018 Principal	JJ-2018 Interest
23-24	2,415,000	590,375	850,000	21,250	1,050,000	927,688	2,400,000	444,205	935,000	1,132,525	930,000	1,257,781
24-25	2,555,000	478,900			1,100,000	884,938	2,460,000	380,455	985,000	1,084,525	965,000	1,224,706
25-26	2,670,000	387,750			1,125,000	857,188	2,560,000	285,705	1,035,000	1,034,025	1,005,000	1,185,106
26-27	2,735,000	306,675			1,150,000	834,438	2,695,000	154,330	1,075,000	992,025	1,055,000	1,133,606
27-28	2,850,000	222,900			1,175,000	811,188	2,805,000	43,478	1,110,000	959,250	1,100,000	1,090,731
28-29	2,955,000	135,825			1,200,000	787,437			1,140,000	925,500	1,130,000	1,057,281
29-30	3,050,000	45,750			1,200,000	762,687			1,175,000	890,775	1,165,000	1,022,856
30-31					1,250,000	731,187			1,215,000	854,925	1,200,000	986,631
31-32					1,275,000	693,312			1,250,000	817,950	1,240,000	947,731
32-33					1,325,000	654,312			1,285,000	779,925	1,285,000	905,897
33-34					1,350,000	614,187			1,325,000	740,775	1,330,000	860,938
34-35					1,400,000	572,937			1,365,000	700,425	1,375,000	813,600
35-36					1,450,000	535,625			1,410,000	658,800	1,420,000	766,463
36-37					1,475,000	500,875			1,450,000	615,900	1,470,000	719,500
37-38					1,525,000	459,563			1,495,000	571,725	1,520,000	669,963
38-39					1,550,000	417,313			1,540,000	526,200	1,570,000	617,819
39-40					1,600,000	377,937			1,590,000	479,250	1,625,000	562,888
40-41					1,650,000	335,250			1,635,000	430,875	1,685,000	504,963
41-42					1,675,000	289,531			1,685,000	381,075	1,745,000	444,938
42-43					1,725,000	242,781			1,740,000	329,700	1,805,000	382,813
43-44					1,775,000	194,656			1,790,000	275,631	1,870,000	318,500
44-45					1,825,000	142,875			1,850,000	218,756	1,935,000	251,913
45-46					1,900,000	87,000			1,910,000	160,006	2,005,000	182,963
46-47					1,950,000	29,250			1,970,000	98,151	2,075,000	111,563
47-48									2,035,000	33,069	2,150,000	37,625
48-49												
49-50												
50-51												
51-52												
52-53												
Total	$ 19,230,000	$ 2,168,175	$ 850,000	$ 21,250	$ 34,700,000	$ 12,744,155	$ 12,920,000	$ 1,308,173	$ 35,995,000	$ 15,691,763	$ 36,655,000	$ 18,058,775

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2023

Continued from Previous Page

	KK-2020		LL-2021		MM-2022		NN-2022		OO-2022		Total		Grand Total
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	(P + I)
23-24	1,270,000	568,750	4,855,000	2,899,825	765,000	1,930,225	-	1,173,650	-	3,702,656	15,470,000	14,648,930	30,118,930
24-25	1,335,000	503,625	5,015,000	2,653,075	805,000	1,890,975	825,000	1,153,025	1,275,000	3,522,675	17,320,000	13,776,899	31,096,899
25-26	1,400,000	435,250	2,745,000	2,459,075	850,000	1,849,600	845,000	1,111,275	1,340,000	3,457,300	15,575,000	13,062,274	28,637,274
26-27	1,460,000	363,750	2,890,000	2,318,200	895,000	1,805,975	865,000	1,068,525	1,410,000	3,388,550	16,230,000	12,366,074	28,596,074
27-28	1,525,000	289,125	2,995,000	2,171,075	940,000	1,760,100	885,000	1,024,775	1,480,000	3,316,300	16,865,000	11,688,922	28,553,922
28-29	1,595,000	211,125	3,315,000	2,013,325	990,000	1,711,850	935,000	979,275	1,560,000	3,240,300	14,820,000	11,061,918	25,881,918
29-30	1,675,000	129,375	3,465,000	1,843,825	1,040,000	1,661,100	965,000	931,775	1,640,000	3,160,300	15,375,000	10,448,443	25,823,443
30-31	1,750,000	43,750	2,525,000	1,694,075	1,090,000	1,607,850	1,025,000	882,025	1,720,000	3,076,300	11,775,000	9,876,743	21,651,743
31-32			3,495,000	1,543,575	1,150,000	1,551,850	1,050,000	830,150	1,810,000	2,988,050	11,270,000	9,372,618	20,642,618
32-33			2,850,000	1,384,950	1,205,000	1,492,975	1,110,000	776,150	1,905,000	2,895,175	10,965,000	8,889,384	19,854,384
33-34			2,845,000	1,242,575	1,270,000	1,431,100	1,170,000	725,000	2,000,000	2,797,550	11,290,000	8,412,125	19,702,125
34-35			2,845,000	1,100,325	1,335,000	1,365,975	1,190,000	677,800	2,105,000	2,694,925	11,615,000	7,925,987	19,540,987
35-36			2,845,000	972,300	1,395,000	1,304,700	1,240,000	629,200	2,210,000	2,587,050	11,970,000	7,454,138	19,424,138
36-37			2,845,000	858,500	1,450,000	1,247,800	1,285,000	578,700	2,325,000	2,473,675	12,300,000	6,994,950	19,294,950
37-38			2,845,000	744,700	1,510,000	1,188,600	1,335,000	526,300	2,445,000	2,354,425	12,675,000	6,515,276	19,190,276
38-39			2,845,000	630,900	1,575,000	1,126,900	1,380,000	472,000	2,570,000	2,229,050	13,030,000	6,020,182	19,050,182
39-40			2,845,000	517,100	1,640,000	1,062,600	1,425,000	415,900	2,700,000	2,097,300	13,425,000	5,512,975	18,937,975
40-41			2,845,000	403,300	1,705,000	995,700	1,475,000	357,900	2,840,000	1,958,800	13,835,000	4,986,788	18,821,788
41-42			2,845,000	289,500	1,775,000	926,100	1,520,000	298,000	2,985,000	1,813,175	14,230,000	4,442,319	18,672,319
42-43			2,845,000	175,700	1,845,000	853,700	1,590,000	235,800	3,135,000	1,660,175	14,685,000	3,880,669	18,565,669
43-44			1,485,000	89,100	1,920,000	778,400	1,640,000	171,200	3,280,000	1,516,200	13,760,000	3,343,687	17,103,687
44-45			1,485,000	29,700	2,000,000	700,000	1,710,000	104,200	3,415,000	1,382,300	14,220,000	2,829,744	17,049,744
45-46					2,080,000	618,400	1,750,000	35,000	3,555,000	1,242,900	13,200,000	2,326,269	15,526,269
46-47					2,165,000	533,500			3,700,000	1,097,800	11,860,000	1,870,264	13,730,264
47-48					2,255,000	445,100			3,850,000	946,800	10,290,000	1,462,594	11,752,594
48-49					2,350,000	353,000			4,010,000	789,600	6,360,000	1,142,600	7,502,600
49-50					2,450,000	257,000			4,170,000	626,000	6,620,000	883,000	7,503,000
50-51					2,550,000	157,000			4,340,000	455,800	6,890,000	612,800	7,502,800
51-52					2,650,000	53,000			4,520,000	278,600	7,170,000	331,600	7,501,600
52-53									4,705,000	94,100	4,705,000	94,100	4,799,100
Total	$ 12,010,000	$ 2,544,750	$ 65,570,000	$ 28,034,700	$ 45,650,000	$ 32,661,075	$ 27,215,000	$ 15,157,625	$ 79,000,000	$ 63,843,831	$ 369,795,000	$ 192,234,272	$ 562,029,272

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2022	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2023
Business-Type Activities									
BONDS PAYABLE									
Payable through Electric Fund									
Revenue Bond Refunding, Series EE-2015	28,550,000	2.0-5.0	05/01/15	07/01/29	$ 21,530,000	$	$ 2,300,000	$	$ 19,230,000
Revenue Bond, Series FF-2015	35,000,000	2.0-5.0	05/20/15	07/01/45	1,675,000		825,000		850,000
Revenue Bond, Series GG-2016	40,000,000	2.0-5.0	08/05/16	07/01/46	35,700,000		1,000,000		34,700,000
Revenue Bond Refunding, Series HH-2017	23,445,000	2.5-5.0	04/07/17	07/01/27	15,225,000		2,305,000		12,920,000
Revenue Bond, Series II-2017	40,000,000	3.0-5.0	09/15/17	07/01/47	36,885,000		890,000		35,995,000
Revenue Bond, Series JJ-2018	39,995,000	3.0-5.0	09/14/18	07/01/47	37,550,000		895,000		36,655,000
Revenue Bond Refunding, Series KK-2020	14,380,000	5.0	05/22/20	07/01/30	13,225,000		1,215,000		12,010,000
Revenue Bond Refunding, Series LL-2021	70,180,000	4.0-5.0	04/19/21	07/01/44	70,180,000		4,610,000		65,570,000
Revenue Bond, Series MM-2022	45,650,000	4.0-5.0	04/29/22	07/01/51	45,650,000		-		45,650,000
Revenue Bond Refunding, Series NN-2022	27,215,000	4.0-5.0	05/13/22	07/01/45	27,215,000		-		27,215,000
Revenue Bond, Series OO-2022	79,000,000	4.0-5.0	12/16/22	07/01/52	-	79,000,000	-		79,000,000
					$ 304,835,000	$ 79,000,000	$ 14,040,000	$ -	$ 369,795,000

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 6/30/2022	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2023
Lease Liabilities									
Payable through Electric Fund									
American Towers - Rocky Hill	$ 34,545	3.90%	11/1/2022	10/31/2027	$ -	$ 34,545	$ (3,783)	$ -	$ 30,762
American Towers - Tillery/Bluegrass	34,759	3.90%	11/1/2022	10/31/2027	-	34,758	(3,996)	-	30,762
Centriworks	20,683	3.88%	11/1/2020	10/31/2023	12,571	-	(8,977)	(524)	3,070
Coal Creek Ventures	14,122	3.88%	7/1/2020	9/30/2035	13,919	-	(13,202)	(717)	-
Crown Castle	86,124	3.90%	3/1/2023	2/1/2043	-	86,124	(683)	-	85,441
Manki 1 Investments	145,079	3.88%	7/1/2020	5/31/2027	142,884	-	(26,899)	-	115,985
Pinnacle Towers	22,790	3.88%	7/1/2020	6/30/2027	23,670	-	(23,588)	(82)	-
R&S Logistics (Sublease)	1,835,035	3.88%	7/1/2020	3/31/2027	1,679,708	-	(310,032)	-	1,369,676
Ricoh Americas	17,161	3.88%	8/1/2022	8/31/2025	618	17,161	(5,161)	(26)	12,592
RJ Young Company	23,338	3.88%	7/1/2020	6/30/2026	18,614	-	(5,717)	(776)	12,121
SBA Properties	14,786	3.90%	1/1/2023	12/31/2027	-	14,786	(1,245)	-	13,541
Volunteer Christian Television	10,036	3.88%	7/1/2020	8/31/2022	10,036	-	(10,036)	-	-
White Realty	15,681	3.88%	7/1/2020	6/30/2041	15,681	-	(15,681)	-	-
Total Lease Liabilities					$ 1,917,701	$ 187,374	$ (429,000)	$ (2,125)	$ 1,673,950

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Insurance in Force
June 30, 2023
(Unaudited)

Insurance coverage is for KUB as a consolidated entity.

Crime
Covers losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - $5,000,000; $250,000 retention.

Directors' and Officers' Liability Insurance
Covers KUB personnel appropriately authorized to make decisions on behalf of KUB (including but not limited to Commissioners, President and CEO, Senior Vice Presidents, Vice Presidents, and Directors) for wrongful acts. Limits of coverage - $20,000,000; $500,000 corporate deductible, $0 individual deductible.

Employment Practices Liability
Coverage for costs related to actual or alleged employment practices violations for amounts exceeding specified amount ($500,000). Limits of coverage - $10,000,000.

Fiduciary
Covers losses resulting from wrongful acts related to KUB's Pension, 401(k), OPEB Trust funds, and Medical Plan. Limits of coverage - $10,000,000; $150,000 deductible.

Environmental and Pollution Legal Liability
Environmental and Pollution coverage for covered losses resulting from a pollution or environmental event. Limits of coverage - $15,000,000.

Property Insurance
This coverage provides protection of KUB's property for fire, extended coverage, vandalism and malicious mischief, and coverage on boilers and machinery. Also included are flood and earthquake damage and mechanical failure. Limits of coverage - $250,000,000 per occurrence (subject to certain sublimits); $2,500,000 deductible per occurrence.

Travel Accident
Covers losses related to employees' business travel. Limits of coverage - $1,000,000 aggregate.

Excess Insurance for General Liability
As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). Limits of coverage - $5,000,000; $700,000 retention.

Excess Insurance for Workers' Compensation
Covers all losses exceeding specified amount per occurrence ($1,000,000). Limits of coverage - Statutory; stop loss coverage applies for aggregate losses over $5,000,000.

Employee Health Plan Stop Loss Coverage
KUB's employee health plan is self-funded. KUB has purchased stop loss insurance, which covers KUB's exposure to annual expenses for more than $600,000 per individual participant.

Cyber Security Liability
Covers losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - $3,000,000; $500,000 retention.

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class		Base Charge			Number of Customers
Residential		Customer Charge:	$22.10 per month, less Hydro Allocation Credit: $1.60 per month.		193,146
		Energy Charge:	Summer Period	$0.10355 per kWh per month.	
			Winter Period	$0.10314 per kWh per month.	
			Transition Period	$0.10314 per kWh per month.	
Residential Time of Use Pilot Program		Customer Charge:	$22.10 per month, less Hydro Allocation Credit: $1.60 per month.		58
		Energy Charge:	Onpeak	$0.21034 per kWh per month for all metered onpeak kWh	
			Offpeak	$0.07979 per kWh per month for all metered offpeak kWh	
Commercial/ Industrial	**A. 1.**	If (a) the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12-month period is not more than 50 kWh, and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh:			20,547
		Customer Charge:	$31.00 per delivery point per month.		
		Energy Charge:	Summer Period	$0.12359 per kWh per month.	
			Winter Period	$0.12318 per kWh per month.	
			Transition Period	$0.12318 per kWh per month.	
	2.	If (a) the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12-month period is greater than 50 kW but not more than 1,000 kW, or (b) if the customer's billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh:			2,532
		Customer Charge:	$101.00 per delivery point per month.		
		Demand Charge:	First 50 kW of billing demand per month, no demand charge.		
			Excess over 50 kW of billing demand per month, at		
			Summer Period	$15.69 per kW.	
			Winter Period	$14.90 per kW.	
			Transition Period	$14.90 per kW.	
		Energy Charge:	Summer Period	First 15,000 kWh per month at $0.15370 per kWh Additional kWh per month at $0.07200 per kWh.	
			Winter Period	First 15,000 kWh per month at $0.15329 per kWh Additional kWh per month at $0.07200 per kWh.	
			Transition Period	First 15,000 kWh per month at $0.15329 per kWh Additional kWh per month at $007200 per kWh.	

See accompanying Independent Auditor's Report

Rate Class				Number of Customers
3.	If (a) the higher of the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 1,000 kW:			38
	Customer Charge:	$278.00 per delivery point per month.		
	Demand Charge:	Summer Period	First 1,000 kW of billing demand per month, at $16.49 per kW. Excess over 1,000 kW of billing demand per month, at $17.18 per kW, plus an additional $17.18 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.	
		Winter Period	First 1,000 kW of billing demand per month, at $15.73 per kW. Excess over 1,000 kW of billing demand per month, at $16.42 per kW, plus an additional $16.42 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.	
		Transition Period	First 1,000 kW of billing demand per month, at $15.73 per kW. Excess over 1,000 kW of billing demand per month, at $16.42 per kW, plus an additional $16.42 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.	
	Energy Charge:	Summer Period	$0.08257 per kWh per month.	
		Winter Period	$0.08257 per kWh per month.	
		Transition Period	$0.08257 per kWh per month.	

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class			Number of Customers
Commercial/ Industrial Time of Use Pilot Program	**A. 1.**	If the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12-month period is not more than 50 kWh: Customer Charge: $31.00 per delivery point per month. Demand Charge: $2.12 per kW of maximum billing demand per month. Energy Charge: Onpeak $0.21751 per kWh per month for all metered onpeak kWh Offpeak $0.08696 per kWh per month for all metered offpeak kWh	262
	2A.	If the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12-month period is greater than 50 kW but not more than 100 kW: Customer Charge: $101.00 per delivery point per month. Demand Charge: $4.77 per kW of maximum billing demand per month. Energy Charge: Onpeak $0.23123 per kWh per month for all metered onpeak kWh Offpeak $0.10068 per kWh per month for all metered offpeak kWh	36
	2B.	If the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12-month period is greater than 100 kW but not more than 1,000 kW: Customer Charge: $118.00 per delivery point per month. Demand Charge: $7.02 per kW of maximum billing demand per month. Energy Charge: Onpeak $0.20646 per kWh per month for all metered onpeak kWh Offpeak $0.07591 per kWh per month for all metered offpeak kWh	31

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class		Base Charge			Number of Customers
Commercial/ Industrial	**B.**	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW:			3
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.77 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.34 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$17.11 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.81 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.34 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$16.15 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.81 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.34 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$16.15 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:

Summer Period	Onpeak	$0.09237 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06767 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03340 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03003 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.08111 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06987 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03340 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03003 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.06736 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06736 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03340 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03003 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02309 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class		Base Charge			Number of Customers
Commercial/ Industrial	**C.**	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW:			1
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.77 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.20 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$16.97 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.81 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.20 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$16.01 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.81 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.20 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$16.01 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Energy Charge:		
Summer Period	Onpeak	$0.09237 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06767 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03340 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03003 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.08111 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06987 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03340 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03003 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.06736 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06736 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03340 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03003 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02309 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class		Base Charge			Number of Customers
Commercial/ Industrial	**D.**	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 25,000 kW:			1
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.77 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.07 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$16.84 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.81 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.07 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$15.88 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.81 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.07 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$15.88 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:		
Summer Period	Onpeak	$0.09233 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06763 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03223 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.02999 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.08107 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06983 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03223 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.02999 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.06732 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06732 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03223 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.02999 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02309 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class		Base Charge			Number of Customers
Commercial/ Industrial Time of Use	**A.**	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 1,000 kW but not more than 5,000 kW:			8
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.98 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$7.53 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$18.51 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$10.02 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$7.53 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$17.55 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$10.02 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$7.53 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$17.55 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Energy Charge:		
Summer Period	Onpeak	$0.12033 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.08675 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.04417 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.04113 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.10501 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.08973 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.04417 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.04113 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.09093 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.09093 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.04417 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.04113 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02441 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Rate Class		Base Charge			Number of Customers
Manufacturing	**B.**	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.			2
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.15 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.31 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$13.46 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.19 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.31 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$12.50 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.19 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.31 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$12.50 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:		
Summer Period	Onpeak	$0.08459 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.05982 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03039 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.02787 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.07329 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06203 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03039 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.02787 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.06289 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06289 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03039 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.02787 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02291 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class		Base Charge			Number of Customers
Manufacturing	**C.**	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.			1
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.15 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.19 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$13.34 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.19 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.19 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$12.38 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.19 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.19 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$12.38 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Energy Charge:		
Summer Period	Onpeak	$0.08368 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.05890 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03199 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03199 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.07237 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06110 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03199 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03199 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.06197 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06197 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03199 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03199 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02291 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Rate Class		Base Charge			Number of Customers
Manufacturing	**D.**	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 25,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.			2
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.15 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$2.76 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$12.91 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.19 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$2.76 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$11.95 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.19 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$2.76 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$11.95 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:			
Summer Period	Onpeak		$0.08022 per kWh per month for all metered onpeak kWh, plus
	Offpeak:	Block 1	$0.05544 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
		Block 2	$0.02910 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
		Block 3	$0.02852 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak		$0.06891 per kWh per month for all metered onpeak kWh, plus
	Offpeak:	Block 1	$0.05764 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
		Block 2	$0.02910 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
		Block 3	$0.02852 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak		$0.05850 per kWh per month for all metered onpeak kWh, plus
	Offpeak:	Block 1	$0.05850 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
		Block 2	$0.02910 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
		Block 3	$0.02852 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02291 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class		Base Charge			Number of Customers
Manufacturing Time of Use	**A.**	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 1,000 kW but not more than 5,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.			6
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.26 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$5.74 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$16.00 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.29 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$5.74 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$15.03 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.29 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$5.74 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$15.03 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:			
Summer Period	Onpeak		$0.09459 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1		$0.06953 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2		$0.04203 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3		$0.03948 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak		$0.08315 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1		$0.07176 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2		$0.04203 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3		$0.03948 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak		$0.07265 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1		$0.07265 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2		$0.04203 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3		$0.03948 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02441 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class	Base Charge	Number of Customers
Outdoor Lighting		
	Part A - Charges for Street and Park Lighting Systems, Traffic Signal Systems, and Athletic Field Lighting Installations	69

Energy Charge:
- Summer Period $0.09416 per kWh per month.
- Winter Period $0.09416 per kWh per month.
- Transition Period $0.09416 per kWh per month.

Facility Charge: The annual facility charge shall be 17.02 percent of the installed cost to KUB's electric system of the facilities devoted to street and park lighting service specified in this Part A. Such installed cost shall be recomputed on July 1 of each year, or more often if substantial changes in the facilities are made. Each month, one-twelfth of the then total annual facility charge shall be billed to the customer. If any part of the facilities has not been provided at the electric system's expense, or if the installed cost of any portion thereof is reflected on the books of another municipality or agency or department, the annual facility charge shall be adjusted to reflect properly the remaining cost to be borne by the electric system.

Customer Charge: $2.50.

Part B - Charges for Outdoor Lighting for Individual Customers — 6,133

Charges Per Fixture Per Month

a. Type of Fixture	(Watts)	(Lumens)	Rated kWh	Facility Charge	Total Lamp Charge
Mercury Vapor or Incandescent*	175	7,650	70	$ 5.32	$ 11.91
	400	19,100	155	7.43	22.02
	1000**	47,500	378	11.89	47.48
High Pressure Sodium	100	8,550	42	5.32	9.27
	250	23,000	105	6.31	16.20
	400	45,000	165	7.43	22.97
	1000**	126,000	385	11.89	48.14
Decorative	100	8,550	42	6.07	10.02

* Mercury Vapor and Incandescent fixtures not offered for new service.

** 1,000 watt fixtures not offered for new service.

b. Energy Charge: For each lamp size under **a.** above, $0.09416 per rated kWh per month.
Additional pole charge: $5.36 per pole.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class	Base Charge	Number of Customers
LED Outdoor Lighting		18,992

Charges Per Fixture Per Month

a.	Lamp Size	Rated kWh	Facility Charge	Total Lamp Charge
	100 WE	21	$ 6.12	$ 8.10
	250 WE	58	7.57	13.03
	400 WE	79	10.40	17.84

b. Energy Charge: For each lamp size under **a.** above, $0.09416 per rated kWh per month.
Additional pole charge: $5.36 per pole.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class	Base Charge			Number of Customers
Electric Vehicle Charging	This rate shall exclusively apply to separately metered charging stations for electric vehicles where the charging station's demand is greater than 50 kW but not more than 5,000 kW.			-
	Customer Charge:	$100.00 per delivery point per month.		
	Energy Charge:	Onpeak	$0.31541 per kWh per month for all metered onpeak kWh, plus	
		Offpeak	$0.20377 per kWh per month for all metered offpeak kWh, plus	

See accompanying Independent Auditor’s Report

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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*

Board of Commissioners
Electric Division of the Knoxville Utilities Board
Knoxville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Electric Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Division's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division'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 Division's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Commissioners
Electric Division of the Knoxville Utilities Board
Knoxville, Tennessee

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division'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 Division's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023

Fiber Division

Financial Statements and Supplemental Information
June 30, 2023 and 2022

KUB Board of Commissioners

Adrienne Simpson-Brown, Chair
Tyvi Small, Vice Chair
Claudia Caballero
Ron Feinbaum
Cynthia Gibson
Kathy Hamilton
Celeste Herbert

Management

Gabriel Bolas II
President and Chief Executive Officer

Mark Walker
Senior Vice President and Chief Financial Officer

Jamie Davis
Vice President Fiber and Chief Technology Officer

Susan Edwards
Senior Vice President and Chief Administrative Officer

Tiffany Martin
Vice President and Chief Customer Officer

Derwin Hagood
Senior Vice President of Operations

John Gresham
Vice President of Operations

John Williams
Senior Vice President of Engineering & Construction

Knoxville Utilities Board Fiber Division
Index
June 30, 2023 and 2022

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Suite 201
Knoxville, TN 37932

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Independent Auditor's Report

Board of Commissioners
Fiber Division of the Knoxville Utilities Board
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Fiber Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Division as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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* (GAS) 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 the Division 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 opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2021, the Division adopted new accounting guidance Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Coulter & Justus, P.C.

Board of Commissioners
Fiber Division of the Knoxville Utilities Board
Knoxville, Tennessee

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 opinion. 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 GAS 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 GAS, 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 the Division'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 the Division'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 on pages 4 through 20 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.

Board of Commissioners
Fiber Division of the Knoxville Utilities Board
Knoxville, Tennessee

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Division's basic financial statements. The supplemental information, as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information 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. The other information comprises the statistical information but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fiber Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions. The Fiber Division (Division) will provide services to certain customers in Knox County and in seven surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Fiber Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2023, and 2022, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Division's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Division's financial activity, (c) identify major changes in the Division's financial position, and (d) identify any financial concerns.

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2023, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

Fiber Division Highlights

System Highlights

KUB began serving broadband customers in September of fiscal year 2023, about a year after the buildout of the fiber network began. Inflation had a significant impact to operating costs, particularly labor costs. Supply chain issues improved throughout the year but impacted the timing of work as the deployment started. The pace of work has normalized and KUB's ability to serve its fiber customers is strong as it continues adding customers each month.

During fiscal year 2021, KUB developed a Fiber to the Home Business Plan for the provision of broadband services to customers within its electric system service territory. In accordance with state law and KUB's wholesale power supply contract with TVA, the Business Plan was submitted to the Office of the Comptroller of the Treasury for Tennessee and TVA for review. The Office of the Comptroller found KUB's Business Plan to be financially feasible and TVA approved the Business Plan, finding no cross-subsidization exists between the proposed Fiber Division and the Electric Division.

After gaining the required approvals from TVA, the State of Tennessee, KUB's Board, and City Council, KUB launched its new Fiber Division. Broadband services will be provided by a high-speed fiber optic network that will be owned and maintained by the Electric Division. The Fiber Division will share in the cost to build and operate the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division will also pay the Electric Division an annual utilization fee based on attachments to the network. In addition to providing broadband services, the fiber network will allow KUB to implement new advanced technologies to improve the reliability of its electric system.

As a component of the Fiber Division's start-up financing plan, approved by KUB's Board and TVA, the Electric Division will provide $55 million of interdivisional loans. The first $10 million was provided in October 2021, an additional $7 million was provided in August 2022, and $13 million was provided in February 2023, all maturing in June 2030.

In fiscal year 2022, KUB began the seven-year buildout on extending fiber infrastructure to make broadband service available to electric customers. KUB commenced a pilot customer program in June 2022, and the first broadband customers began receiving service in September 2022.

As of June 30, 2023, the Fiber Division had 2,331 customers.

The Tennessee Emergency Broadband Fund selected KUB for a grant of $15.3 million to assist in the provision of broadband access to Grainger, Jefferson, Sevier, and Union Counties.

In August 2022, the Board approved KUB's entrance into an Interlocal Cooperation Agreement with Knox County for the purpose of providing funding for KUB's Community Low-Income Internet Program for eligible low-income student households receiving KUB internet service located within the jurisdictional limits of Knox County and outside of the jurisdictional limits of the City of Knoxville. KUB's pilot program, ConnectED, provides eligible households $50 monthly toward fiber-related charges.

The fiber network is an integral component of a $702 million ten-year Enhanced Grid Modernization effort for the Electric Division. The program will be funded by a combination of electric rate increases, new bonds, grant funds, and projected payments from the new Fiber Division.

Financial Highlights

During fiscal year 2023, KUB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), using a full retrospective approach. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, have been restated for the change, which reduced net position by $136,963.

Fiscal Year 2023 Compared to Fiscal Year 2022

The Division's Change in Net Position decreased $9.2 million in fiscal year 2023.

Operating revenues increased $0.9 million compared to the prior year. Operating expenses increased $7.3 million. Operating and maintenance (O&M) expenditures increased $6.6 million. Depreciation and amortization expense increased $0.6 million. Taxes and tax equivalents increased $0.2 million.

Interest income was $0.4 million higher due to higher levels of cash on hand and rising interest rates throughout the year.

Interest expense increased $0.7 million, due to higher levels of notes payable outstanding.

Total capital assets (net) increased $0.5 million, reflecting fiber systems and equipment.

As of June 30, 2023, the Division had a $29.1 million note payable to the Electric Division in outstanding debt (including the current portion of note payable).

During the fiscal year, the Division was issued $20 million of additional interdivisional loans from the Electric Division. KUB's Board and TVA have approved proposed loans of up to $55 million to the Division from the Electric Division.

Fiscal Year 2022

The Division's Change in Net Position decreased $2.6 million in fiscal year 2022.

Operating expenses were $2.2 million. Operating and maintenance (O&M) expenditures were $1.9 million. Depreciation and amortization expense was $0.3 million. Taxes and tax equivalents were less than $0.1 million.

Interest income was less than $0.1 million.

Interest expense was $0.4 million.

Total capital assets (net) were $4 million, reflecting fiber systems and equipment.

As of June 30, 2022, the Division had a $10 million note payable to the Electric Division in outstanding debt (including the current portion of note payable).

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Knoxville Utilities Board Fiber Division - Financial Statements

The Division's financial performance is reported under three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Division reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, fiber plant in service, intangible, or other assets.

Liabilities are classified as current, other, or long-term debt. Net position is classified as net investment in capital assets, restricted, or unrestricted. Net position tells the user what the Division has done with its accumulated earnings, not just the balance.

Net investment in capital assets reflects the book value of all capital assets and intangible assets, less lease and subscription liabilities and the outstanding balances of debt used to acquire, construct, or improve those assets.

Restricted net position includes assets that have been limited to specific uses by the Division's bond covenants or through resolutions passed by the KUB Board.

Unrestricted net position is a residual classification; the amount remaining after reporting net position as either invested in capital or restricted is reported there.

Statement of Revenues, Expenses and Changes in Net Position

The Division reports its revenues and expenses (both operating and non-operating) on the Statement of Revenues, Expenses and Changes in Net Position. In addition, any capital contributions or assets donated by developers are reported on this statement.

Total revenue less total expense equals the change in net position for the reporting period. Net position at the beginning of the period is increased or decreased, as applicable, by the change in net position for the reporting period.

The change in net position for the reporting period is added to the net position segment of the Statement of Net Position.

Statement of Cash Flows

The Division reports its cash flows from operating activities, capital and related financing activities, non-capital and related financing activities, and investing activities on its Statement of Cash Flows. This statement tells the user the Division's sources and uses of cash during the reporting period.

The statement indicates the Division's beginning cash balance and ending cash balance and how it was either increased or decreased during the reporting period.

The statement also reconciles cash flow back to operating income as it appears on the Statement of Revenues, Expenses and Changes in Net Position.

Condensed Financial Statements

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the Fiber Division compared to the prior fiscal year.

Statement of Net Position
As of June 30

(in thousands of dollars)	2023	2022 as restated
Current, restricted, intangible, and other assets	$ 19,736	$ 9,296
Capital assets, net	4,510	4,038
Deferred outflows of resources	-	-
Total assets and deferred outflows of resources	24,246	13,334
Current and other liabilities	8,316	6,274
Long-term debt outstanding	27,617	9,625
Deferred inflows of resources	120	-
Total liabilities and deferred inflows of resources	36,053	15,899
Net position		
Net investment in capital assets	(390)	97
Restricted	1	-
Unrestricted	(11,418)	(2,663)
Total net position	$ (11,807)	$ (2,566)

Normal Impacts on Statement of Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Net Position presentation:

- Change in net position (from Statement of Revenues, Expenses and Changes in Net Position): impacts (increase/decrease) current and other assets and/or capital and intangible assets and unrestricted net position.
- Issuing debt for capital: increases deferred outflows of resources and long-term debt.
- Spending debt proceeds on new capital: reduces current assets and increases capital assets.
- Spending of non-debt related current assets on new capital: (a) reduces current assets and increases capital assets, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Principal payment on debt: (a) reduces current and other assets and reduces long-term debt, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Reduction of capital assets through depreciation: reduces capital assets and net investment in capital assets.

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2023 Compared to Fiscal Year 2022

Current, restricted, intangible, and other assets increased $10.4 million compared to the prior year. The change is primarily due to an increase in general fund cash (consisting of cash and cash equivalents) of $9 million and an increase in inventories of $1.7 million.

Fiscal Year 2022

Current, restricted, intangible, and other assets were $9.3 million. This reflects net intangible assets of $5.8 million, general fund cash (consisting of cash and cash equivalents) of $3.3 million, and inventories of $0.2 million.

Capital Assets

Fiscal Year 2023 Compared to Fiscal Year 2022

Capital assets increased $0.5 million. Major capital expenditures included $0.5 million for fiber systems and equipment.

Fiscal Year 2022

Capital assets, net of depreciation, were $4 million. Major capital expenditures included $4 million for fiber systems and equipment.

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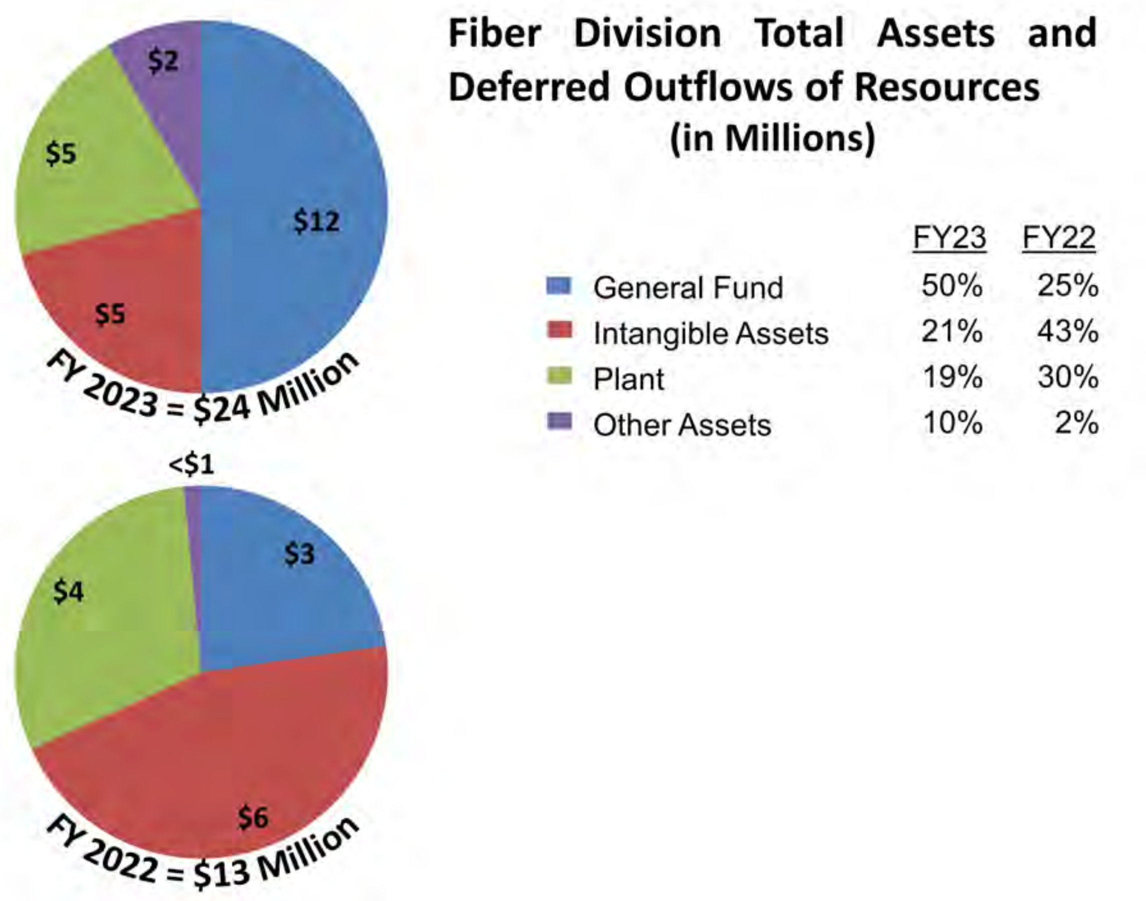


Current and Other Liabilities

Fiscal Year 2023 Compared to Fiscal Year 2022

Current and other liabilities increased $2 million compared to the prior year. The current portion of the note payable increased $1.1 million, payables increased $0.6 million, and accrued expenses increased $0.4 million.

Fiscal Year 2022

Current and other liabilities were $6.3 million. The current and long-term portions of subscription liabilities were $4 million, the current and long-term portions of lease liabilities were $1.7 million, the current portion of the note payable was $0.4 million, and accrued compensated absences was $0.1 million.

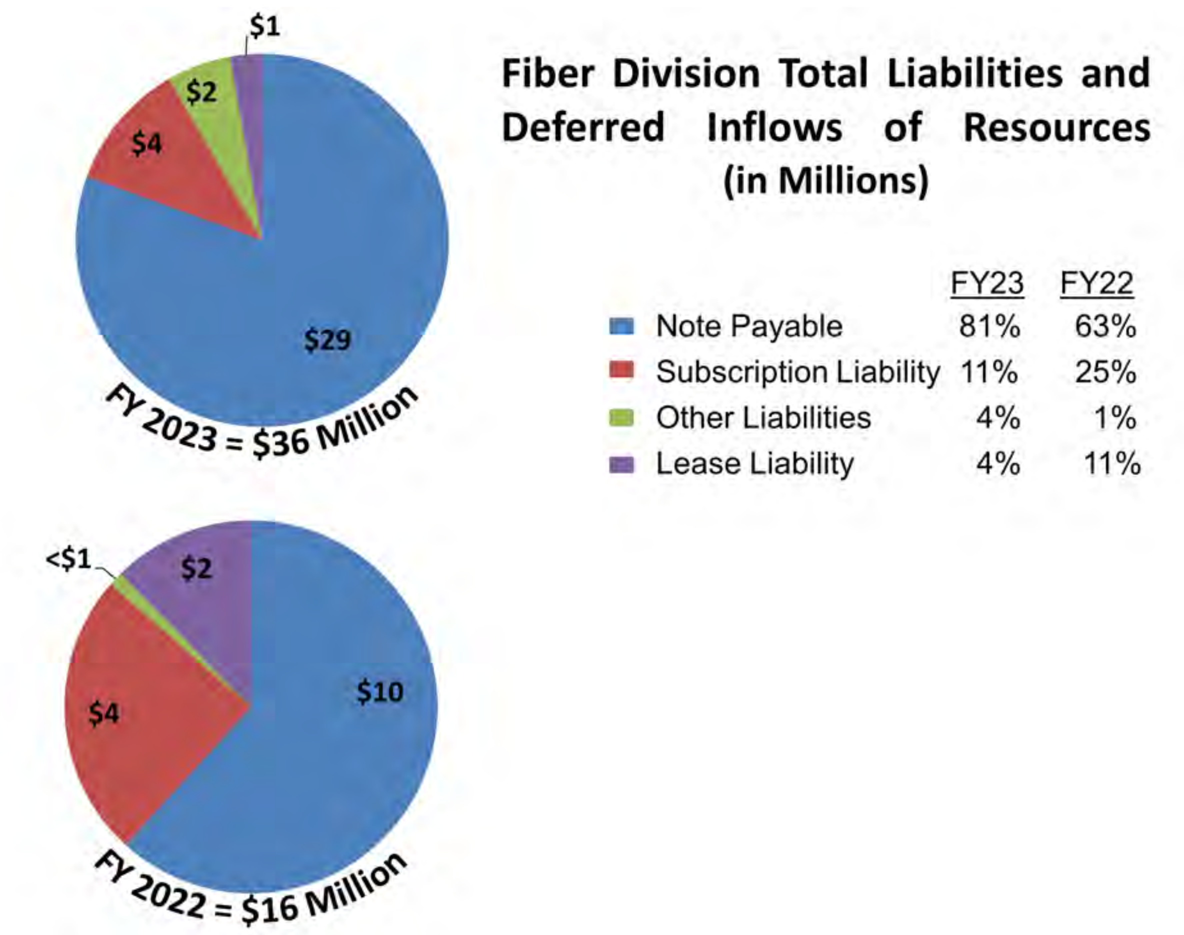
Long-Term Debt

Fiscal Year 2023 Compared to Fiscal Year 2022

Long-term debt was $18 million higher than the prior year. During the fiscal year, the Division was issued $20 million of additional interdivisional loans from the Electric Division. KUB's Board and TVA have approved proposed loans of up to $55 million to the Division from the Electric Division.

Fiber Division Year 2022

Long-term debt was $9.6 million due to the note payable.



Net Position

Fiscal Year 2023 Compared to Fiscal Year 2022

Total net position decreased $9.2 million. Net investment in capital assets decreased $0.5 million, while restricted net position was comparable to the prior year. Unrestricted net position decreased $8.7 million.

Fiscal Year 2022

Total net position was ($2.6 million). Net investment in capital assets was less than $0.1 million, while unrestricted net position was ($2.7 million).

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Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Position for the Fiber Division compared to the prior fiscal year.

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30

(in thousands of dollars)	2023	2022 as restated
Operating revenues	$ 880	$ -
Operating expenses		
Products and promotions	4,342	910
Customer service	1,745	229
Administrative and general	2,387	773
Depreciation and amortization	833	269
Taxes and tax equivalents	189	39
Total operating expenses	9,496	2,220
Operating income	(8,616)	(2,220)
Interest income	435	11
Interest expense	(1,061)	(356)
Other income/(expense)	-	-
Change in net position	$ (9,242)	$ (2,565)

Normal Impacts on Statement of Revenues, Expenses and Changes in Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Revenues, Expenses and Changes in Net Position presentation:

- Operating revenue is largely determined by the number of broadband services provided to customers for the fiscal year. Any change (increase/decrease) in retail fiber rates would also be a cause of change in operating revenue.
- Operating expenses (products and promotions, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor costs (staffing, wage rates), active employee and retiree medical costs, and system maintenance.
- Depreciation and amortization expense is impacted by intangible assets, plant additions, and retirements during the fiscal year.
- Taxes and tax equivalents are impacted by plant additions/retirements and changes in property tax rates.
- Interest income is impacted by the level of interest rates and investments.
- Interest expense on debt is impacted by the level of outstanding debt and the interest rates on the outstanding debt.
- Other income/(expense) is impacted by miscellaneous non-operating revenues and expenses.

- Capital contributions are impacted by a donation of facilities/infrastructure to KUB by developers and governmental agencies. The contributions are recognized as revenue and recorded as plant in service based on the fair market value of the asset(s).

Impacts and Analysis

Change in Net Position

Fiscal Year 2023 Compared to Fiscal Year 2022

The Division's Change in Net Position was ($9.2 million) in fiscal year 2023, due to $9.5 million in operating expenses, $0.4 million in interest income, and $1.1 million in interest expense.

Fiscal Year 2022

The Division's Change in Net Position was ($2.6 million) in fiscal year 2022, due to $2.2 million in operating expenses and $0.4 million in interest expense.

Margin from Sales

Fiscal Year 2023 Compared to Fiscal Year 2022

The Fiber Division had operating revenues of $0.9 million in fiscal year 2023.

Fiscal Year 2022

The Fiber Division had no sales revenue in fiscal year 2022. The first broadband customers will begin service in fiscal year 2023.

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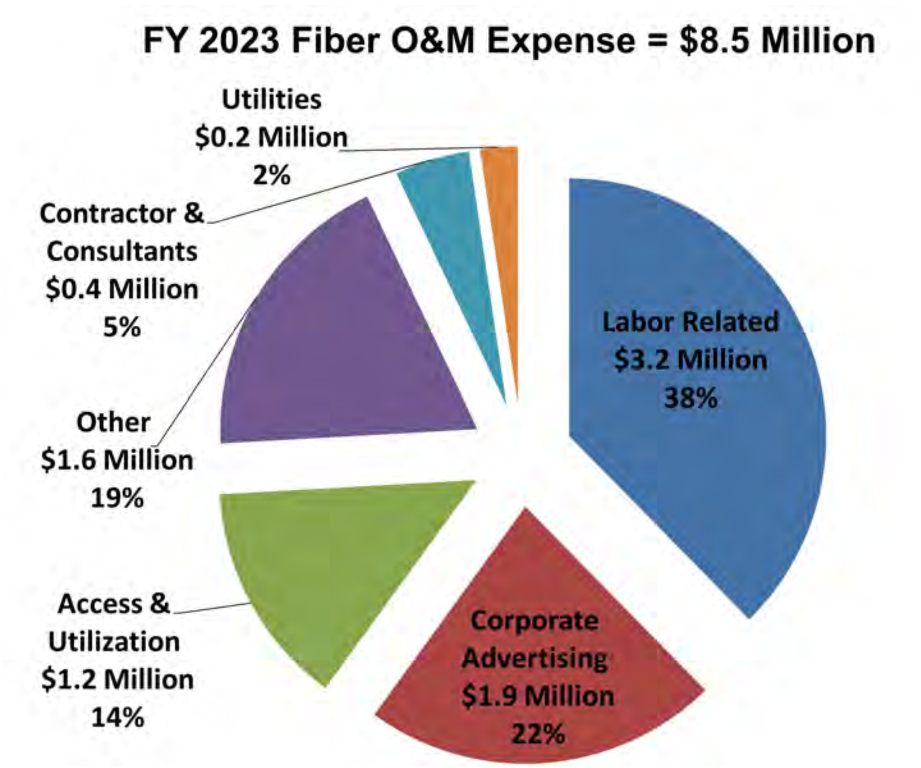
Operating Expenses

Fiscal Year 2023 Compared to Fiscal Year 2022

Operating expenses increased $7.3 million compared to fiscal year 2022. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as products and promotions, customer service, and administrative and general.

- Products and promotions expenses were $3.4 million higher the prior fiscal year, primarily due to corporate advertising expenses, as well as access and utilization expenses.
- Customer service expenses increased $1.5 million, primarily due to labor-related expenses.
- Administrative and general expenses increased $1.6 million, primarily due to labor-related expenses.



- Depreciation and amortization expense increased $0.6 million. KUB added $0.8 million in assets during fiscal year 2023. A partial year of depreciation was recorded on these capital assets and a full year of depreciation expense was incurred on $3.8 in fiber system assets placed in service during fiscal year 2022.
- Taxes and tax equivalents increased $0.2 million.

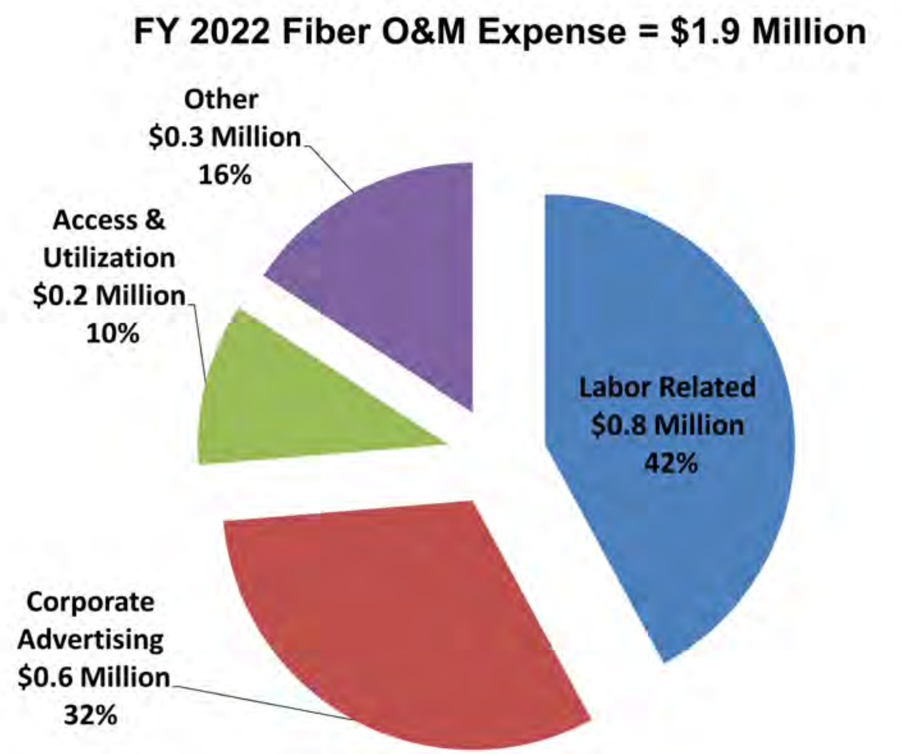
Fiscal Year 2022

Operating expenses of $2.2 million include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as products and promotions, customer service, and administrative and general.

- Products and promotions expenses were $0.9 million, primarily due to corporate advertising expenses, as well as access and utilization expenses.

- Customer service expenses were $0.2 million, primarily due to labor-related expenses.

- Administrative and general expenses were $0.8 million, primarily due to labor-related expenses.



- Depreciation and amortization expense was $0.3 million. KUB added $3.8 million in assets during fiscal year 2022.

- Taxes and tax equivalents were less than $0.1 million.

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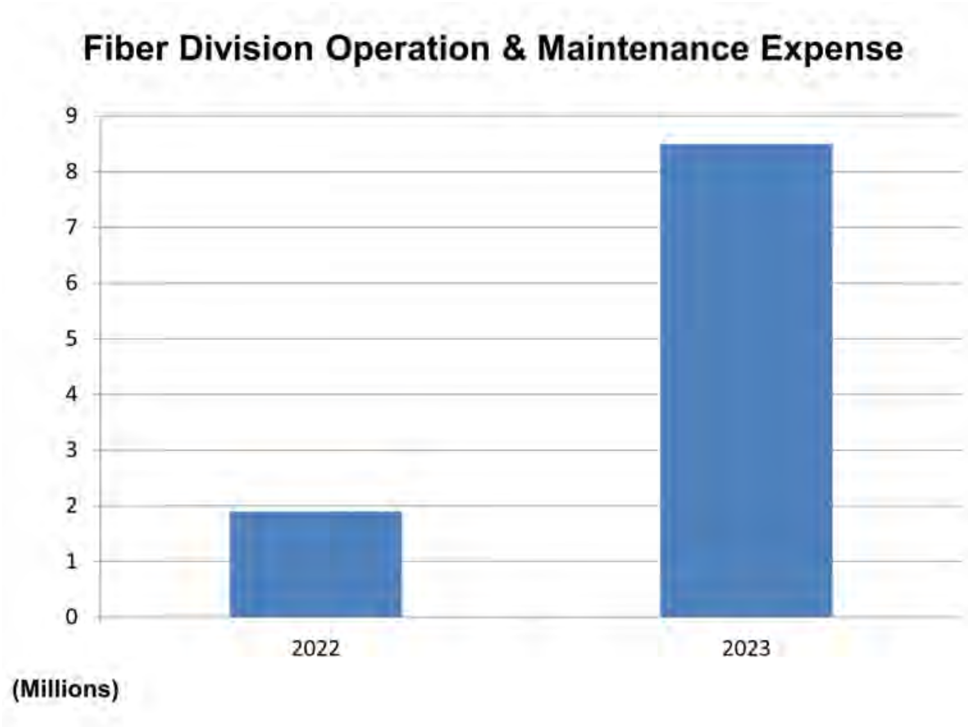

Other Income and Expense

Fiscal Year 2023 Compared to Fiscal Year 2022

Interest income increased $0.4 million due to higher levels of cash on hand and rising interest rates throughout the year.

Interest expense was $0.7 million higher than the prior fiscal year due to higher levels of notes payables.

Fiscal Year 2022

Interest income was less than $0.1 million.

Interest expense was $0.4 million.

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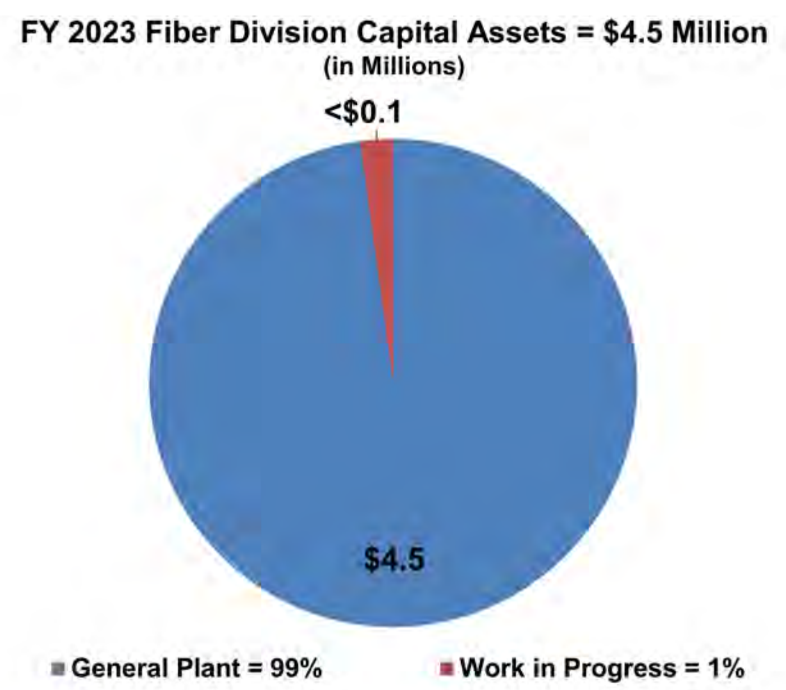
Capital Assets

Capital Assets
As of June 30
(Net of Depreciation)

(in thousands of dollars)	2023	2022 as restated
General Plant	$ 4,474	$ 3,767
Total Plant Assets	$ 4,474	$ 3,767
Work In Progress	36	271
Total Net Plant	$ 4,510	$ 4,038

Fiscal Year 2023 Compared to Fiscal Year 2022

As of June 30, 2023, the Division had $4.5 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $0.5 million over the end of last fiscal year.

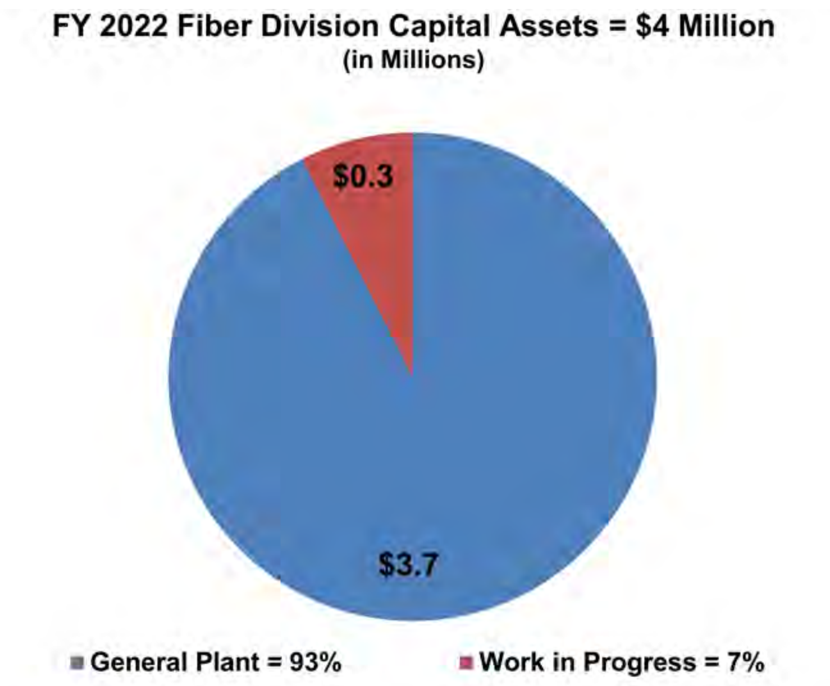


Major capital asset expenditures during the year were as follows:

- $0.1 million in fiber systems and equipment
- $0.1 million in fiber trucks and autos

Fiscal Year 2022

As of June 30, 2022, the Division had $4 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $4 million.



Major capital asset expenditures during the year were as follows:

- $4 million in fiber systems and equipment

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Debt Administration

The Division's outstanding debt was $29.1 million as of June 30, 2023. In support of KUB's Fiber Division, the Electric Division issued a $10 million interdivisional loan to the Fiber Division in October 2021, a $7 million loan in August 2022, and a $13 million loan in February 2023, all maturing in June 2030. This investment supports construction of an advanced fiber infrastructure to improve electric system operations and to enable residential and commercial broadband services for KUB customers.

Outstanding Debt
As of June 30

(in thousands of dollars)		**2023**		**2022**
Note Payable	$	29,117	$	10,000
Total outstanding debt	$	29,117	$	10,000

Fiscal Year 2023 Compared to Fiscal Year 2022

As of June 30, 2023, the Division had $29.1 million in outstanding debt (including the current portion of note payable).

In August 2022, the Division was issued an interdivisional loan of $7 million from the Electric Division at an interest rate of 3.93 percent. In February 2023, the Division was issued an interdivisional loan of $13 million from the Electric Division at an interest rate of 4.02 percent. Principal payments to the Electric Division began in October 2022 and continue through June 2030. KUB's Board and TVA have approved proposed loans of up to $55 million to the Division from the Electric Division.

Fiscal Year 2022

As of June 30, 2022, the Division had $10 million in outstanding debt (including the current portion of note payable).

In August 2021, the Board authorized the first $10 million loan from the Electric Division to the Fiber Division. The interdivisional loan was approved by TVA and was initiated in October 2021.

Impacts on Future Financial Position

KUB anticipates adding 12,000 fiber customers and to begin earning revenue from services in fiscal year 2024.

Broadband services will be provided by a high-speed fiber optic network that will be owned and maintained by the Electric Division. The Fiber Division will share in the cost to build and operate the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division will also pay the Electric Division an annual utilization fee based on attachments to the network.

As a component of the Fiber Division's start-up financing plan, the Electric Division will provide $55 million of interdivisional loans. The first $10 million was provided in October 2021, an additional $7 million was provided in August 2022, and $13 million was provided in February 2023. A $9 million loan is anticipated in fiscal year 2024.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of $1,108,147 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Fiber Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2023, measurement date. Subsequent to June 30, 2023, an actuarial valuation was completed and resulted in an actuarially determined contribution of $2,210,234 for the fiscal year ending June 30, 2025, based on the Plan's current funding policy. The Fiber Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2024, measurement date. For the Plan year beginning January 1, 2023, the Plan's actuarial funded ratio is 106.88 percent, and the market value funded ratio is 91.43 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of $1,187,768 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Fiber Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2024, measurement date. Subsequent to June 30, 2023, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,279,985 for the fiscal year ending June 30, 2025, based on the Plan's current funding policy. The Fiber Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2025, measurement date. The Plan's actuarial funded ratio is 92.14 percent, and the market value funded ratio is 79.62 percent.

GASB Statement No. 99, *Omnibus 2022*, Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023. GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB No. 62,* is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 101, *Compensated Absences,* is effective for fiscal years beginning after December 15, 2023. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2023.

Financial Contact

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 2023, and 2022. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board Fiber Division
Statements of Net Position
June 30, 2023 and 2022

	2023	2022 as restated
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 12,264,803	$ 3,274,143
Accounts receivable, less allowance of uncollectible accounts of $0 in 2023 and $0 in 2022	92,846	-
Current portion of lease receivable	15,592	-
Inventories	1,886,460	194,236
Prepaid expenses	60,593	39,976
Total current assets	14,320,294	3,508,355
Restricted assets:		
Student internet special fund	300,000	-
Other funds	46	-
Total restricted assets	300,046	-
Fiber plant in service:	4,518,939	3,766,791
Less accumulated depreciation	(44,735)	-
	4,474,204	3,766,791
Retirement in progress	-	-
Construction in progress	35,395	270,890
Net plant in service	4,509,599	4,037,681
Intangible assets:		
Intangible right of use asset	1,839,025	1,836,473
Intangible subscription asset	4,293,885	4,291,101
Less accumulated amortization	(1,140,392)	(342,284)
Net intangible assets	4,992,518	5,785,290
Other assets:		
Long-term lease receivable	109,723	-
Other	13,703	2,761
Total other assets	123,426	2,761
Total assets	24,245,883	13,334,087

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Fiber Division
Statements of Net Position
June 30, 2023 and 2022

	2023	2022 as restated
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of lease liability	$ 332,905	$ 310,566
Current portion of subscription liability	165,278	2,607
Current portion of note payable	1,500,000	375,000
Sales tax collections payable	3,018	-
Accounts payable	615,997	35,248
Unearned revenue	84,112	-
Accrued expenses	393,781	30,083
Accrued interest	96,407	32,417
Total current liabilities	3,191,498	785,921
Other liabilities:		
Accrued compensated absences	241,228	113,752
Lease liability	1,038,583	1,369,943
Subscription liability	3,845,838	4,004,860
Total other liabilities	5,125,649	5,488,555
Long-term debt:		
Long-term note payable	27,616,667	9,625,000
Total long-term debt	27,616,667	9,625,000
Total liabilities	35,933,814	15,899,476
Deferred inflows of resources:		
Lease inflow	119,933	-
Total deferred inflows of resources	119,933	-
Total liabilities and deferred inflows of resources	36,053,747	15,899,476
Net position		
Net investment in capital assets	(390,086)	97,314
Restricted for:		
Other	46	-
Unrestricted	(11,417,824)	(2,662,703)
Total net position	(11,807,864)	(2,565,389)
Total liabilities, deferred inflows, and net position	$ 24,245,883	$ 13,334,087

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Fiber Division
Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023 and 2022

	2023	2022 as restated
Operating revenues	$ 879,506	$ -
Operating expenses		
Products and promotions	4,342,512	909,955
Customer service	1,744,562	228,602
Administrative and general	2,386,709	773,447
Depreciation and amortization	832,662	269,399
Taxes and tax equivalents	189,206	38,843
Total operating expenses	9,495,651	2,220,246
Operating loss	(8,616,145)	(2,220,246)
Non-operating revenues (expenses)		
Interest income	435,087	10,729
Interest expense	(1,061,417)	(355,872)
Total non-operating revenues (expenses)	(626,330)	(345,143)
Change in net position	(9,242,475)	(2,565,389)
Net position, beginning of year, as restated	(2,565,389)	-
Net position, end of year	$ (11,807,864)	$ (2,565,389)

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Fiber Division
Statements of Cash Flows
Year Ended June 30, 2023 and 2022

	2023	2022 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 865,537	$ -
Cash receipts from other operations	(301,563)	-
Cash payments to suppliers of goods or services	(7,299,844)	(1,528,333)
Cash payments to employees for services	(1,989,578)	(457,223)
Payment in lieu of taxes	(5,232)	-
Net cash used in operating activities	(8,730,680)	(1,985,556)
Cash flows from capital and related financing activities:		
Acquisition and construction of electric plant	(516,653)	(4,037,681)
Principal paid on lease liabilities	(313,727)	(83,079)
Principal paid on subscription liabilities	(2,607)	(2,013)
Interest paid on lease and subscription liabilities	(212,742)	(64,122)
Implementation costs paid for subscription asset	-	(304,802)
Net cash used in capital and related financing activities	(1,045,729)	(4,491,697)
Cash flows from noncapital and related financing activites:		
Proceeds from notes payable	20,000,000	10,000,000
Principal payments on notes payable	(883,333)	-
Interest paid on notes payable	(784,685)	(259,333)
Net cash provided by noncapital and related financing activities	18,331,982	9,740,667
Cash flows from investing activities:		
Interest received	435,087	10,729
Net cash provided by investing activities	435,087	10,729
Net increase in cash and cash equivalents	8,990,660	3,274,143
Cash and cash equivalents, beginning of year	3,274,143	-
Cash and cash equivalents, end of year	$ 12,264,803	$ 3,274,143
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (8,616,145)	$ (2,220,246)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	844,099	269,399
Changes in operating assets and liabilities:		
Accounts receivable	(92,846)	-
Lease receivable	(125,315)	-
Inventories	(1,692,224)	(194,236)
Prepaid expenses	(20,617)	(39,976)
Other assets	(310,987)	(2,761)
Sales tax collections payable	3,018	-
Accounts payable and accrued expenses	1,196,225	202,264
Customer deposits plus accrued interest	84,112	-
Net cash used in operating activities	$ (8,730,680)	$ (1,985,556)
Noncash capital activities:		
Record intangible right of use asset and lease liability	$ 1,119	$ 1,763,588
Record intangible subscription asset and subscription liability	$ 6,256	$ 4,009,480

The accompanying notes are an integral part of these financial statements.

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Fiber Division (Division) will provide services to certain customers in Knox County and in seven surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Fiber Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2023, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies

Basis of Accounting

In conformity with Generally Accepted Accounting Principles (GAAP), KUB follows the provisions of GASB Statement No. 34 (Statement No. 34), *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as amended by GASB Statement No. 63 (Statement No. 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* Statement No. 34 established standards for external financial reporting for all state and local governmental entities. Under Statement No. 63, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and report *net position* instead of net assets. In addition, KUB follows GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* as it relates to certain items for regulatory accounting. Regulatory accounting allows a regulated utility to defer a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that through the rate making process there will be a corresponding increase or decrease in future revenues. Accordingly, KUB has recognized certain regulatory assets and regulatory liabilities in the accompanying Statements of Net Position.

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The accounting and financial reporting treatment applied to the Division is determined by measurement focus. The transactions of the Division are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted for capital activity and debt service, and unrestricted components.

Recently Adopted New Accounting Pronouncements

In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement did not have a significant impact on KUB’s financial statements.

In May 2020, the GASB issued GASB Statement No. 96 (Statement No. 96), *Subscription-Based Information Technology Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Statement No. 96 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement is reflected on KUB’s financial statements.

Fiber Plant

Fiber plant and other property are stated on the basis of original cost. The cost of current repairs and minor replacements is charged to operating expense. The cost of renewals and improvements is capitalized. The original cost of utility plant assets retired or otherwise disposed of and the cost of removal less salvage value is charged to accumulated depreciation. When other property is retired, the related asset and accumulated depreciation are removed from the accounts, and the gain or loss is included in the results of operations.

The provision for depreciation of fiber plant in service is based on the estimated useful lives of the assets, which range from three to forty years, and is computed using the straight-line method. Pursuant to FERC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment of $11,437 in fiscal year 2023 and $- in fiscal year 2022.

Operating Revenue

Operating revenue consists primarily of charges for services provided by the principal operations of the KUB Fiber Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unearned revenue. Revenues are reported net of bad debt expense of $30 in fiscal year 2023 and $- in fiscal year 2022.

Non-operating Revenue

Non-operating revenue consists of revenues that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Expense

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is KUB’s policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets, net position-restricted, and net position-unrestricted.

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease

and subscription liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Net position-restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- Net position-unrestricted – This component of net position consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Inventories
Inventories, consisting of materials and operating supplies, are valued at the lower of average cost or replacement value.

OPEB Trust
KUB's OPEB Trust was established by KUB's Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. Effective January 1, 2022, the Plan was expanded to include two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a June 30, 2023, and 2022, measurement date, respectively. The net OPEB liability is $12,930,655 as of June 30, 2023, and $11,202,507 as of June 30, 2022. KUB's Fiber Division will share in the allocation in fiscal year 2024 after being included in upcoming actuarial valuations.

Pension Plan and Qualified Excess Benefit Arrangement
KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. The net pension liability is $22,219,032 as of June 30, 2023, and the net pension asset is $64,137,714 as of June 30, 2022. KUB's Fiber Division will share in the allocation after being included in upcoming actuarial valuations beginning in fiscal year 2024.

KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single-employer defined benefit pension plan, administered by KUB. As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2023, and 2022. KUB's Fiber Division will share in the allocation after being included in upcoming actuarial valuations beginning in fiscal year 2024.

Self-Insurance

KUB has established self-insurance programs covering portions of workers' compensation, employee health, environmental liability, general liability, property and casualty liability and automobile liability claims. A liability is accrued for claims as they are incurred. When applicable, claims in excess of the self-insured risk are covered by KUB's insurance carrier. Additionally, KUB provides certain lifetime health benefits to eligible retired employees under a self-insurance plan administered by a third party.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and various other assumptions that KUB believes are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments routinely require adjustment. Estimates are used for, but are not limited to, inventory valuation, allowance for uncollectible accounts, depreciable lives of plant assets, unbilled revenue volumes, pension trust valuations, OPEB trust valuations, insurance liability reserves, and potential losses from contingencies and litigation. Actual results could differ from those estimates.

Restricted and Designated Assets

Certain assets are designated by management for contingency purposes and economic development.

Cash Equivalents

For purposes of the Statements of Cash Flows, KUB considers all unrestricted and undesignated highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the non-cancelable period of the lease plus an additional period covered by either an option to extend or not to terminate the lease that the lessee is reasonably certain to exercise, or an option to extend or not to terminate the lease controlled by the lessor. KUB uses its estimated incremental borrowing rate as the discount rate for leases.

KUB monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the intangible right of use asset.

Subscription-Based Information Technology Arrangements

KUB determines if an arrangement is or contains a subscription-based information technology arrangement (subscription) at contract inception and recognizes an intangible subscription asset and a subscription liability at the commencement date. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. The subscription term includes the non-cancelable period of the subscription plus an additional period covered by either an option to extend or not to terminate the subscription that KUB is reasonably certain to exercise, or an option to extend or not to terminate the subscription controlled by the vendor. KUB uses its estimated incremental borrowing rate as the discount rate for subscriptions.

KUB monitors for events or changes in circumstances that require a reassessment of its subscriptions. When a reassessment results in the remeasurement of a subscription liability, a corresponding adjustment is made to the carrying amount of the subscription asset.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. Deferred inflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Deferred outflows of resources also include employer pension contributions made subsequent to the measurement date of the net pension liability and before the end of the employer's reporting period in accordance with Statement No. 71. Deferred inflows and deferred outflows also include the net difference between projected and actual earnings on pension plan investments and OPEB plan investments, differences between expected and actual experience, and changes in assumptions in accordance with Statements No. 68, 73, and 75. Deferred inflows are also recorded at the commencement of the lease term and recognized as revenue over the course of the lease in accordance with Statement No. 87.

Compensated Absences

KUB accrues a liability for earned but unpaid paid time off (PTO) days.

Restatement for GASB 96

During fiscal year 2023, KUB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) using a full retrospective approach. GASB 96 requires the recognition of an intangible subscription asset and a subscription liability, thereby enhancing the relevance and reliability of information regarding subscription activities. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, have been restated for the change, which impacted net position by $136,963.

As a result of adopting GASB 96, as of June 30, 2022, KUB's Fiber Division recorded total subscription assets of $4,291,101 with accumulated amortization of $115,795 and recognized total subscription liabilities of $4,007,467 ($2,607 current). KUB's Fiber Division also reclassified a net amount of $17,789 from administrative and general expense to $115,795 as amortization expense and $38,957 as interest expense, with a net impact of $136,963 to net position. In addition, there were $304,802 in implementation costs for the year ended June 30, 2022, that were previously recorded in fiber plant in service and reclassified to the subscription asset.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 96.

Subsequent Events

KUB has evaluated events and transactions through October 31, 2023, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Recently Issued Accounting Pronouncements

In April 2022, the GASB issued GASB Statement No. 99 (Statement No. 99), *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. Paragraphs 26-32 were effective immediately. Paragraphs 11-25 are effective for fiscal years beginning after June 15, 2022. Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued GASB Statement No. 100 (Statement No. 100), *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.* The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 is effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued GASB Statement No. 101 (Statement No. 101), *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023.

KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

3. Deposits and Investments

KUB follows the provisions of Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. This Statement establishes and modifies disclosure requirements for state and local governments related to deposit and investment risks. KUB classifies its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*.

KUB's investment policy provides the framework for the administration and investment of cash deposits. The investment policy follows Tennessee State law and defines the parameters under which KUB funds should be invested. State law authorizes KUB to invest in obligations of the United States Treasury, its agencies and instrumentalities; certificates of deposit; repurchase agreements; money market funds; and the State Treasurer's Investment Pool.

Interest Rate Risk. KUB's primary investment objectives are to place investments in a manner to ensure the preservation of capital, remain sufficiently liquid to meet all operating requirements, and maximize yield of return. KUB minimizes its exposure to interest rate risk by adhering to Tennessee State law requirements for the investment of public funds. This includes limiting investments to those types described above and limiting maturity horizons. The maximum maturity is four years from the date of investment. KUB also limits its exposure by holding investments to maturity unless cash flow requirements dictate otherwise.

Credit Risk. KUB's investment policy, as required by state law, is to apply the prudent-person rule: Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived, as well as the probable safety of their capital.

Custodial Credit Risk. KUB's investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in KUB's name by a third-party custodian bank(s) acting as KUB's agent(s), or through the State of Tennessee's collateral pool. Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of KUB's investments is generally held in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is a part of the State Pooled Investment Fund and is sponsored by the State of Tennessee Treasury Department. Tennessee Code Annotated ¶9-4-701 *et seq*. authorizes local governments to invest in the LGIP. None of KUB's investments are exposed to custodial credit risk.

Classification of deposits and investments per Statement of Net Position:

	2023	2022
Current assets		
Cash and cash equivalents	$ 12,264,803	$ 3,274,143
Restricted assets		
Student internet special fund	300,000	-
Other funds	46	-
	$ 12,564,849	$ 3,274,143

Investments and maturities of KUB's deposits and investments as held by financial institutions as of June 30, 2023:

	Deposit and Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-5
Supersweep NOW and Other Deposits	$ 12,657,614	$ 12,657,614	$ -
Certificates of Deposits	-	-	-
	$ 12,657,614	$ 12,657,614	$ -

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. 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.

The Division has no recurring fair value measurements as of June 30, 2023.

KUB measures investments with a maturity at purchase of one year or less at amortized cost, which is considered a fair value equivalent due to their nature. Investments in the State Treasurer's Investment Pool are measured at net asset value (NAV) per share.

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4. Accounts Receivable

Accounts receivable consists of the following:

	2023	2022
Wholesale and retail customers		
Billed services	$ 92,036	$ -
Other	810	-
	$ 92,846	$ -

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2023	2022
Trade accounts	$ 615,997	$ 35,248
Salaries and wages	29,838	16,799
Self-insurance liabilities	63,943	13,284
Other current liabilities	300,000	-
	$ 1,009,778	$ 65,331

6. Long-Term Obligations

Long-term debt consists of the following:

	Balance June 30, 2022	Additions	Payments	Balance June 30, 2023
Notes payable	$ 10,000,000	$ 20,000,000	$ (883,333)	$ 29,116,667
Less current portion	(375,000)			(1,500,000)
Long-term portion	9,625,000			$ 27,616,667

Fiscal Year	Total Principal	Interest	Grand Total
2024	$ 1,500,000	$ 1,129,689	$ 2,629,689
2025	1,500,000	1,070,354	2,570,354
2026	1,500,000	1,011,019	2,511,019
2027	1,500,000	951,684	2,451,684
2028	7,088,518	892,349	7,980,867
2029-2030	16,028,149	769,188	16,797,337
Total	$ 29,116,667	$ 5,824,283	$ 34,940,950

In support of KUB's Fiber Division, the Electric Division issued a series of loans to the Fiber Division. The Electric Division issued a $10 million loan in October 2021, a $7 million loan in August 2022, and a $13 million loan in February 2023 to the Fiber Division, all maturing in June 2030. The loans support startup costs of the Fiber Division as KUB's advanced fiber infrastructure is being constructed to allow customers to receive broadband services.

Other liabilities consist of the following:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Accrued compensated absences	113,752	719,371	(591,895)	241,228
	$ 113,752	$ 719,371	$ (591,895)	$ 241,228

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Accrued compensated absences	-	352,989	(239,237)	113,752
	$ -	$ 352,989	$ (239,237)	$ 113,752

7. Lease Receivables

KUB, as lessor, leases office space under non-cancelable lease arrangements. Terms of the leases range from one to ten years and contain fixed payment terms. Certain leases contain an option to renew that has been considered in the lease receivable when the lessee is reasonably certain to exercise the renewal option. KUB recognized lease revenue, which is included in other operating revenues, of $17,807 in 2023. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $4,344 in 2023. Total lease receivables were $125,315 ($15,592 current) as of June 30, 2023, and are included in other assets on the Statement of Net Position.

8. Lease Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total lease liabilities	$ 1,680,509	$ 4,706	$ (313,727)	$ 1,371,488
Less current portion	(310,566)			(332,905)
Long-term portion	1,369,943			$ 1,038,583

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total lease liabilities	$ -	$ 1,836,473	$ (155,964)	$ 1,680,509
Less current portion	-			(310,566)
Long-term portion	$ -			$ 1,369,943

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to four years and contain fixed payment terms. Certain office space leases contain the option for renewal, which has been considered in the lease liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2023, are summarized as follows:

	Lease Maturities	Interest Requirements
2024	$ 332,905	$ 45,130
2025	356,197	32,946
2026	380,596	19,457
2027	301,790	4,900
	$ 1,371,488	$ 102,433

9. Subscription-Based Information Technology Agreement Liabilities

Changes in SBITA liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total SBITA liabilities	$ 4,007,467	$ 6,256	$ (2,607)	$ 4,011,116
Less current portion	(2,607)			(165,278)
Long-term portion	$ 4,004,860			$ 3,845,838

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total SBITA liabilities	$ -	$ 4,009,480	$ (2,013)	$ 4,007,467
Less current portion	-			(2,607)
Long-term portion	$ -			$ 4,004,860

KUB has subscription-based information technology agreements (SBITAs) which grant non-cancelable rights to use underlying information technology software. Terms of agreement range from five to eighteen years and contain fixed and variable payment terms. Certain SBITAs contain the option for renewal, which has been considered in the SBITA liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2023, are summarized as follows:

	Subscription Maturities	Interest Requirements
2024	$ 165,278	$ 153,634
2025	325,272	144,358
2026	467,133	128,955
2027	544,174	109,144
2028	565,724	87,595
2029-2032	1,943,535	125,307
	$ 4,011,116	$ 748,993

10. Capital and Intangible Assets

Capital and intangible asset activity was as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
General Plant	3,766,791	839,687	(87,539)	4,518,939
Total Plant Assets	$ 3,766,791	$ 839,687	$ (87,539)	$ 4,518,939
Less Accumulated Depreciation	-	(134,885)	90,150	(44,735)
Net Plant Assets	$ 3,766,791	$ 704,802	$ 2,611	$ 4,474,204
Work In Progress	270,890	208,142	(443,637)	35,395
Total Net Plant	$ 4,037,681	$ 912,944	$ (441,026)	$ 4,509,599
Intangible Right of Use Assets				
Office space	$ 1,835,035	$ -	$ -	$ 1,835,035
Equipment	-	4,482	(492)	3,990
Other	1,438	-	(1,438)	-
Total Intangible Right of Use Assets	$ 1,836,473	$ 4,482	$ (1,930)	$ 1,839,025
Less Accumulated Amortization	(226,489)	(342,773)	2,408	(566,854)
Net Intangible Right of Use Assets	$ 1,609,984	$ (338,291)	$ 478	$ 1,272,171
Intangible Subscription Assets				
Intangible Subscription Assets	$ 4,291,101	$ 2,784	$ -	$ 4,293,885
Less Accumulated Amortization	(115,795)	(457,743)	-	(573,538)
Net Intangible Subscription Assets	$ 4,175,306	$ (454,959)	$ -	$ 3,720,347

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
General Plant	-	3,766,791	-	3,766,791
Total Plant Assets	$ -	$ 3,766,791	$ -	$ 3,766,791
Less Accumulated Depreciation	-	-	-	-
Net Plant Assets	$ -	$ 3,766,791	$ -	$ 3,766,791
Work In Progress	-	4,342,483	(4,071,593)	270,890
Total Net Plant	$ -	$ 8,109,274	$ (4,071,593)	$ 4,037,681
Intangible Right of Use Assets				
Office space	$ -	$ 1,835,035	$ -	$ 1,835,035
Equipment	-	-	-	-
Other	-	1,438	-	1,438
Total Intangible Right of Use Assets	$ -	$ 1,836,473	$ -	$ 1,836,473
Less Accumulated Amortization	-	(226,489)	-	(226,489)
Net Intangible Right of Use Assets	$ -	$ 1,609,984	$ -	$ 1,609,984
Intangible Subscription Assets				
Intangible Subscription Assets	$ -	$ 4,291,101	$ -	$ 4,291,101
Less Accumulated Amortization	-	(115,795)	-	(115,795)
Net Intangible Subscription Assets	$ -	$ 4,175,306	$ -	$ 4,175,306

11. Risk Management

KUB is exposed to various risks of loss related to active and retiree medical claims; injuries to workers; theft of, damage to, and destruction of assets; environmental damages; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

These liabilities are included in accrued expenses in the Statement of Net Position. The liability is KUB's best estimate based on available information. As of June 30, 2023, and June 30, 2022, the amount of these liabilities was $63,943 and $13,284, respectively, resulting from the following changes:

	2023	2022
Balance, beginning of year	$ 13,284	$ -
Current year claims and changes in estimates	549,279	92,405
Claims payments	(498,620)	(79,121)
Balance, end of year	$ 63,943	$ 13,284

12. Defined Contribution Plan

The KUB Asset Accumulation 401(k) Plan (the "401(k) Plan") is a defined contribution 401(k) employee retirement savings plan covering eligible KUB employees established by the KUB Board of Commissioners in accordance with the Charter of the City of Knoxville, Tennessee. The 401(k) Plan's assets are held in trust under an agreement between KUB and Fidelity Management Trust Company. Employees hired prior to January 1, 2011, may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. Employees hired on or after January 1, 2011, have an enhanced 401(k) due to the closure of the Defined Benefit Pension Plan. They may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. They also receive a non-elective KUB contribution of three percent to six percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and non-elective contributions of $3,794,561 (Division's share $113,837) and $3,125,903, respectively, for the years ended June 30, 2023, and 2022. KUB's Fiber Division began sharing in the allocation of contributions beginning in fiscal year 2023.

13. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with the City of Knoxville and with other divisions of KUB. Such transactions for the years ended June 30, 2023, and 2022, are summarized as follows:

	2023	2022
City of Knoxville		
Payments by the Division in lieu of property tax	$ 1,158	$ -
Payments by the Division for services provided	280	-
Other divisions of KUB		
Amounts billed to the Division by other divisions for utilities services provided	$ 74,440	$ 8,497
Amounts billed to other divisions for utilities and related services provided	12,674	-
Interdivisional rental expense	46,557	-
Interdivisional interest expense	848,675	291,750
Interdivisional access and utilization expense	1,200,888	55,503

Broadband services are provided by a high-speed fiber optic network that is owned and maintained by the Electric Division. The Fiber Division shares in the cost to build and operate the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division also pays the Electric Division an annual utilization fee based on attachments to the network.

In October 2021, the Division was issued an interdivisional loan of $10 million from the Electric Division at an interest rate of 3.89 percent. In August 2022, the Division was issued an interdivisional loan of $7 million from the Electric Division at an interest rate of 3.93 percent. In February 2023, the Division was issued an interdivisional loan of $13 million from the Electric Division at an interest rate of 4.02 percent. The Division paid interest expense of $848,675 for the year ended June 30, 2023, and $291,750 for the year ended June 30, 2022.

14. Other Commitments and Contingencies

In the normal course of business, there are various lawsuits pending against KUB. Management has reviewed these lawsuits with counsel, who is vigorously defending KUB's position and is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on KUB's financial position, results of operations, or cash flows.

Knoxville Utilities Board Fiber Division
Supplemental Information – Schedule of Debt Maturities by Fiscal Year
June 30, 2023

	Electric Division Loan 1		Electric Division Loan 2		Electric Division Loan 3		Totals		Grand Total (P + I)
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
23-24	$ 500,000	$ 367,119	$ 350,000	$ 258,479	$ 650,000	$ 504,091	$ 1,500,000	$ 1,129,689	$ 2,629,689
24-25	500,000	347,669	350,000	244,724	650,000	477,961	1,500,000	1,070,354	2,570,354
25-26	500,000	328,219	350,000	230,969	650,000	451,831	1,500,000	1,011,019	2,511,019
26-27	500,000	308,769	350,000	217,214	650,000	425,701	1,500,000	951,684	2,451,684
27-28	2,381,375	289,319	1,647,500	203,459	3,059,643	399,571	7,088,518	892,349	7,980,867
28-29	4,342,500	202,782	3,000,000	142,962	5,571,428	284,646	12,913,928	630,390	13,544,318
29-30	901,125	40,216	660,833	29,493	1,552,263	69,089	3,114,221	138,798	3,253,019
Total	$ 9,625,000	$ 1,884,093	$ 6,708,333	$ 1,327,300	$ 12,783,334	$ 2,612,890	$ 29,116,667	$ 5,824,283	$ 34,940,950

See accompanying Independent Auditor's Report

Knoxville Utilities Board Fiber Division
Supplemental Information – Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2022	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2023
Business-Type Activities									
LOAN PAYABLE									
Electric Division Loan 1	10,000,000	3.89	10/01/21	06/01/30	$ 10,000,000	$	$ 375,000	$	$ 9,625,000
Electric Division Loan 2	7,000,000	3.93	08/01/22	06/01/30	-	7,000,000	291,666		6,708,334
Electric Division Loan 3	13,000,000	4.02	02/01/23	06/01/30	-	13,000,000	216,667		12,783,333
					$ 10,000,000	$ 20,000,000	$ 883,333	$ -	$ 29,116,667

See accompanying Independent Auditor's Report

Knoxville Utilities Board Fiber Division
Supplemental Information – Schedule of Changes in Lease Liabilities
June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 6/30/2022	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2023
Lease Liabilities									
Payable through Fiber Fund									
Centriworks	$ 1,349	3.88%	11/1/2020	10/31/2023	$ -	$ -	$ (585)	$ 786	$ 201
Coal Creek Ventures	921	3.88%	7/1/2020	9/30/2035	11	-	(861)	850	-
Pinnacle Towers	1,486	3.88%	7/1/2020	6/30/2027	789	-	(1,538)	749	-
R&S Logistics (Sublease)	1,835,035	3.88%	7/1/2020	3/31/2027	1,679,709	-	(310,033)	-	1,369,676
Ricoh Americas	1,119	3.88%	8/1/2022	8/31/2025	-	1,119	(337)	39	821
RJ Young Company	1,522	3.88%	7/1/2020	6/30/2026	-	-	(373)	1,163	790
Total Lease Liabilities					$ 1,680,509	$ 1,119	$ (313,727)	$ 3,587	$ 1,371,488

Insurance coverage is for KUB as a consolidated entity.

Crime
Covers losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - $5,000,000; $250,000 retention.

Directors' and Officers' Liability Insurance
Covers KUB personnel appropriately authorized to make decisions on behalf of KUB (including but not limited to Commissioners, President and CEO, Senior Vice Presidents, Vice Presidents, and Directors) for wrongful acts. Limits of coverage - $20,000,000; $500,000 corporate deductible, $0 individual deductible.

Employment Practices Liability
Coverage for costs related to actual or alleged employment practices violations for amounts exceeding specified amount ($500,000). Limits of coverage - $10,000,000.

Fiduciary
Covers losses resulting from wrongful acts related to KUB's Pension, 401(k), OPEB Trust funds, and Medical Plan. Limits of coverage - $10,000,000; $150,000 deductible.

Environmental and Pollution Legal Liability
Environmental and Pollution coverage for covered losses resulting from a pollution or environmental event. Limits of coverage - $15,000,000.

Property Insurance
This coverage provides protection of KUB's property for fire, extended coverage, vandalism and malicious mischief, and coverage on boilers and machinery. Also included are flood and earthquake damage and mechanical failure. Limits of coverage - $250,000,000 per occurrence (subject to certain sub limits); $2,500,000 deductible per occurrence.

Travel Accident
Covers losses related to employees' business travel. Limits of coverage - $1,000,000 aggregate.

Excess Insurance for General Liability
As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). Limits of coverage - $5,000,000; $700,000 retention.

Excess Insurance for Workers' Compensation
Covers all losses exceeding specified amount per occurrence ($1,000,000). Limits of coverage - Statutory; stop loss coverage applies for aggregate losses over $5,000,000.

Employee Health Plan Stop Loss Coverage
KUB's employee health plan is self-funded. KUB has purchased stop loss insurance, which covers KUB's exposure to annual expenses for more than $600,000 per individual participant.

Cyber Security Liability
Liability coverage resulting from losses related to a covered event such as data breaches, ransomware, regulatory fines, cyber extortion, business interruption and other cyber-related events. Limits of coverage - $3,000,000; $500,000 deductible.

Knoxville Utilities Board Fiber Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class	Product	Base Charge	Number of Customers
Residential	The Gig (1 Gigabit symmetrical internet service)	$65.00	2,194
	The Gig 2.5 (2.5 Gigabit symmetrical internet service)	$150.00	63
	The Gig 10 (10 Gigabit symmetrical internet service)	$300.00	-
	Smart Gig Managed WiFi Service	$15.00	1,179
	Residential Phone Unlimited (unlimited long distance continental US)	$35.00	34
	Bronze TV (~39 Channels with 6 concurrent streams)	$43.00	13
	Silver TV (~110 Channels with 6 concurrent streams)	$120.00	30
	Gold TV (~214 Channels with 6 concurrent streams)	$130.00	34
	Spanish Language TV (~13 Channels)	$5.00	1
	HBO (~14 Channels)	$15.00	3
	Starz (~29 Channels)	$10.00	7
	Showtime (~20 Channels)	$10.00	4
	Cinemax (~12 Channels)	$12.00	1
	Additional 4 Concurrent Video Streams	$5.00	1
	Static IP Address	$10.00	1
Non-Residential	Business Connect (500 Megabit symmetrical internet service)	$85.00	53
	The Gig at Work (1 Gigabit symmetrical internet service)	$150.00	16
	Custom Connect Pro	$500.00*	5
	Business Phone Unlimited – First Line	$40.00	12
	Business Phone Unlimited – Second Line	$35.00	6
	Smart Gig at Work Router Service	$20.00	34
	Commercial Static IP Address	$5.00	10

*Custom Connect Pro prices start at $500/month

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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*

Board of Commissioners
Fiber Division of the Knoxville Utilities Board
Knoxville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Fiber Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Division's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division'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 Division's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COULTER & JUSTUS, P.C.

Board of Commissioners
Fiber Division of the Knoxville Utilities Board
Knoxville, Tennessee

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division'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 Division's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023

KNOXVILLE UTILITIES BOARD

Gas Division

Financial Statements and Supplemental Information
June 30, 2023 and 2022

KUB Board of Commissioners

Adrienne Simpson-Brown, Chair
Tyvi Small, Vice Chair
Claudia Caballero
Ron Feinbaum
Cynthia Gibson
Kathy Hamilton
Celeste Herbert

Management

Gabriel Bolas II
President and Chief Executive Officer

Mark Walker
Senior Vice President and Chief Financial Officer

Susan Edwards
Senior Vice President and Chief Administrative Officer

Derwin Hagood
Senior Vice President of Operations

John Williams
Senior Vice President of Engineering & Construction

Jamie Davis
Vice President Fiber and Chief Technology Officer

Tiffany Martin
Vice President and Chief Customer Officer

John Gresham
Vice President of Operations

Knoxville Utilities Board Gas Division
Index
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Commissioners
Gas Division of the Knoxville Utilities Board
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Gas Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Division as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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* (GAS*)*, 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 the Division 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 opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2021, the Division adopted new accounting guidance Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Board of Commissioners
Gas Division of the Knoxville Utilities Board
Knoxville, Tennessee

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 opinion. 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 GAS 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 GAS, 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 the Division'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 the Division'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 on pages 4 through 24 and the required supplementary information on pages 61 through 65 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.

COULTER & JUSTUS, P.C.

Board of Commissioners
Gas Division of the Knoxville Utilities Board
Knoxville, Tennessee

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Division's basic financial statements. The supplemental information, as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information 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. The other information comprises the statistical information but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Gas Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023

Knoxville Utilities Board (KUB), comprised of Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions. The Gas Division (Division) provides services to certain customers in Knox County and portions of Anderson and Loudon counties. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Gas Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2023, and 2022, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Division's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Division's financial activity, (c) identify major changes in the Division's financial position, and (d) identify any financial concerns.

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2023, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

Gas Division Highlights

System Highlights

KUB experienced normal operations this fiscal year. However, inflation had a significant impact to operating costs and capital projects. Supply chain issues improved throughout the year but impacted the timing of some capital projects in fiscal year 2023. KUB's ability to serve its gas customers has remained strong.

KUB's natural gas system serves 108,698 customers, and its service territory covers 297 square miles. KUB maintains 2,570 miles of service mains to provide 13.2 million dekatherms of natural gas to its customers annually.

KUB's natural gas system service territory experienced warmer than normal temperatures this winter compared to the previous year. Billed natural gas sales decreased 2.2 percent when compared to fiscal year 2022 due to a decrease in residential and industrial usage. Gas Division margin (operating revenue less purchased gas cost) was $0.4 million lower in fiscal year 2023.

Due to an extreme cold weather event in December 2022, the natural gas system set a new record peak in demand of 169,458 dekatherms.

The natural gas system has added 4,265 customers over the past three years, representing annual growth of one percent. In fiscal year 2023, 1,309 customers were added. The typical residential gas customer's average monthly gas bill was $64.77 for the twelve months ended June 30, 2023.

KUB's natural gas system was named to the American Public Gas Association's (APGA) System Operational Achievement Recognition (SOAR) Program in 2018, reflecting KUB's focus on system integrity, continuous improvement, safety, and employee development. KUB is a Gold Level winner and remains a member of the program through 2023. KUB was recognized as a Safety Contest Winner for calendar year 2022 by APGA. KUB received the 2023 APGA Communications & Marketing Award for its natural gas growth efforts.

Century II Infrastructure Program

Century II is KUB's proactive long-range program to improve and maintain the electric, natural gas, water, and wastewater systems for its customers. It includes maintenance and asset replacement strategies for each system and establishes sustainable replacement cycles. Century II moves KUB into its second century of service by improving each system through sound planning, resource allocation, and continued investment.

In May 2017, a new Century II funding resolution was adopted by the KUB Board of Commissioners to express the continued commitment to funding Century II programs for the next ten years. The funding will be achieved through a combination of rate increases and debt issues supplemented by cost savings and new revenue from net customer additions.

In June 2017, the Board approved the next phase of gas rate increases to support the Century II program. The three approved gas rate increases went into effect in October 2017, October 2018, and October 2019, generating $2.2 million, $2.3 million, and $2.3 million in additional annual Gas Division revenue, respectively.

During the fiscal year, KUB replaced 6.3 miles of steel gas main, while staying on track with Century II goals and within the Gas Division's total capital budget.

Financial Highlights

During fiscal year 2023, KUB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), using a full retrospective approach. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, have been restated for the change, which did not have an impact on the net position.

During fiscal year 2022, KUB adopted GASB Statement No. 87, *Leases* (Statement No. 87) using a full retrospective approach. This statement requires a lessee to recognize an intangible right of use asset and a lease liability, and a lessor to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information regarding leasing activities. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2021, have been restated for the change, which did not have an impact on the net position.

Fiscal Year 2023 Compared to Fiscal Year 2022

The Division's net position increased $13.5 million in fiscal year 2023 compared to a $17.1 million increase in fiscal year 2022.

Operating revenue increased $4.7 million or 3.3 percent. The increase is attributable to higher natural gas prices compared to the prior year. KUB flows changes to wholesale gas costs directly through to its retail gas rates via the Purchased Gas Adjustment.

Purchased gas expense was $5.2 million or 6.6 percent higher due to higher natural gas prices. Margin on gas sales (operating revenue less purchased gas expense) decreased $0.4 million or 0.7 percent, reflecting the lower sales volumes.

Operating expenses (excluding purchased gas expense) increased $5.4 million or 12.5 percent. Operating and maintenance (O&M) expenses were $4.9 million higher than the prior fiscal year.

Depreciation and amortization expense increased $0.4 million. Taxes and tax equivalents were $0.1 million higher than the prior year.

Wholesale purchased gas expense represented 57 percent of natural gas sales revenue for the fiscal year ended June 30, 2023.

Interest income increased $1.1 million due to rising interest rates throughout the year. Interest expense decreased $0.3 million.

Total plant assets (net) increased $5.9 million or 1.8 percent, reflecting capital investment associated with the replacement of key gas system assets and other major system projects.

Long-term debt represented 20.8 percent of the Division's capital structure as of June 30, 2023, as compared to 23 percent last year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 3.84. Maximum debt service coverage for future fiscal years is 3.97.

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's net position increased $17.1 million in fiscal year 2022 compared to a $17.2 million increase in fiscal year 2021.

Operating revenue increased $26.5 million or 23 percent. The increase is attributable to a 2.2 percent increase in billed volumes and significantly higher natural gas prices compared to the prior year. KUB flows changes to wholesale gas costs directly through to its retail gas rates via the Purchased Gas Adjustment.

Purchased gas expense was $25.9 million or 49.6 percent higher due to higher customer demand and significantly higher natural gas prices. Margin on gas sales (operating revenue less purchased gas expense) increased $0.6 million or 0.9 percent, reflecting the increase in gas sales volumes.

Operating expenses (excluding purchased gas expense) increased $0.9 million or 2.1 percent. Operating and maintenance (O&M) expenses were $1.1 million higher than the prior fiscal year. Depreciation and amortization expense decreased $0.2 million. Taxes and tax equivalents were consistent with the prior year.

Wholesale purchased gas expense represented 56 percent of natural gas sales revenue for the fiscal year ended June 30, 2022.

Interest income increased $0.1 million compared to the prior fiscal year. Interest expense decreased $0.2 million.

Total plant assets (net) increased $12.2 million or 3.9 percent, reflecting capital investment associated with the replacement of key gas system assets and other major system projects.

Long-term debt represented 23 percent of the Division's capital structure as of June 30, 2022, as compared to 25.5 percent last year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 4.17. Maximum debt service coverage for future fiscal years is 4.25.

Knoxville Utilities Board Gas Division - Financial Statements

The Division's financial performance is reported under three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Division reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, gas plant in service, intangible, or other assets.

Liabilities are classified as current, other, or long-term debt. Net position is classified as net investment in capital assets, restricted, or unrestricted. Net position represents what was previously reported as accumulated or retained earnings. Net position tells the user what the Division has done with its accumulated earnings, not just the balance.

Net investment in capital assets reflects the book value of all capital assets and intangible assets, less lease and subscription liabilities and the outstanding balances of debt used to acquire, construct, or improve those assets.

Restricted net position includes assets that have been limited to specific uses by the Division's bond covenants or through resolutions passed by the KUB Board.

Unrestricted net position is a residual classification; the amount remaining after reporting net position as either invested in capital or restricted is reported there.

Statement of Revenues, Expenses and Changes in Net Position

The Division reports its revenues and expenses (both operating and non-operating) on the Statement of Revenues, Expenses and Changes in Net Position. In addition, any contributions in aid of construction (funds received via grants, developers, etc. to fund capital projects) and associated write-downs of plant assets are reported on this statement.

Total revenue less total expense equals the change in net position for the reporting period. Net position at the beginning of the period is increased or decreased, as applicable, by the change in net position for the reporting period.

The change in net position for the reporting period is added to the net position segment of the Statement of Net Position.

Statement of Cash Flows

The Divisions reports its cash flows from operating activities, capital and related financing activities, non-capital and related financing activities, and investing activities on its Statement of Cash Flows. This statement tells the user the Division's sources and uses of cash during the reporting period.

The statement indicates the Division's beginning cash balance and ending cash balance and how it was either increased or decreased during the reporting period.

The statement also reconciles cash flow back to operating income as it appears on the Statement of Revenues, Expenses and Changes in Net Position.

Condensed Financial Statements

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the Gas Division compared to the prior two fiscal years.

Statements of Net Position
As of June 30

(in thousands of dollars)	2023	2022 as restated	2021 as restated
Current, restricted, intangible, and other assets	$ 67,112	$ 82,880	$ 74,477
Capital assets, net	335,050	329,129	316,893
Deferred outflows of resources	9,944	2,519	1,406
Total assets and deferred outflows of resources	412,106	414,528	392,776
Current and other liabilities	33,711	34,381	22,633
Long-term debt outstanding	79,414	87,006	94,619
Deferred inflows of resources	993	8,674	8,152
Total liabilities and deferred inflows of resources	114,118	130,061	125,404
Net position			
Net investment in capital assets	247,959	234,171	214,219
Restricted	2,224	2,230	1,733
Unrestricted	47,805	48,066	51,420
Total net position	$ 297,988	$ 284,467	$ 267,372

Normal Impacts on Statement of Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Net Position presentation:

- Change in net position (from Statement of Revenues, Expenses and Changes in Net Position): impacts (increase/decrease) current and other assets and/or capital and intangible assets, and unrestricted net position.

- Issuing debt for capital: increases deferred outflows of resources and long-term debt.

- Spending debt proceeds on new capital: reduces current assets and increases capital assets.

- Spending of non-debt related current assets on new capital: (a) reduces current assets and increases capital assets, and (b) reduces unrestricted net position and increases net investment in capital assets.

- Principal payment on debt: (a) reduces current and other assets and reduces long-term debt, and (b) reduces unrestricted net position and increases net investment in capital assets.

- Reduction of capital assets through depreciation: reduces capital assets and net investment in capital assets.

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2023 Compared to Fiscal Year 2022

Current, restricted, intangible, and other assets decreased $15.8 million or 19 percent, primarily due to a $12.3 million decrease in the actuarially determined net pension asset and a $2.2 million decrease in accounts receivable.

Fiscal Year 2022 Compared to Fiscal Year 2021

Current, restricted, intangible, and other assets increased $8.4 million or 11.3 percent, primarily due to a $4.7 million increase in the actuarially determined net pension asset, a $2 million increase in accounts receivable, and a $1.1 million increase in net intangible assets.

Gas storage increased $3.4 million, reflecting 13 percent lower storage volumes compared to the prior fiscal year at a 75.6 percent higher weighted average cost.

Capital Assets

Fiscal Year 2023 Compared to Fiscal Year 2022

Capital assets increased $5.9 million or 1.8 percent. Major capital expenditures during the year included $7.4 million for the construction of service extensions, $6.8 million for the replacement and relocation of gas system assets to accommodate Tennessee Department of Transportation (TDOT) highway improvement projects, $2.9 million for steel mains and services, and $1.5 million for gas main improvements. The Gas Division retired $2 million of natural gas system assets during the fiscal year.

Fiscal Year 2022 Compared to Fiscal Year 2021

Capital assets increased $12.2 million or 3.9 percent. Major capital expenditures during the year included $8.7 million for steel mains and services, $7.9 million for the construction of service extensions, $2.8 million for building improvements, $2.7 million for the replacement and relocation of gas system assets to accommodate Tennessee Department of Transportation (TDOT) highway improvement projects, and $2.1 million for gas main improvements. The Gas Division retired $2.2 million of natural gas system assets during the fiscal year.

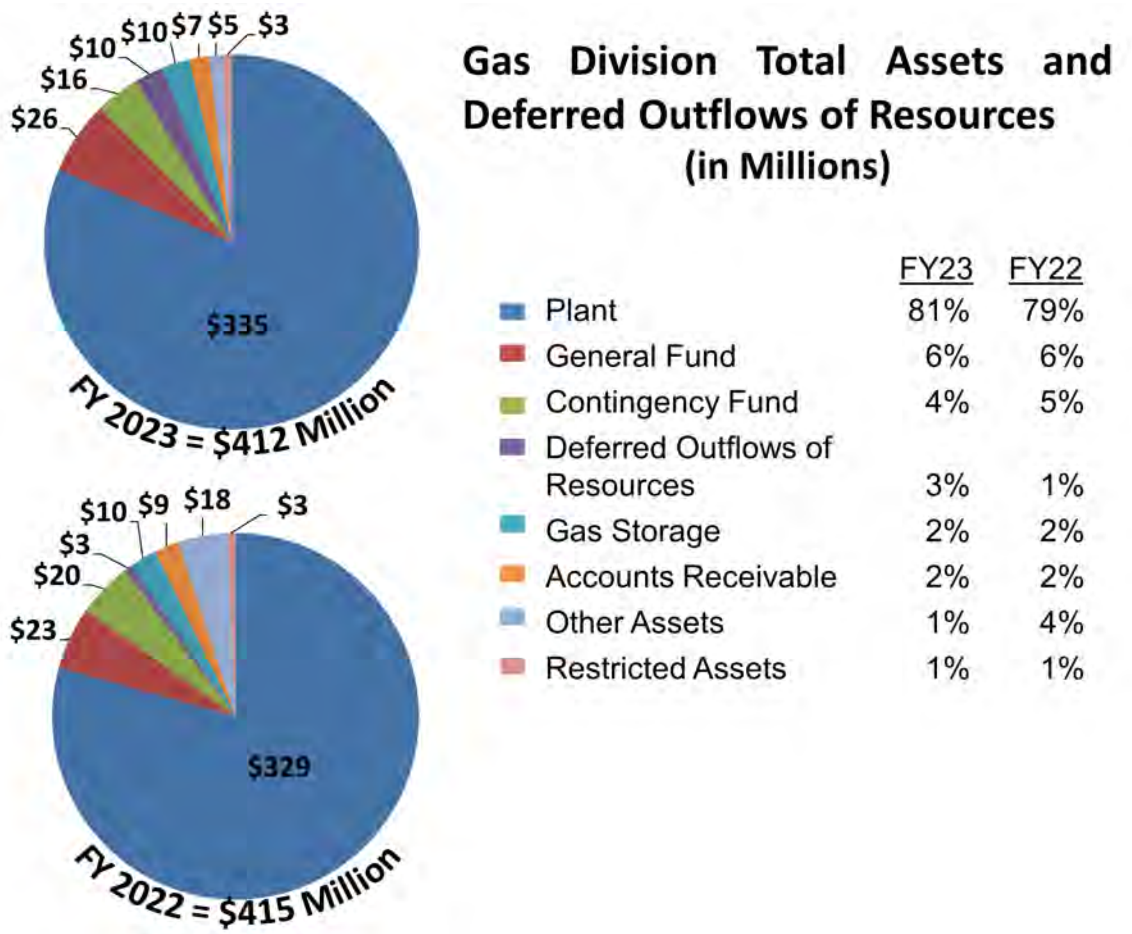
Deferred Outflows of Resources

Fiscal Year 2023 Compared to Fiscal Year 2022

Deferred outflows of resources increased $7.4 million compared to the prior fiscal year. The increase is attributable to a $7.4 million increase in pension outflow.

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred outflows of resources increased $1.1 million compared to the prior fiscal year. The increase is attributable to a $1 million increase in OPEB outflow and a $0.1 million increase in pension outflow.



Current and Other Liabilities

Fiscal Year 2023 Compared to Fiscal Year 2022

Current and other liabilities decreased $0.7 million compared to the prior fiscal year, the result of a $3.5 million decrease in accounts payable and a $0.9 million decrease in accrued expenses offset by a $3.9 million increase in the actuarially determined net pension liability.

KUB over recovered $4.4 million in wholesale gas costs from its customers in fiscal year 2023, as compared to an over recovery of $4.2 million in fiscal year 2022. This over recovery of costs will be credited to KUB's gas customers during the next fiscal year through adjustments to rates via the Purchased Gas Adjustment.

Fiscal Year 2022 Compared to Fiscal Year 2021

Current and other liabilities increased $11.7 million compared to the prior fiscal year, the result of a $3.7 million increase in accounts payable, a $2.1 million increase in the actuarially determined net OPEB liability, and a $0.9 million increase in current and long-term subscription liability.

KUB over recovered $4.2 million in wholesale gas costs from its customers in fiscal year 2022, as compared to an under recovery of $1.4 million in fiscal year 2021. This over recovery of costs will be credited to KUB's gas customers during the next fiscal year through adjustments to rates via the Purchased Gas Adjustment.

Long-Term Debt

Fiscal Year 2023 Compared to Fiscal Year 2022

Long-term debt was $7.6 million lower than the prior year. The decrease is due to the impact of the scheduled repayment of debt.

Fiscal Year 2022 Compared to Fiscal Year 2021

Long-term debt was $7.6 million lower than the prior year. The decrease is due to the impact of the scheduled repayment of debt.

Deferred Inflows of Resources

Fiscal Year 2023 Compared to Fiscal Year 2022

Deferred inflows of resources decreased $7.7 million compared to the prior fiscal year due to a $7.7 million decrease in pension inflow.

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred inflows of resources increased $0.5 million compared to the prior fiscal year due to a $1.7 million increase in pension inflow and a $0.2 million increase in lease inflow offset by a $1.4 million decrease in OPEB inflow.

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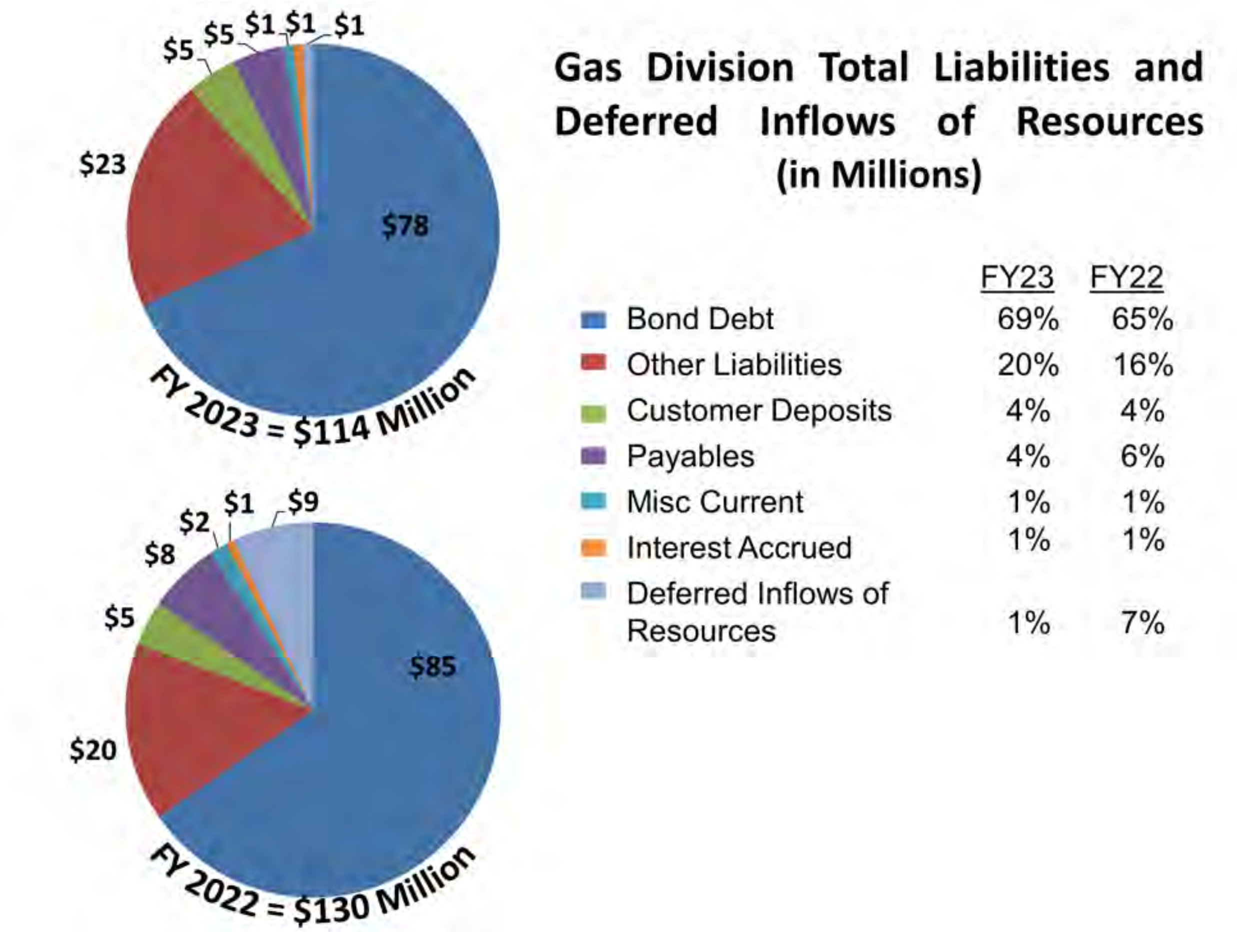

Net Position

Fiscal Year 2023 Compared to Fiscal Year 2022

Net position increased $13.5 million in fiscal year 2023. Net investment in capital assets increased $13.8 million, primarily due to an increase in net plant in service of $5.9 million and a decrease in the current portion of revenue bonds and total long-term debt of $6.7 million. Restricted net position was consistent with the prior fiscal year. Unrestricted net position decreased $0.3 million.

Fiscal Year 2022 Compared to Fiscal Year 2021

Net position increased $17.1 million in fiscal year 2022. Net investment in capital assets increased $20 million, primarily due to an increase in net plant in service of $12.2 million and a decrease in the current portion of revenue bonds and total long-term debt of $6.8 million. Restricted net position was $0.5 million higher than the prior fiscal year, due to an increase in required bond fund reserves. Unrestricted net position decreased $3.4 million, primarily due to the increase in current and other liabilities.

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Position for the Gas Division compared to the prior two fiscal years.

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30

(in thousands of dollars)	2023	2022 as restated	2021 as restated
Operating revenues	$ 146,699	$ 141,950	$ 115,414
Less: Purchased gas expense	83,362	78,194	52,257
Margin from sales	63,337	63,756	63,157
Operating expenses			
Distribution	11,238	11,220	10,806
Customer service	2,245	2,534	2,377
Administrative and general	11,618	6,406	5,898
Depreciation and amortization	15,720	15,310	15,466
Taxes and tax equivalents	8,003	7,946	7,962
Total operating expenses	48,824	43,416	42,509
Operating income	14,513	20,340	20,648
Interest income	1,262	195	144
Interest expense	(3,351)	(3,639)	(3,802)
Other income/(expense)	773	113	224
Change in net position before capital contributions	13,197	17,009	17,214
Capital contributions	324	86	19
Change in net position	$ 13,521	$ 17,095	$ 17,233

Normal Impacts on Statement of Revenues, Expenses and Changes in Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Revenues, Expenses and Changes in Net Position presentation:

- Operating revenue is largely determined by volume of natural gas sales for the fiscal year. Any change (increase/decrease) in retail gas rates would also be a cause of change in operating revenue. The Division utilizes a Purchased Gas Adjustment (PGA) mechanism in setting its monthly retail gas rates. Through the PGA, the Division adjusts its retail rates each month based on current wholesale gas prices. If wholesale gas prices increase/decrease, the Division increases/decreases its retail gas rates accordingly.

- Volumes of gas purchased from the Division's wholesale gas suppliers for resale to customers impact purchased gas expense. The Division purchases gas for resale to its customers from a variety of wholesale suppliers. Changes (increase/decrease) in wholesale gas prices would also result in a change in purchased gas expense.

- Operating expenses (distribution, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor costs (staffing, wage rates), active employee and retiree medical costs, and gas distribution system maintenance.

- Depreciation and amortization expense is impacted by intangible assets, plant additions, and retirements during the fiscal year.

- Taxes and tax equivalents are impacted by plant additions/retirements, changes in property tax rates, and margin (operating revenue less purchased gas expense) levels.

- Interest income is impacted by the level of interest rates and investments.

- Interest expense on debt is impacted by the level of outstanding debt and the interest rates on the outstanding debt.

- Other income/(expense) is impacted by miscellaneous non-operating revenues and expenses.

Impacts and Analysis

Change in Net Position

Fiscal Year 2023 Compared to Fiscal Year 2022

The Division's Change in Net Position increased $13.5 million in fiscal year 2023. Comparatively, net position increased by $17.1 million in fiscal year 2022.

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's Change in Net Position increased $17.1 million in fiscal year 2022. Comparatively, net position increased by $17.2 million in fiscal year 2021.

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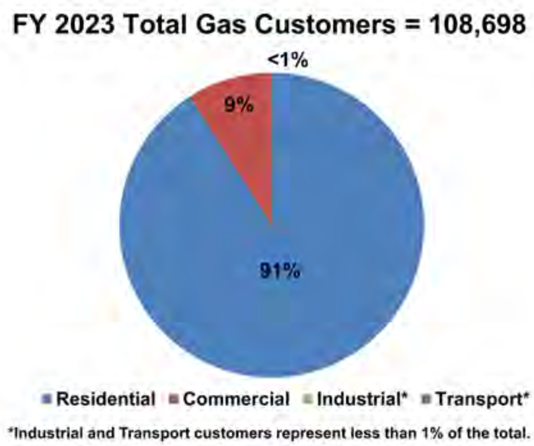
Margin from Sales

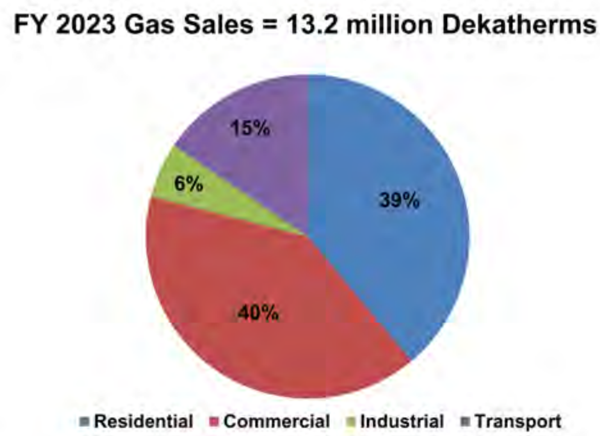
Fiscal Year 2023 Compared to Fiscal Year 2022

Margin on gas sales (operating revenue less purchased gas expense) decreased $0.4 million or 0.7 percent, due to lower sales volumes.

Operating revenue increased $4.7 million or 3.3 percent for the fiscal year ended June 30, 2023, due to higher natural gas prices. The gas system service territory experienced a warmer than normal winter.

Purchased gas expense increased $5.2 million or 6.6 percent, due to higher natural gas prices. Total volumes delivered to KUB's gas distribution system increased 8.6 percent this fiscal year. The Division's weighted average cost of gas purchased for fiscal year 2023 was $5.20 per dekatherm, as compared to $5.06 per dekatherm the prior fiscal year.





Residential customers, whose natural gas is primarily used as a heating source during winter months, accounted for 91 percent of customers billed and 39 percent of total volumes sold during the year.

Residential sales volumes decreased 3.1 percent, commercial sales volumes increased 0.1 percent, industrial sales volumes decreased 9.9 percent, and transport sales volumes decreased 2.5 percent.

KUB's ten largest gas customers accounted for 24 percent of KUB's billed gas volumes. Those ten customers represent six industrial and four commercial customers, including three governmental and one hospital.

KUB has added 4,265 gas customers over the past three years, representing annual growth of one percent. Natural Gas system growth has increased due to increased new housing construction and KUB reaching new customers through its gas growth programs.

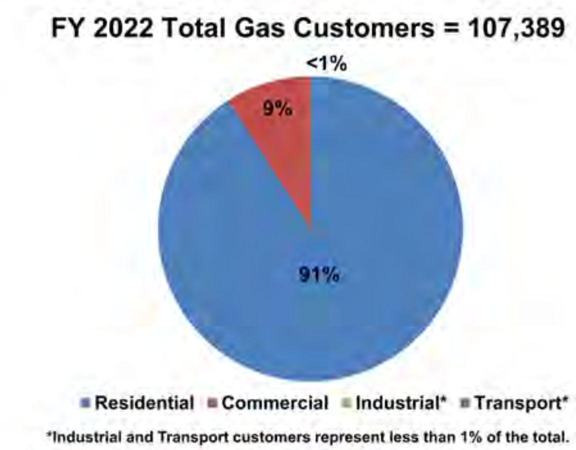
KUB has 13 transport customers who purchase gas directly from a supplier other than KUB. KUB provides transportation service on its gas distribution system to those customers.

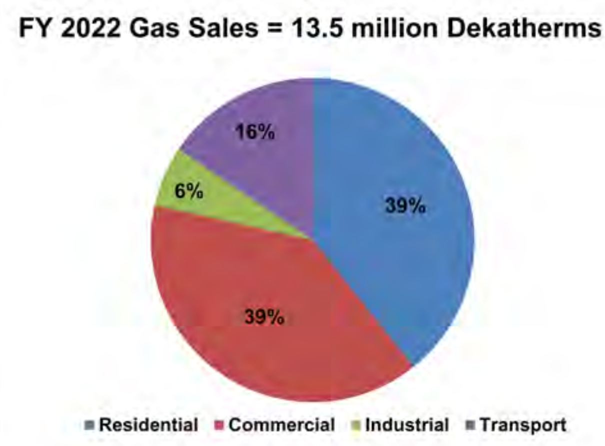
Fiscal Year 2022 Compared to Fiscal Year 2021

Margin on gas sales (operating revenue less purchased gas expense) increased $0.6 million or 0.9 percent, due to increased revenue from a 2.2 percent increase in billed sales volumes generated primarily from industrial customers.

Operating revenue increased $26.5 million or 23 percent for the fiscal year ended June 30, 2022, due to significantly higher natural gas prices. The gas system service territory experienced a warmer than normal winter.

Purchased gas expense increased $25.9 million or 49.6 percent, due to significantly higher natural gas prices and slightly higher customer demand. Total volumes delivered to KUB's gas distribution system increased less than one percent this fiscal year. The Division's weighted average cost of gas purchased for fiscal year 2022 was $5.06 per dekatherm, as compared to $2.68 per dekatherm the prior fiscal year.





Residential customers, whose natural gas is primarily used as a heating source during winter months, accounted for 91 percent of customers billed and 39 percent of total volumes sold during the year.

Residential sales volumes decreased 2.4 percent, commercial sales volumes increased 3.5 percent, industrial sales volumes increased 65.1 percent, and transport sales volumes decreased 3.6 percent. The increase in industrial sales was partially due to the transfer of a large industrial customer from a transport rate class.

KUB's ten largest gas customers accounted for 25 percent of KUB's billed gas volumes. Those ten customers represent six industrial and four commercial customers, including three governmental and one hospital.

KUB has added 3,990 gas customers over the past three years, representing annual growth of one percent. Natural Gas system growth has increased due to increased new housing construction and KUB reaching new customers through its gas growth programs.

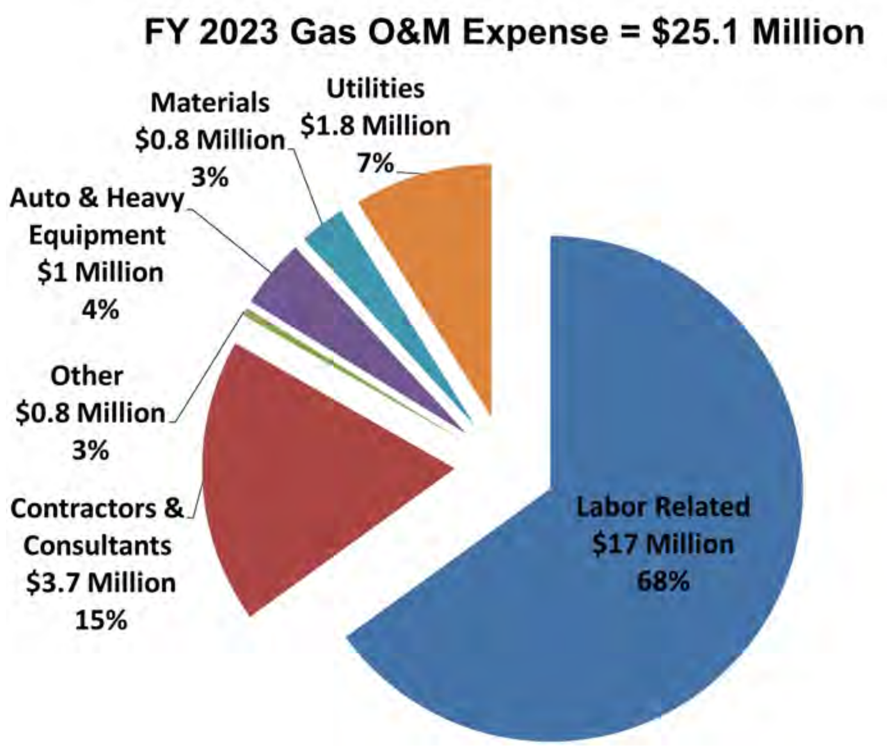
KUB has 13 transport customers who purchase gas directly from a supplier other than KUB. KUB provides transportation service on its gas distribution system to those customers.

Operating Expenses

Fiscal Year 2023 Compared to Fiscal Year 2022

Operating expenses (excluding purchased gas expense) increased $5.4 million or 12.5 percent compared to fiscal year 2022. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as distribution, customer service, and administrative and general.

- Distribution system O&M expenses were consistent with the prior fiscal year.
- Customer service expenses decreased $0.3 million.
- Administrative and general expenses increased $5.2 million, primarily due to labor-related expenses, driven by higher pension expenses resulting from investment losses.



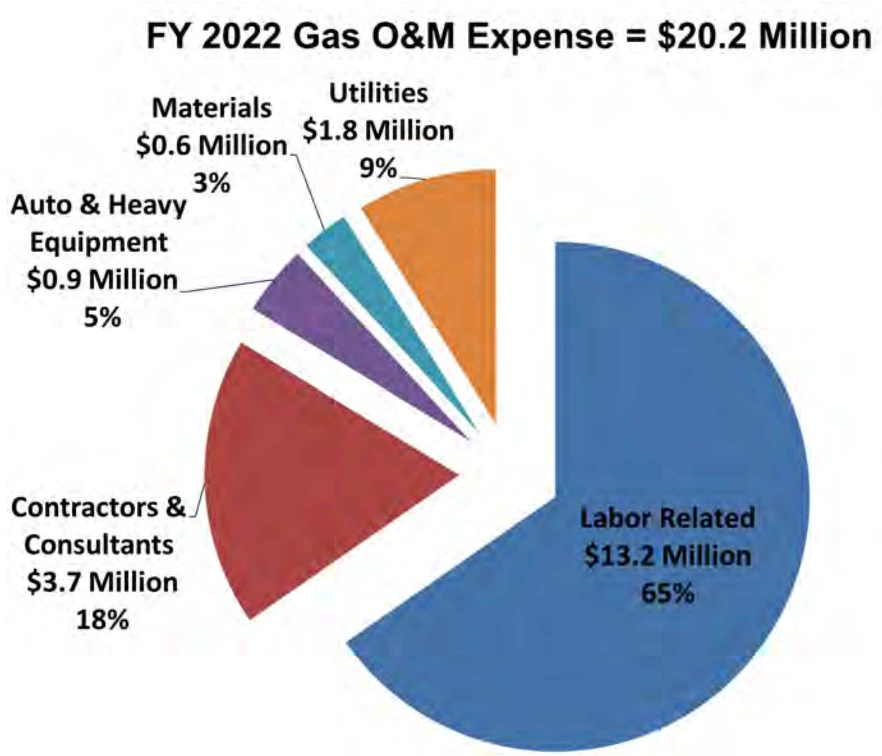
- Depreciation and amortization expense increased $0.4 million. KUB added $22.6 million in assets during fiscal year 2023. A partial year of depreciation was recorded on these capital improvements and a full year of depreciation expense was incurred on $18.6 million in gas system assets placed in service during fiscal year 2022. In addition, $2 million of assets were retired during the fiscal year.
- Taxes and tax equivalents were $0.1 million higher than the prior fiscal year.

Operating Expenses

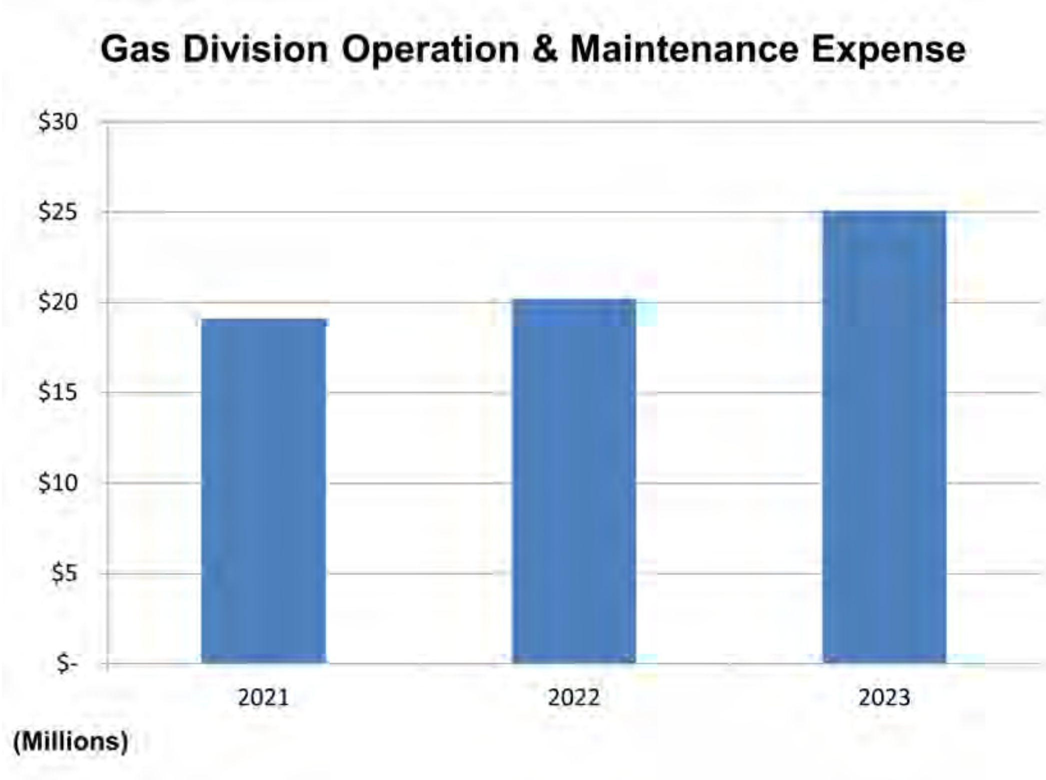
Fiscal Year 2022 Compared to Fiscal Year 2021

Operating expenses (excluding purchased gas expense) increased $0.9 million or 2.1 percent compared to fiscal year 2021. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as distribution, customer service, and administrative and general.

- Distribution system O&M expenses were $0.4 million higher than the prior fiscal year, due to an increase in labor-related expenses.
- Customer service expenses increased $0.2 million, due to higher payment processing fees.
- Administrative and general expenses increased $0.5 million, primarily due to labor-related expenses, including higher OPEB expenses related to the introduction of the Health Reimbursement Arrangement.



- Depreciation and amortization expense decreased $0.2 million. KUB added $18.6 million in assets during fiscal year 2022. A partial year of depreciation was recorded on these capital improvements and a full year of depreciation expense was incurred on $32.6 million in gas system assets placed in service during fiscal year 2021. In addition, $2.2 million of assets were retired during the fiscal year.
- Taxes and tax equivalents were consistent with the prior fiscal year.



Other Income and Expense

Fiscal Year 2023 Compared to Fiscal Year 2022

Interest income was $1.1 million higher than the prior fiscal year due to rising interest rates throughout the year.

Interest expense decreased $0.3 million compared with the prior year, reflecting a lower amount of outstanding bonds.

Other income (net) was $0.7 million higher than the prior fiscal year, due to mark-to-market adjustments on investments.

Fiscal Year 2022 Compared to Fiscal Year 2021

Interest income was $0.1 million higher than the prior fiscal year.

Interest expense decreased $0.2 million compared with the prior year, reflecting a lower amount of outstanding bonds.

Other income (net) was $0.1 million lower than the prior fiscal year.

Capital Assets

Capital Assets
As of June 30
(Net of Depreciation)

(in thousands of dollars)	2023	2022	2021
Distribution Plant			
Mains	$ 202,723	$ 197,482	$ 195,451
Services and Meters/Regulators	83,048	82,723	80,545
Other Accounts	1,022	1,061	975
Total Distribution Plant	286,793	281,266	276,971
Total General Plant	$ 13,723	$ 12,470	$ 12,992
Total Plant Assets	300,516	293,736	289,963
Work In Progress	34,534	35,393	26,930
Total Net Plant	$ 335,050	$ 329,129	$ 316,893

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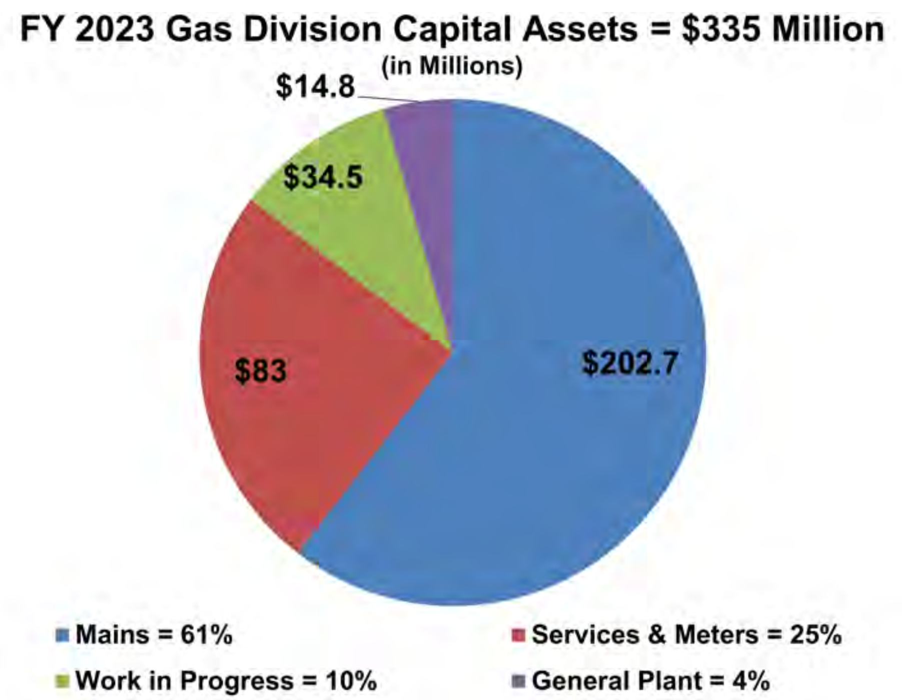
Fiscal Year 2023 Compared to Fiscal Year 2022

As of June 30, 2023, the Division had $335 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $5.9 million or 1.8 percent over the end of last fiscal year.



Major capital asset expenditures during the year were as follows:

- $7.4 million for service extensions
- $6.8 million for replacement and relocation of gas system assets to accommodate TDOT highway improvement projects
- $2.9 million for steel mains and services
- $1.5 million for main improvements

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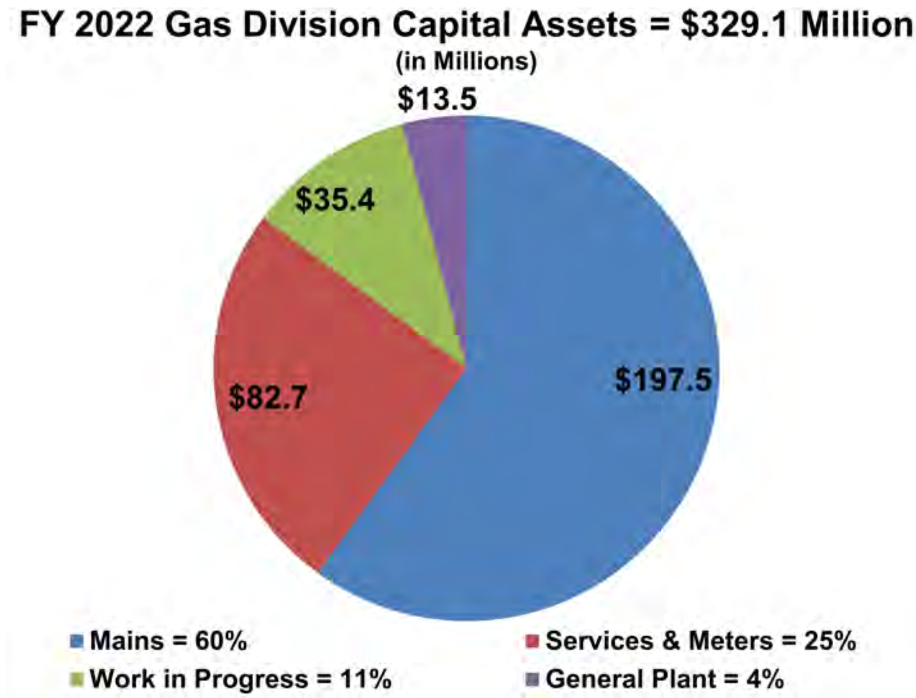
Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $329.1 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $12.2 million or 3.9 percent over the end of last fiscal year.



Major capital asset expenditures during the year were as follows:

- $8.7 million for steel mains and services
- $7.9 million for service extensions
- $2.8 million for building improvements
- $2.7 million for replacement and relocation of gas system assets to accommodate TDOT highway improvement projects
- $2.1 million for main improvements

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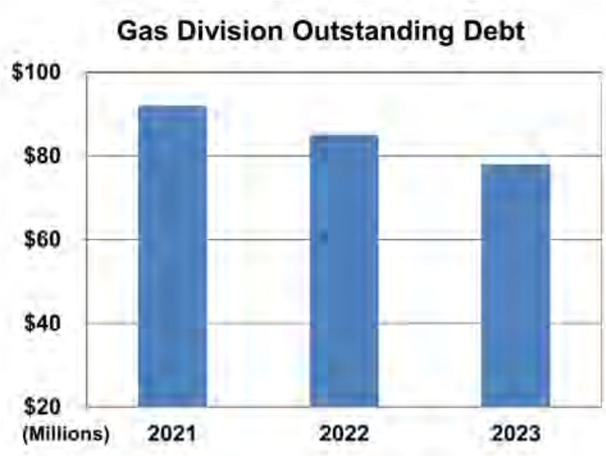
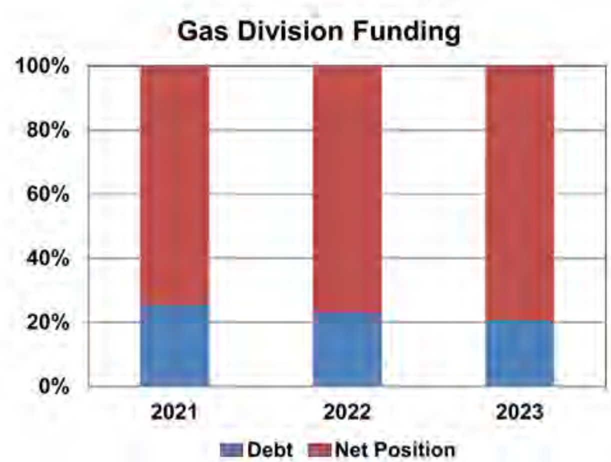
Debt Administration

As of June 30, 2023, the Gas Division had $78.1 million in outstanding gas system bonds. The bonds are secured solely by revenues of the Gas Division. Debt as a percentage of the Division's capital structure represented 20.8 percent in 2023, 23 percent in 2022, and 25.5 percent in 2021. KUB's Debt Management Policy limits the Division's debt ratio to 50 percent or less.

Outstanding Debt
As of June 30

(in thousands of dollars)		2023		2022		2021
Revenue bonds	$	78,105	$	84,795	$	91,595
Total outstanding debt	$	78,105	$	84,795	$	91,595





The Division will pay $59.6 million in principal payments over the next ten years, representing 76.3 percent of the outstanding bonds. KUB's Debt Management Policy requires a minimum of 30 percent of gas debt principal be repaid over the next ten years.

Fiscal Year 2023 Compared to Fiscal Year 2022

As of June 30, 2023, the Division had $78.1 million in outstanding debt (including current portions of revenue bonds), representing a decrease of $6.7 million or 7.9 percent. The Division's weighted average cost of debt as of June 30, 2023, was 3.92 percent.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2023, the Division's revenue bonds were rated AA by Standard & Poor's and Aa2 by Moody's Investors Service.

Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $84.8 million in outstanding debt (including current portions of revenue bonds), representing a decrease of $6.8 million or 7.4 percent. The Division's weighted average cost of debt as of June 30, 2022, was 3.98 percent.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2022, the Division's revenue bonds were rated AA by Standard & Poor's and Aa2 by Moody's Investors Service.

Impacts on Future Financial Position

KUB expects to add 1,300 new gas customers in fiscal year 2024.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of $1,108,147 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Gas Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2023, measurement date. Subsequent to June 30, 2023, an actuarial valuation was completed and resulted in an actuarially determined contribution of $2,210,234 for the fiscal year ending June 30, 2025, based on the Plan's current funding policy. The Gas Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2024, measurement date. For the Plan year beginning January 1, 2023, the Plan's actuarial funded ratio is 106.88 percent, and the market value funded ratio is 91.43 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of $1,187,768 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Gas Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2024, measurement date. Subsequent to June 30, 2023, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,279,985 for the fiscal year ending June 30, 2025, based on the Plan's current funding policy. The Gas Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2025, measurement date. The Plan's actuarial funded ratio is 92.14 percent, and the market value funded ratio is 79.62 percent.

GASB Statement No. 99, *Omnibus 2022*, Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023. GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB No. 62,* is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 101, *Compensated Absences,* is effective for fiscal years beginning after December 15, 2023. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2023.

Financial Contact

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 2023, and 2022. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board Gas Division
Statements of Net Position
June 30, 2023 and 2022

		2023		2022 as restated
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and cash equivalents	$	26,093,814	$	22,724,648
Short-term contingency fund investments		16,301,328		3,958,987
Other current assets		909,200		1,398,841
Accrued interest receivable		21,052		3,532
Accounts receivable, less allowance of uncollectible accounts of $41,683 in 2023 and $49,462 in 2022		6,622,868		8,867,333
Current portion of lease receivable		88,353		81,932
Inventories		1,446,601		1,303,204
Gas storage		9,679,117		9,867,611
Prepaid expenses		73,123		75,123
Total current assets		61,235,456		48,281,211
Restricted assets:				
Gas bond fund		3,243,630		3,353,910
Other funds		258		258
Total restricted assets		3,243,888		3,354,168
Gas plant in service		492,866,322		472,251,655
Less accumulated depreciation		(192,350,028)		(178,515,973)
		300,516,294		293,735,682
Retirement in progress		15,776		320,025
Construction in progress		34,517,786		35,073,417
Net plant in service		335,049,856		329,129,124
Intangible assets:				
Intangible right of use asset		431,569		350,431
Intangible subscription asset		1,034,403		1,029,221
Less accumulated amortization		(398,650)		(208,382)
Net intangible assets		1,067,322		1,171,270
Other assets:				
Net pension asset		-		12,337,267
Long-term contingency fund investments		-		16,061,871
Long-term lease receivable		621,765		642,300
Other		944,309		1,031,956
Total other assets		1,566,074		30,073,394
Total assets		402,162,596		412,009,167
Deferred outflows of resources:				
Pension outflow		8,894,550		1,508,373
OPEB outflow		1,048,928		1,010,517
Total deferred outflows of resources		9,943,478		2,518,890
Total assets and deferred outflows of resources	$	412,106,074	$	414,528,057

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Gas Division
Statements of Net Position
June 30, 2023 and 2022

	2023	2022 as restated
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 6,670,000	$ 6,690,000
Current portion of lease liability	73,420	69,367
Current portion of subscription liability	147,130	139,302
Sales tax collections payable	103,253	146,760
Accounts payable	4,525,488	8,050,599
Accrued expenses	1,157,366	2,071,774
Customer deposits plus accrued interest	4,984,029	4,732,912
Accrued interest on revenue bonds	1,020,197	1,123,810
Total current liabilities	18,680,883	23,024,524
Other liabilities:		
Accrued compensated absences	1,642,759	1,900,903
Customer advances for construction	1,739,503	2,093,968
Lease liability	267,342	226,082
Subscription liability	609,647	745,821
Net pension liability	3,888,855	-
Net OPEB liability	2,467,169	2,129,597
Over recovered purchased gas costs	4,371,708	4,188,264
Other	43,236	70,875
Total other liabilities	15,030,219	11,355,510
Long-term debt:		
Gas revenue bonds	71,435,000	78,105,000
Unamortized premiums/discounts	7,978,913	8,901,291
Total long-term debt	79,413,913	87,006,291
Total liabilities	113,125,015	121,386,325
Deferred inflows of resources:		
Pension inflow	211,506	7,864,290
Unamortized bond refunding costs	101,726	97,666
Lease inflow	679,623	712,085
Total deferred inflows of resources	992,855	8,674,041
Total liabilities and deferred inflows of resources	114,117,870	130,060,366
Net position		
Net investment in capital assets	247,958,911	234,171,043
Restricted for:		
Debt service	2,223,433	2,230,100
Other	258	258
Unrestricted	47,805,602	48,066,290
Total net position	297,988,204	284,467,691
Total liabilities, deferred inflows, and net position	$ 412,106,074	$ 414,528,057

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Gas Division
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022 as restated
Operating revenues	$ 146,698,445	$ 141,949,970
Operating expenses		
Purchased gas	83,361,663	78,194,481
Distribution	11,237,654	11,220,168
Customer service	2,245,004	2,533,606
Administrative and general	11,617,767	6,406,253
Depreciation and amortization	15,720,232	15,310,127
Taxes and tax equivalents	8,002,535	7,946,261
Total operating expenses	132,184,855	121,610,896
Operating income	14,513,590	20,339,074
Non-operating revenues (expenses)		
Contributions in aid of construction	989,936	941,325
Interest income	1,262,321	195,366
Interest expense	(3,351,181)	(3,638,462)
Amortization of debt costs	843,585	843,585
Write-down of plant for costs recovered through contributions	(989,936)	(941,325)
Other	(71,752)	(730,401)
Total non-operating revenues (expenses)	(1,317,027)	(3,329,912)
Change in net position before capital contributions	13,196,563	17,009,162
Capital contributions	323,950	86,435
Change in net position	13,520,513	17,095,597
Net position, beginning of year	284,467,691	267,372,094
Net position, end of year	$ 297,988,204	$ 284,467,691

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Gas Division
Statements of Cash Flows
June 30, 2023 and 2022

	2023	2022 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 148,847,324	$ 139,976,256
Cash receipts from other operations	2,392,903	10,425
Cash payments to suppliers of goods or services	(101,200,979)	(83,433,306)
Cash payments to employees for services	(12,258,845)	(11,923,988)
Payment in lieu of taxes	(7,131,007)	(7,082,386)
Net cash provided by operating activities	30,649,396	37,547,001
Cash flows from capital and related financing activities:		
Principal paid on revenue bonds	(6,690,000)	(6,800,000)
Interest paid on revenue bonds	(3,409,921)	(3,448,393)
Acquisition and construction of gas plant	(22,976,730)	(28,936,136)
Changes in gas bond fund, restricted	110,280	(642,366)
Customer advances for construction	(210,540)	107,728
Principal paid on lease liabilities	(84,064)	(85,162)
Principal paid on subscription liabilities	(139,302)	(133,504)
Interest paid on lease and subscription liabilities	(44,873)	(45,036)
Cash received from developers and individuals for capital purposes	989,936	941,325
Net cash used in capital and related financing activities	(32,455,214)	(39,041,544)
Cash flows from investing activities:		
Purchase of investment securities	-	(11,596,690)
Maturities of investment securities	3,929,649	11,621,134
Interest received	1,245,509	195,667
Other property and investments	(174)	399
Net cash provided by investing activities	5,174,984	220,510
Net increase (decrease) in cash and cash equivalents	3,369,166	(1,274,033)
Cash and cash equivalents, beginning of year	22,724,648	23,998,681
Cash and cash equivalents, end of year	$ 26,093,814	$ 22,724,648
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 14,513,590	$ 20,339,074
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	16,197,321	15,811,655
Changes in operating assets and liabilities:		
Accounts receivable	2,244,465	(2,020,505)
Lease receivable	14,114	(169,515)
Inventories	(143,397)	(414,460)
Prepaid expenses	190,495	(3,429,482)
Other assets	502,557	(366,798)
Sales tax collections payable	(43,507)	37,673
Accounts payable and accrued expenses	(3,233,163)	1,761,528
Underrecovered gas costs	183,444	5,560,040
Customer deposits plus accrued interest	251,117	430,411
Other liabilities	(27,640)	7,380
Net cash provided by operating activities	$ 30,649,396	$ 37,547,001
Noncash capital activities:		
Acquisition of plant assets through developer contributions	$ 323,950	$ 86,435
Record intangible right of use asset and lease liability	$ 132,681	$ 300,565
Record intangible subscription asset and subscription liability	$ 10,956	$ 1,018,627

The accompanying notes are an integral part of these financial statements.

1. Description of Business

Knoxville Utilities Board (KUB), comprised of Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Gas Division (Division) provides services to certain customers in Knox County and portions of Anderson and Loudon counties. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Gas Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2023, and 2022, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. Significant Accounting Policies

Basis of Accounting

In conformity with Generally Accepted Accounting Principles (GAAP), KUB follows the provisions of GASB Statement No. 34 (Statement No. 34), *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as amended by GASB Statement No. 63 (Statement No. 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* Statement No. 34 established standards for external financial reporting for all state and local governmental entities. Under Statement No. 63, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and report *net position* instead of net assets. In addition, KUB follows GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* as it relates to certain items for regulatory accounting. Regulatory accounting allows a regulated utility to defer a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that, through the rate making process, there will be a corresponding increase or decrease in future revenues. Accordingly, KUB has recognized certain regulatory assets and regulatory liabilities in the accompanying Statements of Net Position.

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The accounting and financial reporting treatment applied to the Division is determined by measurement focus. The transactions of the Division are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted for capital activity and debt service, and unrestricted components.

Recently Adopted New Accounting Pronouncements

In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In May 2020, the GASB issued GASB Statement No. 96 (Statement No. 96), *Subscription-Based Information Technology Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Statement No. 96 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement is reflected on KUB's financial statements.

Gas Plant

Gas plant and other property are stated on the basis of original cost. The cost of current repairs and minor replacements is charged to operating expense. The cost of renewals and improvements is capitalized. The original cost of utility plant assets retired or otherwise disposed of and the cost of removal less salvage value is charged to accumulated depreciation. When other property is retired, the related asset and accumulated depreciation are removed from the accounts, and the gain or loss is included in the results of operations.

The provision for depreciation of gas plant in service is based on the estimated useful lives of the assets, which range from three to thirty-three years, and is computed using the straight-line method. Pursuant to FERC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment of $477,089 in fiscal year 2023 and $501,528 in fiscal year 2022.

Operating Revenue

Operating revenue consists primarily of charges for services provided by the principal operations of the KUB Gas Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of $133,696 in fiscal year 2023 and $169,073 in fiscal year 2022.

Non-operating Revenue

Non-operating revenue consists of revenues that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Expense

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is KUB's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets, net position-restricted, and net position-unrestricted.

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease and subscription liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Net position-restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- Net position-unrestricted – This component of net position consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Contributions in Aid of Construction and Capital Contributions

Contributions in aid of construction are cash collections from customers, grantors, or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

Capital contributions represent contributions of utility plant infrastructure constructed by developers and others in industrial parks and other developments and transferred to KUB upon completion of construction and the initiation of utility service. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, such contributions are recognized as revenues and capital assets upon receipt.

Inventories

Inventories, consisting of plant materials and operating supplies, are valued at the lower of average cost or replacement value.

OPEB Trust

KUB's OPEB Trust was established by KUB's Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. Effective January 1, 2022, the Plan was expanded to include two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a June 30, 2023, and 2022, measurement date, respectively. The net OPEB liability is $12,930,655 (Division's share $2,467,169) as of June 30, 2023, and $11,202,507 (Division's share $2,129,597) as of June 30, 2022.

Pension Plan and Qualified Excess Benefit Arrangement

KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 10). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. The pension liability is $22,219,032 (Division's share $3,888,855) as of June 30, 2023, and the net pension asset is $64,137,714 (Division's share $12,337,267) as of June 30, 2022.

KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single-employer defined benefit pension plan administered by KUB (Note 12). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2023, and 2022.

Investments

Investments are carried at fair value as determined by quoted market prices at the reporting date.

Self-Insurance

KUB has established self-insurance programs covering portions of workers' compensation, employee health, environmental liability, general liability, property and casualty liability, and automobile liability claims. A liability is accrued for claims as they are incurred. When applicable, claims in excess of the self-insured risk are covered by KUB's insurance carrier. Additionally, KUB provides certain lifetime health benefits to eligible retired employees under a self-insurance plan administered by a third party.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and various other assumptions that KUB believes are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments routinely require adjustment. Estimates are used for, but not limited to, inventory valuation, allowance for uncollectible accounts, depreciable lives of plant assets, unbilled revenue volumes, pension trust valuations, OPEB trust valuations, insurance liability reserves, and potential losses from contingencies and litigation. Actual results could differ from those estimates.

Restricted and Designated Assets

Certain assets are restricted by bond resolutions for the construction of utility plant and debt repayment. Certain additional assets are designated by management for contingency purposes and economic development.

Cash Equivalents

For purposes of the Statements of Cash Flows, KUB considers all unrestricted and undesignated highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the non-cancelable period of the lease plus an additional period covered by either an option to extend or not to terminate the lease that the lessee is reasonably certain to exercise, or an option to extend or not to terminate the lease controlled by the lessor. KUB uses its estimated incremental borrowing rate as the discount rate for leases.

KUB monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the intangible right of use asset.

Subscription-Based Information Technology Arrangements

KUB determines if an arrangement is or contains a subscription-based information technology arrangement (subscription) at contract inception and recognizes an intangible subscription asset and a subscription liability at the commencement date. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. The subscription term includes the non-cancelable period of the subscription plus an additional period covered by either an option to extend or not to terminate the subscription that KUB is reasonably certain to exercise, or an option to extend or not to terminate the subscription controlled by the vendor. KUB uses its estimated incremental borrowing rate as the discount rate for subscriptions.

KUB monitors for events or changes in circumstances that require a reassessment of its subscriptions. When a reassessment results in the remeasurement of a subscription liability, a corresponding adjustment is made to the carrying amount of the subscription asset.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. Deferred inflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Deferred outflows of resources also include employer pension contributions made subsequent to the measurement date of the net pension liability and before the end of the employer’s reporting period in accordance with Statement No. 71. Deferred inflows and deferred outflows also include the net difference between projected and actual earnings on pension plan investments and OPEB plan investments, differences between expected and actual experience, and changes in assumptions in accordance with Statements No. 68, 73, and 75. Deferred inflows are also recorded at the commencement of the lease term and recognized as revenue over the course of the lease in accordance with Statement No. 87.

Debt Premium/Discount

KUB records unamortized premium and discount on debt as a separate line item in the Long-Term Debt section of the Financial Statements. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Debt Issuance Costs
In accordance with regulatory accounting, KUB records debt issuance costs as an Other Asset. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Deferred Gain/Loss on Refunding of Debt
KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. In accordance with FERC presentation, amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Compensated Absences
KUB accrues a liability for earned but unpaid paid time off (PTO) days.

Restatement for GASB 96
During fiscal year 2023, KUB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) using a full retrospective approach. GASB 96 requires the recognition of an intangible subscription asset and a subscription liability, thereby enhancing the relevance and reliability of information regarding subscription activities. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, have been restated for the change, which did not have an impact on the net position.

As a result of adopting GASB 96, as of June 30, 2022, KUB's Gas Division recorded total subscription assets of $1,029,221 with accumulated amortization of $144,098 and recognized total subscription liabilities of $885,123 ($139,302 current). KUB's Gas Division also reclassified $180,931 from administrative and general expense to $144,098 as amortization expense and $36,833 as interest expense.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 96.

Subsequent Events
KUB has evaluated events and transactions through October 31, 2023, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Purchased Gas Adjustment
In November 1990, the Board implemented a deferred Purchased Gas (Cost) Adjustment (PGA) mechanism, which allows KUB to flow changes in purchased gas costs through to its customers. These changes in gas costs are reflected as adjustments to the base gas rates established by the Board. The rate-setting authority vested in the Board by the City Charter meets the “self-regulated” provisions of GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The PGA is intended to ensure that KUB recovers the total cost of natural gas purchased, transported and/or reserved for delivery to its sales and transportation customers on an equitable basis. The PGA is also intended to ensure that no excess or deficient cost recovery from KUB’s customers occurs.

Under the PGA mechanism, KUB tracks the actual over/(under) recovered amount in the Over/(Under) Recovered Purchased Gas Cost accounts. These accounts are rolled into the PGA rate adjustment on June 30 of each year thereby ensuring that any over/(under) recovered amounts are passed on to KUB’s gas system customers. The amount of over/(under) recovered cost was $4,371,708 as of June 30, 2023, and $4,188,264 as of June 30, 2022.

Recently Issued Accounting Pronouncements

In April 2022, the GASB issued GASB Statement No. 99 (Statement No. 99), *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. Paragraphs 26-32 were effective immediately. Paragraphs 11-25 are effective for fiscal years beginning after June 15, 2022. Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued GASB Statement No. 100 (Statement No. 100), *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.* The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 is effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued GASB Statement No. 101 (Statement No. 101), *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023.

KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

3. Deposits and Investments

KUB follows the provisions of Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. This Statement establishes and modifies disclosure requirements for state and local governments related to deposit and investment risks. KUB classifies its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*.

KUB's investment policy provides the framework for the administration and investment of cash deposits. The investment policy follows Tennessee State law and defines the parameters under which KUB funds should be invested. State law authorizes KUB to invest in obligations of the United States Treasury, its agencies and instrumentalities; certificates of deposit; repurchase agreements; money market funds; and the State Treasurer's Investment Pool.

Interest Rate Risk. KUB's primary investment objectives are to place investments in a manner to ensure the preservation of capital, remain sufficiently liquid to meet all operating requirements, and maximize yield of return. KUB minimizes its exposure to interest rate risk by adhering to Tennessee State law requirements for the investment of public funds. This includes limiting investments to those types described above and limiting maturity horizons. The maximum maturity is four years from the date of investment. KUB also limits its exposure by holding investments to maturity unless cash flow requirements dictate otherwise.

Credit Risk. KUB's investment policy, as required by state law, is to apply the prudent-person rule: Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived, as well as the probable safety of their capital.

Custodial Credit Risk. KUB's investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in KUB's name by a third-party custodian bank(s) acting as KUB's agent(s), or through the State of Tennessee's collateral pool. Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of KUB's investments is generally held in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is a part of the State Pooled Investment Fund and is sponsored by the State of Tennessee Treasury Department. Tennessee Code Annotated ¶9-4-701 *et seq*. authorizes local governments to invest in the LGIP. None of KUB's investments are exposed to custodial credit risk.

Classification of deposits and investments per Statement of Net Position:

		2023		**2022**
Current assets				
Cash and cash equivalents	$	26,093,814	$	22,724,648
Short-term contingency fund investments		16,285,934		3,958,946
Other assets				
Long-term contingency fund investments		-		16,045,982
Restricted assets				
Gas bond fund		3,243,630		3,353,910
Other funds		258		258
	$	45,623,636	$	46,083,744

The above amounts do not include accrued interest of $15,394 in fiscal year 2023 and $15,930 in fiscal year 2022. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's deposits and investments as held by financial institutions as of June 30, 2023:

	Deposit and Investment Maturities (in Years)					
		Fair Value		**Less Than 1**		**1-5**
Supersweep NOW and Other Deposits	$	27,000,378	$	27,000,378	$	-
State Treasurer's Investment Pool		2,738,844		2,738,844		-
Agency Bonds		16,234,788		16,234,788		-
Certificates of Deposits		555,833		555,833		-
	$	46,529,843	$	46,529,843	$	-

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. 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.

The Division has no recurring fair value measurements as of June 30, 2023.

KUB measures investments with a maturity at purchase of one year or less at amortized cost, which is considered a fair value equivalent due to their nature. Investments in the State Treasurer's Investment Pool are measured at net asset value (NAV) per share.

4. Accounts Receivable

Accounts receivable consists of the following:

	2023	2022
Wholesale and retail customers		
Billed services	$ 4,757,953	$ 6,252,963
Unbilled services	1,573,258	2,503,917
Other	333,340	159,915
Allowance for uncollectible accounts	(41,683)	(49,462)
	$ 6,622,868	$ 8,867,333

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2023	2022
Trade accounts	$ 4,525,488	$ 8,050,599
Salaries and wages	238,090	181,506
Self-insurance liabilities	432,919	382,878
Other current liabilities	486,357	1,507,390
	$ 5,682,854	$ 10,122,373

6. Long-Term Obligations

Long-term debt consists of the following:

	Balance June 30, 2022	Additions	Payments	Defeased	Balance June 30, 2023	Amounts Due Within One Year
Gas						
U-2015 - 2.0 - 5.0%	$ 8,175,000	$ -	$ 795,000	$ -	$ 7,380,000	$ 805,000
V-2016 - 2.125 - 5.0%	10,525,000	-	300,000	-	10,225,000	325,000
W-2017 - 5.0%	4,500,000	-	815,000	-	3,685,000	850,000
X-2017 - 2.0 - 5.0%	10,790,000	-	285,000	-	10,505,000	300,000
Y-2018 - 3.0 - 5.0%	7,305,000	-	180,000	-	7,125,000	185,000
Z-2020 - 4.0 - 5.0%	5,585,000	-	585,000	-	5,000,000	615,000
AA-2021 - 4.0 - 5.0%	37,915,000	-	3,730,000	-	34,185,000	3,590,000
Total bonds	$ 84,795,000	$ -	$ 6,690,000	$ -	$ 78,105,000	$ 6,670,000
Unamortized Premium	8,901,291	-	922,378	-	7,978,913	-
Total long term debt	$ 93,696,291	$ -	$ 7,612,378	$ -	$ 86,083,913	$ 6,670,000

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	Balance June 30, 2021	Additions	Payments	Defeased	Balance June 30, 2022	Amounts Due Within One Year
Gas						
U-2015 - 2.0 - 5.0%	$ 8,915,000	$ -	$ 740,000	$ -	$ 8,175,000	$ 795,000
V-2016 - 2.125 - 5.0%	10,800,000	-	275,000	-	10,525,000	300,000
W-2017 - 5.0%	5,280,000	-	780,000	-	4,500,000	815,000
X-2017 - 2.0 - 5.0%	11,060,000	-	270,000	-	10,790,000	285,000
Y-2018 - 3.0 - 5.0%	7,475,000	-	170,000	-	7,305,000	180,000
Z-2020 - 4.0 - 5.0%	6,145,000	-	560,000	-	5,585,000	585,000
AA-2021 - 4.0 - 5.0%	41,920,000	-	4,005,000	-	37,915,000	3,730,000
Total bonds	$ 91,595,000	$ -	$ 6,800,000	$ -	$ 84,795,000	$ 6,690,000
Unamortized Premium	9,823,667	-	922,376	-	8,901,291	-
Total long term debt	$ 101,418,667	$ -	$ 7,722,376	$ -	$ 93,696,291	$ 6,690,000

Debt service over remaining term of the debt is as follows:

Fiscal Year	Principal	Total Interest	Grand Total
2024	$ 6,670,000	$ 3,060,594	$ 9,730,594
2025	6,620,000	2,748,294	9,368,294
2026	6,595,000	2,439,393	9,034,393
2027	6,630,000	2,137,143	8,767,143
2028	6,290,000	1,840,467	8,130,467
2029 - 2033	26,825,000	5,668,980	32,493,980
2034 - 2038	5,775,000	2,547,666	8,322,666
2039 - 2043	6,730,000	1,621,379	8,351,379
2044 - 2048	5,970,000	508,376	6,478,376
Total	$ 78,105,000	$ 22,572,292	$ 100,677,292

The Division has pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet bond principal and interest payments when due. The requirements for the bonds are being met through monthly deposits to the Gas Bond Fund, as required by the bond covenants. As of June 30, 2023, these bond covenant requirements had been satisfied.

Other liabilities consist of the following:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Accrued compensated absences	$ 1,900,903	$ 3,435,132	(3,693,276)	$ 1,642,759
Customer advances for construction	2,093,968	598,339	(952,804)	1,739,503
Other	70,875	108,953	(136,592)	43,236
	$ 4,065,746	$ 4,142,424	$ (4,782,672)	$ 3,425,498

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Accrued compensated absences	$ 1,962,725	$ 3,833,012	(3,894,834)	$ 1,900,903
Customer advances for construction	2,175,420	1,143,002	(1,224,454)	2,093,968
Other	63,495	66,913	(59,533)	70,875
	$ 4,201,640	$ 5,042,927	$ (5,178,821)	$ 4,065,746

7. Lease Receivables

KUB, as lessor, leases office space under non-cancelable lease arrangements. Terms of the leases range from one to ten years and contain fixed payment terms. Certain leases contain an option to renew that has been considered in the lease receivable when the lessee is reasonably certain to exercise the renewal option. KUB recognized lease revenue, which is included in other operating revenues, of $100,908 in 2023 and $70,451 in 2022. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $24,617 in 2023 and $20,064 in 2022. Total lease receivables were $710,118 ($88,353 current) and $724,232 ($81,932 current) as of June 30, 2023, and 2022, respectively, and are included in other assets on the Statement of Net Position.

8. Lease Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total lease liabilities	$ 295,449	$ 132,681	$ (87,368)	$ 340,762
Less current portion	(69,367)			(73,420)
Long-term portion	$ 226,082			$ 267,342

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total lease liabilities	$ 80,046	$ 299,913	$ (84,510)	$ 295,449
Less current portion	(64,123)			(69,367)
Long-term portion	$ 15,923			$ 226,082

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to twenty years and contain fixed payment terms. Certain office space leases contain the option for renewal, which has been considered in the lease liability when KUB is reasonably certain to exercise the renewal option.

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Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2023, are summarized as follows:

	Lease Maturities	Interest Requirements
2024	$ 73,420	$ 12,514
2025	77,000	9,875
2026	77,765	7,061
2027	68,212	4,143
2028	8,467	2,014
2029-2033	8,474	7,818
2034-2038	11,935	6,952
2039-2043	15,489	4,829
	$ 340,762	$ 55,206

9. Subscription-Based Information Technology Agreement Liabilities

Changes in SBITA liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total SBITA liabilities	$ 885,123	$ 10,956	$ (139,302)	$ 756,777
Less current portion	(139,302)			(147,130)
Long-term portion	$ 745,821			$ 609,647

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total SBITA liabilities	$ -	$ 1,018,627	$ (133,504)	$ 885,123
Less current portion	-			(139,302)
Long-term portion	$ -			$ 745,821

KUB has subscription-based information technology agreements (SBITAs) which grant non-cancelable rights to use underlying information technology software. Terms of agreement range from five to eighteen years and contain fixed and variable payment terms. Certain SBITAs contain the option for renewal, which has been considered in the SBITA liability when KUB is reasonably certain to exercise the renewal option.

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Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2023, are summarized as follows:

	Subscription Maturities	Interest Requirements
2024	$ 147,130	$ 26,370
2025	142,556	20,903
2026	148,451	15,272
2027	155,075	9,394
2028	163,565	3,207
	$ 756,777	$ 75,146

10. Capital and Intangible Assets

Capital and intangible asset activity was as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Production Plant	$ 14,640	$ -	$ -	$ 14,640
Distribution Plant				
Mains	309,958,286	14,746,149	(426,245)	324,278,190
Services and Meters/Regulators	117,545,811	4,070,149	(949,968)	120,665,992
Other Accounts	1,828,692	-	(10,623)	1,818,069
Total Distribution Plant	$ 429,332,789	$ 18,816,298	$ (1,386,836)	$ 446,762,251
Total General Plant	42,904,226	3,790,569	(605,364)	46,089,431
Total Plant Assets	$ 472,251,655	$ 22,606,867	$ (1,992,200)	$ 492,866,322
Less Accumulated Depreciation	(178,515,973)	(16,029,271)	2,195,216	(192,350,028)
Net Plant Assets	$ 293,735,682	$ 6,577,596	$ 203,016	$ 300,516,294
Work In Progress	35,393,442	22,044,166	(22,904,046)	34,533,562
Total Net Plant	$ 329,129,124	$ 28,621,762	$ (22,701,030)	$ 335,049,856
Intangible Right of Use Assets				
Office space	$ 316,639	$ -	$ (34,020)	$ 282,619
Equipment	9,349	16,052	(2,790)	22,611
Other	24,443	126,339	(24,443)	126,339
Total Intangible Right of Use Assets	$ 350,431	$ 142,391	$ (61,253)	$ 431,569
Less Accumulated Amortization	(64,284)	(72,356)	30,033	(106,607)
Net Intangible Right of Use Assets	$ 286,147	$ 70,035	$ (31,220)	$ 324,962
Intangible Subscription Assets				
Intangible Subscription Assets	$ 1,029,221	$ 5,182	$ -	$ 1,034,403
Less Accumulated Amortization	(144,098)	(147,945)	-	(292,043)
Net Intangible Subscription Assets	$ 885,123	$ (142,763)	$ -	$ 742,360

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Production Plant	$ 14,640	$ -	$ -	$ 14,640
Distribution Plant				
Mains	299,353,695	11,246,911	(642,320)	309,958,286
Services and Meters/Regulators	113,039,903	5,470,174	(964,266)	117,545,811
Other Accounts	1,708,295	120,397	-	1,828,692
Total Distribution Plant	$ 414,101,893	$ 16,837,482	$ (1,606,586)	$ 429,332,789
Total General Plant	41,766,632	1,780,801	(643,207)	42,904,226
Total Plant Assets	$ 455,883,165	$ 18,618,283	$ (2,249,793)	$ 472,251,655
Less Accumulated Depreciation	(165,921,094)	(15,578,373)	2,983,494	(178,515,973)
Net Plant Assets	$ 289,962,071	$ 3,039,910	$ 733,701	$ 293,735,682
Work In Progress	26,930,511	27,794,186	(19,331,255)	35,393,442
Total Net Plant	$ 316,892,582	$ 30,834,096	$ (18,597,554)	$ 329,129,124
Intangible Right of Use Assets				
Office space	$ 109,664	$ 291,195	$ (84,220)	$ 316,639
Equipment	15,756	-	(6,407)	9,349
Other	26,204	8,717	(10,478)	24,443
Total Intangible Right of Use Assets	$ 151,624	$ 299,912	$ (101,105)	$ 350,431
Less Accumulated Amortization	(71,578)	(94,464)	101,758	(64,284)
Net Intangible Right of Use Assets	$ 80,046	$ 205,448	$ 653	$ 286,147
Intangible Subscription Assets				
Intangible Subscription Assets	$ -	$ 1,029,221	$ -	$ 1,029,221
Less Accumulated Amortization	-	(144,098)	-	(144,098)
Net Intangible Subscription Assets	$ -	$ 885,123	$ -	$ 885,123

11. Risk Management

KUB is exposed to various risks of loss related to active and retiree medical claims; injuries to workers; theft of, damage to, and destruction of assets; environmental damages; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

These liabilities are included in accrued expenses in the Statement of Net Position. The liability is KUB's best estimate based on available information. As of June 30, 2023, and June 30, 2022, the amount of these liabilities was $432,919 and $382,878, respectively, resulting from the following changes:

	2023	2022
Balance, beginning of year	$ 382,878	$ 329,162
Current year claims and changes in estimates	3,560,408	3,129,999
Claims payments	(3,510,367)	(3,076,283)
Balance, end of year	$ 432,919	$ 382,878

12. Pension Plan

Description of Plan

The Knoxville Utilities Board Pension Plan (the Plan) is a governmental plan as defined by the Employee Retirement Income Security Act of 1974 (ERISA or the Act), is not subject to any of the provisions of the Act, and was revised January 1, 2020, to include all prior approved amendments. The Plan is a single-employer contributory, defined benefit pension plan established by Knoxville Utilities Board Resolution No. 980 dated February 18, 1999, effective July 1, 1999, as authorized by the Charter of the City of Knoxville §1107(J). KUB Board Resolution No. 979, effective July 1, 1999, as amended by Resolution No. 1037, establishing the KUB Retirement System, was amended effective June 18, 2020, to amend the term “Trustee” to include both custodians and/or trustees, in order to provide flexibility should KUB choose to change from its current Pension trustee. The Plan is designed to provide retirement, disability, and death benefits to KUB employees. KUB administers the Plan through an Administrative Committee consisting of seven KUB employees that are appointed by KUB’s President and CEO. Any amendments to the Plan involving costs not approved in the operating budget must be adopted by KUB’s Board of Commissioners, upon recommendation by KUB’s President and CEO. All other amendments to the Plan may be approved by KUB’s President and CEO upon 60 days notification to the Board’s Audit and Finance Committee. The Plan issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division’s share is specified.

Effective January 1, 2011, KUB closed the Plan such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and to accrue benefits under the Plan.

Participants in the Plan consisted of the following as of December 31:

	2022	2021
Inactive plan members:		
Terminated vested participants	14	12
Retirees and beneficiaries	603	600
Active plan members	431	478
Total	1,048	1,090

Retirement Benefits

The Plan provides three benefit arrangements for KUB participants, retirees, and beneficiaries.

The Plan provides pension benefits through the Career Equity Program (“CEP”) for eligible employees hired on or after January 1, 1999, and for eligible former “City System Plan A” participants who elected CEP coverage as of July 1, 1999. The guaranteed pension benefit payable to a participant who has completed five or more years of service (or reached the normal retirement date, if earlier) upon termination of KUB employment shall be a lump sum equal to the participant’s average compensation times their benefit percentage, as defined in the Plan document, or an annuity may be chosen by the participant.

In addition, the Plan provided retirement benefits through “Plan A” for former City System Plan A participants who elected not to participate in the CEP. Plan A is a closed plan and is not available to KUB employees hired after July 1, 1999. Plan A provides for early retirement benefits with 25 years of service and normal retirement benefits at age 62 or later. Benefits provided to Plan A participants include several different forms of monthly annuity payments.

The Plan also provides retirement benefits through "Plan B" for former "City System Plan B" participants. Plan B is a closed plan providing benefits to participants not covered by Social Security. Benefits provided to Plan B participants include several different forms of monthly annuity payments available to participants.

Effective January 1, 2012, KUB began to provide for additional monthly supplements, which are not subject to cost-of-living adjustments, to certain former employees and surviving dependents of former employees who are eligible for and have elected coverage under the KUB retiree medical plan and are eligible for Medicare. This was done to compensate for the elimination of drug coverage under the KUB retiree medical plan and to assist such individuals in obtaining prescription drug coverage under Medicare Part D.

Contributions

Participation in Plan A requires employee contributions of three percent of the first $4,800 of annual earnings and five percent of annual earnings in excess of $4,800. KUB contributions are determined by the enrolled actuary of the Plan and equal the amount necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions. The method of funding shall be consistent with Plan objectives.

Plan Funding

KUB maintains a Funding Policy for the Plan in accordance with Tennessee State Law. The primary goal of the Policy is to document the method KUB has adopted to provide assurance that future KUB and employee contributions and current Plan assets will be sufficient to fund all benefits expected to be paid to current active, inactive and retired Plan participants and their beneficiaries. Per the Funding Policy, KUB fully funds its annual Actuarially Determined Contribution.

Investments

The Plan's investments are held by State Street Bank and Trust Company (the "Trustee"). The Plan's policy in regard to the allocation of invested assets is established by the Retirement System Investment Committee and approved by the KUB Board of Commissioners and may only be amended by the KUB Board of Commissioners. It is the policy of the Retirement System Investment Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Plan's adopted asset allocation policy as of December 31, 2022:

Asset Class	Target Allocation
Domestic equity – large cap	20% - 50%
Domestic equity – mid cap	0% - 15%
Domestic equity – small cap	0% - 15%
Domestic equity – convertible securities	0% - 10%
Non-U.S. equity	0% - 20%
Real estate equity	0% - 10%
Fixed income – aggregate bonds	5% - 25%
Fixed income – long-term bonds	10% - 25%
Cash and deposits	0% - 5%

Contributions of $2,624,373 and $3,665,168 for 2021 and 2020, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2023, and 2022, respectively. Of these amounts, $459,328 and $705,017 are attributable to the Gas Division. The fiscal year 2023 contribution was determined as part of the January 1, 2021, valuation using the Individual Entry Age Normal funding method. The objective under this method is to fund each participant's benefits under the Plan as payments which are level as a percentage of salary, starting on the original participation date (employment date) and continuing until the assumed retirement, termination, disability, or death.

Net Pension Liability (Asset)

The below summarizes the disclosures of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB 68"), which requires measurement of the net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, will be based on the December 31, 2022, and 2021, measurement date, respectively. The net pension liability is $22,219,032 (Division's share $3,888,855) as of June 30, 2023, and the net pension asset is $64,137,714 (Division's share $12,337,267) as of June 30, 2022.

GASB 68 requires certain disclosures related to the net pension liability (asset) of the Plan as disclosed below:

	2022	2021
Total pension liability	$ 254,406,723	$ 242,201,780
Plan fiduciary net position	(232,187,691)	(306,339,494)
Plan's net pension liability (asset)	$ 22,219,032	$ (64,137,714)
Plan fiduciary net position as a percentage of the total pension liability	91.27%	126.48%

Changes in Net Pension Liability (Asset) are as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2021	$ 242,201,780	$ 306,339,494	$ (64,137,714)
Changes for the year:			
Service cost	6,349,402	-	6,349,402
Interest	17,430,465	-	17,430,465
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	282,014	-	282,014
Changes of Assumptions	5,268,672	-	5,268,672
Contributions - employer	-	3,144,770	(3,144,770)
Contributions - rollovers	-	3,080	(3,080)
Contributions - member	-	3,809,515	(3,809,515)
Net investment income	-	(63,484,570)	63,484,570
Benefit payments	(17,125,610)	(17,125,610)	-
Administrative expense	-	(498,988)	498,988
Net changes	12,204,943	(74,151,803)	86,356,746
Balances at December 31, 2022	$ 254,406,723	$ 232,187,691	$ 22,219,032

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation dates	January 1, 2022, rolled forward to December 31, 2022; January 1, 2021, rolled forward to December 31, 2021
Discount rate	7.00% as of December 31, 2022; 7.25% as of December 31, 2021
Salary increases	From 2.50% to 5.65%, based on years of service as of December 31, 2022, and 2021
Mortality	115% and 110% of the PubG-2010 table for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of December 31, 2022, and 2021
Inflation	2.5% as of December 31, 2022, and 2021

The actuarial assumptions used in the January 1, 2022, and 2021, valuations were based on an actuarial experience study covering the period January 1, 2014, through December 31, 2018.

The long-term expected rate of return on 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 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. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2022, and 2021, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. The Plan has both aggregate and long duration fixed income.

	Long Term Expected Real Rate of Return	
Asset Class	**2022**	**2021**
Domestic equity	5.0%	5.1%
Non-U.S. equity	6.1%	6.0%
Real estate equity	5.4%	5.4%
Debt securities	0.5%	0.2%
Cash and deposits	(0.1%)	(0.3%)

Discount rate
The discount rate used to measure the total pension liability was 7.00 percent as of December 31, 2022 and 7.25 percent as of December 31, 2021. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. 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 plan members. 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.

Sensitivity of the net pension liability (asset) to changes in the discount rate
The following presents the net pension liability of the Plan as of December 31, 2022, calculated using the discount rate of 7.00 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability	$ 45,400,841	$ 22,219,032	$ 2,259,345

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

For the year ended June 30, 2023, KUB recognized pension expense of $8,973,269, and the Gas Division's share was $1,616,219.

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2021, this average was four years. During the measurement year, there was a liability experience loss of $282,014, with $70,504 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $211,510. Unrecognized liability experience losses from prior periods were $2,609,559, of which $869,853 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,739,706. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of $1,951,216 (Division's share $341,509). Unrecognized liability gains from prior periods were $542,777, of which $331,952 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $210,825 (Division's share $36,899).

During the measurement year, there was an assumption change loss of $5,268,672, with $1,317,168 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $3,951,504. Net unrecognized assumption change losses from prior periods were $3,389,264, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $1,694,632. The total deferred outflow is $5,646,136 (Division's share $988,207).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $85,314,262, of which $17,062,852 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $38,969,257, of which $10,346,356 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment losses this year, along with unrecognized investment gains from prior periods, results in a deferred outflow of $39,628,509 (Division's share $6,935,924).

The impact of the change in proportionate share for the Gas Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred outflow of $530,793, with $132,698 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred outflow of resources of $398,094. Net proportionate share changes from prior periods were $261,040, of which $87,013 was recognized in the current year, resulting in a deferred inflow of resources of $174,027. In addition, KUB's Gas Division recorded a deferred outflow of resources of $229,664 for employer contributions made between December 31, 2022, and June 30, 2023.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Gas Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 341,509	$ 36,899
Changes in assumptions	988,207	-
Net difference between projected and actual earnings on pension plan investments	6,935,924	-
Change in proportionate share	398,094	174,027
Contributions subsequent to measurement date	229,664	-
Total	$ 8,893,398	$ 210,926

$229,664 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2024	$ 883,174
2025	1,844,764
2026	2,738,468
2027	2,986,402
Thereafter	-

For the year ended June 30, 2022, KUB recognized pension expense of ($11,639,307), and the Gas Division's share was ($2,325,903).

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. During the measurement year, there was a liability experience loss of $1,935,276, with approximately $483,819 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $1,451,457. Unrecognized liability experience losses from prior periods were $1,544,136, of which $386,034 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,158,102. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of $2,609,559 (Division's share $501,964). Unrecognized liability gains from prior periods were $1,092,163, of which $549,386 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $542,777 (Division's share $104,407).

During the measurement year, there were no benefit changes or assumption changes. Net unrecognized assumption change losses from prior periods were $5,083,896, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $3,389,264 (Division's share $651,945). Net unrecognized assumption change gains from prior periods were $71,525, of which the remaining $71,525 was recognized as a decrease in Pension Expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $17,812,070, of which $3,562,414 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $34,994,864, of which $10,275,263 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with unrecognized investment gains from prior periods, results in a deferred inflow of $38,969,257 (Division's share $7,495,966).

The impact of the change in proportionate share for the Gas Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred inflow of $348,054, with $87,013 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred inflow of resources of $261,040. In addition, KUB's Gas Division recorded a deferred outflow of resources of $352,508 for employer contributions made between December 31, 2021, and June 30, 2022.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Gas Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 501,964	$ 104,407
Changes in assumptions	651,945	-
Net difference between projected and actual earnings on pension plan investments	-	7,495,966
Change in proportionate share	-	261,040
Contributions subsequent to measurement date	352,508	-
Total	$ 1,506,417	$ 7,861,413

13. Qualified Excess Benefit Arrangement

Description

In fiscal year 2017, KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single-employer defined benefit pension plan administered by KUB. The number of participants in any given year for the QEBA is determined by the number of KUB Pension Plan participants who exceed the current year's section 415(b) limitations, as calculated by the KUB Pension Plan actuary. The amount of QEBA benefit will be the amount specified by the terms of the KUB Pension Plan without regard to Section 415(b) limitations minus the amount payable from the KUB Pension Plan as limited by Section 415(b). QEBA benefits are subject to cost-of-living adjustments.

As of June 30, 2023, there are 404 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2023, and 2022.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. There is no Total Pension Liability as of June 30, 2023, and 2022.

GASB 73 requires certain disclosures related to the total pension liability of the QEBA, as disclosed below:

	2022	**2021**
Total pension liability	$0	$0
Deferred outflows	(6,779)	(11,505)
Deferred inflows	3,408	16,927
Net impact on Statement of Net Position	($3,371)	$5,422
Covered payroll	$37,412,132	$38,074,863
Total pension liability as a % of covered payroll	0.00%	0.00%

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

For the year ended June 30, 2023, KUB recognized pension expense of ($8,793) (Division's share ($1,495)) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [($3,371) - $5,422 + $-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. There was a deferred inflow at the end of the measurement year of $3,408 (Division's share $579) from experience gains in prior years and a deferred outflow of $4,073 (Division's share $692) from experience losses in prior years.

There was a deferred outflow of $2,706 (Division's share $460) from assumption changes in prior years.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,073	$ 3,408
Changes in assumptions	2,706	-
Total	$ 6,779	$ 3,408
Division's share	$ 1,152	$ 579

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2024	$ 3,023
2025	348
2026	-
2027	-
2028	-
Thereafter	-

For the year ended June 30, 2022, KUB recognized pension expense of $16,613 (Division's share $2,824) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($19,875), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$5,422 - $8,684 + $19,875].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. During the measurement year, there was an experience gain of $6,816, with $1,704 recognized in the current year and each of the next three years, resulting in a deferred inflow of $5,112 (Division's share $869). There was a deferred inflow at the end of the measurement year of $7,225 (Division's share $1,228) from experience gains in prior years and a deferred outflow of $6,112 (Division's share $1,039) from experience losses in prior years.

During the measurement year, there were no assumption changes. There was a deferred inflow at the end of the measurement year of $4,590 (Division's share $780) and a deferred outflow of $5,393 (Division's share $917) from assumption changes in prior years.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	6,112	$	12,337
Changes in assumptions		5,393		4,590
Total	$	11,505	$	16,927
Division's share	$	1,956	$	2,877

14. Defined Contribution Plan

The KUB Asset Accumulation 401(k) Plan (the "401(k) Plan") is a defined contribution 401(k) employee retirement savings plan covering eligible KUB employees established by the KUB Board of Commissioners in accordance with the Charter of the City of Knoxville, Tennessee. The 401 (k) Plan's assets are held in trust under an agreement between KUB and Fidelity Management Trust Company. Employees hired prior to January 1, 2011, may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. Employees hired on or after January 1, 2011, have an enhanced 401(k) due to the closure of the Defined Benefit Pension Plan. They may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. They also receive a non-elective KUB contribution of three percent to six percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and non-elective contributions of $3,794,561 (Division's share $645,075) and $3,125,903 (Division's share $531,403), respectively, for the years ended June 30, 2023, and 2022.

15. Other Post-Employment Benefits (OPEB)

Description of Trust

The Knoxville Utilities Board Other Post-Employment Benefits Trust (the Trust) is a single-employer trust established by the KUB Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The Trust, along with the KUB Health Plan, make up a Voluntary Employee Beneficiary Association ("VEBA") and are intended to be tax-exempt pursuant to Code §501(c)(9). The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. The applicable documentation was submitted to the State Funding Board and, in December 2007, the State Funding Board approved the Trust. The Trust was also approved by the Internal Revenue Service in June 2008. KUB administers the Trust through a Board of Trustees consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Trust involving costs not approved in the operating budget must be approved by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Trust may be approved by KUB's President and CEO upon 60 days notification to the Board's Audit and Finance Committee. The investment of all deposits to the Trust is governed by an Investment Policy, which was adopted by the KUB Board and approved by the State Funding Board. The Trust issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

Effective January 1, 2022, the Plan was expanded to two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement (HRA), given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

Participants in the Plan consisted of the following as of June 30:

	HRA		Retiree Medical Benefit	
	2023	**2022**	**2023**	**2022**
Retirees	6	4	542	549
Dependents of retirees	2	2	596	612
Eligible active employees	25	15	140	145
Total	33	21	1,278	1,306

Benefits
Benefits for pre-July 1, 1999, eligible participants may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare Part B or Part D premiums, life insurance, long-term care, and long-term disability. Post-July 1, 1999, eligible participants are eligible for HRA benefits, which include up to $50,000 to be used exclusively for reimbursement of qualified medical expenses of the retiree and his or her spouse and dependents. Any unused HRA amounts will remain assets of the OPEB Trust.

Contributions and Funding
The primary goal of the Funding Policy for the Trust is to document the method KUB has adopted to provide assurance that future KUB and retiree contributions and current Trust assets will be sufficient to fund all benefits expected to be paid to Trust beneficiaries. Per the Funding Policy, KUB's current practice is to fully fund its annual Actuarially Determined Contribution, which is determined by actuarial valuation.

Contributions are authorized by the terms of the Trust as established by KUB Resolution No. 1168, as amended, as approved by the Tennessee State Funding Board. KUB shall have the right at any time to amend, in whole or in part, the provisions of this Trust; however, no such amendment shall authorize or permit the assets of the Trust to be used for or diverted to purposes other than those expressed in the Declaration of Trust.

It shall be the sole and exclusive responsibility of KUB to determine the level of contributions KUB will make to the Trust for the purpose of financing other post-employment benefits accrued by its respective participants. Neither the Trust, nor the Trust's Board, shall be responsible for collecting or otherwise determining the level of contributions needed by KUB to finance any other post-employment benefits offered by KUB. The assets of the Trust shall be expended solely to make payments for other post-employment benefits pursuant to, and in accordance with, the terms of the Trust and to pay the cost of administration.

Based on the date of retirement, certain retired members are required to contribute specified amounts monthly to maintain health insurance. Those who retired prior to July 1983 have no required monthly premiums for themselves or dependents. The retirees, or their surviving dependents, who retired between August 1983 and January 1998 are required to pay $262.50 per month for pre-Medicare family health insurance. For individuals who retired after January 1998, the required monthly premium for pre-Medicare health insurance is $262.50 for single coverage and $525 for family coverage. There is currently no premium for Medicare eligible retirees or dependents. KUB is responsible for determining the level of retired plan member contributions on an annual basis as part of its review of healthcare cost sharing.

Participants in the Health Reimbursement Arrangement are not eligible for health insurance and are not required to make contributions.

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203. The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2023:

Asset Class	Target Allocation
Domestic Equity:	
Large Cap	30%
Small Cap	8%
International Equity:	
Developed	16%
Emerging	8%
Real Estate Equity	8%
Debt Securities	30%
Total	100%

Actuarially determined contributions for the Gas Division for the fiscal year ended June 30, 2023, were $269,675. For the fiscal year ended June 30, 2022, an actuarially determined contribution for the Gas Division of $378,121 was made to the OPEB Trust, which includes the division's share of an additional $1,500,000 contribution to help fund the HRA. These were based on the OPEB actuarial valuations as of January 1, 2021, and 2020.

Net OPEB Liability

The below summarizes the disclosures of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), which requires measurement of the net OPEB liability as total OPEB liability less the amount of the Trust's fiduciary net position. The amounts reported as of June 30 are based on the reporting date for the KUB Other Post-Employment Benefits Plan which is June 30. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2023, and 2022, and the Total OPEB Liability as of the valuation date, January 1, 2022, updated to June 30, 2023, and January 1, 2021, updated to June 30, 2022, respectively. The Division's share of the total net OPEB liability was $2,467,169 as of June 30, 2023, and $2,129,597 as of June 30, 2022.

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The components of the net OPEB liability (asset) of the Trust are as follows as of June 30:

	2023	2022
Total OPEB liability	$ 61,637,102	$ 58,536,280
Plan fiduciary net position	48,706,447	47,333,773
Net OPEB liability	$ 12,930,655	$ 11,202,507
Plan fiduciary net position as a percentage of the total OPEB liability	79.02%	80.86%

Changes in Net OPEB Liability are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	$ 58,536,280	$ 47,333,773	$ 11,202,507
Changes for the year:			
Service cost	595,392	-	595,392
Interest	4,133,008	-	4,133,008
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	117,668	-	117,668
Changes of Assumptions	2,527,824	-	2,527,824
Contributions - employer	-	1,413,392	(1,413,392)
Contributions - member	-	-	-
Net investment income	-	4,333,538	(4,333,538)
Benefit payments	(4,273,070)	(4,273,070)	-
Administrative expense	-	(101,186)	101,186
Net changes	3,100,822	1,372,674	1,728,148
Balances at June 30, 2023	$ 61,637,102	$ 48,706,447	$ 12,930,655

Actuarial assumptions

The total OPEB liability was determined by actuarial valuations, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation dates:	January 1, 2022, rolled forward to June 30, 2023; January 1, 2021, rolled forward to June 30, 2022
Discount rate:	7.00% as of June 30, 2023, and 7.25% as of June 30, 2022
Healthcare cost trend rates:	Pre-Medicare: 5.75% grading down to 3.935% over 20 years as of June 30, 2023, and 6.75% grading down to 4.04% as of June 30, 2022 Medicare: 11.30% grading down to 3.935% over 20 years as of June 30, 2023, and 6.30% grading down to 4.04% as of June 30, 2022 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65

Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010) for males and females, respectively, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.50%

The actuarial assumptions used in the January 1, 2022, and January 1, 2021, valuations were based on the results of actuarial experience studies for the periods January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Trust 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 long-term expected rate of return may be lower in periods of current strong performance due to future valuations that mean revert to the long-term average. Best estimates of arithmetic real rates of return for each major asset class included in the Trust's target asset allocation (see the discussion of the Trust's Investment Policy) are summarized in the chart below.

	Long Term Expected Real Rate of Return	
Asset Class	**2023**	**2022**
Domestic equity	5.1%	5.5%
International equity	6.1%	6.5%
Emerging Market equity	8.4%	8.6%
Real estate equity	5.3%	5.7%
Debt securities	1.8%	1.2%
Cash and deposits	0.7%	0.2%

Discount rate
The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023, and 7.25 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate.
The following presents the net OPEB liability of the Trust as of June 30, 2023, calculated using the discount rate of 7.00 percent, as well as what the Trust's net OPEB liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	$19,738,026	$12,930,655	$7,246,454

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.
The following presents the net OPEB liability of the Trust as of June 30, 2023, as well as what the Trust's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower or one percent higher than the current rate:

	1% Decrease	Baseline Trends	1% Increase
Net OPEB liability	$7,364,325	$12,930,655	$19,461,880

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2023, KUB's Gas Division recognized OPEB expense of $568,837.

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was seven years. During the measurement year, there was an experience loss of $117,668, with $16,810 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of $100,858 (Division's share $19,244). Unrecognized experience losses from prior periods were $30,475, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were no benefit changes.

During the measurement year, there was an assumption change loss of $2,527,824, with $361,118 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of $2,166,706 (Division's share $413,407).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $1,007,293, of which $201,459 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred inflow of resources of $805,834. Net unrecognized investment losses from prior periods were $5,179,219, of which $1,162,271 was recognized as an increase in OPEB expense in the current year, resulting in a net deferred outflow of $4,016,948. The combination of unrecognized gains this year, along with the net unrecognized investment losses from prior periods, results in a deferred outflow of resources of $3,211,114 (Division's share $612,681).

The impact of the change in proportionate share for the Gas Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred outflow of $4,195, with $599 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred outflow of resources of $3,596. Net proportionate share changes from prior periods were $20,154, of which the entire amount was recognized in the current year. The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Gas Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 19,244	$ -
Changes in assumptions	413,407	-
Net difference between projected and actual earnings on OPEB plan investments	612,681	
Change in proportionate share	3,596	-
Total	$ 1,048,928	$ -

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	$ 233,606
2025	135,188
2026	500,447
2027	34,270
2028	72,708
Thereafter	72,709

For the year ended June 30, 2022, KUB's Gas Division recognized OPEB expense of $1,156,287.

The impact of liability experience gains or losses and assumption changes on the Gas Division's Share of the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was two years. During the measurement year, there was an experience loss of $60,951, with $30,476 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $30,475 (Division's share $5,793). Unrecognized experience losses from prior periods were $21,401, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were benefit changes that increased the Total OPEB Liability by $6,594,293. This increase is recognized immediately in the June 30, 2022, OPEB expense.

Unrecognized gains due to assumption changes from prior periods were $2,052,917, of which the entire amount is recognized as a decrease in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $12,216,418, of which $2,443,284 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred outflow of resources of $9,773,134. Net unrecognized investment gains from prior periods were $5,905,689, of which $1,311,774 was recognized as a decrease in OPEB expense in the current year, resulting in a net deferred inflow of $4,593,915. The combination of unrecognized losses this year, along with the net unrecognized investment gains from prior periods, results in a deferred outflow of resources of $5,179,219 (Division's share $984,570).

The impact of the change in proportionate share for the Gas Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is two years. This change resulted in a deferred outflow of $40,308, with $20,154 of that recognized in the current year and the remaining amount recognized in the next year, resulting in a deferred outflow of resources of $20,154. The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Gas Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,793	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	984,570	
Change in proportionate share	20,154	-
Total	$ 1,010,517	$ -

16. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with the City of Knoxville and with other divisions of KUB. Such transactions for the years ended June 30, 2023, and 2022, are summarized as follows:

	2023	**2022**
City of Knoxville		
Amounts billed by the Division for utilities and related services	$ 1,029,698	$ 945,570
Payments by the Division in lieu of property tax	4,306,443	4,029,886
Payments by the Division for services provided	336,263	147,396
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	559,364	393,131
Interdivisional rental expense	1,130,629	1,133,783
Interdivisional rental income	30,315	31,678
Amounts billed to the Division by other divisions for utilities services provided	363,374	325,071

With respect to these transactions, accounts receivable from the City of Knoxville included in the balance sheet at year end were as follows:

	2023	**2022**
Accounts receivable	$ 7,893	$ 12,593

17. Natural Gas Supply Contract Commitments

For fiscal year 2023, the Gas Division hedged 25 percent of its total gas purchases via gas supply contracts. As of June 30, 2023, the Gas Division had hedged the price on approximately six percent of its anticipated gas purchases for fiscal year 2024.

The Gas Division contracts separately for the purchase, transportation, and storage of natural gas. Purchase commitments for the next five years and thereafter are as follows:

Firm obligations related to purchased gas - demand

	2024	2025	2026	2027	2028
Transportation					
Tennessee Gas Pipeline	$ 3,404,232	$ 3,404,232	$ 1,134,744	$ -	$ -
East Tennessee Natural Gas	12,582,997	12,582,997	3,435,624	-	-
Texas Eastern	328,500	328,500	109,500	-	-
Storage					
Tennessee Gas Pipeline	1,513,248	1,513,248	504,416	-	-
East Tennessee Natural Gas	1,081,500	1,081,500	-	-	-
Saltville Natural Gas	2,000,160	1,845,150	1,380,120	1,380,120	1,035,090
Bobcat	198,000	198,000	66,000	-	-
Demand Total	$ 21,108,637	$ 20,953,627	$ 6,630,404	$ 1,380,120	$ 1,035,090

Firm obligations related to purchased gas - commodity

	2024	2025	2026	2027	2028	2029-2054
Baseload						
BP Energy Company	$ 1,198,770	$ -	$ -	$ -	$ -	$ -
NextEra Energy	1,898,880	-	-	-	-	-
CNX	3,249,912	-	-	-	-	-
Enervest Operating LLC	2,839,998	2,496,676	-	-	-	-
Tennergy Corporation 2021A	2,581,424	3,192,756	3,442,778	3,457,684	3,391,300	81,345,066
Tennergy Corporation 2022	2,715,493	3,325,946	3,576,325	3,586,436	3,583,028	92,553,420
Commodity Total	$ 14,484,477	$ 9,015,378	$ 7,019,103	$ 7,044,120	$ 6,974,328	$ 173,898,486

The total commodity values presented here are based upon firm supply obligations with each individual natural gas supplier. The firm obligations value for BP Energy Company and NextEra Energy are based upon firm supply obligations and locked prices with those suppliers. The firm obligations value for CNX and Enervest Operating LLC are based upon firm supply obligations and the applicable NYMEX strip prices on June 30, 2023. The firm obligations value for Tennergy Corporation are based upon 30-year prepay gas contracts valued at the applicable Tennessee Zone 0 and Tennessee 800L strip prices on June 30, 2023.

18. Other Commitments and Contingencies

In the normal course of business, there are various lawsuits pending against KUB. Management has reviewed these lawsuits with counsel, who is vigorously defending KUB's position and is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on KUB's financial position, results of operations, or cash flows.

Knoxville Utilities Board Gas Division
Required Supplemental Information - Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2023

	*Year ended December 31								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total pension liability									
Service cost	$ 6,349,402	$ 6,647,220	$ 5,227,657	$ 6,142,213	$ 5,095,488	$ 4,607,486	$ 4,226,985	$ 4,157,062	$ 4,092,808
Interest	17,430,465	16,982,226	16,393,202	16,030,626	15,344,193	15,015,282	14,966,559	14,812,784	14,698,657
Changes of benefit terms	-	-	-	163,199	-	-	-	-	-
Differences between expected and actual experience	282,014	1,935,276	1,930,170	(1,054,117)	(605,649)	(1,087,161)	(2,233,762)	(1,890,334)	-
Changes of assumptions	5,268,672	-	-	8,473,160	-	(357,633)	(2,932,883)	-	-
Benefit payments, including refunds of member contributions	(17,125,610)	(17,725,963)	(16,006,565)	(15,094,475)	(15,274,814)	(14,969,979)	(14,138,511)	(15,350,926)	(15,533,167)
Net change in total pension liability	12,204,943	7,838,759	7,544,464	14,660,606	4,559,218	3,207,995	(111,612)	1,728,586	3,258,298
Total pension liability - beginning	242,201,780	234,363,021	226,818,557	212,157,951	207,598,733	204,390,738	204,502,350	202,773,764	199,515,466
Total pension liability - ending (a)	$ 254,406,723	$ 242,201,780	$ 234,363,021	$ 226,818,557	$ 212,157,951	$ 207,598,733	$ 204,390,738	$ 204,502,350	$ 202,773,764
Plan fiduciary net position									
Contributions - employer	$ 3,144,770	$ 3,416,428	$ 2,876,752	$ 2,871,241	$ 3,456,475	$ 4,286,597	$ 5,243,146	$ 5,991,887	$ 5,908,541
Contributions - participants	3,812,595	3,939,687	2,284,727	3,170,825	2,081,125	1,488,632	555,075	487,546	475,854
Net investment income	(63,493,985)	37,575,566	44,814,914	49,938,315	(11,748,396)	32,360,219	13,788,263	(95,430)	22,292,369
Other additions	9,415	112,484	7,740	13,579	62,616	82,239	45,848	30,879	29,733
Benefit payments, including refunds of member contributions	(17,065,610)	(17,653,963)	(15,962,565)	(15,030,475)	(15,174,814)	(14,895,979)	(14,044,511)	(15,274,926)	(15,405,167)
Administrative expense	(498,988)	(441,017)	(455,191)	(467,748)	(445,916)	(385,282)	(441,332)	(397,160)	(378,085)
Death benefits	(60,000)	(72,000)	(44,000)	(64,000)	(100,000)	(74,000)	(94,000)	(76,000)	(128,000)
Net change in plan fiduciary net position**	(74,151,803)	26,877,185	33,522,377	40,431,737	(21,868,910)	22,862,426	5,052,489	(9,333,204)	12,795,245
Plan fiduciary net position - beginning**	306,339,494	279,462,309	245,939,932	205,508,195	227,377,105	204,514,679	199,462,190	208,795,394	196,000,149
Plan fiduciary net position - ending (b)**	$ 232,187,691	$ 306,339,494	$ 279,462,309	$ 245,939,932	$ 205,508,195	$ 227,377,105	$ 204,514,679	$ 199,462,190	$ 208,795,394
Plan's net pension liability - ending (a) - (b)	$ 22,219,032	$ (64,137,714)	$ (45,099,288)	$ (19,121,375)	$ 6,649,756	$ (19,778,372)	$ (123,941)	$ 5,040,160	$ (6,021,630)
Plan fiduciary net position as a percentage of the total pension liability	91.27%	126.48%	119.24%	108.43%	96.87%	109.53%	100.06%	97.54%	102.97%
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747	$ 44,446,743	$ 44,076,351
Plan's net pension liability as a percentage of covered payroll	59.39%	(168.45%)	(108.61%)	(47.48%)	15.78%	(45.67%)	(0.28%)	11.34%	(13.66%)

Notes to Schedule:

* Information not reflected prior to 2014 due to changes in actuary methodologies required under GASB 67, which was implemented in 2014.

** Excludes amounts related to 401(k) matching contributions.

Knoxville Utilities Board Gas Division
Required Supplementary Information – Schedule of Employer Pension Contributions
June 30, 2023

	*Year ended December 31								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Actuarially determined contribution	$ 3,144,770	$ 3,416,428	$ 2,876,752	$ 2,871,241	$ 3,456,475	$ 4,286,597	$ 5,243,146	$ 5,991,887	$ 5,908,541
Contribution in relation to the actuarially determined contribution	3,144,770	3,416,428	2,876,752	2,871,241	3,456,475	4,286,597	5,243,146	5,991,887	5,908,541
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747	$ 44,446,743	$ 44,076,351
Contributions as a percentage of covered payroll	8.41%	8.97%	6.93%	7.13%	8.20%	9.90%	11.80%	13.48%	13.41%

Notes to Schedule:

Timing:	Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.
Valuation Dates:	January 1, 2021 and January 1, 2020

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual entry age
Asset valuation method:	5-year smoothed market
Amortization method:	As of January 1, 2021: Level dollar, 30-year closed period with 20 years remaining, or a level dollar, 30-year open period for a negative unfunded liability As of January 1, 2020: Level dollar, 30-year closed period with 21 years remaining, or a level dollar, 30-year open period for a negative unfunded liability As of January 1, 2021 and 2020, the unfunded liability was negative.
Discount rate:	7.25% as of January 1, 2021 and January 1, 2020
Salary increases:	2.50% to 5.65%, based on years of service; As of January 1, 2021, a one-time reduction was applied to reduce the 2020 compensation by 3.7% to account for an additional 2020 pay period
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational
Inflation:	2.5%

* Schedule of Employer Contribution information is not reflected prior to 2014 due to changes in actuary methodologies required under GASB 67, which was implemented 2014.
Please refer to prior year's audited financial statements for prior methods and assumptions.

Knoxville Utilities Board Gas Division
Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2023

*Year ended June 30

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	$ 595,392	$ 416,277	$ 283,786	$ 256,270	$ 270,515	$ 202,603
Interest	4,133,008	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	-	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	117,668	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	2,527,824	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	3,100,822	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	58,536,280	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	$ 61,637,102	$ 58,536,280	$ 51,515,118	$ 54,544,240	$ 50,197,938	$ 45,604,431
Plan fiduciary net position						
Contributions - employer	$ 1,413,392	$ 1,989,066	$ 757,226	$ 311,324	$ -	$ -
Net investment income	4,333,538	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(101,186)	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	1,372,674	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	47,333,773	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	$ 48,706,447	$ 47,333,773	$ 57,446,946	$ 46,954,793	$ 48,750,196	$ 49,355,499
Net OPEB liability (asset) - ending (a) - (b)	$ 12,930,655	$ 11,202,507	$ (5,931,828)	$ 7,589,447	$ 1,447,742	$ (3,751,068)
Plan fiduciary net position as a percentage of the total OPEB liability	79.02%	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	$ 70,129,341	$ 73,927,857	$ 21,578,366	$ 23,363,536	$ 24,346,735	$ 23,677,080
Net OPEB liability (asset) as a percentage of covered employee payroll	18.44%	15.15%	(27.49%)	32.48%	5.95%	(15.84%)

Notes to Schedule:

* Information not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.

** The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

Knoxville Utilities Board Gas Division
Required Supplementary Information – Schedule of Employer OPEB Contributions
June 30, 2023

	*Year ended June 30					
	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 1,413,392	$ 489,066	$ 757,226	$ 311,324	$ -	$ -
Contribution in relation to the annual required contribution	1,413,392	1,989,066	757,226	311,324	-	-
Contribution deficiency/(excess)	$ -	$ (1,500,000)	$ -	$ -	$ -	$ -
Covered employee payroll*	$ 70,129,341	$ 73,927,857	$ 21,578,366	$ 23,363,536	$ 24,346,735	$ 23,677,080
Contributions as a percentage of covered employee payroll	2.02%	2.69%	3.51%	1.33%	0.00%	0.00%

* The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

KUB elected to make a $1,500,000 voluntary contribution to the Trust to initially fund the HRA benefit which was effective January 1, 2022.
This contribution was not required.

Notes to Schedule:

Valuation Date:	January 1, 2021 and January 1, 2020
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 15 years remaining as of January 1, 2021 (16 years as of January 1, 2020), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2020 and 2021, the unfunded liability was positive
Discount rate:	7.25%
Healthcare cost trend rate:	Pre-Medicare: 6.50% grading down to 4.04% over 19 years as of January 1, 2021; 6.75% grading down to 4.04% over 20 years as of January 1, 2020 Medicare: 6.20% grading down to 4.04% over 19 years as of January 1, 2021; 6.30% grading down to 4.04% over 20 years as of January 1, 2020 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.5%
Investment rate of return:	7.25%
Retirement age:	2% at ages 50-57, grading up to 100% at age 70

* Schedule of Employer Contribution information is not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.
Please refer to prior year's audited financial statement for prior methods and assumptions.

Knoxville Utilities Board Gas Division
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 2023

	*Year ended December 31						
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Total pension liability							
Service cost	$ -	$ -	$ -	$ -	$ 941	$ 584	$ -
Interest (includes interest on service cost)	-	268	388	9,181	9,676	7,535	-
Changes of benefit terms	-	-	-	(218,272)	-	-	185,077
Differences between expected and actual experience	-	(6,816)	10,165	34	(36,125)	13,684	-
Changes of assumptions	-	-	91	13,342	(22,950)	73,461	-
Benefit payments, including refunds of member contributions	-	(12,166)	(12,166)	(15,932)	-	-	-
Net change in total pension liability	-	(18,714)	(1,522)	(211,647)	(48,458)	95,264	185,077
Total pension liability - beginning	-	18,714	20,236	231,883	280,341	185,077	-
Total pension liability - ending	$ -	$ -	$ 18,714	$ 20,236	$ 231,883	$ 280,341	$ 185,077
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747
Total pension liability as a percentage of covered payroll	0.00%	0.00%	0.05%	0.05%	0.55%	0.65%	0.42%

Notes to Schedule:

* There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 73 to pay related benefits.

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Gas Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2023

	U-2015		V-2016		W-2017		X-2017		Y-2018		Z-2020		AA-2021		Totals		Grand Total (P + I)
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
23-24	805,000	233,000	325,000	293,844	850,000	184,250	300,000	326,919	185,000	243,831	615,000	241,750	3,590,000	1,537,000	6,670,000	3,060,594	9,730,594
24-25	845,000	208,850	325,000	280,844	900,000	141,750	315,000	311,919	195,000	236,431	645,000	211,000	3,395,000	1,357,500	6,620,000	2,748,294	9,368,294
25-26	880,000	183,500	350,000	267,844	940,000	96,750	330,000	296,168	200,000	228,631	675,000	178,750	3,220,000	1,187,750	6,595,000	2,439,393	9,034,393
26-27	895,000	154,900	350,000	253,844	995,000	49,750	340,000	286,268	210,000	220,631	710,000	145,000	3,130,000	1,026,750	6,630,000	2,137,143	8,767,143
27-28	985,000	123,573	375,000	243,344			345,000	279,469	215,000	214,331	745,000	109,500	3,625,000	870,250	6,290,000	1,840,467	8,130,467
28-29	975,000	89,100	375,000	232,094			355,000	272,138	220,000	207,881	785,000	72,250	3,450,000	689,000	6,160,000	1,562,463	7,722,463
29-30	955,000	59,850	375,000	220,844			360,000	263,706	230,000	201,281	825,000	33,000	3,230,000	551,000	5,975,000	1,329,681	7,304,681
30-31	1,040,000	31,200	400,000	212,875			375,000	252,906	235,000	194,381			3,285,000	421,800	5,335,000	1,113,162	6,448,162
31-32			400,000	203,875			385,000	241,656	240,000	187,331			3,865,000	290,400	4,890,000	923,262	5,813,262
32-33			425,000	194,375			395,000	230,106	250,000	180,131			3,395,000	135,800	4,465,000	740,412	5,205,412
33-34			425,000	183,750			410,000	218,256	260,000	172,319					1,095,000	574,325	1,669,325
34-35			425,000	173,125			420,000	205,956	265,000	163,869					1,110,000	542,950	1,652,950
35-36			450,000	162,500			435,000	193,356	275,000	155,256					1,160,000	511,112	1,671,112
36-37			450,000	150,686			445,000	180,306	285,000	146,319					1,180,000	477,311	1,657,311
37-38			475,000	138,312			460,000	166,956	295,000	136,700					1,230,000	441,968	1,671,968
38-39			475,000	125,250			475,000	152,582	305,000	126,744					1,255,000	404,576	1,659,576
39-40			500,000	112,188			490,000	137,738	315,000	116,069					1,305,000	365,995	1,670,995
40-41			525,000	98,438			505,000	122,425	325,000	105,044					1,355,000	325,907	1,680,907
41-42			525,000	84,000			520,000	106,644	335,000	93,669					1,380,000	284,313	1,664,313
42-43			550,000	68,250			535,000	90,394	350,000	81,944					1,435,000	240,588	1,675,588
43-44			550,000	51,750			550,000	73,675	360,000	69,694					1,460,000	195,119	1,655,119
44-45			575,000	35,250			570,000	56,488	375,000	57,094					1,520,000	148,832	1,668,832
45-46			600,000	18,000			585,000	38,675	385,000	43,500					1,570,000	100,175	1,670,175
46-47							605,000	19,662	400,000	29,544					1,005,000	49,206	1,054,206
47-48									415,000	15,044					415,000	15,044	430,044
Total	$ 7,380,000	$ 1,083,973	$ 10,225,000	$ 3,805,282	$ 3,685,000	$ 472,500	$ 10,505,000	$ 4,524,368	$ 7,125,000	$ 3,627,669	$ 5,000,000	$ 991,250	$ 34,185,000	$ 8,067,250	$ 78,105,000	$ 22,572,292	$ 100,677,292

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Gas Division
Supplemental Information - Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2022	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2023
Business-Type Activities									
BONDS PAYABLE									
Payable through Gas Fund									
Revenue Bond Refunding, Series U-2015	11,780,000	2.0-5.0	05/01/15	03/01/31	$ 8,175,000	$	$ 795,000	$	$ 7,380,000
Revenue Bond, Series V-2016	12,000,000	2.125-5.0	08/05/16	03/01/46	10,525,000		300,000		10,225,000
Revenue Bond Refunding, Series W-2017	8,065,000	5.0	04/07/17	03/01/27	4,500,000		815,000		3,685,000
Revenue Bond, Series X-2017	12,000,000	2.0-5.0	09/15/17	03/01/47	10,790,000		285,000		10,505,000
Revenue Bond, Series Y-2018	8,000,000	3.0-5.0	09/14/18	03/01/48	7,305,000		180,000		7,125,000
Revenue Bond Refunding, Series Z-2020	6,755,000	4.0-5.0	05/22/20	03/01/30	5,585,000		585,000		5,000,000
Revenue Bond Refunding, Series AA-2021	41,920,000	4.0-5.0	04/19/21	03/01/33	37,915,000		3,730,000		34,185,000
					$ 84,795,000	$ -	$ 6,690,000	$ -	$ 78,105,000

See accompanying Independent Auditor's Report

Knoxville Utilities Board Gas Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 6/30/2022	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2023
Lease Liabilities									
Payable through Natural Gas Fund									
American Towers - Rocky Hill	$ 34,545	3.90%	11/1/2022	10/31/2027	$ -	$ 34,545	$ (3,783)	$ -	$ 30,762
American Towers - Tillery/Bluegrass	34,759	3.90%	11/1/2022	10/31/2027	-	34,758	(3,996)	-	30,762
Centriworks	7,644	3.88%	11/1/2020	10/31/2023	4,452	-	(3,317)	-	1,135
Coal Creek Ventures	5,219	3.88%	7/1/2020	9/30/2035	4,879	-	(4,879)	-	-
Crown Castle	42,250	3.90%	3/1/2023	2/1/2043	-	42,250	(336)	-	41,914
Manki 1 Investments	51,382	3.88%	7/1/2020	5/31/2027	50,605	-	(8,966)	(2,977)	38,662
Pinnacle Towers	8,422	3.88%	7/1/2020	6/30/2027	8,717	-	(8,717)	-	-
R&S Logistics (Sublease)	234,260	3.88%	7/1/2020	3/31/2027	214,431	-	(39,578)	-	174,853
Ricoh Americas	6,342	3.88%	8/1/2022	8/31/2025	219	6,342	(1,907)	-	4,654
RJ Young Company	8,625	3.88%	7/1/2020	6/30/2026	6,592	-	(2,113)	-	4,479
SBA Properties	14,786	3.90%	1/1/2023	12/31/2027	-	14,786	(1,245)	-	13,541
White Realty	5,554	3.88%	7/1/2020	6/30/2041	5,554	-	(5,227)	(327)	-
Total Lease Liabilities					$ 295,449	$ 132,681	$ (84,064)	$ (3,304)	$ 340,762

See accompanying Independent Auditor's Report

Insurance coverage is for KUB as a consolidated entity.

Crime
Covers losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - $5,000,000; $250,000 retention.

Directors' and Officers' Liability Insurance
Covers KUB personnel appropriately authorized to make decisions on behalf of KUB (including but not limited to Commissioners, President and CEO, Senior Vice Presidents, Vice Presidents, and Directors) for wrongful acts. Limits of coverage - $20,000,000; $500,000 corporate deductible, $0 individual deductible.

Employment Practices Liability
Coverage for costs related to actual or alleged employment practices violations for amounts exceeding specified amount ($500,000). Limits of coverage - $10,000,000.

Fiduciary
Covers losses resulting from wrongful acts related to KUB's Pension, 401(k), OPEB Trust funds, and Medical Plan. Limits of coverage - $10,000,000; $150,000 deductible.

Environmental and Pollution Legal Liability
Environmental and Pollution coverage for covered losses resulting from a pollution or environmental event. Limits of coverage - $15,000,000.

Property Insurance
This coverage provides protection of KUB's property for fire, extended coverage, vandalism and malicious mischief, and coverage on boilers and machinery. Also included are flood and earthquake damage and mechanical failure. Limits of coverage - $250,000,000 per occurrence (subject to certain sub limits); $2,500,000 deductible per occurrence.

Travel Accident
Covers losses related to employees' business travel. Limits of coverage - $1,000,000 aggregate.

Excess Insurance for General Liability
As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). Limits of coverage - $5,000,000; $700,000 retention.

Excess Insurance for Workers' Compensation
Covers all losses exceeding specified amount per occurrence ($1,000,000). Limits of coverage - Statutory; stop loss coverage applies for aggregate losses over $5,000,000.

Employee Health Plan Stop Loss Coverage
KUB's employee health plan is self-funded. KUB has purchased stop loss insurance, which covers KUB's exposure to annual expenses for more than $600,000 per individual participant.

Cyber Security Liability
Liability coverage resulting from losses related to a covered event such as data breaches, ransomware, regulatory fines, cyber extortion, business interruption and other cyber-related events. Limits of coverage - $3,000,000; $500,000 deductible.

Knoxville Utilities Board Gas Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class	Base Charge		Number of Customers
Residential (G-2)	For the regular monthly billing period for the months of November to April, inclusive:		98,902
	Customer charge per month $10.90		
	First 30 therms per month at $0.9919 per therm		
	Excess over 30 therms per month at $0.7797 per therm		
	For the regular monthly billing periods for the months of May to October, inclusive:		
	Customer charge per month $10.90		
	First 50 therms per month $0.8132 per therm		
	Excess over 50 therms per month at $0.6946 per therm		
Commercial (G-4)	Available to any commercial or industrial customer:		9,567
	Customer charge per month $31.00		
	First 250 therms per month at $0.9670 per therm		
	Excess over 250 therms per month at $.8479 per therm		
Commercial (G-6)	Available to any commercial or industrial customer incurring a demand of twenty-seven therms or more during the current monthly billing period or during any of the eleven net preceding monthly billing periods.		206
	The net rate is the sum of the following demand and commodity charges:		
	Customer charge:	$185.00 per month	
	Demand charge:	$2.05 per therm of demand	
	Commodity charge:	First 30,000 therms per month at $0.6046 per therm	
		Excess over 30,000 therms per month at $0.5066 per therm	
Industrial (G-7)	Service under Rate Schedule G-7 shall be available to any customer who meets the following conditions:		10
	(a) Customer's annual Interruptible Gas use, on an actual or projected basis, shall not be less than 25,000 dekatherms;		
	(b) Customer shall be permitted to purchase only one (1) dekatherm of Firm Gas under Rate Schedule G-7 for each two (2) dekatherms of Interruptible Gas which are purchased;		
	(c) Customer must have standby equipment of sufficient capacity capable of providing the customer's normal gas service requirements for a period of five (5) working days without replenishment when Interruptible Gas is completely interrupted. Customer shall maintain such equipment ready for operation at any time and shall utilize a fuel other than gas furnished by KUB and shall be subject to periodic inspections by KUB to ensure compliance with this provision; and		
	(d) KUB must determine that its existing distribution system facilities are adequate and available for the requested service.		

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Gas Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class	Base Charge		Number of Customers
	The net rate is the sum of the following demand and commodity charges:		
	Customer charge:	$575.00 per month	
	Demand charge:	$20.50 per month per dekatherm of demand	
	Commodity charge:	(a) Firm Gas - $5.066 per dekatherm (b) Interruptible Gas - (i) First 3,000 dekatherms per month at $4.682 per dekatherm; excess of 3,000 to 20,000 dekatherms per month at $4.059 per dekatherm; plus excess over 20,000 to 50,000 dekatherms per month at $3.228 per dekatherm; excess over 50,000 dekatherms per month at $2.948 per dekatherm (c) Supplemental Gas - The Commodity Charge for Supplemental Gas shall be the total of: (a) the cost per dekatherm to KUB for the applicable Day of acquiring Supplemental Gas on the open market, subject to the approval of the Customer to purchase Supplemental Gas at or above such price and (b) the costs incurred by KUB in transporting such Supplemental Gas via connecting pipelines to one or more of KUB's delivery points.	
	Transportation charge:	$2.449 per dekatherm for the first 3,000 dekatherms of gas Redelivered plus Unauthorized Gas; plus $1.826 per dekatherm for each dekatherm from 3,000 to and including 20,000 dekatherms of gas Redelivered plus Unauthorized Gas; plus $0.995 per dekatherm for each dekatherm from 20,000 to and including 50,000 dekatherms of gas Redelivered plus Unauthorized Gas; plus $0.715 per dekatherm for the excess over 50,000 dekatherms of gas Redelivered plus Unauthorized Gas.	
	Unauthorized Gas charge:	$25.00 per dekatherm of Unauthorized Gas as a penalty, plus the total of: (a) the cost per dekatherm of obtaining such gas on the open market as determined by the higher of (1) the applicable Gulf Coast Price Index for the applicable Day as published in *Gas Daily* or, if *Gas Daily* is no longer published, in a comparable reliable source for natural gas prices or (2) the applicable first of the month Gulf Coast Price Index as published in *Inside FERC* , or if *Inside FERC* is no longer published, in a comparable reliable source for natural gas prices and (b) the costs incurred by KUB in transporting such Unauthorized Gas via connecting pipelines to one or more of KUB's delivery points.	

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Gas Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class	Base Charge	Number of Customers
G-11	Service under Rate Schedule G-11 shall be available to any customer who meets the following conditions: (a) Customer's annual gas usage (excluding Firm Gas), on an actual or projected basis, shall not be less than 25,000 dekatherms; (b) Customer shall be permitted to purchase only one (1) dekatherm of Firm Gas under Rate Schedule G-11 for each two (2) dekatherms of Transport Gas delivered by KUB to the Customer; (c) Customer must have standby equipment of sufficient capacity capable of providing the customer's normal gas service requirements for a period of five (5) working days without replenishment when Transport Gas is completely interrupted. Customer shall maintain such equipment ready for operation at any time and shall utilize a fuel other than gas furnished by KUB and shall be subject to periodic inspections by KUB to ensure compliance with this provision; (d) Customer's use under this rate shall not work a hardship on any other customers of KUB, nor adversely affect any other class of KUB's customers and further provided the Customer's use under this rate shall not adversely affect KUB's gas purchase plans and/or effective utilization of the daily demands under KUB's gas purchase contracts with its suppliers, as solely determined by KUB. (e) KUB must determine that its existing distribution system facilities are adequate and available for the requested service; and (f) Customer must execute a Transportation Service Agreement for interruptible transportation gas service. The net rate is the sum of the following charges: Customer charge: $750.00 Demand charge: $20.50 per dekatherm of demand Firm Gas charge: $5.066 per dekatherm Transportation charge: $2.449 per dekatherm for the first 3,000 dekatherms of non-Firm gas delivered to Customer; plus $1.826 per dekatherm for each dekatherm from 3,000 to and including 20,000 dekatherms of non-Firm gas delivered to Customer; plus $0.995 per dekatherm for each dekatherm from 20,000 to and including 50,000 dekatherms of non-Firm gas delivered to Customer; plus $0.715 per dekatherm for the excess over 50,000 dekatherms of non-Firm gas delivered to Customer.	13

See accompanying Independent Auditor's Report

Unauthorized Gas charge:	$25.00 per dekatherm of Unauthorized Gas as a penalty, plus (a), the total cost per dekatherm of obtaining such gas on the open market, as defined below, plus (b), the costs incurred by KUB in transporting such Unauthorized Gas via connecting pipelines to one or more of KUB's delivery points. The cost per dekatherm of obtaining such gas on the open market, (a) above, is defined as an index price based on the High Common price for "Transco zone 5 delivered" or "Tennessee 500 Leg," whichever is higher for the applicable Day as published in *Gas Daily.* If *Gas Daily* is no longer published, or one of the aforementioned indeces is not published, or for any other reason as determined by KUB, KUB will select an industry recognized index at its sole discretion.
Other charges:	Imbalance Charges, and any pipeline scheduling, balancing, transportation, or other similar charges incurred by KUB in connection with the transportation of gas on behalf of the Customer, as applicable.

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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*

Board of Commissioners
Gas Division of the Knoxville Utilities Board
Knoxville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Gas Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Division's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division'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 Division's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Coulter & Justus, P.C.

Board of Commissioners
Gas Division of the Knoxville Utilities Board
Knoxville, Tennessee

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division'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 Division's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023

Water Division

Financial Statements and Supplemental Information
June 30, 2023 and 2022

KUB Board of Commissioners

Adrienne Simpson-Brown, Chair
Tyvi Small, Vice Chair
Claudia Caballero
Ron Feinbaum
Cynthia Gibson
Kathy Hamilton
Celeste Herbert

Management

Gabriel Bolas II
President and Chief Executive Officer

Mark Walker
Senior Vice President and Chief Financial Officer

Susan Edwards
Senior Vice President and Chief Administrative Officer

Derwin Hagood
Senior Vice President of Operations

John Williams
Senior Vice President of Engineering & Construction

Jamie Davis
Vice President Fiber and Chief Technology Officer

Tiffany Martin
Vice President and Chief Customer Officer

John Gresham
Vice President of Operations

Knoxville Utilities Board Water Division
Index
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Commissioners
Water Division of the Knoxville Utilities Board
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Water Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Division as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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* (GAS), 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 the Division 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 opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2021, the Division adopted new accounting guidance Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Board of Commissioners
Water Division of the Knoxville Utilities Board
Knoxville, Tennessee

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 opinion. 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 GAS 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 GAS, 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 the Division'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 the Division'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 on pages 4 through 26 and the required supplementary information on pages 64 through 68 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.

Board of Commissioners
Water Division of the Knoxville Utilities Board
Knoxville, Tennessee

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Division's basic financial statements. The supplemental information, as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information 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. The other information comprises the statistical information but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions. The Water Division (Division) provides services to certain customers in Knox County and in two surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Water Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2023, and 2022, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Division's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Division's financial activity, (c) identify major changes in the Division's financial position, and (d) identify any financial concerns.

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2023, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

Water Division Highlights

System Highlights

KUB experienced normal operations this fiscal year. However, inflation had a significant impact to operating costs and capital projects. Supply chain issues improved throughout the year but impacted the timing of some capital projects in fiscal year 2023. KUB's ability to serve its water customers has remained strong.

KUB serves 82,799 water system customers over a 188 square mile service area. KUB maintains 1,412 miles of service mains, 28 storage facilities, 26 booster pump stations, and one treatment plant, which provided 12.7 billion gallons of water to KUB's water customers in fiscal year 2023. The average daily flow for fiscal year 2023 was 34.8 million gallons.

The water system has added 1,838 customers over the past three years representing annual growth of less than one percent. In fiscal year 2023, 689 customers were added.

The typical residential water customer's average monthly bill was $30 as of June 30, 2023 (based on monthly use of 500 cubic feet or 3,740 gallons). The average monthly bill increased $1.40 compared to the prior fiscal year, the result of the July 2022 water rate increase.

Water sales volumes have been impacted by more efficient appliances and the conservation efforts of customers. Based on historical trends, water sales volumes are anticipated to have an annual decline of less than one percent per year for residential and one percent for non-residential customers.

Century II Infrastructure Program

Century II is KUB's proactive long-range program to improve and maintain the electric, natural gas, water, and wastewater systems for its customers. It includes maintenance and asset replacement strategies for each system and establishes sustainable replacement cycles. Century II moves KUB into its second century of service by improving each system through sound planning, resource allocation, and continued investment.

In May 2017, a new Century II funding resolution was adopted by the KUB Board to express the continued commitment to funding Century II programs for the next ten years. The funding will be achieved through a combination of rate increases and debt issues supplemented by cost savings and new revenue from net customer additions.

In June 2017, the Board approved three water rate increases to support the Century II program. The three approved water rate increases went into effect July 2017, July 2018, and July 2019, generating $3.1 million, $3.1 million, and $3.3 million in additional annual Water Division revenue, respectively.

In June 2021, the Board approved a 2 percent water rate increase effective in July 2021, generating $1.1 million in additional annual Water Division revenue.

In June 2022, the Board approved the next phase of water rate increases to support the Century II program. The first of three approved 5 percent water rate increases went into effect July 2022, generating $3.4 million of additional annual Water Division revenue. The remaining two rate increases are effective July 2023 and July 2024, and are expected to provide an additional $3.4 million and $3.6 million in annual Water Division revenue, respectively.

KUB remains on track with its Century II water system infrastructure program. In fiscal year 2023, KUB replaced 3.2 miles of galvanized water main and 5.2 miles of cast iron main while staying within the Water Division's total capital budget.

KUB is currently in the process of implementing a Water Plant Redundancy initiative to ensure that high quality, reliable water service will be provided to customers over the long term. KUB maintains a single water treatment plant for its system. In lieu of building a second treatment facility to ensure capacity will be available to meet the needs of current and future water customers, KUB will invest approximately $161 million in various redundant facilities at the site of its existing Mark B. Whitaker Water Treatment Plant over a 16-year period that began in fiscal year 2017. Construction of a new generator building with three 2,500 kW diesel generators and associated switchgear was completed in fiscal year 2022 at the Mark B. Whitaker Water Treatment Plant.

Knox County has committed $2.6 million in a Tennessee Department of Environment and Conservation (TDEC) non-competitive grant and $10 million in direct American Rescue Plan Act (ARPA) funding, and the City of Knoxville has committed $7.5 million in a TDEC non-competitive grant and $5 million in direct ARPA funding each for a total of $25.1 million in grant money. The grants will be used to help fund KUB's new water filter project at its Mark B. Whitaker Water Treatment Plant. The project commenced in October 2022 and is projected to be completed by May 2025.

Financial Highlights

During fiscal year 2023, KUB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), using a full retrospective approach. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, have been restated for the change, which did not have an impact on the net position.

During fiscal year 2022, KUB adopted GASB Statement No. 87, *Leases* (Statement No. 87) using a full retrospective approach. This statement requires a lessee to recognize an intangible right of use asset and a lease liability, and a lessor to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information regarding leasing activities. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2021, have been restated for the change, which did not have an impact on the net position.

Fiscal Year 2023 Compared to Fiscal Year 2022

The Division's net position increased $13.1 million in fiscal year 2023, which was $1.3 million lower than the prior fiscal year. Comparatively, net position increased $14.4 million in fiscal year 2022.

Operating revenues increased $4.1 million or 6.4 percent. This reflects an increase in billed sales of $4.4 million, due to an increase in billed water sales volumes of 2.8 percent and additional revenue from a 5% rate increase effective in July 2022.

Operating expenses increased $7.4 million or 16.7 percent. Operating and maintenance expenses (O&M) increased $6.6 million compared to the prior year. Depreciation and amortization expense increased $0.6 million. Taxes and tax equivalents were $0.2 million higher than the prior year.

Interest income was $1.2 million higher than the prior fiscal year, due to rising interest rates throughout the year. Interest expense decreased $0.3 million compared to the prior year.

Other income (net) was $0.7 million higher than the prior fiscal year, due to mark-to-market adjustments on investments.

Capital contributions were $0.2 million lower than the prior fiscal year, the result of a decrease in assets contributed by developers.

Total plant assets (net) increased $12.3 million or 3.3 percent, due to water main replacements, treatment plant improvements, and system improvements.

Long-term debt represented 43.6 percent of the Division's capital structure as of June 30, 2023, as compared to 45.9 percent last year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 2.49. Maximum debt service coverage for future fiscal years is 2.49.

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's net position increased $14.4 million in fiscal year 2022, which was $5.5 million higher than the prior fiscal year. Comparatively, net position increased $8.9 million in fiscal year 2021.

Operating revenues increased $2.8 million or 4.5 percent. This reflects an increase in billed sales of $2 million and an increase in other operating revenue of $0.3 million. Billed water sales volumes increased 2.3 percent.

Operating expenses increased $1.7 million or 3.9 percent. Operating and maintenance expenses (O&M) increased $1.4 million compared to the prior year. Depreciation and amortization expense increased $0.2 million. Taxes and tax equivalents were consistent with the prior year.

Interest income was consistent with the prior fiscal year. Interest expense decreased $0.3 million compared to the prior year.

Other expense (net) was $3.4 million lower than the prior fiscal year, primarily due to prior fiscal year losses on disposal of property.

Capital contributions were $0.7 million higher than the prior fiscal year, the result of an increase in assets contributed by developers.

Total plant assets (net) increased $4.2 million or 1.1 percent, due to water main replacements, treatment plant improvements, and system improvements.

During fiscal year 2022, KUB sold $14.9 million in water system revenue refunding bonds for the purpose of refinancing existing water system revenue bonds. KUB will realize a total debt service savings of $0.7 million over the life of the bonds ($0.4 million on a net present value basis).

Long-term debt represented 45.9 percent of the Division's capital structure as of June 30, 2022, as compared to 48.5 percent last year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 2.57. Maximum debt service coverage for future fiscal years is 2.57.

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Knoxville Utilities Board Water Division - Financial Statements

The Division's financial performance is reported under three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Division reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, water plant in service, intangible, or other assets.

Liabilities are classified as current, other, or long-term debt. Net position is classified as net investment in capital assets, restricted, or unrestricted. Net position tells the user what the Division has done with its accumulated earnings, not just the balance.

Net investment in capital assets reflects the book value of all capital assets and intangible assets, less lease and subscription liabilities and the outstanding balances of debt used to acquire, construct, or improve those assets.

Restricted net position are assets that have been limited to specific uses by the Division's bond covenants or through resolutions passed by the KUB Board.

Unrestricted net position is a residual classification; the amount remaining after reporting net position as either invested in capital or restricted is reported there.

Statement of Revenues, Expenses and Changes in Net Position

The Division reports its revenues and expenses (both operating and non-operating) on the Statement of Revenues, Expenses and Changes in Net Position. In addition, any capital contributions or assets donated by developers are reported on this statement.

Total revenue less total expense equals the change in net position for the reporting period. Net position at the beginning of the period is increased or decreased, as applicable, by the change in net position for the reporting period.

The change in net position for the reporting period is added to the net position segment of the Statement of Net Position.

Statement of Cash Flows

The Division reports cash flows from operating activities, capital and related financing activities, non-capital and related financing activities, and investing activities on the Statement of Cash Flows. This statement tells the user the Division's sources and uses of cash during the reporting period.

The statement indicates the Division's beginning cash balance and ending cash balance and how it was either increased or decreased during the reporting period.

The statement also reconciles cash flow to operating income as it appears on the Statement of Revenues, Expenses and Changes in Net Position.

Condensed Financial Statements

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the Water Division compared to the prior two fiscal years.

Statements of Net Position
As of June 30

(in thousands of dollars)	2023	2022 as restated	2021 as restated
Current, restricted, intangible, and other assets	$ 55,307	$ 70,798	$ 64,947
Capital assets, net	387,498	375,152	370,925
Deferred outflows of resources	11,529	4,559	3,602
Total assets and deferred outflows of resources	454,334	450,509	439,474
Current and other liabilities	23,377	17,882	14,614
Long-term debt outstanding	191,229	199,506	207,473
Deferred inflows of resources	1,033	7,537	6,162
Total liabilities and deferred inflows of resources	215,639	224,925	228,249
Net position			
Net investment in capital assets	192,819	172,830	161,248
Restricted	2,492	2,412	2,145
Unrestricted	43,384	50,342	47,832
Total net position	$ 238,695	$ 225,584	$ 211,225

Normal Impacts on Statement of Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Net Position presentation:

- Change in net position (from Statement of Revenues, Expenses and Changes in Net Position): impacts (increase/decrease) current and other assets and/or capital and intangible assets, and unrestricted net position.
- Issuing debt for capital: increases deferred outflows of resources and long-term debt.
- Spending debt proceeds on new capital: reduces current assets and increases capital assets.
- Spending of non-debt related current assets on new capital: (a) reduces current assets and increases capital assets, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Principal payment on debt: (a) reduces current and other assets and reduces long-term debt, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Reduction of capital assets through depreciation: reduces capital assets and net investment in capital assets.

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2023 Compared to Fiscal Year 2022

Current, restricted, intangible, and other assets decreased $15.5 million or 21.9 percent. This decrease is primarily due to a $10.7 million decrease in the actuarially determined net pension asset and a $12.4 million decrease in general fund cash as offset by a $7 million increase in accounts receivable.

Fiscal Year 2022 Compared to Fiscal Year 2021

Current, restricted, intangible, and other assets increased $5.9 million or nine percent. This increase is primarily due to a $4.8 million increase in the actuarially determined net pension asset.

Capital Assets

Fiscal Year 2023 Compared to Fiscal Year 2022

Capital assets, net of depreciation, increased $12.3 million or 3.3 percent. Capital expenditures included $9.6 million for water main replacement, $6.4 million for water plant redundancy, $3.3 million for system improvements, and $1.8 million for services and extensions. During the fiscal year, $2.2 million of water system assets were retired.

Fiscal Year 2022 Compared to Fiscal Year 2021

Capital assets, net of depreciation, increased $4.2 million or 1.1 percent. Capital expenditures included $6.8 million for water main replacement, $2.7 million for system improvements, $1.6 million for building improvements, and $1.1 million for water plant redundancy. During the fiscal year, $3.7 million of water system assets were retired.

Deferred Outflows of Resources

Fiscal Year 2023 Compared to Fiscal Year 2022

Deferred outflows of resources increased $7 million compared to the prior fiscal year, primarily due to a $7.2 million increase in pension outflow.

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred outflows of resources increased $1 million compared to the prior fiscal year, due to a $0.9 million increase in OPEB outflow and a $0.2 million increase in pension outflow offset by a $0.2 million decrease in unamortized bond refunding costs.

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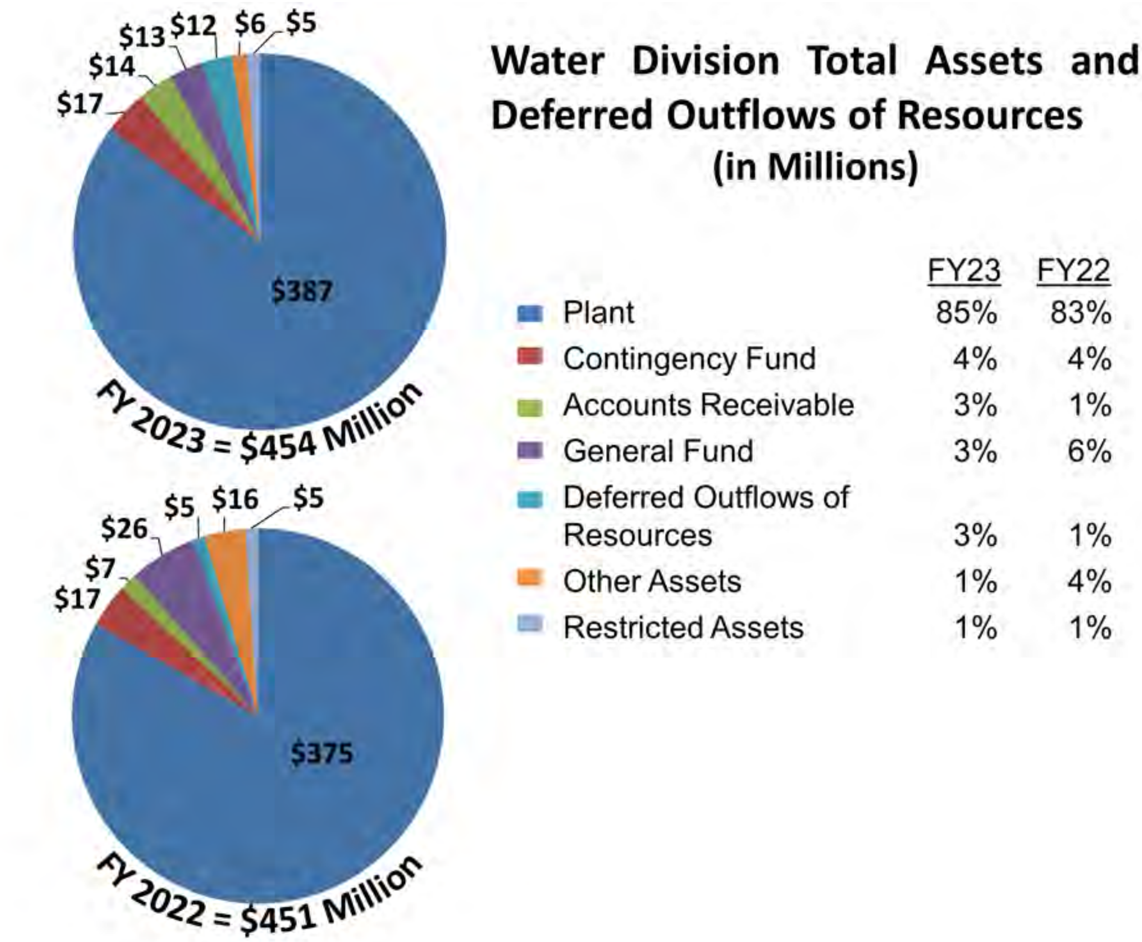

Current and Other Liabilities

Fiscal Year 2023 Compared to Fiscal Year 2022

Current and other liabilities increased $5.5 million compared to the prior fiscal year. This increase reflects a $3.9 million increase in the actuarially determined net pension liability, a $0.8 million increase in payables, a $0.3 million increase in the actuarially determined net OPEB liability, a $0.2 million increase in accrued compensated absences, and a $0.2 million increase in the current portion of revenue bonds.

Fiscal Year 2022 Compared to Fiscal Year 2021

Current and other liabilities increased $3.3 million compared to the prior fiscal year. This increase reflects a $1.8 million increase in the actuarially determined net OPEB liability, a $1 million increase in current and long-term subscription liability, a $0.4 million increase in payables, and a $0.4 million increase in the current portion of revenue bonds offset by a $0.4 million decrease in accrued expenses.

Long-Term Debt

Fiscal Year 2023 Compared to Fiscal Year 2022

Long-term debt decreased $8.3 million or 4.1 percent. This decrease is the impact of the scheduled repayment of debt.

Fiscal Year 2022 Compared to Fiscal Year 2021

Long-term debt decreased $8 million or 3.8 percent. This decrease is the impact of the scheduled repayment of debt. KUB also sold $14.9 million in water system revenue refunding bonds April 2022 with a premium of $0.4 million to refund $15.1 million in outstanding debt, resulting in a reduction of principal of $0.1 million.

Deferred Inflows of Resources

Fiscal Year 2023 Compared to Fiscal Year 2022

Deferred inflows decreased $6.5 million compared to the prior fiscal year, primarily due to a $6.5 million decrease in pension inflow.

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred inflows increased $1.4 million compared to the prior fiscal year, due to a $2.3 million increase in pension inflow and a $0.1 million increase in lease inflow offset by a $1 million decrease in OPEB inflow.

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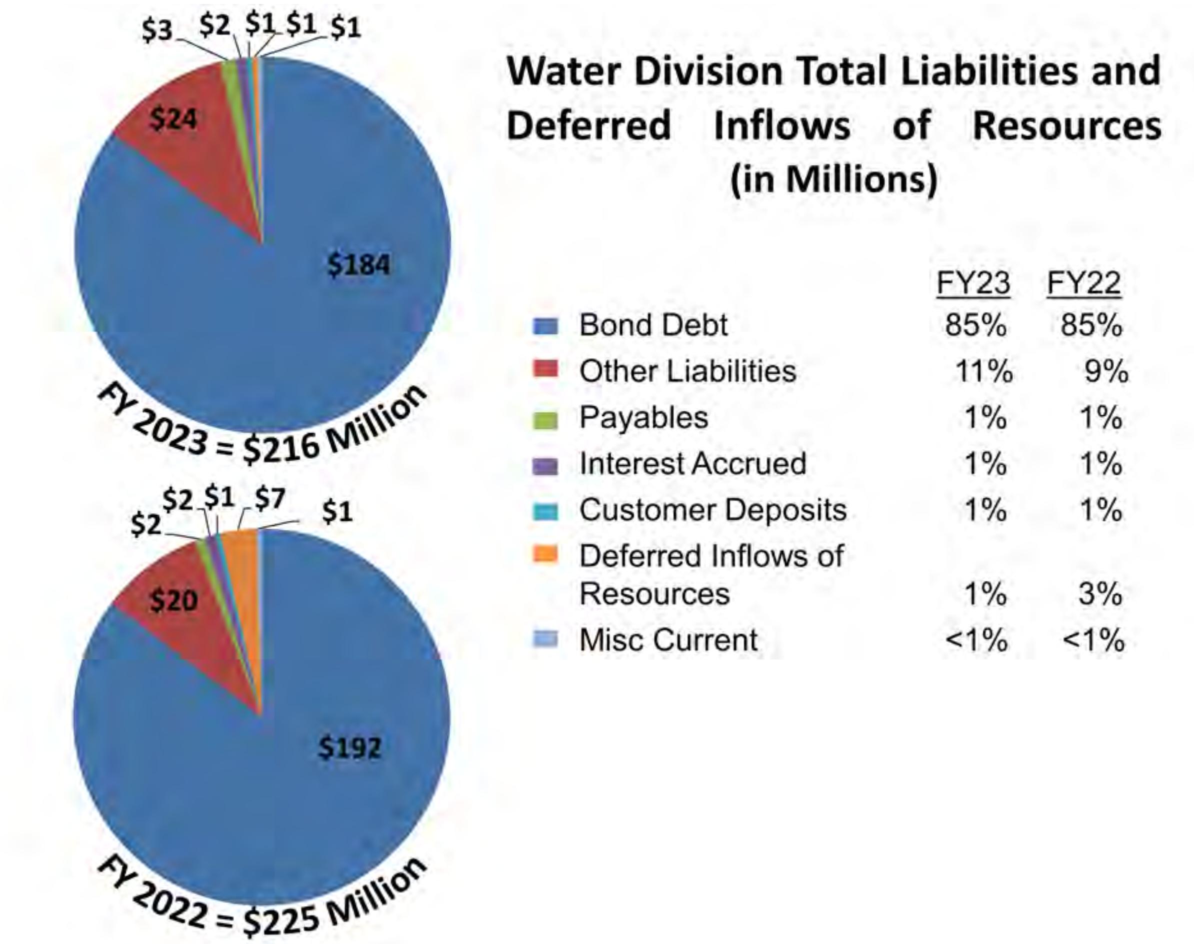

Net Position

Fiscal Year 2023 Compared to Fiscal Year 2022

Net position increased $13.1 million in fiscal year 2023. Net investment in capital assets increased $20 million, the result of $12.3 million in net plant additions and a decrease in current portion of revenue bonds and total long-term debt of $7.3 million. Restricted net position increased $0.1 million, due to an increase in required bond fund reserves. Unrestricted net position decreased $7 million, primarily due to changes in the pension and OPEB accruals for the fiscal year.

Fiscal Year 2022 Compared to Fiscal Year 2021

Net position increased $14.4 million in fiscal year 2022. Net investment in capital assets increased $11.6 million, the result of $4.2 million in net plant additions and a decrease in current portion of revenue bonds and total long-term debt of $7.6 million. Restricted net position increased $0.3 million, due to an increase in required bond fund reserves. Unrestricted net position increased $2.5 million, primarily due to changes in the pension and OPEB accruals for the fiscal year.

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Position for the Water Division compared to the prior two fiscal years.

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30

(in thousands of dollars)	2023	2022 as restated	2021 as restated
Operating revenues	$ 68,703	$ 64,558	$ 61,799
Operating expenses			
Treatment	5,453	4,570	4,444
Distribution	17,466	16,764	15,493
Customer service	1,739	1,821	1,712
Administrative and general	9,807	4,732	4,826
Depreciation and amortization	12,440	11,841	11,602
Taxes and tax equivalents	4,717	4,508	4,494
Total operating expenses	51,622	44,236	42,571
Operating income	17,081	20,322	19,228
Interest income	1,362	180	144
Interest expense	(6,644)	(6,945)	(7,195)
Other income/(expense)	447	(242)	(3,610)
Change in net position before capital contributions	12,246	13,315	8,567
Capital Contributions	865	1,044	321
Change in net position	$ 13,111	$ 14,359	$ 8,888

Normal Impacts on Statement of Revenues, Expenses and Changes in Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Revenues, Expenses and Change in Net Position presentation:

- Operating revenues are largely determined by the volumes of water sold during the fiscal year. Any change (increase/decrease) in retail water rates would also be a cause of change in operating revenue.
- Operating expenses (treatment, distribution, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor cost (staffing, wage rates), active employee and retiree medical costs, chemicals, and water system maintenance.
- Depreciation and amortization expense is impacted by intangible assets, plant additions, and retirements during the fiscal year.
- Taxes and tax equivalents are impacted by plant additions/retirements and changes in property tax rates.
- Interest income is impacted by the level of interest rates and investments.

- Interest expense on debt is impacted by the level of outstanding debt and the interest rates on the outstanding debt.

- Other income/(expense) is impacted by miscellaneous non-operating revenues and expenses.

- Capital contributions are impacted by a donation of facilities/infrastructure to KUB by developers and governmental agencies. The contributions are recognized as revenue and recorded as plant in service based on the fair market value of the asset(s).

Impacts and Analysis

Change in Net Position

Fiscal Year 2023 Compared to Fiscal Year 2022

The Division's Change in Net Position increased $13.1 million in fiscal year 2023. Comparatively, net position increased by $14.4 million in fiscal year 2022.

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's Change in Net Position increased $14.4 million in fiscal year 2022. Comparatively, net position increased by $8.9 million in fiscal year 2021.

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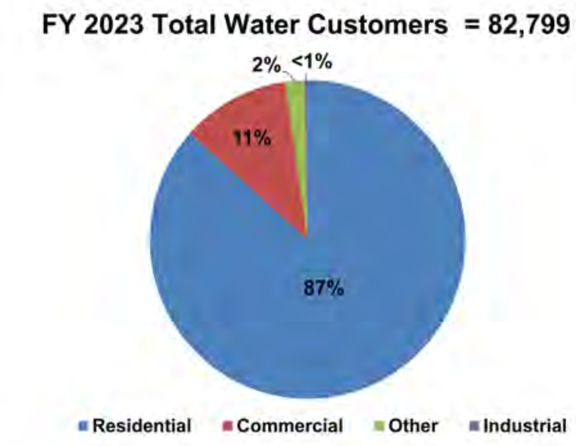
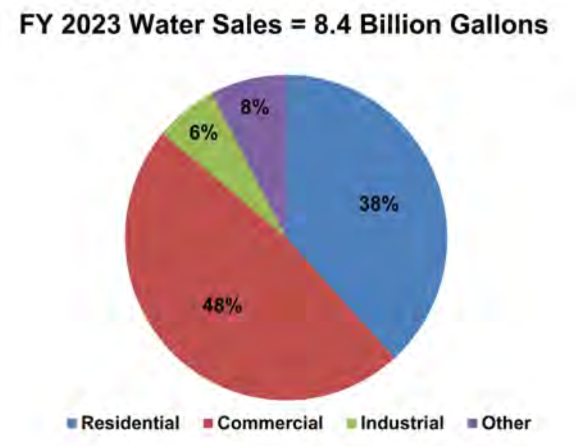
Margin from Sales

Fiscal Year 2023 Compared to Fiscal Year 2022

Operating revenues increased $4.1 million or 6.4 percent. This reflects an increase in billed sales of $4.4 million, due to an increase in billed water sales volumes of 2.8 percent and additional revenue from a 5% rate increase effective in July 2022.





Residential customers represented 87 percent of water customers and accounted for 38 percent of water sales volumes for the year. Commercial and industrial customers accounted for the largest portion (54 percent) of total sales volumes during the year.

KUB's ten largest water customers accounted for 25 percent of KUB's billed water volumes. Those ten customers represent two industrial, six commercial, and two water utility districts. Within the top ten, seven governmental customers are represented.

KUB has added 1,838 water customers over the past three years, representing annual growth of less than one percent. Water system growth is up slightly due to increased new housing construction.

Residential water sales volumes increased three percent compared to the prior fiscal year.

Commercial water sales volumes increased 3.6 percent compared to the prior year. Industrial sales volumes decreased 7.2 percent compared to the prior year.

Other water sales volumes (i.e., utility districts) were 6.1 percent higher than the prior year, primarily due to an increase in usage by Shady Grove Utility District.

Water consumption for the fiscal year was impacted by close to normal rainfall. Precipitation for the fiscal year was 1.7 percent lower than normal and one percent lower than the prior fiscal year.

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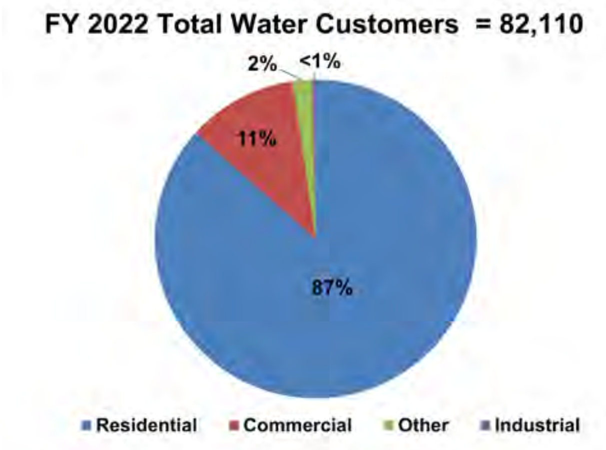
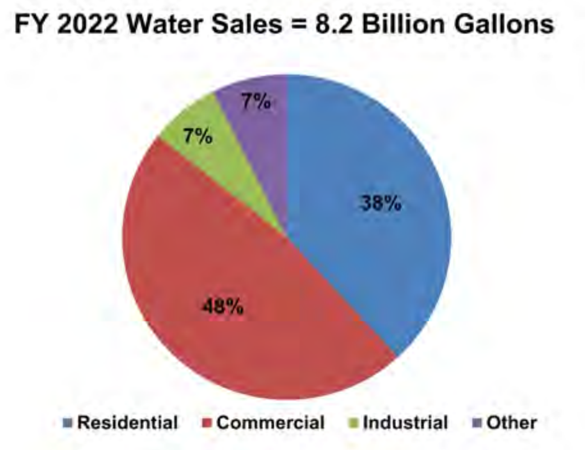
Fiscal Year 2022 Compared to Fiscal Year 2021

Operating revenues increased $2.8 million or 4.5 percent. This reflects an increase in billed sales of $2 million and an increase in other operating revenue of $0.3 million. Billed water sales volumes increased 2.3 percent.





Residential customers represented 87 percent of water customers and accounted for 38 percent of water sales volumes for the year. Commercial and industrial customers accounted for the largest portion (55 percent) of total sales volumes during the year.

KUB's ten largest water customers accounted for 25 percent of KUB's billed water volumes. Those ten customers represent two industrial, six commercial, and two water utility districts. Within the top ten, seven governmental customers are represented.

KUB has added 1,661 water customers over the past three years, representing annual growth of less than one percent. Water system growth is up slightly due to increased new housing construction.

Residential water sales volumes decreased 1.7 percent compared to the prior fiscal year.

Commercial water sales volumes increased 4.7 percent compared to the prior year. Industrial sales volumes increased 3.7 percent compared to the prior year.

Other water sales volumes (i.e., utility districts) were 7.3 percent higher than the prior year, primarily due to an increase in usage by the City of Dandridge.

Water consumption for the fiscal year was impacted by close to normal rainfall. Precipitation for the fiscal year was 0.7 percent lower than normal and 3.2 percent higher than the prior fiscal year.

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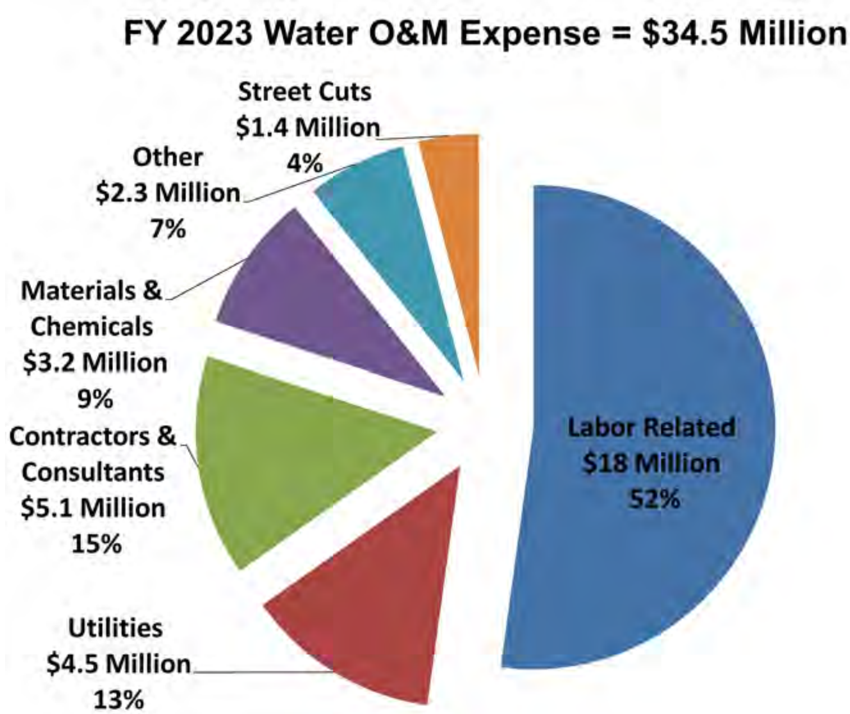
Operating Expenses

Fiscal Year 2023 Compared to Fiscal Year 2022

Operating expenses increased $7.4 million or 16.7 percent. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, distribution, customer service, and administrative and general.

- Treatment expenses were $0.9 million or 19.3 percent higher than the prior fiscal year, due to an increase in chemical expenses.
- Distribution expenses were $0.7 million or 4.2 percent higher than the prior fiscal year, due to an increase in utilities and labor-related expenses.
- Customer service expenses were $0.1 million lower than the prior fiscal year.
- Administrative and general expenses were $5.1 million higher than the prior fiscal year, primarily due to labor-related expenses, driven by higher pension expenses resulting from investment losses.



- Depreciation and amortization expense increased $0.6 million. KUB added $14.2 million in assets during fiscal year 2023. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on $35.4 million in assets placed in service during fiscal year 2022. In addition, $2.2 million of assets were retired in fiscal year 2023.
- Taxes and tax equivalents were $0.2 million higher than the prior fiscal year.

Fiscal Year 2022 Compared to Fiscal Year 2021

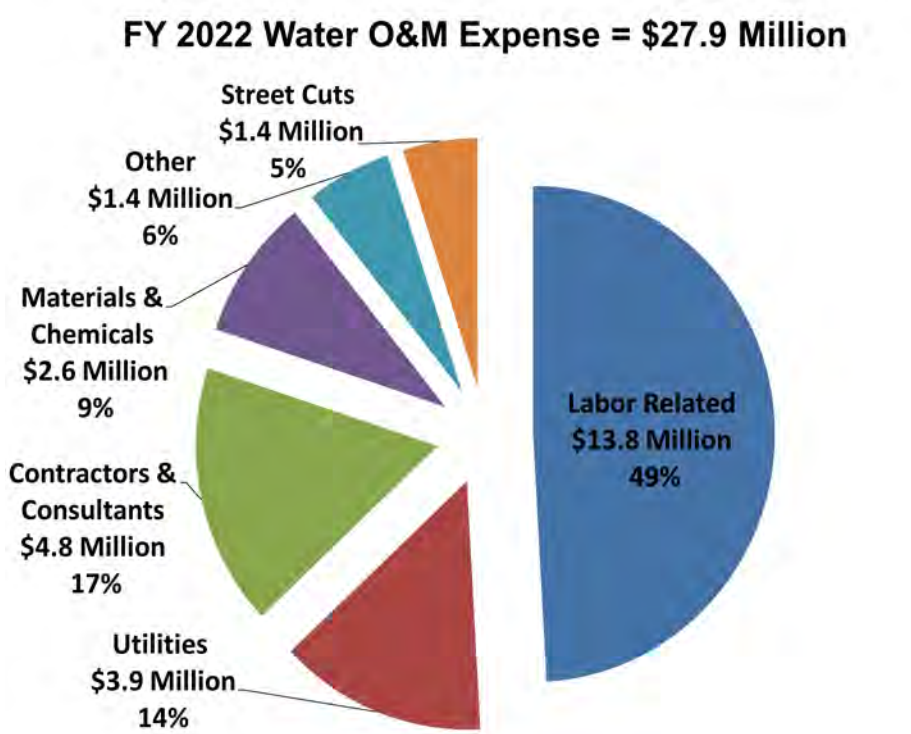
Operating expenses increased $1.7 million or four percent. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, distribution, customer service, and administrative and general.

- Treatment expenses were $0.1 million or 2.8 percent higher than the prior fiscal year, due to an increase in chemical expenses.

- Distribution expenses were $1.3 million or 8.2 percent higher than the prior fiscal year, due to an increase in outside contractor and consultant costs.

- Customer service expenses were $0.1 million higher than the prior fiscal year, primary due to increased payment processing fees.

- Administrative and general expenses were consistent with the prior fiscal year.



- Depreciation and amortization expense increased $0.2 million. KUB added $35.4 million in assets during fiscal year 2022. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on $22.9 million in assets placed in service during fiscal year 2021. In addition, $3.7 million of assets were retired in fiscal year 2022.

- Taxes and tax equivalents were consistent with the prior fiscal year.

Other Income and Expense

Fiscal Year 2023 Compared to Fiscal Year 2022

Interest income was $1.2 million higher than the prior fiscal year, primarily due to rising interest rates throughout the year.

Interest expense decreased $0.3 million compared to the previous fiscal year.

Other income (net) was $0.7 million higher than the prior fiscal year, primarily due to mark-to-market adjustments on investments.

Capital contributions decreased $0.2 million, the result of a decrease in donated utility assets from developers compared to the previous fiscal year.

Fiscal Year 2022 Compared to Fiscal Year 2021

Interest income was consistent with the prior fiscal year.

Interest expense decreased $0.3 million, reflecting savings on refunding of outstanding bonds.

Other expense (net) was $3.4 million lower than the prior fiscal year, primarily due to prior fiscal year losses on disposal of property.

Capital contributions increased $0.7 million, the result of an increase in donated utility assets from developers compared to the previous fiscal year.

Capital Assets

Capital Assets
As of June 30
(Net of Depreciation)

(in thousands of dollars)	**2023**	**2022**	**2021**
Production Plant	$ 6	$ 6	$ 7
Pumping & Treatment Plant	66,371	67,457	53,200
Distribution Plant			
Distribution Mains	$ 191,223	$ 185,225	$ 177,805
Transmission Mains	35,977	36,736	35,924
Services & Meters	36,706	37,977	37,244
Other Accounts	13,689	13,920	13,287
Total Distribution Plant	277,595	273,858	264,260
Total General Plant	$ 12,792	$ 14,120	$ 14,811
Total Water Plant	356,764	355,441	332,278
Work In Progress	30,734	19,711	38,647
Total Net Plant	$ 387,498	$ 375,152	$ 370,925

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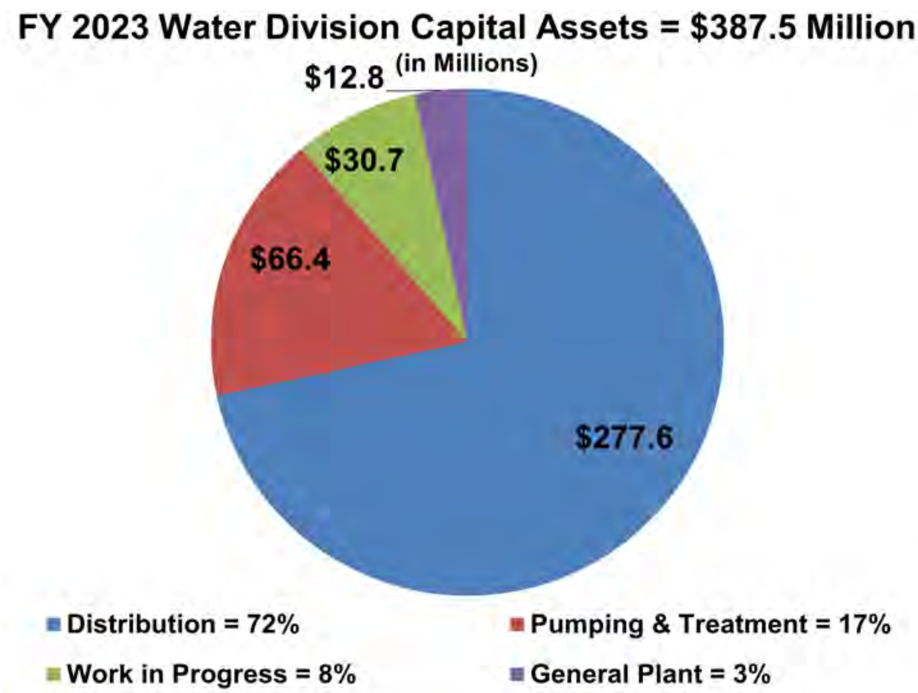
Fiscal Year 2023 Compared to Fiscal Year 2022

As of June 30, 2023, the Division had $387.5 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represented a net increase (including additions, retirements, and depreciation) of $12.3 million or 3.3 percent over the end of the last fiscal year.



Major capital asset expenditures during the year were as follows:

- $9.6 million for galvanized and cast-iron water main replacement
- $6.4 million for water plant redundancy
- $3.3 million for system improvements
- $1.8 million for services and extensions

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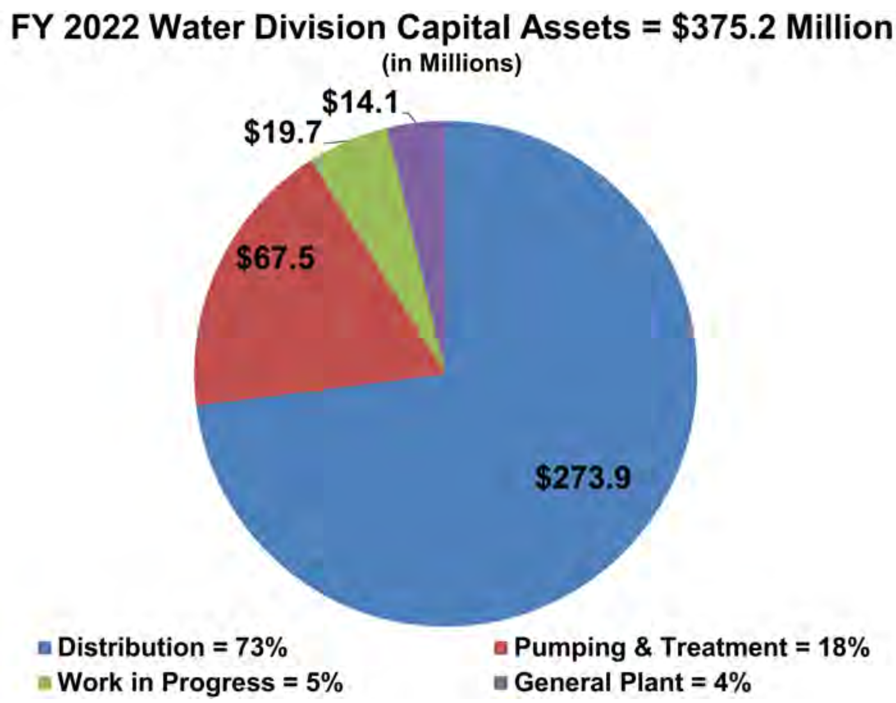
Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $375.2 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represented a net increase (including additions, retirements, and depreciation) of $4.3 million or 1.1 percent over the end of the last fiscal year.



Major capital asset expenditures during the year were as follows:

- $6.8 million for galvanized and cast-iron water main replacement
- $2.7 million for system improvements
- $1.6 million for building improvements
- $1.1 million for water plant redundancy

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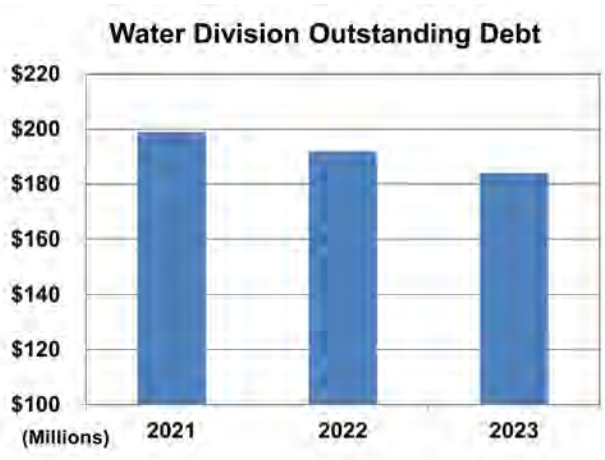
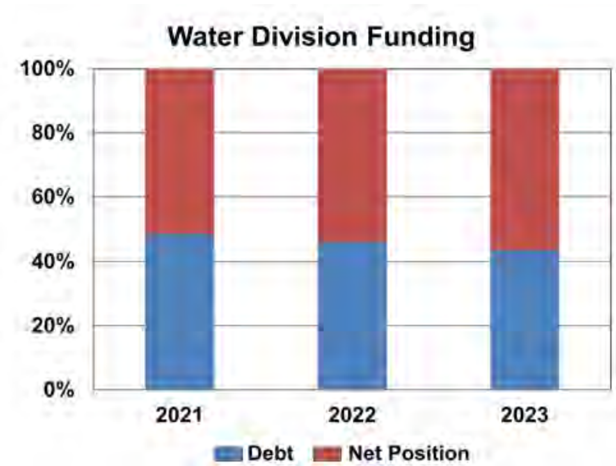
Debt Administration

As of June 30, 2023, the Water Division had $184.3 million in outstanding water system bonds. The bonds are secured solely by revenues of the Water Division. Debt as a percentage of the Division's capital structure was 43.6 percent in 2023, 45.9 percent in 2022, and 48.5 percent in 2021. KUB's Debt Management Policy limits the Division's debt ratio to 50 percent or less.

Outstanding Debt
As of June 30

(in thousands of dollars)	**2023**	**2022**	**2021**
Revenue bonds	$ 184,265	$ 191,540	$ 198,600
Total outstanding debt	$ 184,265	$ 191,540	$ 198,600





The Division will pay $87.8 million in principal payments over the next ten years, representing 47.6 percent of the outstanding bonds. KUB's Debt Management Policy requires a minimum of 30 percent of water debt principal be repaid over the next ten years.

Fiscal Year 2023 Compared to Fiscal Year 2022

As of June 30, 2023, the Division had $184.3 million in outstanding debt (including the current portion of revenue bonds), representing a decrease of $7.2 million or 3.8 percent. As of June 30, 2023, the Division's weighted average cost of debt was 3.46 percent.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2023, the Division's revenue bonds were rated AAA by Standard & Poor's and Aa1 by Moody's Investors Service. The Standard and Poor's water rating represents the highest credit rating available from Standard and Poor's.

Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $191.5 million in outstanding debt (including the current portion of revenue bonds), representing a decrease of $7.1 million or 3.6 percent. As of June 30, 2022, the Division's weighted average cost of debt was 3.50 percent.

KUB sold $14.9 million in water system revenue refunding bonds in April 2022 for the purpose of refinancing existing water system revenue bonds. KUB will realize a total debt service savings of $0.7 million over the life of the bonds ($0.4 million on a net present value basis). The true interest cost of the bonds, which were sold through a competitive bidding process, was 3.52 percent. The bonds have a final maturity in fiscal year 2045.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2022, the Division's revenue bonds were rated AAA by Standard & Poor's and Aa1 by Moody's Investors Service. The Standard and Poor's water rating represents the highest credit rating available from Standard and Poor's.

Impacts on Future Financial Position

KUB anticipates adding 400 additional water system customers during fiscal year 2024.

In May 2023, the Board approved the issuance of water system revenue bonds not to exceed $20 million for the purpose of funding water system capital improvements. The bonds will be sold through a competitive bidding process during fiscal year 2024.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of $1,108,147 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2023, measurement date. Subsequent to June 30, 2023, an actuarial valuation was completed and resulted in an actuarially determined contribution of $2,210,234 for the fiscal year ending June 30, 2025, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2024, measurement date. For the Plan year beginning January 1, 2023, the Plan's actuarial funded ratio is 106.88 percent, and the market value funded ratio is 91.43 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of $1,187,768 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2024, measurement date. Subsequent to June 30, 2023, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,279,985 for the fiscal year ending June 30, 2025, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2025, measurement date. The Plan's actuarial funded ratio is 92.14 percent, and the market value funded ratio is 79.62 percent.

GASB Statement No. 99, *Omnibus 2022*, Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023. GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB No. 62,* is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 101, *Compensated Absences,* is effective for fiscal years beginning after December 15, 2023. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2023.

Financial Contact

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 2023, and 2022. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board Water Division
Statements of Net Position
June 30, 2023 and 2022

	2023	2022 as restated
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 13,442,541	$ 25,868,356
Short-term contingency fund investments	13,407,017	5,916,950
Other current assets	198,638	191,494
Accrued interest receivable	27,679	4,575
Accounts receivable, less allowance of uncollectible accounts of $60,504 in 2023 and $59,861 in 2022	13,746,679	6,722,970
Current portion of lease receivable	67,564	62,654
Inventories	2,489,997	1,835,872
Prepaid expenses	55,872	57,447
Total current assets	43,435,987	40,660,318
Restricted assets:		
Water bond fund	4,617,273	4,534,207
Other funds	197	197
Total restricted assets	4,617,470	4,534,404
Water plant in service	511,223,177	499,261,143
Less accumulated depreciation	(154,459,484)	(143,819,803)
	356,763,693	355,441,340
Retirement in progress	53,009	148,205
Construction in progress	30,681,120	19,562,758
Net plant in service	387,497,822	375,152,303
Intangible assets:		
Intangible right of use asset	77,480	88,837
Intangible subscription asset	1,133,065	1,124,538
Less accumulated amortization	(359,723)	(195,940)
Net intangible assets	850,822	1,017,435
Other assets:		
Net pension asset	-	10,660,244
Long-term contingency fund investments	3,903,648	11,271,310
Long-term lease receivable	475,467	491,171
Other	2,023,717	2,163,386
Total other assets	6,402,832	24,586,111
Total assets	442,804,933	445,950,571
Deferred outflows of resources:		
Pension outflow	8,478,956	1,303,144
OPEB outflow	900,112	889,102
Unamortized bond refunding costs	2,149,456	2,366,630
Total deferred outflows of resources	11,528,524	4,558,876
Total assets and deferred outflows of resources	$ 454,333,457	$ 450,509,447

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Water Division
Statements of Net Position
June 30, 2023 and 2022

	2023	2022 as restated
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 7,475,000	$ 7,275,000
Current portion of lease liability	12,750	22,779
Current portion of subscription liability	180,818	172,230
Sales tax collections payable	393,587	367,826
Accounts payable	2,660,028	1,820,776
Accrued expenses	607,268	506,023
Customer deposits plus accrued interest	1,176,158	1,119,667
Accrued interest on revenue bonds	2,125,507	2,122,441
Total current liabilities	14,631,116	13,406,742
Other liabilities:		
Accrued compensated absences	1,943,196	1,734,465
Customer advances for construction	117,395	25,779
Lease liability	46,664	39,176
Subscription liability	611,037	783,478
Net pension liability	3,880,967	-
Net OPEB liability	2,123,214	1,838,331
Other	23,216	55,082
Total other liabilities	8,745,689	4,476,311
Long-term debt:		
Water revenue bonds	176,790,000	184,265,000
Unamortized premiums/discounts	14,439,030	15,240,672
Total long-term debt	191,229,030	199,505,672
Total liabilities	214,605,835	217,388,725
Deferred inflows of resources:		
Pension inflow	513,442	6,992,236
Lease inflow	519,711	544,535
Total deferred inflows of resources	1,033,153	7,536,771
Total liabilities and deferred inflows of resources	215,638,988	224,925,496
Net position		
Net investment in capital assets	192,818,920	172,829,853
Restricted for:		
Debt service	2,491,766	2,411,766
Other	197	197
Unrestricted	43,383,586	50,342,135
Total net position	238,694,469	225,583,951
Total liabilities, deferred inflows, and net position	$ 454,333,457	$ 450,509,447

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Water Division
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022 as restated
Operating revenues	$ 68,702,749	$ 64,558,346
Operating expenses		
Treatment	5,453,159	4,570,431
Distribution	17,465,753	16,763,904
Customer service	1,739,250	1,820,874
Administrative and general	9,806,790	4,731,941
Depreciation and amortization	12,439,495	11,840,748
Taxes and tax equivalents	4,717,414	4,507,469
Total operating expenses	51,621,861	44,235,367
Operating income	17,080,888	20,322,979
Non-operating revenues (expenses)		
Contributions in aid of construction	7,972,512	1,185,417
Interest income	1,361,782	179,724
Interest expense	(6,644,158)	(6,944,930)
Amortization of debt costs	460,382	456,331
Write-down of plant for costs recovered through contributions	(7,972,512)	(1,185,417)
Other	(13,484)	(698,477)
Total non-operating revenues (expenses)	(4,835,478)	(7,007,352)
Change in net position before capital contributions	12,245,410	13,315,627
Capital contributions	865,108	1,043,657
Change in net position	13,110,518	14,359,284
Net position, beginning of year	225,583,951	211,224,667
Net position, end of year	$ 238,694,469	$ 225,583,951

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Water Division
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 67,223,999	$ 63,166,718
Cash receipts from other operations	1,106,564	2,282,548
Cash payments to suppliers of goods or services	(20,821,404)	(18,575,898)
Cash payments to employees for services	(13,278,265)	(12,968,265)
Payment in lieu of taxes	(3,646,197)	(3,446,015)
Net cash provided by operating activities	30,584,697	30,459,088
Cash flows from capital and related financing activities:		
Principal paid on revenue bonds	(7,275,000)	(6,925,000)
Interest paid on revenue bonds	(6,603,353)	(6,964,992)
Acquisition and construction of water plant	(38,223,415)	(16,608,149)
Changes in water bond fund, restricted	(83,066)	(246,604)
Customer advances for construction	91,616	25,779
Proceeds received on disposal of plant	2,933	9,976
Principal paid on lease liabilities	(28,570)	(57,076)
Principal paid on subscription liabilities	(172,230)	(165,294)
Interest paid on lease and subscription liabilities	(37,739)	(45,283)
Cash received from developers and individuals for capital purposes	7,972,512	1,185,417
Net cash used in capital and related financing activities	(44,356,312)	(29,791,226)
Cash flows from investing activities:		
Purchase of investment securities	(6,000,000)	(6,706,232)
Maturities of investment securities	6,000,000	6,706,232
Interest received	1,318,996	175,273
Other property and investments	26,804	260
Net cash provided by investing activities	1,345,800	175,533
Net (decrease) increase in cash and cash equivalents	(12,425,815)	843,395
Cash and cash equivalents, beginning of year	25,868,356	25,024,961
Cash and cash equivalents, end of year	$ 13,442,541	$ 25,868,356
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 17,080,888	$ 20,322,979
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	12,963,821	12,404,891
Changes in operating assets and liabilities:		
Accounts receivable	(1,165,549)	(310,240)
Lease receivable	10,794	(129,630)
Inventories	(654,125)	(106,132)
Prepaid expenses	1,575	(16,518)
Other assets	8,442	108,095
Sales tax collections payable	25,761	4,348
Accounts payable and accrued expenses	2,288,464	(1,974,735)
Customer deposits plus accrued interest	56,491	142,706
Other liabilities	(31,865)	13,324
Net cash provided by operating activities	$ 30,584,697	$ 30,459,088
Noncash capital activities:		
Acquisition of plant assets through developer contributions	$ 865,108	$ 1,043,657
Record intangible right of use asset and lease liability	$ 22,725	$ 57,819
Record intangible subscription asset and subscription liability	$ 8,377	$ 1,121,002

The accompanying notes are an integral part of these financial statements.

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Water Division (Division) provides services to certain customers in Knox County and in two surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Water Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2023, and 2022, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. Significant Accounting Policies

Basis of Accounting

In conformity with Generally Accepted Accounting Principles (GAAP), KUB follows the provisions of GASB Statement No. 34 (Statement No. 34), *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as amended by GASB Statement No. 63 (Statement No. 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* Statement No. 34 established standards for external financial reporting for all state and local governmental entities. Under Statement No. 63, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and report *net position* instead of net assets. In addition, KUB follows GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* as it relates to certain items for regulatory accounting. Regulatory accounting allows a regulated utility to defer a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that through the rate making process, there will be a corresponding increase or decrease in future revenues. Accordingly, KUB has recognized certain regulatory assets and regulatory liabilities in the accompanying Statements of Net Position.

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The accounting and financial reporting treatment applied to the Division is determined by measurement focus. The transactions of the Division are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted for capital activity and debt service, and unrestricted components.

Recently Adopted New Accounting Pronouncements

In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In May 2020, the GASB issued GASB Statement No. 96 (Statement No. 96), *Subscription-Based Information Technology Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Statement No. 96 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement is reflected on KUB's financial statements.

Water Plant

Water plant and other property are stated on the basis of original cost. The cost of current repairs and minor replacements is charged to operating expense. The cost of renewals and improvements is capitalized. The original cost of utility plant assets retired or otherwise disposed of and the cost of removal less salvage value is charged to accumulated depreciation. When other property is retired, the related asset and accumulated depreciation are removed from the accounts, and the gain or loss is included in the results of operations.

The provision for depreciation of water plant in service is based on the estimated useful lives of the assets, which range from three to sixty-seven years, and is computed using the straight-line method. Pursuant to NARUC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment of $524,326 in fiscal year 2023 and $564,143 in fiscal year 2022.

Operating Revenue

Operating revenue consists primarily of charges for services provided by the principal operations of the KUB Water Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of $170,632 in fiscal year 2023 and $147,737 in fiscal year 2022.

Non-operating Revenue

Non-operating revenue consists of revenues that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Expense

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is KUB's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets, net position-restricted, and net position-unrestricted.

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease

and subscription liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Net position-restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- Net position-unrestricted – This component of net position consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Contributions in Aid of Construction and Capital Contributions

Contributions in aid of construction are cash collections from customers, grantors, or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

Capital contributions represent contributions of utility plant infrastructure constructed by developers and others in industrial parks and other developments and transferred to KUB upon completion of construction and the initiation of utility service. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, such contributions are recognized as revenues and capital assets upon receipt.

Inventories

Inventories, consisting of plant materials and operating supplies, are valued at the lower of average cost or replacement value.

OPEB Trust

KUB's OPEB Trust was established by KUB's Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. Effective January 1, 2022, the Plan was expanded to include two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a June 30, 2023, and 2022, measurement date, respectively. The net OPEB liability is $12,930,655 (Division's share $2,123,214) as of June 30, 2023, and $11,202,507 (Division's share $1,838,331) as of June 30, 2022.

Pension Plan and Qualified Excess Benefit Arrangement

KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 12). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. The net pension liability is $22,219,032 (Division's share $3,880,968) as of June 30, 2023, and the net pension asset is $64,137,714 (Division's share $10,660,244) as of June 30, 2022.

KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single-employer defined benefit pension plan administered by KUB (Note 13). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2023, and 2022.

Investments

Investments are carried at fair value as determined by quoted market prices at the reporting date.

Self-Insurance

KUB has established self-insurance programs covering portions of workers' compensation, employee health, environmental liability, general liability, property and casualty liability, and automobile liability claims. A liability is accrued for claims as they are incurred. When applicable, claims in excess of the self-insured risk are covered by KUB's insurance carrier. Additionally, KUB provides certain lifetime health benefits to eligible retired employees under a self-insurance plan administered by a third party.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and various other assumptions that KUB believes are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments routinely require adjustment. Estimates are used for, but not limited to, inventory valuation, allowance for uncollectible accounts, depreciable lives of plant assets, unbilled revenue volumes, pension trust valuations, OPEB trust valuations, insurance liability reserves, and potential losses from contingencies and litigation. Actual results could differ from those estimates.

Restricted and Designated Assets

Certain assets are restricted by bond resolutions for the construction of utility plant and debt repayment. Certain additional assets are designated by management for contingency purposes and economic development.

Cash Equivalents

For purposes of the Statements of Cash Flows, KUB considers all unrestricted and undesignated highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the non-cancelable period of the lease plus an additional period covered by either an option to extend or not to terminate the lease that the lessee is reasonably certain to exercise, or an option to extend or not to terminate the lease controlled by the lessor. KUB uses its estimated incremental borrowing rate as the discount rate for leases.

KUB monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the intangible right of use asset.

Subscription-Based Information Technology Arrangements

KUB determines if an arrangement is or contains a subscription-based information technology arrangement (subscription) at contract inception and recognizes an intangible subscription asset and a subscription liability at the commencement date. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. The subscription term includes the non-cancelable period of the subscription plus an additional period covered by either an option to extend or not to terminate the subscription that KUB is reasonably certain to exercise, or an option to extend or not to terminate the subscription controlled by the vendor. KUB uses its estimated incremental borrowing rate as the discount rate for subscriptions.

KUB monitors for events or changes in circumstances that require a reassessment of its subscriptions. When a reassessment results in the remeasurement of a subscription liability, a corresponding adjustment is made to the carrying amount of the subscription asset.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. Deferred inflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Deferred outflows of resources also include employer pension contributions made subsequent to the measurement date of the net pension liability and before the end of the employer's reporting period in accordance with Statement No. 71. Deferred inflows and deferred outflows also include the net difference between projected and actual earnings on pension plan investments and OPEB plan investments, differences between expected and actual experience, and changes in assumptions in accordance with Statements No. 68, 73, and 75. Deferred inflows are also recorded at the commencement of the lease term and recognized as revenue over the course of the lease in accordance with Statement No. 87.

Debt Premium/Discount

KUB records unamortized premium and discount on debt as a separate line item in the Long-Term Debt section of the Financial Statements. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Debt Issuance Costs

In accordance with regulatory accounting, KUB records debt issuance costs as an Other Asset. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Deferred Gain/Loss on Refunding of Debt

KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Compensated Absences

KUB accrues a liability for earned but unpaid paid time off (PTO) days.

Restatement for GASB 96

During fiscal year 2023, KUB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) using a full retrospective approach. GASB 96 requires the recognition of an intangible subscription asset and a subscription liability, thereby enhancing the relevance and reliability of information regarding subscription activities. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, have been restated for the change, which did not have an impact on the net position.

As a result of adopting GASB 96, as of June 30, 2022, KUB's Water Division recorded total subscription assets of $1,124,538 with accumulated amortization of $168,830 and recognized total subscription liabilities of $955,708 ($172,230 current). KUB's Water Division also reclassified $210,294 from administrative and general expense to $168,830 as amortization expense and $41,464 as interest expense.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 96.

Subsequent Events

KUB has evaluated events and transactions through October 31, 2023, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Recently Issued Accounting Pronouncements

In April 2022, the GASB issued GASB Statement No. 99 (Statement No. 99), *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. Paragraphs 26-32 were effective immediately. Paragraphs 11-25 are effective for fiscal years beginning after June 15, 2022. Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued GASB Statement No. 100 (Statement No. 100), *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.* The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 is effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued GASB Statement No. 101 (Statement No. 101), *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023.

KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

3. Deposits and Investments

KUB follows the provisions of Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. This Statement establishes and modifies disclosure requirements for state and local governments related to deposit and investment risks. KUB classifies its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*.

KUB’s investment policy provides the framework for the administration and investment of cash deposits. The investment policy follows Tennessee State law and defines the parameters under which KUB funds should be invested. State law authorizes KUB to invest in obligations of the United States Treasury, its agencies and instrumentalities; certificates of deposit; repurchase agreements; money market funds; and the State Treasurer's Investment Pool.

Interest Rate Risk. KUB’s primary investment objectives are to place investments in a manner to ensure the preservation of capital, remain sufficiently liquid to meet all operating requirements, and maximize yield of return. KUB minimizes its exposure to interest rate risk by adhering to Tennessee State law requirements for the investment of public funds. This includes limiting investments to those types described above and limiting maturity horizons. The maximum maturity is four years from the date of investment. KUB also limits its exposure by holding investments to maturity unless cash flow requirements dictate otherwise.

Credit Risk. KUB’s investment policy, as required by state law, is to apply the prudent-person rule: Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived, as well as the probable safety of their capital.

Custodial Credit Risk. KUB’s investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in KUB's name by a third-party custodian bank(s) acting as KUB's agent(s), or through the State of Tennessee's collateral pool. Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of KUB’s investments is generally held in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is a part of the State Pooled Investment Fund and is sponsored by the State of Tennessee Treasury Department. Tennessee Code Annotated ¶9-4-701 *et seq*. authorizes local governments to invest in the LGIP. None of KUB’s investments are exposed to custodial credit risk.

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Classification of deposits and investments per Statement of Net Position:

		2023		2022
Current assets				
Cash and cash equivalents	$	13,442,541	$	25,868,356
Short-term contingency fund investments		13,400,921		5,916,898
Other assets				
Long-term contingency fund investments		3,861,134		11,248,477
Restricted assets				
Water bond fund		4,617,273		4,534,207
Other funds		197		197
	$	35,322,066	$	47,568,135

The above amounts do not include accrued interest of $48,610 in fiscal year 2023 and $22,885 in fiscal year 2022. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's deposits and investments as held by financial institutions as of June 30, 2023:

	Deposit and Investment Maturities (in Years)					
		Fair Value		Less Than 1		1-5
Supersweep NOW and Other Deposits	$	13,939,092	$	13,939,092	$	-
State Treasurer's Investment Pool		4,059,774		4,059,774		-
Agency Bonds		17,196,538		13,335,404		3,861,134
Certificates of Deposits		622,917		622,917		-
	$	35,818,321	$	31,957,187	$	3,861,134

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. 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.

The Division has the following recurring fair value measurements as of June 30, 2023:

- U.S. Agency bonds of $3,861,134, which have a maturity at purchase of greater than one year, are valued using quoted market prices (Level 1 inputs)

KUB measures investments with a maturity at purchase of one year or less at amortized cost, which is considered a fair value equivalent due to their nature. Investments in the State Treasurer's Investment Pool are measured at net asset value (NAV) per share.

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4. Accounts Receivable

Accounts receivable consists of the following:

		2023		2022
Wholesale and retail customers				
Billed services	$	4,378,476	$	4,137,208
Unbilled services		2,400,039		2,440,558
Other		7,028,668		205,065
Allowance for uncollectible accounts		(60,504)		(59,861)
	$	13,746,679	$	6,722,970

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

		2023		2022
Trade accounts	$	2,660,028	$	1,820,776
Salaries and wages		270,359		213,234
Self-insurance liabilities		336,909		292,789
	$	3,267,296	$	2,326,799

6. Long-Term Obligations

Long-term debt consists of the following:

		Balance June 30, 2022		Additions		Payments		Defeased		Balance June 30, 2023		Amounts Due Within One Year
Water												
BB-2015 - 2.0 - 5.0%	$	18,075,000	$	-	$	1,050,000	$	-	$	17,025,000	$	1,110,000
CC-2015 - 2.0 - 4.0%		2,050,000		-		475,000		-		1,575,000		500,000
DD-2016 - 3.0 - 5.0%		22,100,000		-		625,000		-		21,475,000		650,000
EE-2016 - 2.0 - 5.0%		17,185,000		-		1,315,000		-		15,870,000		1,380,000
FF-2017 - 3.0 - 5.0%		2,895,000		-		530,000		-		2,365,000		550,000
GG-2017 - 2.125 - 5.0%		18,170,000		-		460,000		-		17,710,000		485,000
HH-2018 - 3.0 - 5.0%		18,285,000		-		430,000		-		17,855,000		440,000
II-2019 - 3.0 - 5.0%		18,850,000		-		400,000		-		18,450,000		420,000
JJ-2020 - 3.0 - 5.0%		18,395,000		-		445,000		-		17,950,000		445,000
KK-2020 - 3.0 - 5.0%		8,665,000		-		180,000		-		8,485,000		190,000
LL-2021 - 4.0 - 5.0%		31,955,000		-		1,265,000		-		30,690,000		1,305,000
MM-2022 - 3.0 - 5.0%		14,915,000		-		100,000		-		14,815,000		-
Total bonds	$	191,540,000	$	-	$	7,275,000	$	-	$	184,265,000	$	7,475,000
Unamortized Premium		15,240,672		-		801,642		-		14,439,030		-
Total long term debt	$	206,780,672	$	-	$	8,076,642	$	-	$	198,704,030	$	7,475,000

	Balance June 30, 2021	Additions	Payments	Defeased	Balance June 30, 2022	Amounts Due Within One Year
Water						
BB-2015 - 2.0 - 5.0%	$ 19,075,000	$ -	$ 1,000,000	$ -	$ 18,075,000	$ 1,050,000
CC-2015 - 2.0 - 4.0%	17,575,000	-	475,000	15,050,000	2,050,000	475,000
DD-2016 - 3.0 - 5.0%	22,675,000	-	575,000	-	22,100,000	625,000
EE-2016 - 2.0 - 5.0%	18,430,000	-	1,245,000	-	17,185,000	1,315,000
FF-2017 - 3.0 - 5.0%	3,405,000	-	510,000	-	2,895,000	530,000
GG-2017 - 2.125 - 5.0%	18,610,000	-	440,000	-	18,170,000	460,000
HH-2018 - 3.0 - 5.0%	18,695,000	-	410,000	-	18,285,000	430,000
II-2019 - 3.0 - 5.0%	19,230,000	-	380,000	-	18,850,000	400,000
JJ-2020 - 3.0 - 5.0%	18,890,000	-	495,000	-	18,395,000	445,000
KK-2020 - 3.0 - 5.0%	8,835,000	-	170,000	-	8,665,000	180,000
LL-2021 - 4.0 - 5.0%	33,180,000	-	1,225,000	-	31,955,000	1,265,000
MM-2022 - 3.0 - 5.0%	-	14,915,000	-	-	14,915,000	100,000
Total bonds	$ 198,600,000	$ 14,915,000	$ 6,925,000	$ 15,050,000	$ 191,540,000	$ 7,275,000
Unamortized Premium	15,798,371	448,952	788,056	218,595	15,240,672	-
Total long term debt	$ 214,398,371	$ 15,363,952	$ 7,713,056	$ 15,268,595	$ 206,780,672	$ 7,275,000

Debt service over remaining term of the debt is as follows:

Fiscal Year	Total Principal	Interest	Grand Total
2024	$ 7,475,000	$ 6,376,518	$ 13,851,518
2025	7,785,000	6,057,920	13,842,920
2026	8,070,000	5,761,745	13,831,745
2027	8,305,000	5,461,631	13,766,631
2028	8,635,000	5,136,907	13,771,907
2029 - 2033	47,505,000	20,687,189	68,192,189
2034 - 2038	36,640,000	13,565,613	50,205,613
2039 - 2043	35,110,000	7,500,616	42,610,616
2044 - 2048	22,825,000	2,148,164	24,973,164
2049 - 2050	1,915,000	71,100	1,986,100
Total	$ 184,265,000	$ 72,767,403	$ 257,032,403

The Division has pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet bond principal and interest payments when due. The requirements for the bonds are being met through monthly deposits to the Water Bond Fund, as required by the bond covenants. As of June 30, 2023, these bond covenants had been satisfied.

During fiscal year 2022, KUB’s Water Division issued Series MM 2022 bonds to retire a portion of outstanding Series CC 2015 bonds. On May 13, 2022, $14.9 million in revenue refunding bonds with an average interest rate of 3.6 percent were issued to currently refund $15.1 million of outstanding bonds with an average interest rate of 3.9 percent. The net proceeds of $15.2 million (after payment of $0.3 million in issuance costs plus premium of $0.4 million and an additional issuer equity contribution of $0.1 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreased total debt service payments over the life of the debt by $0.7

million, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $0.4 million.

Other liabilities consist of the following:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Accrued compensated absences	$ 1,734,465	$ 3,507,241	$ (3,298,510)	$ 1,943,196
Customer advances for construction	25,779	91,616	-	117,395
Other	55,082	51,532	(83,398)	23,216
	$ 1,815,326	$ 3,650,389	$ (3,381,908)	$ 2,083,807

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Accrued compensated absences	$ 1,759,025	$ 3,534,903	$ (3,559,463)	$ 1,734,465
Customer advances for construction	-	25,779	-	25,779
Other	41,758	76,367	(63,043)	55,082
	$ 1,800,783	$ 3,637,049	$ (3,622,506)	$ 1,815,326

7. Lease Receivables

KUB, as lessor, leases office space under non-cancelable lease arrangements. Terms of the leases range from one to ten years and contain fixed payment terms. Certain leases contain an option to renew that has been considered in the lease receivable when the lessee is reasonably certain to exercise the renewal option. KUB recognized lease revenue, which is included in other operating revenues, of $77,165 in 2023 and $53,874 in 2022. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $18,825 in 2023 and $15,343 in 2022. Total lease receivables were $543,031 ($67,564 current) and $553,825 ($62,654 current) as of June 30, 2023, and 2022, respectively, and are included in other assets on the Statement of Net Position.

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8. Lease Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total lease liabilities	$ 61,955	$ 26,029	$ (28,570)	$ 59,414
Less current portion	(22,779)			(12,750)
Long-term portion	$ 39,176			$ 46,664

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total lease liabilities	$ 61,212	$ 50,206	$ (49,463)	$ 61,955
Less current portion	(49,035)			(22,779)
Long-term portion	$ 12,177			$ 39,176

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to twenty years and contain fixed payment terms. Certain office space leases contain the option for renewal, which has been considered in the lease liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2023, are summarized as follows:

	Lease Maturities	Interest Requirements
2024	$ 12,750	$ 2,067
2025	12,366	1,610
2026	9,604	1,194
2027	8,926	845
2028	581	679
2029-2033	3,585	3,308
2034-2038	5,049	2,941
2039-2043	6,553	2,043
	$ 59,414	$ 14,687

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9. Subscription-Based Information Technology Agreement Liabilities

Changes in SBITA liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total SBITA liabilities	$ 955,708	$ 8,377	$ (172,230)	$ 791,855
Less current portion	(172,230)			(180,818)
Long-term portion	$ 783,478			$ 611,037

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total SBITA liabilities	$ -	$ 1,121,002	$ (165,294)	$ 955,708
Less current portion	-			(172,230)
Long-term portion	$ -			$ 783,478

KUB has subscription-based information technology agreements (SBITAs) which grant non-cancelable rights to use underlying information technology software. Terms of agreement range from five to eighteen years and contain fixed and variable payment terms. Certain SBITAs contain the option for renewal, which has been considered in the SBITA liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2023, are summarized as follows:

	Subscription Maturities	Interest Requirements
2024	$ 180,818	$ 28,358
2025	180,026	21,472
2026	187,346	14,354
2027	118,587	7,183
2028	125,079	2,453
	$ 791,856	$ 73,820

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10. Capital and Intangible Assets

Capital and intangible asset activity was as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Production Plant	$ 727,863	$ -	$ -	$ 727,863
Pumping & Treatment Plant	108,243,224	2,304,723	(446,327)	110,101,620
Distribution Plant				
Distribution Mains	225,391,774	9,392,292	(1,215,716)	233,568,350
Transmission Mains	47,661,842	45,099	-	47,706,941
Services & Meters	49,994,079	1,123,615	(239,113)	50,878,581
Other Accounts	28,503,703	510,847	(23,622)	28,990,928
Total Distribution Plant	$ 351,551,398	$ 11,071,853	$ (1,478,451)	$ 361,144,800
Total General Plant	38,738,658	787,067	(276,831)	39,248,894
Total Water Plant	$ 499,261,143	$ 14,163,643	$ (2,201,609)	$ 511,223,177
Less Accumulated Depreciation	(143,819,803)	(12,816,619)	2,176,938	(154,459,484)
Net Plant Assets	$ 355,441,340	$ 1,347,024	$ (24,671)	$ 356,763,693
Work In Progress	19,710,963	24,544,108	(13,520,942)	30,734,129
Total Net Plant	$ 375,152,303	$ 25,891,132	$ (13,545,613)	$ 387,497,822
Intangible Right of Use Assets				
Office space	$ 62,996	$ -	$ (20,681)	$ 42,315
Equipment	7,149	12,274	(2,133)	17,290
Other	18,692	17,875	(18,692)	17,875
Total Intangible Right of Use Assets	$ 88,837	$ 30,149	$ (41,506)	$ 77,480
Less Accumulated Amortization	(27,110)	(14,426)	22,415	(19,121)
Net Intangible Right of Use Assets	$ 61,727	$ 15,723	$ (19,091)	$ 58,359
Intangible Subscription Assets				
Intangible Subscription Assets	$ 1,124,538	$ 8,527	$ -	$ 1,133,065
Less Accumulated Amortization	(168,830)	(171,772)	-	(340,602)
Net Intangible Subscription Assets	$ 955,708	$ (163,245)	$ -	$ 792,463

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	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Production Plant	$ 727,863	$ -	$ -	$ 727,863
Pumping & Treatment Plant	91,574,254	17,084,293	(415,323)	108,243,224
Distribution Plant				
Distribution Mains	217,123,961	10,765,298	(2,497,485)	225,391,774
Transmission Mains	46,070,829	1,598,691	(7,678)	47,661,842
Services & Meters	47,031,293	3,111,570	(148,784)	49,994,079
Other Accounts	27,194,552	1,379,662	(70,511)	28,503,703
Total Distribution Plant	$ 337,420,635	$ 16,855,221	$ (2,724,458)	$ 351,551,398
Total General Plant	37,922,504	1,418,330	(602,176)	38,738,658
Total Water Plant	$ 467,645,256	$ 35,357,844	$ (3,741,957)	$ 499,261,143
Less Accumulated Depreciation	(135,366,921)	(12,184,146)	3,731,264	(143,819,803)
Net Plant Assets	$ 332,278,335	$ 23,173,698	$ (10,693)	$ 355,441,340
Work In Progress	38,646,899	15,452,259	(34,388,195)	19,710,963
Total Net Plant	$ 370,925,234	$ 38,625,957	$ (34,398,888)	$ 375,152,303
Intangible Right of Use Assets				
Office space	$ 83,860	$ 43,539	$ (64,403)	$ 62,996
Equipment	12,049	-	(4,900)	7,149
Other	20,039	6,666	(8,013)	18,692
Total Intangible Right of Use Assets	$ 115,948	$ 50,205	$ (77,316)	$ 88,837
Less Accumulated Amortization	(54,736)	(27,110)	54,736	(27,110)
Net Intangible Right of Use Assets	$ 61,212	$ 23,095	$ (22,580)	$ 61,727
Intangible Subscription Assets				
Intangible Subscription Assets	$ -	$ 1,124,538	$ -	$ 1,124,538
Less Accumulated Amortization	-	(168,830)	-	(168,830)
Net Intangible Subscription Assets	$ -	$ 955,708	$ -	$ 955,708

11. Risk Management

KUB is exposed to various risks of loss related to active and retiree medical claims; injuries to workers; theft of, damage to, and destruction of assets; environmental damages; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

These liabilities are included in accrued expenses in the Statement of Net Position. The liability is KUB’s best estimate based on available information. As of June 30, 2023, and June 30, 2022, the amount of these liabilities was $336,909 and $292,789, respectively, resulting from the following changes:

	2023	2022
Balance, beginning of year	$ 292,789	$ 251,712
Current year claims and changes in estimates	2,804,053	2,393,529
Claims payments	(2,759,933)	(2,352,452)
Balance, end of year	$ 336,909	$ 292,789

12. Pension Plan

Description of Plan

The Knoxville Utilities Board Pension Plan (the Plan) is a governmental plan as defined by the Employee Retirement Income Security Act of 1974 (ERISA or the Act), is not subject to any of the provisions of the Act, and was revised January 1, 2020, to include all prior approved amendments. The Plan is a single-employer contributory, defined benefit pension plan established by Knoxville Utilities Board Resolution No. 980 dated February 18, 1999, effective July 1, 1999, as authorized by the Charter of the City of Knoxville §1107(J). KUB Board Resolution No. 979, effective July 1, 1999, as amended by Resolution No. 1037, establishing the KUB Retirement System, was amended effective June 18, 2020, to amend the term “Trustee” to include both custodians and/or trustees, in order to provide flexibility should KUB choose to change from its current Pension trustee. The Plan is designed to provide retirement, disability, and death benefits to KUB employees. KUB administers the Plan through an Administrative Committee consisting of seven KUB employees that are appointed by KUB’s President and CEO. Any amendments to the Plan involving costs not approved in the operating budget must be adopted by KUB’s Board of Commissioners, upon recommendation by KUB’s President and CEO. All other amendments to the Plan may be approved by KUB’s President and CEO upon 60 days notification to the Board’s Audit and Finance Committee. The Plan issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division’s share is specified.

Effective January 1, 2011, KUB closed the Plan such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and to accrue benefits under the Plan.

Participants in the Plan consisted of the following as of December 31:

	2022	2021
Inactive plan members:		
Terminated vested participants	14	12
Retirees and beneficiaries	603	600
Active plan members	431	478
Total	1,048	1,090

Retirement Benefits

The Plan provides three benefit arrangements for KUB participants, retirees, and beneficiaries.

The Plan provides pension benefits through the Career Equity Program (“CEP”) for eligible employees hired on or after January 1, 1999, and for eligible former “City System Plan A” participants who elected CEP coverage as of July 1, 1999. The guaranteed pension benefit payable to a participant who has completed five or more years of service (or reached the normal retirement date, if earlier) upon termination of KUB employment shall be a lump sum equal to the participant’s average compensation times their benefit percentage, as defined in the Plan document, or an annuity may be chosen by the participant.

In addition, the Plan provided retirement benefits through “Plan A” for former City System Plan A participants who elected not to participate in the CEP. Plan A is a closed plan and is not available to KUB employees hired after July 1, 1999. Plan A provides for early retirement benefits with 25 years of service and normal retirement benefits at age 62 or later. Benefits provided to Plan A participants include several different forms of monthly annuity payments.

The Plan also provides retirement benefits through “Plan B” for former “City System Plan B” participants. Plan B is a closed plan providing benefits to participants not covered by Social Security. Benefits provided to Plan B participants include several different forms of monthly annuity payments available to participants.

Effective January 1, 2012, KUB began to provide for additional monthly supplements, which are not subject to cost-of-living adjustments, to certain former employees and surviving dependents of former employees who are eligible for and have elected coverage under the KUB retiree medical plan and are eligible for Medicare. This was done to compensate for the elimination of drug coverage under the KUB retiree medical plan and to assist such individuals in obtaining prescription drug coverage under Medicare Part D.

Contributions

Participation in Plan A requires employee contributions of three percent of the first $4,800 of annual earnings and five percent of annual earnings in excess of $4,800. KUB contributions are determined by the enrolled actuary of the Plan and equal the amount necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions. The method of funding shall be consistent with Plan objectives.

Plan Funding

KUB maintains a Funding Policy for the Plan in accordance with Tennessee State Law. The primary goal of the Policy is to document the method KUB has adopted to provide assurance that future KUB and employee contributions and current Plan assets will be sufficient to fund all benefits expected to be paid to current active, inactive and retired Plan participants and their beneficiaries. Per the Funding Policy, KUB fully funds its annual Actuarially Determined Contribution.

Investments

The Plan’s investments are held by State Street Bank and Trust Company (the “Trustee”). The Plan’s policy in regard to the allocation of invested assets is established by the Retirement System Investment Committee and approved by the KUB Board of Commissioners and may only be amended by the KUB Board of Commissioners. It is the policy of the Retirement System Investment Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Plan’s adopted asset allocation policy as of December 31, 2022:

Asset Class	Target Allocation
Domestic equity – large cap	20% - 50%
Domestic equity – mid cap	0% - 15%
Domestic equity – small cap	0% - 15%
Domestic equity – convertible securities	0% - 10%
Non-U.S. equity	0% - 20%
Real estate equity	0% - 10%
Fixed income – aggregate bonds	5% - 25%
Fixed income – long-term bonds	10% - 25%
Cash and deposits	0% - 5%

Contributions of $2,624,373 and $3,665,168 for 2021 and 2020, respectively, were made during the Plan sponsor’s fiscal years ended June 30, 2023, and 2022, respectively. Of these amounts, $458,397 and $609,183 are attributable to the Water Division. The fiscal year 2023 contribution was determined as part of the January 1, 2021, valuation using the Individual Entry Age Normal funding method. The objective under this method is to fund each participant’s benefits under the Plan as payments which are level as a percentage of salary, starting on the original participation date (employment date) and continuing until the assumed retirement, termination, disability, or death.

Net Pension Liability (Asset)

The below summarizes the disclosures of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB 68"), which requires measurement of the net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, will be based on the December 31, 2022, and 2021, measurement date, respectively. The net pension liability is $22,219,032 (Division's share $3,880,967) as of June 30, 2023, and the net pension asset is $64,137,714 (Division's share $10,660,244) as of June 30, 2022.

GASB 68 requires certain disclosures related to the net pension liability (asset) of the Plan as disclosed below:

	2022	2021
Total pension liability	$ 254,406,723	$ 242,201,780
Plan fiduciary net position	(232,187,691)	(306,339,494)
Plan's net pension liability (asset)	$ 22,219,032	$ (64,137,714)
Plan fiduciary net position as a percentage of the total pension liability	91.27%	126.48%

Changes in Net Pension Liability (Asset) are as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2021	$ 242,201,780	$ 306,339,494	$ (64,137,714)
Changes for the year:			
Service cost	6,349,402	-	6,349,402
Interest	17,430,465	-	17,430,465
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	282,014	-	282,014
Changes of Assumptions	5,268,672	-	5,268,672
Contributions - employer	-	3,144,770	(3,144,770)
Contributions - rollovers	-	3,080	(3,080)
Contributions - member	-	3,809,515	(3,809,515)
Net investment income	-	(63,484,570)	63,484,570
Benefit payments	(17,125,610)	(17,125,610)	-
Administrative expense	-	(498,988)	498,988
Net changes	12,204,943	(74,151,803)	86,356,746
Balances at December 31, 2022	$ 254,406,723	$ 232,187,691	$ 22,219,032

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation dates	January 1, 2022, rolled forward to December 31, 2022; January 1, 2021, rolled forward to December 31, 2021
Discount rate	7.00% as of December 31, 2022; 7.25% as of December 31, 2021
Salary increases	From 2.50% to 5.65%, based on years of service as of December 31, 2022, and 2021
Mortality	115% and 110% of the PubG-2010 table for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of December 31, 2022, and 2021
Inflation	2.5% as of December 31, 2022, and 2021

The actuarial assumptions used in the January 1, 2022, and 2021, valuations were based on an actuarial experience study covering the period January 1, 2014, through December 31, 2018.

The long-term expected rate of return on 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 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. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2022, and 2021, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. The Plan has both aggregate and long duration fixed income.

	Long Term Expected Real Rate of Return	
Asset Class	**2022**	**2021**
Domestic equity	5.0%	5.1%
Non-U.S. equity	6.1%	6.0%
Real estate equity	5.4%	5.4%
Debt securities	0.5%	0.2%
Cash and deposits	(0.1%)	(0.3%)

Discount rate
The discount rate used to measure the total pension liability was 7.00 percent as of December 31, 2022, and 7.25 percent as of December 31, 2021. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. 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 plan members. 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.

Sensitivity of the net pension liability (asset) to changes in the discount rate
The following presents the net pension liability of the Plan as of December 31, 2022, calculated using the discount rate of 7.00 percent, as well as what the Plan's net pension liability would be if it

were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability	$ 45,400,841	$ 22,219,032	$ 2,259,345

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

For the year ended June 30, 2023, KUB recognized pension expense of $8,973,269, and the Water Division's share was $1,361,647.

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2021, this average was four years. During the measurement year, there was a liability experience loss of $282,014, with $70,504 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $211,510. Unrecognized liability experience losses from prior periods were $2,609,559, of which $869,853 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,739,706. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of $1,951,216 (Division's share $340,816). Unrecognized liability gains from prior periods were $542,777, of which $331,952 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $210,825 (Division's share $36,825).

During the measurement year, there was an assumption change loss of $5,268,672, with $1,317,168 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $3,951,504. Net unrecognized assumption change losses from prior periods were $3,389,264, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $1,694,632. The total deferred outflow is $5,646,136 (Division's share $986,203).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $85,314,262, of which $17,062,852 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $38,969,257, of which $10,346,356 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment losses this year, along with unrecognized investment gains from prior periods, results in a deferred outflow of $39,628,509 (Division's share $6,921,858).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred inflow of $259,083, with $64,771 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred inflow of resources of $194,312. Net proportionate share changes from prior periods were $422,793, of which $140,931 was recognized in the current year, resulting in a deferred inflow of resources of $281,862. In addition, KUB's Water Division recorded a deferred outflow of resources of $229,198 for employer contributions made between December 31, 2022, and June 30, 2023.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 340,816	$ 36,825
Changes in assumptions	986,203	-
Net difference between projected and actual earnings on pension plan investments	6,921,858	-
Change in proportionate share	-	476,174
Contributions subsequent to measurement date	229,198	-
Total	$ 8,478,075	$ 512,999

$229,198 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2024	$ 630,089
2025	1,589,729
2026	2,535,715
2027	2,980,345
Thereafter	-

For the year ended June 30, 2022, KUB recognized pension expense of ($11,639,307), and the Water Division's share was ($2,075,485).

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. During the measurement year, there was a liability experience loss of $1,935,276, with approximately $483,819 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $1,451,457. Unrecognized liability experience losses from prior periods were $1,544,136, of which $386,034 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,158,102. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of $2,609,559 (Division's share $433,731). Unrecognized liability gains from prior periods were $1,092,163, of which $549,386 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $542,777 (Division's share $90,214).

During the measurement year, there were no benefit changes or assumption changes. Net unrecognized assumption change losses from prior periods were $5,083,896, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $3,389,264 (Division's share $563,325). Net unrecognized assumption change gains from prior periods were $71,525, of which the remaining $71,525 was recognized as a decrease in Pension Expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $17,812,070, of which $3,562,414 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $34,994,864, of which $10,275,263 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with unrecognized investment gains from prior periods, results in a deferred inflow of $38,969,257 (Division's share $6,477,028).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred inflow of $563,724, with $140,931 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred inflow of resources of $422,793. In addition, KUB's Water Division recorded a deferred outflow of resources of $304,593 for employer contributions made between December 31, 2021, and June 30, 2022.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 433,731	$ 90,214
Changes in assumptions	563,325	-
Net difference between projected and actual earnings on pension plan investments	-	6,477,028
Change in proportionate share	-	422,793
Contributions subsequent to measurement date	304,593	-
Total	$ 1,301,649	$ 6,990,035

13. Qualified Excess Benefit Arrangement

Description

In fiscal year 2017, KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single-employer defined benefit pension plan administered by KUB. The number of participants in any given year for the QEBA is determined by the number of KUB Pension Plan participants who exceed the current year's section 415(b) limitations, as calculated by the KUB Pension Plan actuary. The amount of QEBA benefit will be the amount specified by the terms of the KUB Pension Plan without regard to Section 415(b) limitations minus the amount payable from the KUB Pension Plan as limited by Section 415(b). QEBA benefits are subject to cost-of-living adjustments.

As of June 30, 2023, there are 404 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2023, and 2022.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. There is no Total Pension Liability as of June 30, 2023, and 2022. GASB 73 requires certain disclosures related to the total pension liability of the QEBA, as disclosed below:

	2022	2021
Total pension liability	$0	$0
Deferred outflows	(6,779)	(11,505)
Deferred inflows	3,408	16,927
Net impact on Statement of Net Position	($3,371)	$5,422
Covered payroll	$37,412,132	$38,074,863
Total pension liability as a % of covered payroll	0.00%	0.00%

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

For the year ended June 30, 2023, KUB recognized pension expense of ($8,793) (Division's share ($1,143)) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [($3,371) - $5,422 + $-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. There was a deferred inflow at the end of the measurement year of $3,408 (Division's share $443) from experience gains in prior years and a deferred outflow of $4,073 (Division's share $529) from experience losses in prior years.

There was a deferred outflow of $2,706 (Division's share $352) from assumption changes in prior years.

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The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,073	$ 3,408
Changes in assumptions	2,706	-
Total	$ 6,779	$ 3,408
Division's share	$ 881	$ 443

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2024	$ 3,023
2025	348
2026	-
2027	-
2028	-
Thereafter	-

For the year ended June 30, 2022, KUB recognized pension expense of $16,613 (Division's share $2,160) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($19,875), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$5,422 - $8,684 + $19,875].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. During the measurement year, there was an experience gain of $6,816, with $1,704 recognized in the current year and each of the next three years, resulting in a deferred inflow of $5,112 (Division's share $665). There was a deferred inflow at the end of the measurement year of $7,225 (Division's share $939) from experience gains in prior years and a deferred outflow of $6,112 (Division's share $795) from experience losses in prior years.

During the measurement year, there were no assumption changes. There was a deferred inflow at the end of the measurement year of $4,590 (Division's share $597) and a deferred outflow of $5,393 (Division's share $700) from assumption changes in prior years.

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The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	6,112	$	12,337
Changes in assumptions		5,393		4,590
Total	$	11,505	$	16,927
Division's share	$	1,495	$	2,201

14. Defined Contribution Plan

The KUB Asset Accumulation 401(k) Plan (the "401(k) Plan") is a defined contribution 401(k) employee retirement savings plan covering eligible KUB employees established by the KUB Board of Commissioners in accordance with the Charter of the City of Knoxville, Tennessee. The 401(k) plan's assets are held in trust under an agreement between KUB and Fidelity Management Trust Company. Employees hired prior to January 1, 2011, may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. Employees hired on or after January 1, 2011, have an enhanced 401(k) due to the closure of the Defined Benefit Pension Plan. They may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. They also receive a non-elective KUB contribution of three percent to six percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and non-elective contributions of $3,794,561 (Division's share $493,293) and $3,125,903 (Division's share $406,367), respectively, for the years ended June 30, 2023, and 2022.

15. Other Post-Employment Benefits (OPEB)

Description of Trust

The Knoxville Utilities Board Other Post-Employment Benefits Trust (the Trust) is a single-employer trust established by the KUB Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The Trust, along with the KUB Health Plan, make up a Voluntary Employee Beneficiary Association ("VEBA") and are intended to be tax-exempt pursuant to Code §501(c)(9). The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. The applicable documentation was submitted to the State Funding Board and, in December 2007, the State Funding Board approved the Trust. The Trust was also approved by the Internal Revenue Service in June 2008. KUB administers the Trust through a Board of Trustees consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Trust involving costs not approved in the operating budget must be approved by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Trust may be approved by KUB's President and CEO upon 60 days notification to the Board's Audit and Finance Committee. The investment of all deposits to the Trust is governed by an Investment Policy, which was adopted by the KUB Board and approved by the State Funding Board. The Trust issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

Effective January 1, 2022, the Plan was expanded to two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement (HRA), given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

Participants in the Plan consisted of the following as of June 30:

	HRA		Retiree Medical Benefit	
	2023	**2022**	**2023**	**2022**
Retirees	6	4	542	549
Dependents of retirees	2	2	596	612
Eligible active employees	25	15	140	145
Total	33	21	1,278	1,306

Benefits
Benefits for pre-July 1, 1999, eligible participants may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare Part B or Part D premiums, life insurance, long-term care, and long-term disability. Post-July 1, 1999, eligible participants are eligible for HRA benefits which include up to $50,000 to be used exclusively for reimbursement of qualified medical expenses of the retiree and his or her spouse and dependents. Any unused HRA amounts will remain assets of the OPEB Trust.

Contributions and Funding
The primary goal of the Funding Policy for the Trust is to document the method KUB has adopted to provide assurance that future KUB and retiree contributions and current Trust assets will be sufficient to fund all benefits expected to be paid to Trust beneficiaries. Per the Funding Policy, KUB's current practice is to fully fund its annual Actuarially Determined Contribution, which is determined by actuarial valuation.

Contributions are authorized by the terms of the Trust as established by KUB Resolution No. 1168, as amended, as approved by the Tennessee State Funding Board. KUB shall have the right at any time to amend, in whole or in part, the provisions of this Trust; however, no such amendment shall authorize or permit the assets of the Trust to be used for or diverted to purposes other than those expressed in the Declaration of Trust.

It shall be the sole and exclusive responsibility of KUB to determine the level of contributions KUB will make to the Trust for the purpose of financing other post-employment benefits accrued by its respective participants. Neither the Trust, nor the Trust's Board, shall be responsible for collecting or otherwise determining the level of contributions needed by KUB to finance any other post-employment benefits offered by KUB. The assets of the Trust shall be expended solely to make payments for other post-employment benefits pursuant to, and in accordance with, the terms of the Trust and to pay the cost of administration.

Based on the date of retirement, certain retired members are required to contribute specified amounts monthly to maintain health insurance. Those who retired prior to July 1983 have no required monthly premiums for themselves or dependents. The retirees, or their surviving dependents, who retired between August 1983 and January 1998 are required to pay $262.50 per month for pre-Medicare family health insurance. For individuals who retired after January 1998, the required monthly premium for pre-Medicare health insurance is $262.50 for single coverage and $525 for family coverage. There is currently no premium for Medicare eligible retirees or dependents. KUB is responsible for determining the level of retired plan member contributions on an annual basis as part of its review of healthcare cost sharing.

Participants in the Health Reimbursement Arrangement are not eligible for health insurance and are not required to make contributions.

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust’s Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203. The following was the Trust’s adopted investment target allocations as set forth in the Trust’s Investment Policy as of June 30, 2023:

Asset Class	Target Allocation
Domestic Equity:	
Large Cap	30%
Small Cap	8%
International Equity:	
Developed	16%
Emerging	8%
Real Estate Equity	8%
Debt Securities	30%
Total	100%

Actuarially determined contributions for the Water Division for the fiscal year ended June 30, 2023, were $232,079. For the fiscal year ended June 30, 2022, an actuarially determined contribution for the Water Division of $326,406 was made to the OPEB Trust, which includes the division's share of an additional $1,500,000 contribution to help fund the HRA. These were based on the OPEB actuarial valuations as of January 1, 2021, and 2020.

Net OPEB Liability

The below summarizes the disclosures of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”), which requires measurement of the net OPEB liability as total OPEB liability less the amount of the Trust’s fiduciary net position. The amounts reported as of June 30 are based on the reporting date for the KUB Other Post-Employment Benefits Plan which is June 30. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2023, and 2022, and the Total OPEB Liability as of the valuation date, January 1, 2022, updated to June 30, 2023, and January 1, 2021, updated to June 30, 2022, respectively. The Division’s share of the total net OPEB liability was $2,123,214 as of June 30, 2023, and $1,838,331 as of June 30, 2022.

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The components of the net OPEB liability (asset) of the Trust are as follows as of June 30:

	2023	2022
Total OPEB liability	$ 61,637,102	$ 58,536,280
Plan fiduciary net position	48,706,447	47,333,773
Net OPEB liability	$ 12,930,655	$ 11,202,507
Plan fiduciary net position as a percentage of the total OPEB liability	79.02%	80.86%

Changes in Net OPEB Liability are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	$ 58,536,280	$ 47,333,773	$ 11,202,507
Changes for the year:			
Service cost	595,392	-	595,392
Interest	4,133,008	-	4,133,008
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	117,668	-	117,668
Changes of Assumptions	2,527,824	-	2,527,824
Contributions - employer	-	1,413,392	(1,413,392)
Contributions - member	-	-	-
Net investment income	-	4,333,538	(4,333,538)
Benefit payments	(4,273,070)	(4,273,070)	-
Administrative expense	-	(101,186)	101,186
Net changes	3,100,822	1,372,674	1,728,148
Balances at June 30, 2023	$ 61,637,102	$ 48,706,447	$ 12,930,655

Actuarial assumptions
The total OPEB liability was determined by actuarial valuations, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation dates:	January 1, 2022, rolled forward to June 30, 2023; January 1, 2021, rolled forward to June 30, 2022
Discount rate:	7.00% as of June 30, 2023, and 7.25% as of June 30, 2022
Healthcare cost trend rates:	Pre-Medicare: 5.75% grading down to 3.935% over 20 years as of June 30, 2023, and 6.75% grading down to 4.04% as of June 30, 2022 Medicare: 11.30% grading down to 3.935% over 20 years as of June 30, 2023, and 6.30% grading down to 4.04% as of June 30, 2022 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010) for males and females, respectively, using the

	Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.50%

The actuarial assumptions used in the January 1, 2022, and January 1, 2021, valuations were based on the results of actuarial experience studies for the periods January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Trust 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 long-term expected rate of return may be lower in periods of current strong performance due to future valuations that mean revert to the long-term average. Best estimates of arithmetic real rates of return for each major asset class included in the Trust's target asset allocation (see the discussion of the Trust's Investment Policy) are summarized in the chart below.

	Long Term Expected Real Rate of Return	
Asset Class	**2023**	**2022**
Domestic equity	5.1%	5.5%
International equity	6.1%	6.5%
Emerging Market equity	8.4%	8.6%
Real estate equity	5.3%	5.7%
Debt securities	1.8%	1.2%
Cash and deposits	0.7%	0.2%

Discount rate
The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023, and 7.25 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate.
The following presents the net OPEB liability of the Trust as of June 30, 2023, calculated using the discount rate of 7.00 percent, as well as what the Trust's net OPEB liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	$19,738,026	$12,930,655	$7,246,454

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.
The following presents the net OPEB liability of the Trust as of June 30, 2023, as well as what the Trust's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower or one percent higher than the current rate:

	1% Decrease	Baseline Trends	1% Increase
Net OPEB liability	$7,364,325	$12,930,655	$19,461,880

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2023, KUB's Water Division recognized OPEB expense of $505,951.

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was seven years. During the measurement year, there was an experience loss of $117,668, with $16,810 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of $100,858 (Division's share $16,561). Unrecognized experience losses from prior periods were $30,475, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were no benefit changes.

During the measurement year, there was an assumption change loss of $2,527,824, with $361,118 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of $2,166,706 (Division's share $355,773).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $1,007,293, of which $201,459 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred inflow of resources of $805,834. Net unrecognized investment losses from prior periods were $5,179,219, of which $1,162,271 was recognized as an increase in OPEB expense in the current year, resulting in a net deferred outflow of $4,016,948. The combination of unrecognized gains this year, along with the net unrecognized investment losses from prior periods, results in a deferred outflow of resources of $3,211,114 (Division's share $527,265).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred outflow of $599, with $86 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred outflow of resources of $513. Net proportionate share changes from prior periods were $34,191, of which the entire amount was recognized in the current year. The table below summarizes the current balances of deferred outflows and deferred inflows of resources for the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,561	$ -
Changes in assumptions	355,773	-
Net difference between projected and actual earnings on OPEB plan investments	527,265	-
Change in proportionate share	513	-
Total	$ 900,112	$ -

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	$ 200,609
2025	115,911
2026	430,249
2027	29,063
2028	62,142
Thereafter	62,138

For the year ended June 30, 2022, KUB's Water Division recognized OPEB expense of $1,014,936.

The impact of liability experience gains or losses and assumption changes on the Water Division's Share of the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was two years. During the measurement year, there was an experience loss of $60,951, with $30,476 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $30,475 (Division's share $5,001). Unrecognized experience losses from prior periods were $21,401, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were benefit changes that increased the Total OPEB Liability by $6,594,293. This increase is recognized immediately in the June 30, 2022, OPEB expense.

Unrecognized gains due to assumption changes from prior periods were $2,052,917, of which the entire amount is recognized as a decrease in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $12,216,418, of which $2,443,284 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred outflow of resources of $9,773,134. Net unrecognized investment gains from prior periods were $5,905,689, of which $1,311,774 was recognized as a decrease in OPEB expense in the current year, resulting in a net deferred inflow of $4,593,915. The combination of unrecognized losses this year, along with the net unrecognized investment gains from prior periods, results in a deferred outflow of resources of $5,179,219 (Division's share $849,910).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is two years. This change resulted in a deferred outflow of $68,383, with $34,192 of that recognized in the current year and the remaining amount recognized in the next year, resulting in a deferred outflow of resources of $34,191. The table below summarizes the current balances of deferred outflows and deferred inflows of resources for the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,001	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	849,910	-
Change in proportionate share	34,191	-
Total	$ 889,102	$ -

16. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with the City of Knoxville and with other divisions of KUB. Such transactions for the years ended June 30, 2023, and 2022, are summarized as follows:

	2023	**2022**
City of Knoxville		
Amounts billed by the Division for utilities and related services	$ 5,505,744	$ 5,131,864
Payments by the Division in lieu of property tax	3,646,197	3,446,015
Payments by the Division for services provided	700,792	338,656
Grant expenditures incurred	2,937,000	-
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	448,271	512,847
Interdivisional rental expense	503,864	458,961
Interdivisional rental income	219,838	225,619
Amounts billed to the Division by other divisions for utilities services provided	3,781,183	3,296,877

With respect to these transactions, accounts receivable from the City of Knoxville included in the balance sheet at year end were as follows:

	2023	**2022**
Accounts receivable	$ 407,357	$ 419,035
Amounts eligible for reimbursement from grants	2,937,000	-

17. Other Commitments and Contingencies

In the normal course of business, there are various lawsuits pending against KUB. Management has reviewed these lawsuits with counsel, who is vigorously defending KUB's position and is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on KUB's financial position, results of operations, or cash flows.

Knoxville Utilities Board Water Division

Required Supplementary Information – Schedule of Changes in Net Pension Liability and Related Ratios

June 30, 2023

	*Year ended December 31								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	$ 6,349,402	$ 6,647,220	$ 5,227,657	$ 6,142,213	$ 5,095,488	$ 4,607,486	$ 4,226,985	$ 4,157,062	$ 4,092,808
Interest	17,430,465	16,982,226	16,393,202	16,030,626	15,344,193	15,015,282	14,966,559	14,812,784	14,698,657
Changes of benefit terms	-	-	-	163,199	-	-	-	-	-
Differences between expected and actual experience	282,014	1,935,276	1,930,170	(1,054,117)	(605,649)	(1,087,161)	(2,233,762)	(1,890,334)	-
Changes of assumptions	5,268,672	-	-	8,473,160	-	(357,633)	(2,932,883)	-	-
Benefit payments, including refunds of member contributions	(17,125,610)	(17,725,963)	(16,006,565)	(15,094,475)	(15,274,814)	(14,969,979)	(14,138,511)	(15,350,926)	(15,533,167)
Net change in total pension liability	12,204,943	7,838,759	7,544,464	14,660,606	4,559,218	3,207,995	(111,612)	1,728,586	3,258,298
Total pension liability - beginning	242,201,780	234,363,021	226,818,557	212,157,951	207,598,733	204,390,738	204,502,350	202,773,764	199,515,466
Total pension liability - ending (a)	$ 254,406,723	$ 242,201,780	$ 234,363,021	$ 226,818,557	$ 212,157,951	$ 207,598,733	$ 204,390,738	$ 204,502,350	$ 202,773,764
Plan fiduciary net position									
Contributions - employer	$ 3,144,770	$ 3,416,428	$ 2,876,752	$ 2,871,241	$ 3,456,475	$ 4,286,597	$ 5,243,146	$ 5,991,887	$ 5,908,541
Contributions - participants	3,812,595	3,939,687	2,284,727	3,170,825	2,081,125	1,488,632	555,075	487,546	475,854
Net investment income	(63,493,985)	37,575,566	44,814,914	49,938,315	(11,748,396)	32,360,219	13,788,263	(95,430)	22,292,369
Other additions	9,415	112,484	7,740	13,579	62,616	82,239	45,848	30,879	29,733
Benefit payments, including refunds of member contributions	(17,065,610)	(17,653,963)	(15,962,565)	(15,030,475)	(15,174,814)	(14,895,979)	(14,044,511)	(15,274,926)	(15,405,167)
Administrative expense	(498,988)	(441,017)	(455,191)	(467,748)	(445,916)	(385,282)	(441,332)	(397,160)	(378,085)
Death benefits	(60,000)	(72,000)	(44,000)	(64,000)	(100,000)	(74,000)	(94,000)	(76,000)	(128,000)
Net change in plan fiduciary net position**	(74,151,803)	26,877,185	33,522,377	40,431,737	(21,868,910)	22,862,426	5,052,489	(9,333,204)	12,795,245
Plan fiduciary net position - beginning**	306,339,494	279,462,309	245,939,932	205,508,195	227,377,105	204,514,679	199,462,190	208,795,394	196,000,149
Plan fiduciary net position - ending (b)**	$ 232,187,691	$ 306,339,494	$ 279,462,309	$ 245,939,932	$ 205,508,195	$ 227,377,105	$ 204,514,679	$ 199,462,190	$ 208,795,394
Plan's net pension liability - ending (a) - (b)	$ 22,219,032	$ (64,137,714)	$ (45,099,288)	$ (19,121,375)	$ 6,649,756	$ (19,778,372)	$ (123,941)	$ 5,040,160	$ (6,021,630)
Plan fiduciary net position as a percentage of the total pension liability	91.27%	126.48%	119.24%	108.43%	96.87%	109.53%	100.06%	97.54%	102.97%
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747	$ 44,446,743	$ 44,076,351
Plan's net pension liability as a percentage of covered payroll	59.39%	(168.45%)	(108.61%)	(47.48%)	15.78%	(45.67%)	(0.28%)	11.34%	(13.66%)

Notes to Schedule:

* Information not reflected prior to 2014 due to changes in actuary methodologies required under GASB 67, which was implemented in 2014.

** Excludes amounts related to 401(k) matching contributions.

Knoxville Utilities Board Water Division
Required Supplementary Information – Schedule of Employer Pension Contributions
June 30, 2023

	*Year ended December 31								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Actuarially determined contribution	$ 3,144,770	$ 3,416,428	$ 2,876,752	$ 2,871,241	$ 3,456,475	$ 4,286,597	$ 5,243,146	$ 5,991,887	$ 5,908,541
Contribution in relation to the actuarially determined contribution	3,144,770	3,416,428	2,876,752	2,871,241	3,456,475	4,286,597	5,243,146	5,991,887	5,908,541
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747	$ 44,446,743	$ 44,076,351
Contributions as a percentage of covered payroll	8.41%	8.97%	6.93%	7.13%	8.20%	9.90%	11.80%	13.48%	13.41%

Notes to Schedule:

Timing:	Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.
Valuation Dates:	January 1, 2021 and January 1, 2020

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual entry age
Asset valuation method:	5-year smoothed market
Amortization method:	As of January 1, 2021: Level dollar, 30-year closed period with 20 years remaining, or a level dollar, 30-year open period for a negative unfunded liability As of January 1, 2020: Level dollar, 30-year closed period with 21 years remaining, or a level dollar, 30-year open period for a negative unfunded liability As of January 1, 2021 and 2020, the unfunded liability was negative.
Discount rate:	7.25% as of January 1, 2021 and January 1, 2020
Salary increases:	2.50% to 5.65%, based on years of service; As of January 1, 2021, a one-time reduction was applied to reduce the 2020 compensation by 3.7% to account for an additional 2020 pay period
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational
Inflation:	2.5%

* Schedule of Employer Contribution information is not reflected prior to 2014 due to changes in actuary methodologies required under GASB 67, which was implemented 2014.
Please refer to prior year's audited financial statements for prior methods and assumptions.

Knoxville Utilities Board Water Division
Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2023

	*Year ended June 30					
	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	$ 595,392	$ 416,277	$ 283,786	$ 256,270	$ 270,515	$ 202,603
Interest	4,133,008	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	-	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	117,668	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	2,527,824	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	3,100,822	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	58,536,280	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	$ 61,637,102	$ 58,536,280	$ 51,515,118	$ 54,544,240	$ 50,197,938	$ 45,604,431
Plan fiduciary net position						
Contributions - employer	$ 1,413,392	$ 1,989,066	$ 757,226	$ 311,324	$ -	$ -
Net investment income	4,333,538	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(101,186)	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	1,372,674	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	47,333,773	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	$ 48,706,447	$ 47,333,773	$ 57,446,946	$ 46,954,793	$ 48,750,196	$ 49,355,499
Net OPEB liability (asset) - ending (a) - (b)	$ 12,930,655	$ 11,202,507	$ (5,931,828)	$ 7,589,447	$ 1,447,742	$ (3,751,068)
Plan fiduciary net position as a percentage of the total OPEB liability	79.02%	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	$ 70,129,341	$ 73,927,857	$ 21,578,366	$ 23,363,536	$ 24,346,735	$ 23,677,080
Net OPEB liability (asset) as a percentage of covered employee payroll	18.44%	15.15%	(27.49%)	32.48%	5.95%	(15.84%)

Notes to Schedule:

* Information not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.

** The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Required Supplementary Information – Schedule of Employer OPEB Contributions
June 30, 2023

	*Year ended June 30 2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 1,413,392	$ 489,066	$ 757,226	$ 311,324	$ -	$ -
Contribution in relation to the annual required contribution	1,413,392	1,989,066	757,226	311,324	-	-
Contribution deficiency/(excess)	$ -	$ (1,500,000)	$ -	$ -	$ -	$ -
Covered employee payroll*	$ 70,129,341	$ 73,927,857	$ 21,578,366	$ 23,363,536	$ 24,346,735	$ 23,677,080
Contributions as a percentage of covered employee payroll	2.02%	2.69%	3.51%	1.33%	0.00%	0.00%

* The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

KUB elected to make a $1,500,000 voluntary contribution to the Trust to initially fund the HRA benefit which was effective January 1, 2022.
This contribution was not required.

Notes to Schedule:

Valuation Date:	January 1, 2021 and January 1, 2020
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 15 years remaining as of January 1, 2021 (16 years as of January 1, 2020), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2020 and 2021, the unfunded liability was positive
Discount rate:	7.25%
Healthcare cost trend rate:	Pre-Medicare: 6.50% grading down to 4.04% over 19 years as of January 1, 2021; 6.75% grading down to 4.04% over 20 years as of January 1, 2020 Medicare: 6.20% grading down to 4.04% over 19 years as of January 1, 2021; 6.30% grading down to 4.04% over 20 years as of January 1, 2020 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.5%
Investment rate of return:	7.25%
Retirement age:	2% at ages 50-57, grading up to 100% at age 70

* Schedule of Employer Contribution information is not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.
Please refer to prior year's audited financial statement for prior methods and assumptions.

Knoxville Utilities Board Water Division
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 2023

	*Year ended December 31						
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Total pension liability							
Service cost	$ -	$ -	$ -	$ -	$ 941	$ 584	$ -
Interest (includes interest on service cost)	-	268	388	9,181	9,676	7,535	-
Changes of benefit terms	-	-	-	(218,272)	-	-	185,077
Differences between expected and actual experience	-	(6,816)	10,165	34	(36,125)	13,684	-
Changes of assumptions	-	-	91	13,342	(22,950)	73,461	-
Benefit payments, including refunds of member contributions	-	(12,166)	(12,166)	(15,932)	-	-	-
Net change in total pension liability	-	(18,714)	(1,522)	(211,647)	(48,458)	95,264	185,077
Total pension liability - beginning	-	18,714	20,236	231,883	280,341	185,077	-
Total pension liability - ending	$ -	$ -	$ 18,714	$ 20,236	$ 231,883	$ 280,341	$ 185,077
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747
Total pension liability as a percentage of covered payroll	0.00%	0.00%	0.05%	0.05%	0.55%	0.65%	0.42%

Notes to Schedule:

* There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 73 to pay related benefits.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2023

Continued on Next Page

	BB-2015		CC-2015		DD-2016		EE-2016		FF-2017		GG-2017		HH-2018	
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
23-24	1,110,000	558,500	500,000	38,812	650,000	657,250	1,380,000	334,894	550,000	105,850	485,000	583,056	440,000	650,062
24-25	1,170,000	503,000	525,000	27,563	675,000	624,750	1,435,000	307,294	575,000	78,350	505,000	558,806	465,000	628,063
25-26	1,210,000	467,900	550,000	14,438	700,000	604,500	1,460,000	278,594	605,000	49,600	530,000	533,556	485,000	604,813
26-27	1,245,000	428,575			725,000	583,500	1,515,000	249,394	635,000	25,400	555,000	512,356	510,000	580,562
27-28	1,260,000	385,000			750,000	561,750	1,560,000	219,094			575,000	490,156	535,000	555,063
28-29	1,275,000	340,900			775,000	539,250	1,605,000	187,894			590,000	477,938	555,000	539,013
29-30	1,315,000	296,275			800,000	516,000	1,645,000	155,794			600,000	464,662	570,000	522,362
30-31	2,740,000	256,825			825,000	492,000	1,710,000	120,838			625,000	440,663	590,000	504,550
31-32	2,800,000	174,625			825,000	467,250	1,750,000	82,362			650,000	415,662	605,000	485,375
32-33	2,900,000	90,625			850,000	442,500	1,810,000	42,988			675,000	389,662	625,000	464,956
33-34					900,000	417,000					695,000	369,413	645,000	444,644
34-35					925,000	390,000					715,000	348,563	670,000	423,681
35-36					950,000	362,250					740,000	327,112	690,000	401,906
36-37					975,000	333,750					760,000	304,913	710,000	379,481
37-38					1,000,000	304,500					785,000	282,112	735,000	356,406
38-39					1,025,000	274,500					805,000	258,562	760,000	331,600
39-40					1,050,000	243,750					830,000	234,413	785,000	305,950
40-41					1,100,000	212,250					855,000	208,475	815,000	274,550
41-42					1,125,000	179,250					885,000	181,756	850,000	241,950
42-43					1,150,000	145,500					910,000	154,100	885,000	207,950
43-44					1,200,000	111,000					940,000	125,662	920,000	172,550
44-45					1,225,000	75,000					970,000	96,288	950,000	140,350
45-46					1,275,000	38,250					1,000,000	65,976	985,000	107,100
46-47											1,030,000	33,476	1,020,000	72,625
47-48													1,055,000	36,925
48-49														
49-50														
	$ 17,025,000	$ 3,502,225	$ 1,575,000	$ 80,813	$ 21,475,000	$ 8,575,750	$ 15,870,000	$ 1,979,146	$ 2,365,000	$ 259,200	$ 17,710,000	$ 7,857,338	$ 17,855,000	$ 9,432,487

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2023

Continued from Previous Page

	II-2019		JJ-2020		KK-2020		LL-2021		MM-2022		TOTAL		Grand
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
23-24	420,000	627,800	445,000	603,100	190,000	280,050	1,305,000	1,374,400	-	562,744	7,475,000	6,376,518	13,851,518
24-25	440,000	606,800	450,000	580,850	195,000	270,550	1,350,000	1,309,150	-	562,744	7,785,000	6,057,920	13,842,920
25-26	465,000	584,800	460,000	558,350	205,000	260,800	1,400,000	1,241,650	-	562,744	8,070,000	5,761,745	13,831,745
26-27	485,000	561,550	465,000	535,350	215,000	250,550	1,450,000	1,171,650	505,000	562,744	8,305,000	5,461,631	13,766,631
27-28	510,000	537,300	465,000	512,100	230,000	239,800	2,210,000	1,099,150	540,000	537,494	8,635,000	5,136,907	13,771,907
28-29	535,000	511,800	470,000	488,850	240,000	228,300	2,340,000	988,650	575,000	510,494	8,960,000	4,813,089	13,773,089
29-30	565,000	485,050	475,000	465,350	250,000	216,300	2,450,000	871,650	610,000	481,744	9,280,000	4,475,187	13,755,187
30-31	590,000	456,800	480,000	441,600	260,000	208,800	1,105,000	749,150	645,000	451,244	9,570,000	4,122,470	13,692,470
31-32	615,000	433,200	475,000	427,200	265,000	201,000	1,070,000	693,900	680,000	418,994	9,735,000	3,799,568	13,534,568
32-33	635,000	414,750	470,000	412,950	275,000	193,050	1,000,000	640,400	720,000	384,994	9,960,000	3,476,875	13,436,875
33-34	655,000	395,700	1,965,000	398,850	285,000	184,800	1,175,000	600,400	740,000	363,394	7,060,000	3,174,201	10,234,201
34-35	675,000	376,050	1,945,000	339,900	290,000	176,250	1,215,000	553,400	755,000	341,194	7,190,000	2,949,038	10,139,038
35-36	695,000	355,800	1,925,000	281,550	300,000	167,550	1,255,000	504,800	775,000	317,600	7,330,000	2,718,568	10,048,568
36-37	715,000	334,950	1,900,000	223,800	310,000	158,550	1,285,000	454,600	795,000	292,412	7,450,000	2,482,456	9,932,456
37-38	735,000	313,500	1,880,000	166,800	320,000	149,250	1,335,000	403,200	820,000	265,582	7,610,000	2,241,350	9,851,350
38-39	760,000	291,450	1,855,000	110,400	330,000	139,650	1,370,000	349,800	870,000	237,904	7,775,000	1,993,866	9,768,866
39-40	780,000	268,650	1,825,000	54,750	335,000	129,750	1,405,000	295,000	890,000	207,456	7,900,000	1,739,719	9,639,719
40-41	805,000	245,250			350,000	119,700	1,460,000	238,800	910,000	176,306	6,295,000	1,475,331	7,770,331
41-42	830,000	221,100			360,000	109,200	1,470,000	180,400	955,000	144,456	6,475,000	1,258,112	7,733,112
42-43	855,000	196,200			370,000	98,400	1,520,000	121,600	975,000	109,838	6,665,000	1,033,588	7,698,588
43-44	880,000	170,550			380,000	87,300	1,520,000	60,800	1,020,000	74,494	6,860,000	802,356	7,662,356
44-45	905,000	144,150			390,000	75,900			1,035,000	37,518	5,475,000	569,206	6,044,206
45-46	930,000	117,000			405,000	64,200					4,595,000	392,526	4,987,526
46-47	960,000	89,100			415,000	52,050					3,425,000	247,251	3,672,251
47-48	990,000	60,300			425,000	39,600					2,470,000	136,825	2,606,825
48-49	1,020,000	30,600			440,000	26,850					1,460,000	57,450	1,517,450
49-50					455,000	13,650					455,000	13,650	468,650
	$ 18,450,000	$ 8,830,200	$ 17,950,000	$ 6,601,750	$ 8,485,000	$ 4,141,850	$ 30,690,000	$ 13,902,550	$ 14,815,000	$ 7,604,094	$ 184,265,000	$ 72,767,403	$ 257,032,403

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2022	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2023
Business-Type Activities									
BONDS PAYABLE									
Payable through Water Fund									
Revenue Bond Refunding, Series BB-2015	23,005,000	2.0-5.0	05/01/15	03/01/33	$ 18,075,000	$	$ 1,050,000	$	$ 17,025,000
Revenue Bond, Series CC-2015	20,000,000	2.0-4.0	05/20/15	03/01/45	2,050,000		475,000		1,575,000
Revenue Bond, Series DD-2016	25,000,000	3.0-5.0	08/05/16	03/01/46	22,100,000		625,000		21,475,000
Revenue Bond Refunding, Series EE-2016	20,875,000	2.0-5.0	08/05/16	03/01/33	17,185,000		1,315,000		15,870,000
Revenue Bond Refunding, Series FF-2017	5,310,000	3.0-5.0	04/07/17	03/01/27	2,895,000		530,000		2,365,000
Revenue Bond, Series GG-2017	20,000,000	2.125-5.0	09/15/17	03/01/47	18,170,000		460,000		17,710,000
Revenue Bond, Series HH-2018	19,995,000	3.0-5.0	09/14/18	03/01/48	18,285,000		430,000		17,855,000
Revenue Bond, Series II-2019	19,995,000	3.0-5.0	08/20/19	03/01/49	18,850,000		400,000		18,450,000
Revenue Bond Refunding, Series JJ-2020	19,520,000	3.0-5.0	05/22/20	03/01/40	18,395,000		445,000		17,950,000
Revenue Bond, Series KK-2020	9,045,000	3.0-5.0	10/30/20	03/01/50	8,665,000		180,000		8,485,000
Revenue Bond Refunding, Series LL-2021	33,180,000	4.0-5.0	04/19/21	03/01/44	31,955,000		1,265,000		30,690,000
Revenue Bond Refunding, Series MM-2022	14,915,000	3.0-5.0	05/13/22	03/01/45	14,915,000		100,000		14,815,000
					$ 191,540,000	$ -	$ 7,275,000	$ -	$ 184,265,000

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 6/30/2022	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2023
Lease Liabilities									
Payable through Water Fund									
Centriworks	5,845	3.88%	11/1/2020	10/31/2023	3,404	-	(2,537)	-	867
Coal Creek Ventures	3,991	3.88%	7/1/2020	9/30/2035	3,731	-	(3,731)	-	-
Crown Castle	17,875	3.90%	3/1/2023	2/1/2043	-	17,875	(142)	-	17,733
Manki 1 Investments	42,315	3.88%	7/1/2020	5/31/2027	38,698	-	(7,846)	2,977	33,829
Pinnacle Towers	6,441	3.88%	7/1/2020	6/30/2027	6,666	-	(6,666)	-	-
Ricoh Americas	4,850	3.88%	8/1/2022	8/31/2025	167	4,850	(1,458)	-	3,559
RJ Young Company	6,595	3.88%	7/1/2020	6/30/2026	5,042	-	(1,616)	-	3,426
White Realty	4,574	3.88%	7/1/2020	6/30/2041	4,247	-	(4,574)	327	-
Total Lease Liabilities					$ 61,955	$ 22,725	$ (28,570)	$ 3,304	$ 59,414

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Water Division
Statistical Information - Schedule of Insurance in Force
June 30, 2023
(Unaudited)

Insurance coverage is for KUB as a consolidated entity.

Crime
Covers losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - $5,000,000; $250,000 retention.

Directors’ and Officers’ Liability Insurance
Covers KUB personnel appropriately authorized to make decisions on behalf of KUB (including but not limited to Commissioners, President and CEO, Senior Vice Presidents, Vice Presidents, and Directors) for wrongful acts. Limits of coverage - $20,000,000; $500,000 corporate deductible, $0 individual deductible.

Employment Practices Liability
Coverage for costs related to actual or alleged employment practices violations for amounts exceeding specified amount ($500,000). Limits of coverage - $10,000,000.

Fiduciary
Covers losses resulting from wrongful acts related to KUB’s Pension, 401(k), OPEB Trust funds, and Medical Plan. Limits of coverage - $10,000,000; $150,000 deductible.

Environmental and Pollution Legal Liability
Environmental and Pollution coverage for covered losses resulting from a pollution or environmental event. Limits of coverage - $15,000,000.

Property Insurance
This coverage provides protection of KUB’s property for fire, extended coverage, vandalism and malicious mischief, and coverage on boilers and machinery. Also included are flood and earthquake damage and mechanical failure. Limits of coverage - $250,000,000 per occurrence (subject to certain sub limits); $2,500,000 deductible per occurrence.

Travel Accident
Covers losses related to employees’ business travel. Limits of coverage - $1,000,000 aggregate.

Excess Insurance for General Liability
As a governmental entity, KUB’s liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). Limits of coverage - $5,000,000; $700,000 retention.

Excess Insurance for Workers’ Compensation
Covers all losses exceeding specified amount per occurrence ($1,000,000). Limits of coverage - Statutory; stop loss coverage applies for aggregate losses over $5,000,000.

Employee Health Plan Stop Loss Coverage
KUB’s employee health plan is self-funded. KUB has purchased stop loss insurance, which covers KUB’s exposure to annual expenses for more than $600,000 per individual participant.

Cyber Security Liability
Liability coverage resulting from losses related to a covered event such as data breaches, ransomware, regulatory fines, cyber extortion, business interruption and other cyber-related events. Limits of coverage - $3,000,000; $500,000 deductible.

Knoxville Utilities Board Water Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class	Base Charge	Number of Customers
Residential Inside City rate	For water furnished to premises entirely within the corporate limits of the City of Knoxville:	57,129

Commodity Charge

First	2	CCF Per Month at $1.35 Per CCF
Over	2	CCF Per Month at $3.10 Per CCF

Additional Monthly Customer Charge

For	5/8" meter	$ 18.00

Rate Class	Base Charge	Number of Customers
Residential Outside City rate	For water furnished to premises upon which any water faucet or other outlet is outside the corporate limits of the City of Knoxville:	14,587

Commodity Charge

First	2	CCF Per Month at $1.50 Per CCF
Over	2	CCF Per Month at $3.70 Per CCF

Additional Monthly Customer Charge

For	5/8" meter	$ 19.40

Knoxville Utilities Board Water Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class	Base Charge	Number of Customers
Non-Residential Inside City rate/ Industrial Park rate	For water furnished to premises entirely within the corporate limits of the City of Knoxville or within the boundaries of an area recognized as an industrial park by the Tennessee Department of Economic and Community Development:	10,329

Commodity Charge

First	2	CCF Per Month at $2.60 Per CCF
Next	8	CCF Per Month at $4.90 Per CCF
Next	90	CCF Per Month at $5.80 Per CCF
Next	300	CCF Per Month at $4.55 Per CCF
Next	4,600	CCF Per Month at $2.80 Per CCF
Next	5,000	CCF Per Month at $1.30 Per CCF

Additional Monthly Customer Charge

For	5/8" meter	$ 19.50
For	1" meter	33.00
For	1 1/2" meter	61.00
For	2" meter	82.00
For	3" meter	192.00
For	4" meter	301.00
For	6" meter	600.00
For	8" meter	1,026.00
For	10" meter	1,563.00
For	12" meter	2,400.00

Rate Class	Base Charge	Number of Customers
Non-Residential Outside City rate	For water furnished to premises upon which any water faucet or other outlet is outside the corporate limits of the City of Knoxville, excluding premises within the boundaries of an area recognized as an industrial park by the Tennessee Department of Economic and Community Development:	754

Commodity Charge

First	2	CCF Per Month at $3.00 Per CCF
Next	8	CCF Per Month at $5.65 Per CCF
Next	90	CCF Per Month at $6.90 Per CCF
Next	300	CCF Per Month at $5.25 Per CCF
Next	4,600	CCF Per Month at $3.35 Per CCF
Next	5,000	CCF Per Month at $1.55 Per CCF

Additional Monthly Customer Charge

For	5/8" meter	$ 21.40
For	1" meter	37.50
For	1 1/2" meter	68.00
For	2" meter	93.00
For	3" meter	222.00
For	4" meter	348.00
For	6" meter	715.00
For	8" meter	1,260.00
For	10" meter	1,920.00
For	12" meter	2,840.00

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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*

Board of Commissioners
Water Division of the Knoxville Utilities Board
Knoxville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Water Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Division's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division'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 Division's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Commissioners
Water Division of the Knoxville Utilities Board
Knoxville, Tennessee

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division'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 Division's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023

Wastewater Division

Financial Statements and Supplemental Information
June 30, 2023 and 2022

KUB Board of Commissioners

Adrienne Simpson-Brown, Chair
Tyvi Small, Vice Chair
Claudia Caballero
Ron Feinbaum
Cynthia Gibson
Kathy Hamilton
Celeste Herbert

Management

Gabriel Bolas II
President and Chief Executive Officer

Mark Walker
Senior Vice President and Chief Financial Officer

Susan Edwards
Senior Vice President and Chief Administrative Officer

Derwin Hagood
Senior Vice President of Operations

John Williams
Senior Vice President of Engineering & Construction

Jamie Davis
Vice President Fiber and Chief Technology Officer

Tiffany Martin
Vice President and Chief Customer Officer

John Gresham
Vice President of Operations

Knoxville Utilities Board Wastewater Division
Index
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Commissioners
Wastewater Division of the Knoxville Utilities Board
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Wastewater Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Division as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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* (GAS), 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 the Division 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 opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2021, the Division adopted new accounting guidance Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Board of Commissioners
Wastewater Division of the Knoxville Utilities Board
Knoxville, Tennessee

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 opinion. 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 GAS 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 GAS, 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 the Division'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 the Division'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 on pages 4 through 27 and the required supplementary information on pages 67 through 71 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.

Board of Commissioners
Wastewater Division of the Knoxville Utilities Board
Knoxville, Tennessee

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Division's basic financial statements. The supplemental information, as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information 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. The other information comprises the statistical information but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Wastewater Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions. The Wastewater Division (Division) provides services to certain customers in Knox County and in two surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Wastewater Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2023, and 2022, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Division's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Division's financial activity, (c) identify major changes in the Division's financial position, and (d) identify any financial concerns.

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2023, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

Wastewater Division Highlights

System Highlights

KUB experienced normal operations this fiscal year. However, inflation had a significant impact to operating costs and capital projects. Supply chain issues improved throughout the year but impacted the timing of some capital projects in fiscal year 2023. KUB's ability to serve its wastewater customers has remained strong.

The wastewater service area covers 249 square miles and includes 74,041 wastewater customers. KUB maintains 1,336 miles of services mains, 79 pump stations, and 4 treatment plants to treat 13.3 billion gallons of wastewater on an annual basis. The average daily flow is 36.3 million gallons.

KUB has added 1,795 wastewater system customers over the past three years, representing annual growth of less than one percent. In fiscal year 2023, 664 customers were added.

The typical residential wastewater customer's average monthly wastewater bill was $68.10 as of June 30, 2023. The average monthly bill increased $2.60 compared to the prior fiscal year, the result of the July 2022 rate increase.

KUB's treatment plants continue to meet high standards of operation. KUB was awarded the National Association of Clean Water Agencies (NACWA) Peak Performance recognition for all Wastewater Treatment Plants in calendar year 2022. Fourth Creek, Loves Creek, and Eastbridge Wastewater Treatment Plants won gold awards, while Kuwahee won silver.

KUB continues to maintain Platinum certification with the National Biosolids Partnership following a rigorous review process and independent audit that was conducted in December 2022. Biosolids are nutrient-rich organic matter produced by wastewater treatment and is a registered fertilizer with the Tennessee Department of Agriculture.

Century II Infrastructure Program

Century II is KUB's proactive long-range program to improve and maintain the electric, natural gas, water, and wastewater systems for its customers. It includes maintenance and asset replacement strategies for each system and establishes sustainable replacement cycles. Century II moves KUB into its second century of service by improving each system through sound planning, resource allocation, and continued investment.

In May 2017, a new Century II funding resolution was adopted by the KUB Board to express the continued commitment to funding Century II programs for the next ten years. The funding will be achieved through a combination of rate increases and debt issues supplemented by cost savings and new revenue from net customer additions.

In June 2017, the Board approved three wastewater rate increases to support the Century II program. The three approved wastewater rate increases went into effect July 2017, July 2018, and July 2019, generating $4.3 million, $4.2 million, and $4.5 million in additional annual Wastewater Division revenue, respectively.

In June 2022, the Board approved the next phase of wastewater rate increases to support the Century II program. The first of three approved 4 percent wastewater rate increases went into effect July 2022, generating $3.9 million of additional annual Wastewater Division revenue. The remaining two rate increases are effective July 2023 and July 2024 and are expected to provide an additional $4 million and $4.2 million in annual Wastewater Division revenue, respectively.

In fiscal year 2023, KUB rehabilitated or replaced 9.5 miles of wastewater system mains, while staying on track with Century II goals and within the Wastewater Division's total capital budget.

Consent Decree

In February 2005, a Consent Decree was entered into federal court regarding the operation of KUB's wastewater system. Under the terms of the Consent Decree, the remediation of identified sanitary sewer overflows (SSOs) on KUB's wastewater system had to be completed by June 30, 2016. KUB completed all the requirements of the Consent Decree for the collection system two years in advance of the deadline.

The Consent Decree also required KUB to perform an evaluation of the wet weather performance and capacity of its wastewater treatment plants. In July 2007, KUB submitted a Composite Correction Plan (CCP) for its wastewater treatment plants to EPA for review. The development and filing of the CCP was a requirement of the federal order of February 2005. The CCP includes recommended improvements to KUB's Kuwahee and Fourth Creek treatment plants to address wet weather capacity issues noted in prior assessments. The EPA approved the CCP in January 2009 including a recommended schedule of plant improvements that extends beyond the expiration date of the original Consent Decree. An amendment to the Consent Decree incorporating and establishing this schedule was agreed to by all parties and was entered on June 23, 2009. The purpose of the Amendment is to allow KUB to complete a portion of work outlined in the CCP after the Consent Decree deadline of June 30, 2016. The CCP provided for a biologically enhanced high-rate clarification (the BEHRC) secondary treatment system to be installed at the Fourth Creek treatment plant and at the Kuwahee treatment plant. KUB successfully completed the installation of the BEHRC system at the Fourth Creek treatment plant in the 2018 fiscal year. The project at the Kuwahee treatment plant was completed this fiscal year. The total cost of the CCP improvements at the Fourth Creek treatment plant and Kuwahee treatment plant is approximately $120 million.

KUB's funding plan for the Consent Decree included long-term bonds and a series of rate increases phased in over the term of the order. Bond proceeds fund all types of wastewater capital projects, the majority of which are related to the Consent Decree. As of June 30, 2022, the Wastewater Division had issued $594.8 million in bonds to fund wastewater system capital improvements since the inception of the Consent

Decree. The Board approved two 50 percent rate increases, which went into effect in April 2005 and January 2007. The Board also approved an 8 percent rate increase, which was effective in September 2008, two 12 percent rate increases, which were effective in April 2011 and October 2012, three 6 percent rate increases, which were effective October 2014, October 2015, and October 2016, three 5 percent rate increases, which were effective July 2017, July 2018, and July 2019, and three 4 percent rate increases, which are effective July 2022, July 2023, and July 2024. KUB anticipates additional bond issues and rate increases over the next decade to help fund wastewater capital improvements.

KUB successfully completed the first cycle of Maintenance Operation Management (MOM) requirements one year before the deadline by inspecting manholes and gravity mains, smoke testing gravity mains, performing required inspections of pump stations and the related force mains, and completing all Corrective Action Plan/Engineering Report (CAP/ER) projects. KUB initiated the second MOM cycle that continues to focus on the prevention of SSOs. As part of the Century II initiative, formally known as the PACE10 program, KUB has installed storage tanks providing 34 million gallons of wastewater storage to control wet weather overflows and rehabilitated or replaced 432 miles of collection system pipe. KUB also continues to maintain a proactive operations and maintenance plan for the wastewater collection system including inspection, grease control, and private lateral enforcement. The result of the PACE10/Century II initiative has been an 80 percent reduction in SSOs.

As of June 30, 2022, the Wastewater Division had completed its 18th full year under the Consent Decree, spending $579.8 million on capital investments to meet Consent Decree requirements.

KUB's request for termination of the Consent Decree was submitted in January 2022 and was granted on June 16, 2022, by the applicable regulatory authorities.

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Financial Highlights

During fiscal year 2023, KUB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), using a full retrospective approach. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, have been restated for the change, which did not have an impact on the net position.

During fiscal year 2022, KUB adopted GASB Statement No. 87, *Leases* (Statement No. 87) using a full retrospective approach. This statement requires a lessee to recognize an intangible right of use asset and a lease liability, and a lessor to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information regarding leasing activities. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2021, have been restated for the change, which did not have an impact on the net position.

Fiscal Year 2023 Compared to Fiscal Year 2022

The Division's net position during the year increased $20.7 million compared to a $19.6 million increase last fiscal year.

Operating revenue increased $5.4 million or 5.3 percent for the fiscal year ended June 30, 2023. Billed sales increased $5.8 million, due to an increase in billable customer flows of 2.3 percent along with additional revenue from a 4% rate increase effective in July 2022.

Operating expenses increased $10.1 million. Operating and maintenance (O&M) expenditures increased $7.4 million. Depreciation and amortization expense increased $2.5 million or 11.2 percent. Taxes and tax equivalents increased $0.3 million or 4.1 percent.

Interest income was $1.7 million higher than the prior fiscal year due to rising interest rates throughout the year. Interest expense was consistent with the prior fiscal year. Other income (net) was $1.4 million higher.

Capital contributions increased $2.6 million, the result of an increase in donated utility assets from developers compared to the previous fiscal year.

Total plant assets (net) increased $12.7 million or 1.5 percent since the end of last fiscal year.

During fiscal year 2023, KUB sold $10 million in wastewater system revenue bonds for the purpose of funding wastewater system capital improvements.

Long-term debt represented 53.6 percent of the Division's capital structure as of June 30, 2023, as compared to 55.2 percent last year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 1.92. Maximum debt service coverage for future fiscal years is 1.88.

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's net position during the year increased $19.6 million compared to a $17.8 million increase last fiscal year.

Operating revenue increased $2.6 million or 2.6 percent for the fiscal year ended June 30, 2022. Billed sales increased $2.2 million, due to an increase in billable customer flows of 2.2 percent.

Operating expenses increased $2.4 million. Operating and maintenance (O&M) expenditures increased $3.3 million. Depreciation and amortization expense decreased $1.2 million or 5.2 percent. Taxes and tax equivalents increased $0.3 million or 5.7 percent.

Interest income was consistent with the prior fiscal year. Interest expense decreased $0.7 million compared to the prior fiscal year. Other income (net) was $1.1 million higher.

Capital contributions decreased $0.1 million, the result of decreased donated utility assets from developers compared to the previous fiscal year.

Total plant assets (net) increased $21.6 million or 2.7 percent since the end of last fiscal year.

During fiscal year 2022, KUB sold $11.1 million in wastewater system revenue bonds for the purpose of funding wastewater system capital improvements. KUB also refinanced outstanding debt, selling $23.2 million in wastewater system revenue refunding bonds in April 2022. KUB will realize a total debt service savings of $1.3 million over the life of the bonds ($0.7 million on a net present value basis).

Long-term debt represented 55.2 percent of the Division's capital structure as of June 30, 2022, as compared to 56.7 percent last year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 1.97. Maximum debt service coverage for future fiscal years is 1.92.

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Knoxville Utilities Board Wastewater Division - Financial Statements

The Division’s financial performance is reported under three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Division reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, wastewater plant in service, intangible, or other assets.

Liabilities are classified as current, other, or long-term debt. Net position is classified as net investment in capital assets, restricted, or unrestricted. Net position tells the user what the Division has done with its accumulated earnings, not just the balance.

Net investment in capital assets reflects the book value of all capital assets and intangible assets, less lease and subscription liabilities and the outstanding balances of debt used to acquire, construct, or improve those assets.

Restricted net position are assets that have been limited to specific uses by the Division’s bond covenants or through resolutions passed by the KUB Board.

Unrestricted net position is a residual classification; the amount remaining after reporting net position is either invested in capital or restricted is reported there.

Statement of Revenues, Expenses and Changes in Net Position

The Division reports its revenues and expenses (both operating and non-operating) on the Statement of Revenues, Expenses and Changes in Net Position. In addition, any capital contributions or assets donated by developers are reported on this statement.

Total revenue less total expense equals the change in net position for the reporting period. Net position at the beginning of the period is increased or decreased, as applicable, by the change in net position for the reporting period.

The change in net position for the reporting period is added to the net position segment of the Statement of Net Position.

Statement of Cash Flows

The Division reports cash flows from operating activities, capital and related financing activities, non-capital and related financing activities, and investing activities on the Statement of Cash Flows. This statement tells the user the Division’s sources and uses of cash during the reporting period.

The statement indicates the Division’s beginning cash balance and ending cash balance and how it was either increased or decreased during the reporting period.

The statement also reconciles cash flow to operating income as it appears on the Statement of Revenues, Expenses and Changes in Net Position.

Condensed Financial Statements

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the Wastewater Division compared to the prior two fiscal years.

Statements of Net Position
As of June 30

(in thousands of dollars)	2023	2022 as restated	2021 as restated
Current, restricted, intangible, and other assets	$ 86,025	$ 90,093	$ 99,378
Capital assets, net	844,254	831,607	809,975
Deferred outflows of resources	21,402	15,166	15,027
Total assets and deferred outflows of resources	951,681	936,866	924,380
Current and other liabilities	34,894	27,182	26,572
Long-term debt outstanding	511,847	518,518	523,665
Deferred inflows of resources	901	7,850	10,429
Total liabilities and deferred inflows of resources	547,642	553,550	560,666
Net position			
Net investment in capital assets	333,082	314,337	289,032
Restricted	3,632	3,660	3,331
Unrestricted	67,325	65,319	71,351
Total net position	$ 404,039	$ 383,316	$ 363,714

Normal Impacts on Statement of Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Net Position presentation:

- Change in net position (from Statement of Revenues, Expenses and Change in Net Position): impacts (increase/decrease) current and other assets and/or capital and intangible assets, and unrestricted net position.
- Issuing debt for capital: increases deferred outflows of resources and long-term debt.
- Spending debt proceeds on new capital: reduces current assets and increases capital assets.
- Spending of non-debt related current assets on new capital: (a) reduces current assets and increases capital assets, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Principal payment on debt: (a) reduces current and other assets and reduces long-term debt, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Reduction of capital assets through depreciation: reduces capital assets and net investment in capital assets.

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2023 Compared to Fiscal Year 2022

Current, restricted, intangible, and other assets decreased $4.1 million or 4.5 percent, primarily due to an $11.2 million decrease in the actuarially determined net pension asset offset by a $7 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments).

Fiscal Year 2022 Compared to Fiscal Year 2021

Current, restricted, intangible, and other assets decreased $9.3 million or 9.3 percent, primarily due to an $8.8 million decrease in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments).

Capital Assets

Fiscal Year 2023 Compared to Fiscal Year 2022

Capital assets increased $12.7 million or 1.5 percent, the result of capital expenditures, net of depreciation. Major capital expenditures during the year included $20.4 million for major system improvements related to Century II. Wastewater system assets of $4.8 million were retired during the fiscal year.

Fiscal Year 2022 Compared to Fiscal Year 2021

Capital assets increased $21.6 million or 2.7 percent, the result of capital expenditures, net of depreciation. Major capital expenditures during the year included $37.7 million for major system improvements related to Century II. Wastewater system assets of $7.3 million were retired during the fiscal year.

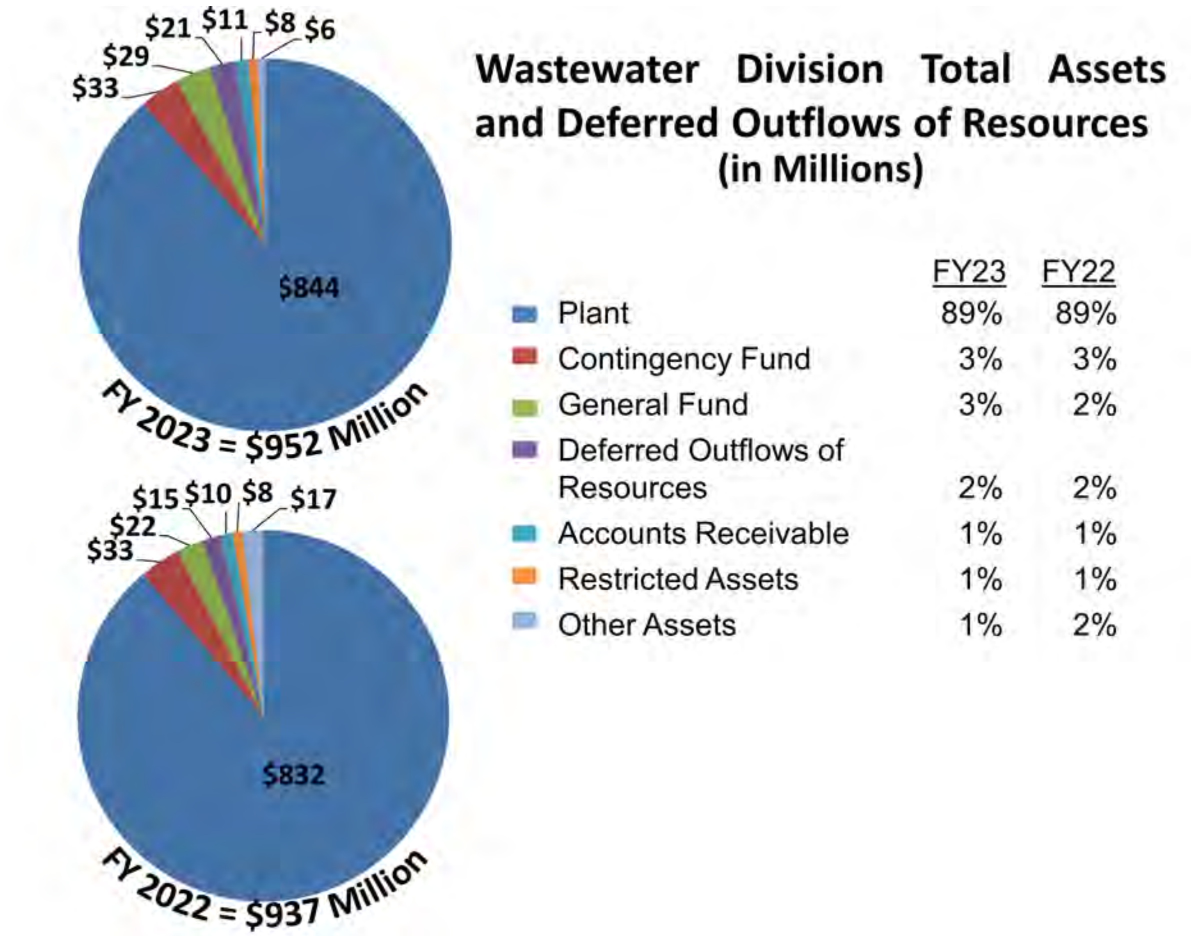
Deferred Outflows of Resources

Fiscal Year 2023 Compared to Fiscal Year 2022

Deferred outflows increased $6.2 million compared to the prior year, due to a $6.9 million increase in pension outflow offset by a $0.7 million decrease in unamortized bond refunding costs.

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred outflows increased $0.1 million compared to the prior year, due to a $0.9 million increase in OPEB outflow and a $0.1 million increase in pension outflow offset by a $0.9 million decrease in unamortized bond refunding costs.



Current and Other Liabilities

Fiscal Year 2023 Compared to Fiscal Year 2022

Current and other liabilities were $7.7 million higher than the prior fiscal year, due to an increase of $3.9 million in the actuarially determined net pension liability and an increase of $3.6 million in accounts payable.

Fiscal Year 2022 Compared to Fiscal Year 2021

Current and other liabilities were $0.6 million higher than the prior fiscal year, due to increases of $2 million in the actuarially determined net OPEB liability and $0.5 million in the current portion of revenue bonds offset by a $2 million decrease in accounts payable.

Long-Term Debt

Fiscal Year 2023 Compared to Fiscal Year 2022

The Division’s outstanding long-term debt decreased $6.7 million or 1.3 percent. This decrease is due to the net impact of the scheduled repayment of debt and $10 million in wastewater system revenue bonds sold in November 2022.

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division’s outstanding long-term debt decreased $5.1 million or one percent. This decrease is due in part to the net impact of the scheduled repayment of debt and $11.1 million in wastewater system revenue bonds sold in April 2022. KUB also sold $23.2 million of wastewater system revenue refunding bonds in April 2022 with a premium of $1.7 million to refund $24.6 million in outstanding debt, resulting in a reduction of principal of $1.4 million.

Deferred Inflows of Resources

Fiscal Year 2023 Compared to Fiscal Year 2022

Deferred inflows of resources were $6.9 million lower than the prior fiscal year, primarily due to a $6.8 million decrease in pension inflow.

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred inflows of resources were $2.6 million lower than the prior fiscal year, due to a $1.7 million decrease in OPEB inflow and a $1.1 million decrease in pension inflow offset by a $0.2 million increase in lease inflow.

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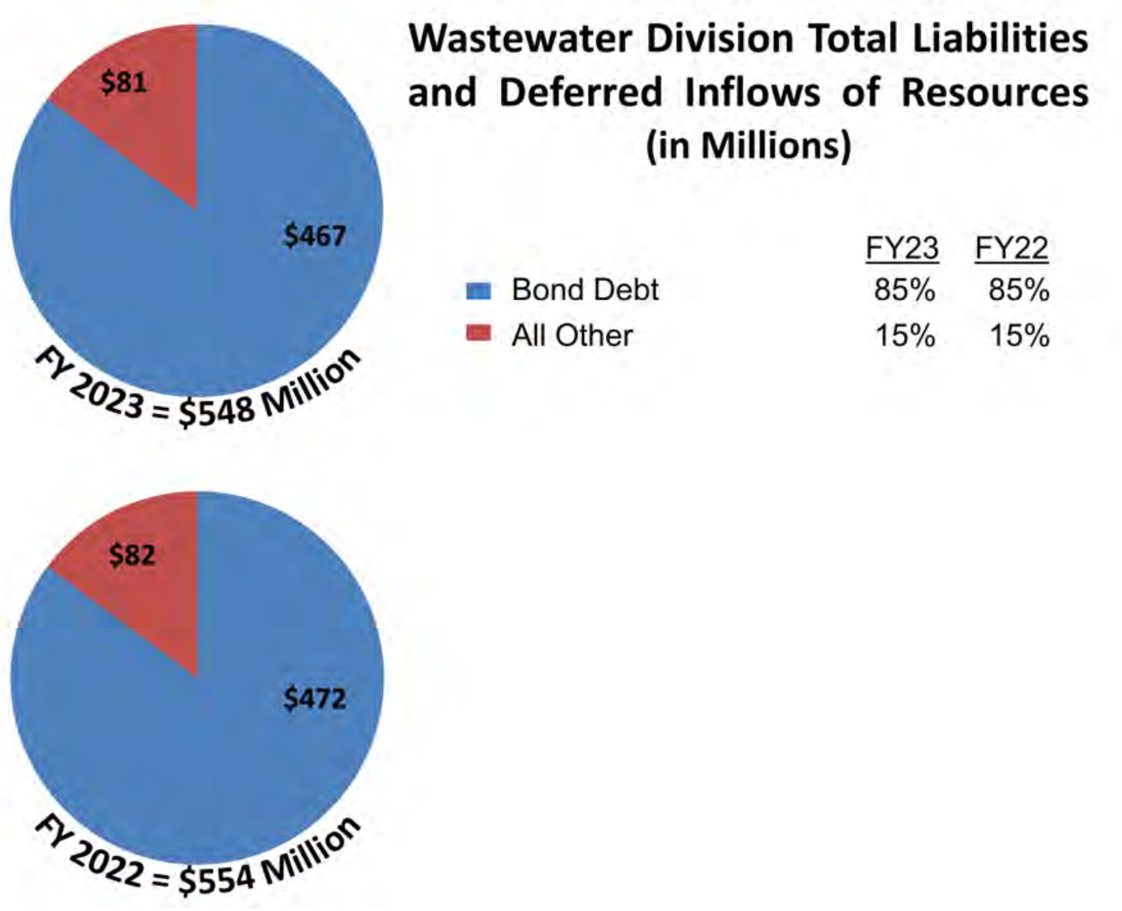

Net Position

Fiscal Year 2023 Compared to Fiscal Year 2022

Net position increased $20.7 million in fiscal year 2023. Net investment in capital assets increased $18.7 million, the result of $12.6 million in net plant additions and a decrease in current portion of revenue bonds and total long-term debt of $4.8 million. Restricted net position was consistent with the previous fiscal year. Unrestricted net position increased $2 million, primarily due to a $7 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) and a $6.9 million increase in pension outflow offset by an $11.2 million decrease in the actuarially determined net pension asset.

Fiscal Year 2022 Compared to Fiscal Year 2021

Net position increased $19.6 million in fiscal year 2022. Net investment in capital assets increased $25.3 million, the result of $21.6 million in net plant additions and a decrease in current portion of revenue bonds and total long-term debt of $4.6 million. Restricted net position was $0.3 million higher than the previous fiscal year, due to an increase in required bond fund reserves. Unrestricted net position decreased $6 million, primarily due to an $8.8 million decrease in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments).

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Position for the Wastewater Division compared to the prior two fiscal years.

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30

(in thousands of dollars)	**2023**	**2022 as restated**	**2021 as restated**
Operating revenues	$ 108,370	$ 102,937	$ 100,361
Operating expenses			
Treatment	15,346	14,515	12,735
Collection	9,757	8,541	8,561
Customer service	3,829	3,966	3,740
Administrative and general	15,843	10,398	9,089
Depreciation and amortization	24,284	21,830	23,034
Taxes and tax equivalents	6,433	6,178	5,844
Total operating expenses	75,492	65,428	63,003
Operating income	32,878	37,509	37,358
Interest income	2,033	297	313
Interest expense	(18,927)	(18,889)	(19,611)
Other income/(expense)	1,603	177	(887)
Change in net position before capital contributions	17,587	19,094	17,173
Capital contributions	3,136	508	643
Change in net position	$ 20,723	$ 19,602	$ 17,816

Normal Impacts on Statement of Revenues, Expenses and Changes in Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Revenues, Expenses and Changes in Net Position presentation:

- Operating revenue is primarily determined by the amount of water usage billed during the fiscal year. KUB has certain commercial and industrial customers whose wastewater usage is metered separately from their water usage. Any change (increase/decrease) in wastewater rates would also cause a change in operating revenue.

- Operating expenses (treatment, collection system expense, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor cost (staffing, wage rates), active employee and retiree health insurance costs, chemicals, and wastewater system maintenance.

- Depreciation and amortization expense is impacted by intangible assets, plant additions, and retirements during the fiscal year.

- Taxes and tax equivalents are impacted by plant additions/retirements and changes in property tax rates.

- Interest income is impacted by the level of interest rates and investments.

- Interest expense is impacted by the level of outstanding debt and interest rates on the outstanding debt.

- Other income/(expense) is impacted by miscellaneous non-operating revenues and expenses.

- Capital contributions are impacted by a donation of facilities/infrastructure to KUB by developers and governmental agencies. The contributions are recognized as revenue and recorded as plant in service based on the fair market value of the asset(s).

Impacts and Analysis

Change in Net Position

Fiscal Year 2023 Compared to Fiscal Year 2022

The Division's Change in Net Position increased $20.7 million in fiscal year 2023. Comparatively, net position increased by $19.6 million in fiscal year 2022.

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's Change in Net Position increased $19.6 million in fiscal year 2022. Comparatively, net position increased by $17.8 million in fiscal year 2021.

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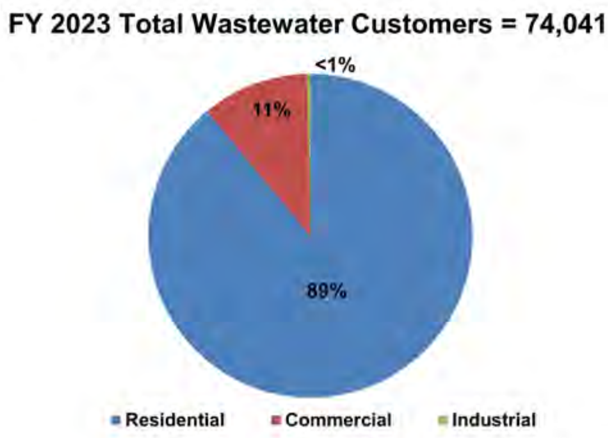
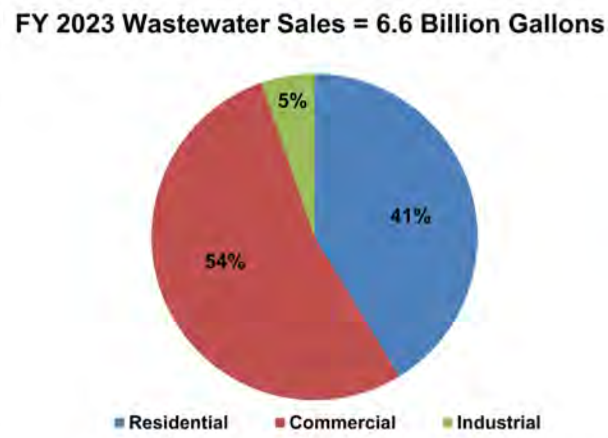
Margin from Sales

Fiscal Year 2023 Compared to Fiscal Year 2022

Operating revenue increased $5.4 million or 5.3 percent for the fiscal year ended June 30, 2023. Billed sales increased $5.8 million, the combined result of an increase in billable customer flows of 2.3 percent and additional revenue from a 4% rate increase effective in July 2022. Rebates on bond interest payments from the federal government for federally taxable Build America Bonds (BABs) are reported as revenue in accordance with GASB. KUB recognized $0.4 million in revenue for BABs rebates in fiscal year 2023.





Residential customers accounted for 89 percent of wastewater customers and 41 percent of total billed sales volumes for the year. Commercial customers accounted for the largest portion of total sales volumes for the year with 54 percent.

KUB's ten largest wastewater customers accounted for 19 percent of KUB's billed wastewater volumes. Those ten customers represent five industrial and five commercial customers, including four governmental customers.

KUB has added 1,795 wastewater customers over the past three years, representing annual growth of less than one percent.

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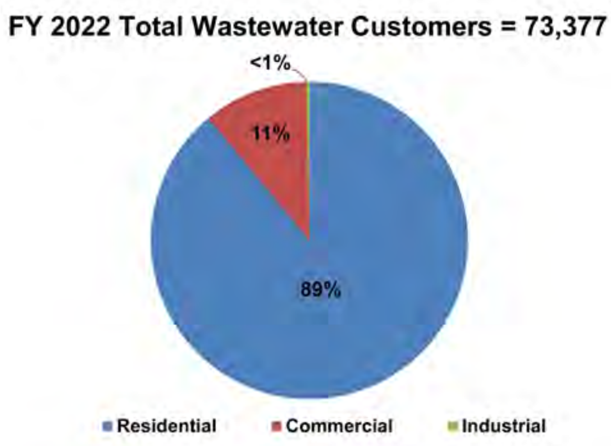
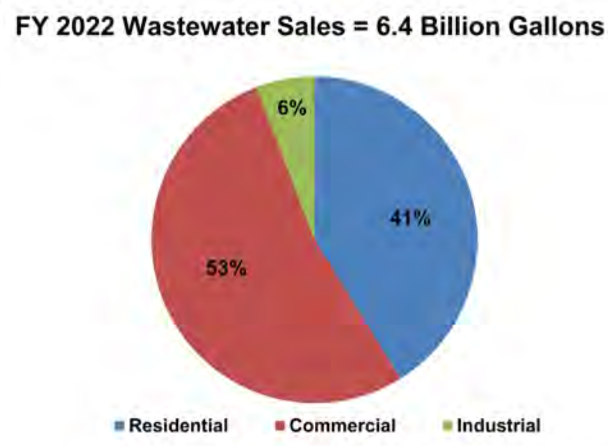
Fiscal Year 2022 Compared to Fiscal Year 2021

Operating revenue increased $2.6 million or 2.6 percent for the fiscal year ended June 30, 2022. Billed sales increased $2.2 million, due to an increase in billable customer flows of 2.2 percent. Rebates on bond interest payments from the federal government for federally taxable Build America Bonds (BABs) are reported as revenue in accordance with GASB. KUB recognized $0.4 million in revenue for BABs rebates in fiscal year 2022.





Residential customers accounted for 89 percent of wastewater customers and 41 percent of total billed sales volumes for the year. Commercial customers accounted for the largest portion of total sales volumes for the year with 53 percent.

KUB's ten largest wastewater customers accounted for 19 percent of KUB's billed wastewater volumes. Those ten customers represent five industrial and five commercial customers, including four governmental customers.

KUB has added 1,570 wastewater customers over the past three years, representing annual growth of less than one percent.

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Operating Expenses

Fiscal Year 2023 Compared to Fiscal Year 2022

Operating expenses increased $10.1 million compared to fiscal year 2022. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, collection, customer service, and administrative and general.

- Treatment expenses increased $0.8 million, primarily due to an increase in chemicals, utility expenses, and labor-related expenses.

- Collection system expenses increased $1.2 million, primarily due to an increase in outside contractor expenses.

- Customer service expenses decreased $0.1 million.

- Administrative and general expenses increased $5.4 million, primarily due to an increase in labor-related expenses, driven by higher pension expenses resulting from investment losses, and outside consultant expenses.

- Depreciation and amortization expense increased $2.5 million or 11.2 percent. KUB added $22.5 million in assets during fiscal year 2023. A partial year of depreciation expense was recorded for these capital investments and a full year of depreciation expense was incurred on $69 million of wastewater system assets placed in service during fiscal year 2022. Wastewater system assets of $4.8 million were retired during the fiscal year.

- Taxes and tax equivalents increased $0.3 million compared to the prior fiscal year, due to increased plant in service levels.

Fiscal Year 2022 Compared to Fiscal Year 2021

Operating expenses increased $2.4 million compared to fiscal year 2021. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, collection, customer service, and administrative and general.

- Treatment expenses increased $1.8 million, primarily due to an increase in chemicals and labor-related expenses.

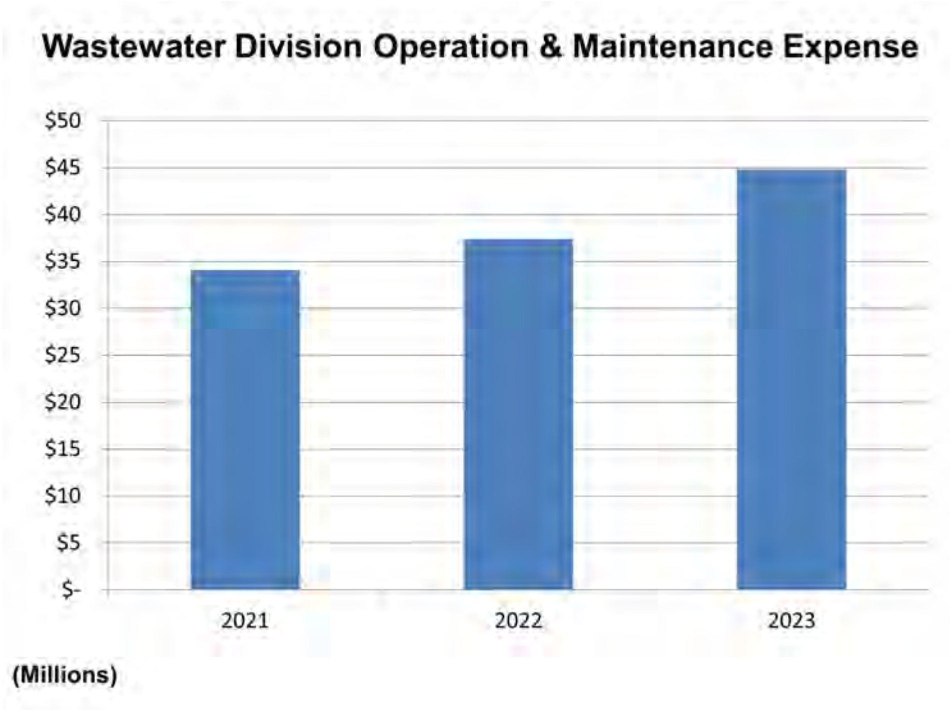
- Collection system expenses were consistent with the prior fiscal year.

- Customer service expenses increased $0.2 million, primarily due to an increase in payment processing fees.

- Administrative and general expenses increased $1.3 million, primarily due to an increase in labor-related expenses, including higher OPEB expenses related to the introduction of the Health Reimbursement Arrangement.

- Depreciation and amortization expense decreased $1.2 million or 5.3 percent. KUB added $69 million in assets during fiscal year 2022. A partial year of depreciation expense was recorded for these capital investments and a full year of depreciation expense was incurred on $55.2 million of wastewater system assets placed in service during fiscal year 2021. Wastewater system assets of $7.3 million were retired during the fiscal year.

- Taxes and tax equivalents increased $0.3 million compared to the prior fiscal year, due to increased plant in service levels.



Other Income and Expense

Fiscal Year 2023 Compared to Fiscal Year 2022

Interest income increased $1.7 million due to rising interest rates throughout the year.

Interest expense was consistent with the prior fiscal year.

Other income (net) was $1.4 million higher than the prior fiscal year, primarily due to mark-to-market adjustments on investments.

Capital contributions increased $2.6 million compared to last fiscal year as a result of an increase in assets received from developers and other governmental entities.

Fiscal Year 2022 Compared to Fiscal Year 2021

Interest income was consistent with the prior fiscal year.

Interest expense was $0.7 million lower than the prior fiscal year, reflecting the net impact of interest expense from new revenue bonds sold during the fiscal year and interest savings from the refunding of outstanding bonds.

Other income (net) was $1.1 million higher than the prior fiscal year, primarily due to an increase in amortization of premiums.

Capital contributions decreased $0.1 million compared to last fiscal year as a result of a decrease in assets received from developers and other governmental entities.

Capital Assets

Capital Assets
As of June 30
(Net of Depreciation)

(in thousands of dollars)	2023	2022	2021
Pumping & Treatment Plant	$ 202,039	$ 204,307	$ 167,117
Collection Plant			
Mains and Metering	510,111	506,844	495,404
Other Accounts	59,483	61,013	62,399
Total Collection Plant	569,594	567,857	557,803
Total General Plant	13,560	15,252	15,590
Total Wastewater Plant	$ 785,193	$ 787,416	$ 740,510
Work In Progress	59,061	44,191	69,465
Total Net Plant	$ 844,254	$ 831,607	$ 809,975

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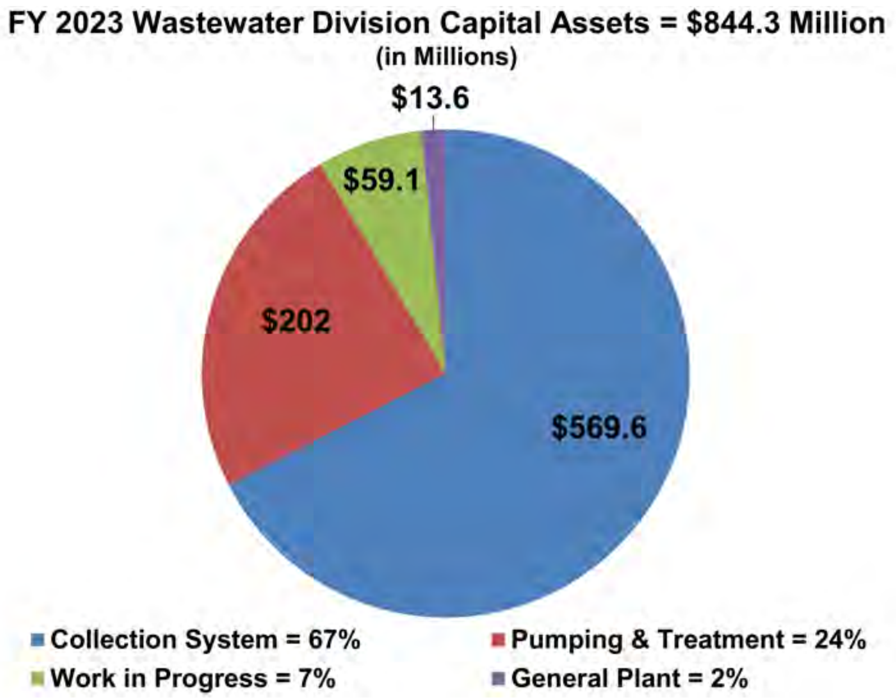
Fiscal Year 2023 Compared to Fiscal Year 2022

As of June 30, 2023, the Division had $844.3 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $12.7 million or 1.5 percent over the end of the last fiscal year.



Major capital asset expenditures during the year were as follows:

- $20.4 million related to Century II projects
  - $8.2 million for pump station construction and improvements
  - $5.9 million for sewer mini-basin rehabilitation and replacement
  - $5.1 million for wastewater treatment plant upgrades
  - $1.2 million for short line projects

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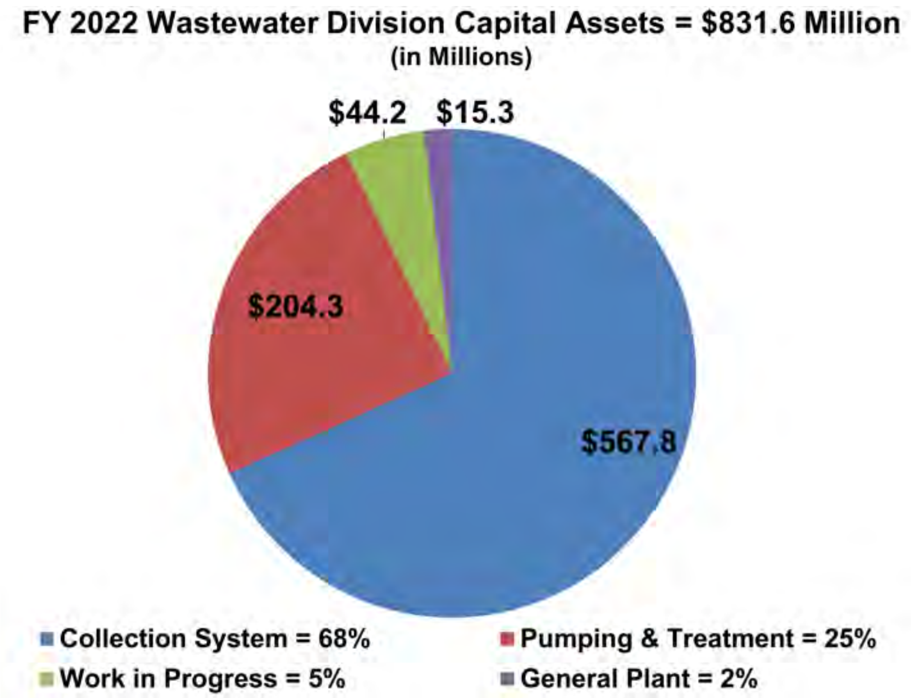
Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $831.6 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $21.6 million or 2.7 percent over the end of the last fiscal year.



Major capital asset expenditures during the year were as follows:

- $37.7 million related to Century II projects
  - $19.7 million for wastewater treatment plant upgrades
  - $8.1 million for pump station construction and improvements
  - $4.1 million for sewer mini-basin rehabilitation and replacement
  - $3.8 million for short line projects
  - $2 million for sewer trunk line rehabilitation and replacement

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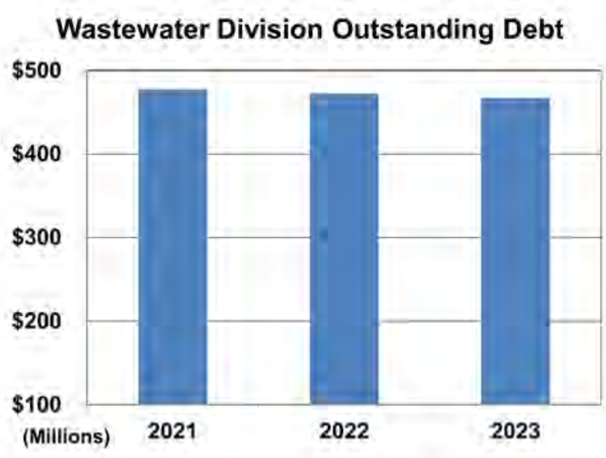
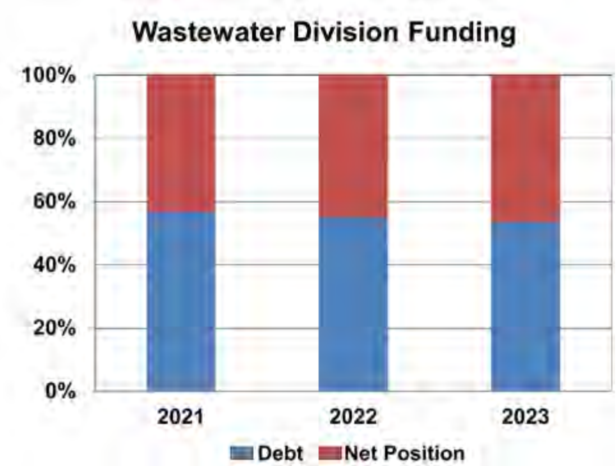
Debt Administration

As of June 30, 2023, the Wastewater Division had $467.3 million in outstanding wastewater system bonds. The bonds are secured solely by revenues of the Wastewater Division. Debt as a percentage of the Division's capital structure was 53.6 percent in 2023, 55.2 percent in 2022, and 56.7 percent in 2021. KUB's Debt Management Policy limits the Division's debt ratio to 60 percent or less.

Outstanding Debt
As of June 30

(in thousands of dollars)	2023	2022	2021
Revenue bonds	$ 467,345	$ 472,110	$ 476,660
Total outstanding debt	$ 467,345	$ 472,110	$ 476,660





The Division will pay $166.4 million in principal payments over the next ten years, representing 35.6 percent of the outstanding bonds. KUB's Debt Management Policy requires a minimum of 30 percent of wastewater debt principal be repaid over the next ten years.

Fiscal Year 2023 Compared to Fiscal Year 2022

As of June 30, 2023, the Division had $467.3 million in outstanding debt (including the current portion of revenue bonds), representing a decrease of $4.8 million. As of June 30, 2023, the Division's weighted average cost of debt was 3.98 percent (3.89 percent including the impact of Build America Bonds rebates).

KUB sold $10 million in wastewater system revenue bonds in November 2022 for the purpose of funding wastewater system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.08 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2052.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2023, the Division's revenue bonds were rated AA+ by Standard & Poor's and Aa2 by Moody's Investors Service.

Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $472.1 million in outstanding debt (including the current portion of revenue bonds), representing a decrease of $4.6 million. As of June 30, 2022, the Division's weighted average cost of debt was 3.99 percent (3.91 percent including the impact of Build America Bonds rebates).

KUB sold $11.1 million in wastewater system revenue bonds in April 2022 for the purpose of funding wastewater system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 3.4 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2051.

KUB sold $23.2 million in wastewater system revenue refunding bonds in April 2022 for the purpose of refinancing existing wastewater system revenue bonds. KUB will realize a total debt service savings of $1.3 million over the life of the bonds ($0.7 million on a net present value basis). The true interest cost of the bonds, which were sold through a competitive bidding process, was 3.69 percent. The bonds have a final maturity in fiscal year 2050.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2022, the Division's revenue bonds were rated AA+ by Standard & Poor's and Aa2 by Moody's Investors Service.

Impacts on Future Financial Position

KUB anticipates adding 450 wastewater customers in fiscal year 2024.

In May 2023, the Board approved the issuance of wastewater system revenue bonds not to exceed $10 million for the purpose of funding wastewater system capital improvements. The bonds will be sold through a competitive bidding process during fiscal year 2024.

KUB long-term debt includes $20.3 million of Wastewater Division 2010 Build America Bonds (BABs). The BABs were sold on a taxable basis with the United States Treasury providing a rebate to KUB for a percentage of the interest cost. The interest rebates were subject to federal sequestration during the fiscal year and were reduced by 5.7 percent. Any future actions by Congress may also affect the anticipated rebates for future fiscal years.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of $1,108,147 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Wastewater Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2023, measurement date. Subsequent to June 30, 2023, an actuarial valuation was completed and resulted in an actuarially determined contribution of $2,210,234 for the fiscal year ending June 30, 2025, based on the Plan's current funding policy. The Wastewater Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2024, measurement date. For the Plan year beginning January 1, 2023, the Plan's actuarial funded ratio is 106.88 percent, and the market value funded ratio is 91.43 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of $1,187,768 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Wastewater Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2024, measurement date. Subsequent to June 30, 2023, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,279,985 for the fiscal year ending June 30, 2025, based on the Plan's current funding policy. The Wastewater Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2025, measurement date. The Plan's actuarial funded ratio is 92.14 percent, and the market value funded ratio is 79.62 percent.

GASB Statement No. 99, *Omnibus 2022*, Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023. GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB No. 62,* is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 101, *Compensated Absences,* is effective for fiscal years beginning after December 15, 2023. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2023.

Financial Contact

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 2023, and 2022. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board Wastewater Division
Statements of Net Position
June 30, 2023 and 2022

		2023		2022 as restated
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and cash equivalents	$	28,476,696	$	21,570,632
Short-term contingency fund investments		21,164,426		4,767,510
Other current assets		3,425		3,302
Accrued interest receivable		37,873		9,970
Accounts receivable, less allowance of uncollectible accounts of $94,941 in 2023 and $94,507 in 2022		10,488,971		10,318,162
Current portion of lease receivable		109,142		106,030
Inventories		463,830		461,030
Prepaid expenses		90,629		97,217
Total current assets		60,834,992		37,333,853
Restricted assets:				
Wastewater bond fund		8,280,059		8,217,373
Other funds		319		333
Total restricted assets		8,280,378		8,217,706
Wastewater plant in service		1,054,989,747		1,037,255,256
Less accumulated depreciation		(269,797,310)		(249,838,970)
		785,192,437		787,416,286
Retirement in progress		62,393		89,834
Construction in progress		58,998,788		44,100,572
Net plant in service		844,253,618		831,606,692
Intangible assets:				
Intangible right of use asset		110,675		150,339
Intangible subscription asset		63,455		44,149
Less accumulated amortization		(63,572)		(60,151)
Net intangible assets		110,558		134,337
Other assets:				
Net pension asset		-		11,178,104
Long-term contingency fund investments		11,906,581		28,238,588
Long-term lease receivable		768,063		831,212
Other		4,124,763		4,159,080
Total other assets		16,799,407		44,406,984
Total assets		930,278,953		921,699,572
Deferred outflows of resources:				
Pension outflow		8,846,851		1,901,225
OPEB outflow		983,423		944,518
Unamortized bond refunding costs		11,571,363		12,320,391
Total deferred outflows of resources		21,401,637		15,166,134
Total assets and deferred outflows of resources	$	951,680,590	$	936,865,706

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Wastewater Division
Statements of Net Position
June 30, 2023 and 2022

	2023	2022 as restated
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 14,525,000	$ 14,760,000
Current portion of lease liability	19,925	38,549
Current portion of subscription liability	19,084	18,250
Accounts payable	5,224,583	1,595,166
Accrued expenses	765,153	657,303
Customer deposits plus accrued interest	1,052,473	1,005,945
Accrued interest on revenue bonds	4,648,709	4,557,614
Total current liabilities	26,254,927	22,632,827
Other liabilities:		
Accrued compensated absences	1,901,091	1,980,907
Customer advances for construction	447,191	391,566
Lease liability	62,039	66,297
Subscription liability	6,077	11,627
Net pension liability	3,886,193	-
Net OPEB liability	2,321,053	2,031,015
Other	14,852	66,773
Total other liabilities	8,638,496	4,548,185
Long-term debt:		
Wastewater revenue bonds	452,820,000	457,350,000
Unamortized premiums/discounts	59,027,339	61,168,494
Total long-term debt	511,847,339	518,518,494
Total liabilities	546,740,762	545,699,506
Deferred inflows of resources:		
Pension inflow	51,885	6,889,994
OPEB inflow	9,246	38,804
Lease inflow	839,534	921,521
Total deferred inflows of resources	900,665	7,850,319
Total liabilities and deferred inflows of resources	547,641,427	553,549,825
Net position		
Net investment in capital assets	333,081,961	314,336,681
Restricted for:		
Debt service	3,631,350	3,659,759
Other	319	333
Unrestricted	67,325,533	65,319,108
Total net position	404,039,163	383,315,881
Total liabilities, deferred inflows, and net position	$ 951,680,590	$ 936,865,706

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Wastewater Division
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022 as restated
Operating revenues	$ 108,369,907	$ 102,936,574
Operating expenses		
Treatment	15,346,345	14,514,989
Collection	9,757,379	8,540,457
Customer service	3,828,662	3,966,357
Administrative and general	15,842,419	10,397,670
Depreciation and amortization	24,284,005	21,829,529
Taxes and tax equivalents	6,432,852	6,178,208
Total operating expenses	75,491,662	65,427,210
Operating income	32,878,245	37,509,364
Non-operating revenues (expenses)		
Contributions in aid of construction	839,280	607,239
Interest income	2,032,743	297,132
Interest expense	(18,927,383)	(18,889,489)
Amortization of debt costs	1,549,688	1,466,762
Write-down of plant for costs recovered through contributions	(839,280)	(607,239)
Other	53,619	(1,289,538)
Total non-operating revenues (expenses)	(15,291,333)	(18,415,133)
Change in net position before capital contributions	17,586,912	19,094,231
Capital contributions	3,136,370	507,609
Change in net position	20,723,282	19,601,840
Net position, beginning of year	383,315,881	363,714,041
Net position, end of year	$ 404,039,163	$ 383,315,881

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Wastewater Division
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 107,223,521	$ 101,923,756
Cash (payments) receipts from other operations	(352,175)	192,202
Cash payments to suppliers of goods or services	(25,523,945)	(28,389,925)
Cash payments to employees for services	(13,450,087)	(12,853,387)
Payment in lieu of taxes	(5,383,684)	(5,127,318)
Net cash provided by operating activities	62,513,630	55,745,328
Cash flows from capital and related financing activities:		
Net proceeds from bond issuance	10,159,529	12,007,368
Principal paid on revenue bonds	(14,760,000)	(14,275,000)
Interest paid on revenue bonds	(18,831,342)	(18,658,805)
Acquisition and construction of wastewater plant	(34,963,633)	(43,928,518)
Changes in wastewater bond fund, restricted	(62,686)	(551,847)
Customer advances for construction	60,225	60,639
Principal paid on lease liabilities	(45,504)	(96,589)
Principal paid on subscription liabilities	(18,250)	(14,090)
Interest paid on lease and subscription liabilities	(4,946)	(7,700)
Cash received from developers and individuals for capital purposes	839,280	607,239
Net cash used in capital and related financing activities	(57,627,327)	(64,857,303)
Cash flows from investing activities:		
Purchase of investment securities	(4,803,792)	(29,080,503)
Maturities of investment securities	4,800,000	29,117,814
Interest received	1,971,486	264,863
Other property and investments	52,067	634
Net cash provided by investing activities	2,019,761	302,808
Net increase (decrease) in cash and cash equivalents	6,906,064	(8,809,167)
Cash and cash equivalents, beginning of year	21,570,632	30,379,799
Cash and cash equivalents, end of year	$ 28,476,696	$ 21,570,632
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 32,878,245	$ 37,509,364
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	24,642,688	22,219,427
Changes in operating assets and liabilities:		
Accounts receivable	(170,809)	(40,050)
Lease receivable	60,037	(219,374)
Inventories	(2,800)	35,509
Prepaid expenses	6,588	(27,953)
Other assets	27,237	14,743
Accounts payable and accrued expenses	5,077,837	(3,879,580)
Customer deposits plus accrued interest	46,528	125,146
Other liabilities	(51,921)	8,096
Net cash provided by operating activities	$ 62,513,630	$ 55,745,328
Noncash capital activities:		
Acquisition of plant assets through developer contributions	$ 3,136,370	$ 507,609
Record intangible right of use asset and lease liability	$ 24,084	$ 97,846
Record intangible subscription asset and subscription liability	$ 13,534	$ 43,967

The accompanying notes are an integral part of these financial statements.

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Wastewater Division (Division) provides services to certain customers in Knox County and in two surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Wastewater Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2023, and 2022, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. Significant Accounting Policies

Basis of Accounting

In conformity with Generally Accepted Accounting Principles (GAAP), KUB follows the provisions of GASB Statement No. 34 (Statement No. 34), *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as amended by GASB Statement No. 63 (Statement No. 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* Statement No. 34 established standards for external financial reporting for all state and local governmental entities. Under Statement No. 63, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and report *net position* instead of net assets. In addition, KUB follows GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* as it relates to certain items for regulatory accounting. Regulatory accounting allows a regulated utility to defer a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that through the rate making process, there will be a corresponding increase or decrease in future revenues. Accordingly, KUB has recognized certain regulatory assets and regulatory liabilities in the accompanying Statements of Net Position.

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The accounting and financial reporting treatment applied to the Division is determined by measurement focus. The transactions of the Division are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted for capital activity and debt service, and unrestricted components.

Recently Adopted New Accounting Pronouncements

In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In May 2020, the GASB issued GASB Statement No. 96 (Statement No. 96), *Subscription-Based Information Technology Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Statement No. 96 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement is reflected on KUB's financial statements.

Wastewater Plant

Wastewater plant and other property are stated on the basis of original cost. The cost of current repairs and minor replacements is charged to operating expense. The cost of renewals and improvements is capitalized. The original cost of utility plant assets retired or otherwise disposed of and the cost of removal less salvage value is charged to accumulated depreciation. When other property is retired, the related asset and accumulated depreciation are removed from the accounts, and the gain or loss is included in the results of operations.

The provision for depreciation of wastewater plant in service is based on the estimated useful lives of the assets, which range from three to fifty years, and is computed using the straight-line method. Pursuant to NARUC, the caption "Depreciation and amortization" in the Statements of Revenue, Expenses and Change in Net Position does not include depreciation for transportation equipment of $358,683 in fiscal year 2023 and $389,897 in fiscal year 2022.

Operating Revenue

Operating revenue consists primarily of charges for services provided by the principal operations of the KUB Wastewater Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of $266,428 in fiscal year 2023 and $231,361 in fiscal year 2022.

Non-operating Revenue

Non-operating revenue consists of revenues that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Expense

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is KUB's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets, net position-restricted, and net position-unrestricted.

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease and subscription liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Net position-restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- Net position-unrestricted – This component of net position consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Contributions in Aid of Construction and Capital Contributions

Contributions in aid of construction are cash collections from customers, grantors, or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

Capital contributions represent contributions of utility plant infrastructure constructed by developers and others in industrial parks and other developments and transferred to KUB upon completion of construction and the initiation of utility service. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, such contributions are recognized as revenues and capital assets upon receipt.

Inventories

Inventories, consisting of plant materials and operating supplies, are valued at the lower of average cost or replacement value.

OPEB Trust

KUB's OPEB Trust was established by KUB's Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. Effective January 1, 2022, the Plan was expanded to include two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a June 30, 2023, and 2022, measurement date, respectively. The net OPEB liability is $12,930,655

(Division’s share $2,321,053) as of June 30, 2023, and $11,202,507 (Division’s share $2,031,015) as of June 30, 2022.

Pension Plan and Qualified Excess Benefit Arrangement

KUB’s employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 12). KUB’s policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan’s fiduciary net position. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB’s measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. The net pension liability is $22,219,032 (Division’s share $3,886,193) as of June 30, 2023, and the net pension asset is $64,137,714 (Division’s share $11,178,104) as of June 30, 2022.

KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single-employer defined benefit pension plan administered by KUB (Note 13). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2023, and 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB’s measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2023, and 2022.

Investments

Investments are carried at fair value as determined by quoted market prices at the reporting date.

Self-Insurance

KUB has established self-insurance programs covering portions of workers' compensation, employee health, environmental liability, general liability, property and casualty liability, and automobile liability claims. A liability is accrued for claims as they are incurred. When applicable, claims in excess of the self-insured risk are covered by KUB's insurance carrier. Additionally, KUB provides certain lifetime health benefits to eligible retired employees under a self-insurance plan administered by a third party.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and various other assumptions that KUB believes are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments routinely require adjustment. Estimates are used for, but not limited to, inventory valuation, allowance for uncollectible accounts, depreciable lives of plant assets, unbilled revenue volumes, pension trust valuations, OPEB trust valuations, insurance liability reserves, and potential losses from contingencies and litigation. Actual results could differ from those estimates.

Restricted and Designated Assets

Certain assets are restricted by bond resolutions for utility plant construction and debt repayment. Certain additional assets are designated by management for contingency purposes and economic development.

Cash Equivalents

For purposes of the Statements of Cash Flows, KUB considers all unrestricted and undesignated highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the non-cancelable period of the lease plus an additional period covered by either an option to extend or not to terminate the lease that the lessee is reasonably certain to exercise, or an option to extend or not to terminate the lease controlled by the lessor. KUB uses its estimated incremental borrowing rate as the discount rate for leases.

KUB monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the intangible right of use asset.

Subscription-Based Information Technology Arrangements

KUB determines if an arrangement is or contains a subscription-based information technology arrangement (subscription) at contract inception and recognizes an intangible subscription asset and a subscription liability at the commencement date. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. The subscription term includes the non-cancelable period of the subscription plus an additional period covered by either an option to extend or not to terminate the subscription that KUB is reasonably certain to exercise, or an option to extend or not to terminate the subscription controlled by the vendor. KUB uses its estimated incremental borrowing rate as the discount rate for subscriptions.

KUB monitors for events or changes in circumstances that require a reassessment of its subscriptions. When a reassessment results in the remeasurement of a subscription liability, a corresponding adjustment is made to the carrying amount of the subscription asset.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. Deferred inflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Deferred outflows of resources also include employer pension contributions made subsequent to the measurement date of the net pension liability and before the end of the employer's reporting period in accordance with Statement No. 71. Deferred inflows and deferred outflows also include the net difference between projected and actual earnings on pension plan investments and OPEB plan investments, differences between expected and actual experience, and changes in assumptions in accordance with Statements No. 68, 73, and 75. Deferred inflows are also recorded at the commencement of the lease term and recognized as revenue over the course of the lease in accordance with Statement No. 87.

Debt Premium/Discount

KUB records unamortized premium and discount on debt as a separate line item in the Long-Term Debt section of the Financial Statements. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Debt Issuance Costs

In accordance with regulatory accounting, KUB records debt issuance costs as an Other Asset. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Deferred Gain/Loss on Refunding of Debt

KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Compensated Absences

KUB accrues a liability for earned but unpaid paid time off (PTO) days.

Restatement for GASB 96

During fiscal year 2023, KUB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) using a full retrospective approach. GASB 96 requires the recognition of an intangible subscription asset and a subscription liability, thereby enhancing the relevance and reliability of information regarding subscription activities. Accordingly, the accompanying financial statements, as of and for the year ended June 30, 2022, have been restated for the change, which did not have an impact on the net position.

As a result of adopting GASB 96, as of June 30, 2022, KUB's Wastewater Division recorded total subscription assets of $44,149 with accumulated amortization of $14,272 and recognized total subscription liabilities of $29,877 ($18,250 current). KUB's Wastewater Division also reclassified $15,509 from administrative and general expense to $14,272 as amortization expense and $1,237 as interest expense.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 96.

Subsequent Events

KUB has evaluated events and transactions through October 31, 2023, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Recently Issued Accounting Pronouncements

In April 2022, the GASB issued GASB Statement No. 99 (Statement No. 99), *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. Paragraphs 26-32 were effective immediately. Paragraphs 11-25 are effective for fiscal years beginning after June 15, 2022. Paragraphs 4-10 are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued GASB Statement No. 100 (Statement No. 100), *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.* The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 is effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued GASB Statement No. 101 (Statement No. 101), *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023.

KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

3. Deposits and Investments

KUB follows the provisions of Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. This Statement establishes and modifies disclosure requirements for state and local governments related to deposit and investment risks. KUB classifies its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*.

KUB's investment policy provides the framework for the administration and investment of cash deposits. The investment policy follows Tennessee State law and defines the parameters under which KUB funds should be invested. State law authorizes KUB to invest in obligations of the United States Treasury, its agencies and instrumentalities; certificates of deposit; repurchase agreements; money market funds; and the State Treasurer's Investment Pool.

Interest Rate Risk. KUB's primary investment objectives are to place investments in a manner to ensure the preservation of capital, remain sufficiently liquid to meet all operating requirements, and maximize yield of return. KUB minimizes its exposure to interest rate risk by adhering to Tennessee State law requirements for the investment of public funds. This includes limiting investments to those types described above and limiting maturity horizons. The maximum maturity is four years from the date of investment. KUB also limits its exposure by holding investments to maturity unless cash flow requirements dictate otherwise.

Credit Risk. KUB's investment policy, as required by state law, is to apply the prudent-person rule: Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived, as well as the probable safety of their capital.

Custodial Credit Risk. KUB's investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in KUB's name by a third-party custodian bank(s) acting as KUB's agent(s), or through the State of Tennessee's collateral pool. Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of KUB's investments is generally held in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is a part of the State Pooled Investment Fund and is sponsored by the State of Tennessee Treasury Department. Tennessee Code Annotated ¶9-4-701 *et seq*. authorizes local governments to invest in the LGIP. None of KUB's investments are exposed to custodial credit risk.

Classification of deposits and investments per Statement of Net Position:

		2023		2022
Current assets				
Cash and cash equivalents	$	28,476,696	$	21,570,632
Short-term contingency fund investments		21,164,359		4,767,497
Other assets				
Long-term contingency fund investments		11,799,978		28,165,339
Restricted assets				
Wastewater bond fund		8,280,059		8,217,373
Other funds		319		333
	$	69,721,411	$	62,721,174

The above amounts do not include accrued interest of $106,670 in fiscal year 2023 and $73,262 in fiscal year 2022. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's deposits and investments as held by financial institutions as of June 30, 2023:

	Deposit and Investment Maturities (in Years)					
		Fair Value		Less Than 1		1-5
Supersweep NOW and Other Deposits	$	29,479,474	$	29,479,474	$	-
State Treasurer's Investment Pool		8,296,034		8,296,034		-
Agency Bonds		32,948,264		21,148,286		11,799,978
Certificates of Deposits		-		-		-
	$	70,723,772	$	58,923,794	$	11,799,978

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. 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.

The Division has the following recurring fair value measurements as of June 30, 2023:

- U.S. Agency bonds of $11,799,978, which have a maturity at purchase of greater than one year, are valued using quoted market prices (Level 1 inputs)

KUB measures investments with a maturity at purchase of one year or less at amortized cost, which is considered a fair value equivalent due to their nature. Investments in the State Treasurer's Investment Pool are measured at net asset value (NAV) per share.

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4. Accounts Receivable

Accounts receivable consists of the following:

	2023	2022
Wholesale and retail customers		
Billed services	$ 5,808,453	$ 5,527,989
Unbilled services	4,329,083	4,486,545
Other	446,376	398,135
Allowance for uncollectible accounts	(94,941)	(94,507)
	$ 10,488,971	$ 10,318,162

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2023	2022
Trade accounts	$ 5,224,583	$ 1,595,166
Salaries and wages	221,578	161,815
Self-insurance liabilities	543,575	495,488
	$ 5,989,736	$ 2,252,469

6. Long-Term Obligations

Long-term debt consists of the following:

	Balance June 30, 2022	Additions	Payments	Defeased	Balance June 30, 2023	Amounts Due Within One Year
Wastewater						
2010C - 1.18 - 6.1%	$ 20,250,000	$ -	$ -	$ -	$ 20,250,000	$ -
2015A - 3.0 - 5.0%	104,950,000	-	6,005,000	-	98,945,000	3,720,000
2015B - 3.0 - 5.0%	1,800,000	-	575,000	-	1,225,000	600,000
2016 - 2.0 - 5.0%	17,300,000	-	525,000	-	16,775,000	550,000
2017A - 3.0 - 5.0%	4,285,000	-	1,775,000	-	2,510,000	595,000
2017B - 2.0 - 5.0%	22,635,000	-	600,000	-	22,035,000	630,000
2018 - 3.0 - 5.0%	10,985,000	-	270,000	-	10,715,000	280,000
2019 - 3.0 - 5.0%	15,135,000	-	330,000	-	14,805,000	345,000
2020A - 3.0 - 5.0%	26,765,000	-	715,000	-	26,050,000	750,000
2020B - 3.0 - 4.0%	26,355,000	-	580,000	-	25,775,000	600,000
2021A - 4.0 - 5.0%	187,325,000	-	3,060,000	-	184,265,000	6,085,000
2022A - 4.0 - 5.0%	11,125,000	-	225,000	-	10,900,000	200,000
2022B - 4.0 - 5.0%	23,200,000	-	100,000	-	23,100,000	-
2022C - 4.0 - 5.0%	-	9,995,000	-		9,995,000	170,000
Total bonds	$ 472,110,000	$ 9,995,000	$ 14,760,000	$ -	$ 467,345,000	$ 14,525,000
Unamortized Premium	61,168,494	351,129	2,492,284	-	59,027,339	-
Total long term debt	$ 533,278,494	$ 10,346,129	$ 17,252,284	$ -	$ 526,372,339	$ 14,525,000

		Balance June 30, 2021		Additions		Payments		Defeased		Balance June 30, 2022		Amounts Due Within One Year
Wastewater												
2010C - 1.18 - 6.1%	$	20,250,000	$	-	$	-	$	-	$	20,250,000	$	-
2015A - 3.0 - 5.0%		110,625,000		-		5,675,000		-		104,950,000		6,005,000
2015B - 3.0 - 5.0%		26,950,000		-		550,000		24,600,000		1,800,000		575,000
2016 - 2.0 - 5.0%		17,800,000		-		500,000		-		17,300,000		525,000
2017A - 3.0 - 5.0%		5,970,000		-		1,685,000		-		4,285,000		1,775,000
2017B - 2.0 - 5.0%		23,205,000		-		570,000		-		22,635,000		600,000
2018 - 3.0 - 5.0%		11,240,000		-		255,000		-		10,985,000		270,000
2019 - 3.0 - 5.0%		15,450,000		-		315,000		-		15,135,000		330,000
2020A - 3.0 - 5.0%		27,445,000		-		680,000		-		26,765,000		715,000
2020B - 3.0 - 4.0%		26,910,000		-		555,000		-		26,355,000		580,000
2021A - 4.0 - 5.0%		190,815,000		-		3,490,000		-		187,325,000		3,060,000
2022A - 4.0 - 5.0%		-		11,125,000		-		-		11,125,000		225,000
2022B - 4.0 - 5.0%		-		23,200,000		-		-		23,200,000		100,000
Total bonds	$	476,660,000	$	34,325,000	$	14,275,000	$	24,600,000	$	472,110,000	$	14,760,000
Unamortized Premium		61,280,352		2,748,402		2,410,559		449,701		61,168,494		-
Total long term debt	$	537,940,352	$	37,073,402	$	16,685,559	$	25,049,701	$	533,278,494	$	14,760,000

Debt service over remaining term of the debt is as follows:

Fiscal Year			Principal		Total Interest		Grand Total
2024		$	14,525,000	$	18,594,837	$	33,119,837
2025			14,855,000		18,041,536		32,896,536
2026			14,800,000		17,487,189		32,287,189
2027			15,255,000		16,902,724		32,157,724
2028			15,910,000		16,221,426		32,131,426
2029-2033			91,020,000		69,693,117		160,713,117
2034-2038			114,505,000		49,496,138		164,001,138
2039-2043			120,115,000		24,568,221		144,683,221
2044-2048			54,325,000		7,723,464		62,048,464
2049-2052			12,035,000		773,319		12,808,319
	Total	$	467,345,000	$	239,501,971	$	706,846,971

The Division has pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet bond principal and interest payments when due. The bond covenants relating to the Wastewater Revenue Bonds require the establishment of a Wastewater Bond Fund for the payment of principal and interest requirements. As of June 30, 2023, those bond covenants had been satisfied.

During fiscal year 2011, KUB's Wastewater Division issued Series 2010C bonds to fund wastewater system capital improvements. These bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment. These bonds are subject to a reduction in rebate payment amounts which is subject to change based on Congressional action. As of October 1, 2021, the effective reduction in rebate is 5.7 percent.

During fiscal year 2022, KUB's Wastewater Division issued Series 2022A bonds to fund wastewater system capital improvements. KUB's Wastewater Division also issued Series 2022B bonds to retire a portion of outstanding Series 2015B bonds. On May 13, 2022, $23.2 million in revenue refunding bonds with an average interest rate of 4.2 percent were issued to currently refund $24.6 million of outstanding bonds with an average interest rate of 4 percent. The net proceeds of $24.7 million (after payment of $0.3 million in issuance costs plus premium of $1.7 million and an additional issuer equity contribution of $0.1 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the life of the bonds by $1.3 million, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $0.7 million.

During fiscal year 2023, KUB's Wastewater Division issued Series 2022C bonds to fund wastewater system capital improvements.

Other liabilities consist of the following:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Accrued compensated absences	$ 1,980,907	$ 4,034,415	$ (4,114,231)	$ 1,901,091
Customer advances for construction	391,566	110,225	(54,600)	447,191
Other	66,773	11,294	(63,216)	14,851
	$ 2,439,246	$ 4,155,934	$ (4,232,047)	$ 2,363,133

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Accrued compensated absences	$ 1,965,640	$ 4,374,798	$ (4,359,531)	$ 1,980,907
Customer advances for construction	330,927	62,639	(2,000)	391,566
Other	58,677	111,878	(103,782)	66,773
	$ 2,355,244	$ 4,549,315	$ (4,465,313)	$ 2,439,246

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7. Lease Receivables

KUB, as lessor, leases office space under non-cancelable lease arrangements. Terms of the leases range from one to ten years and contain fixed payment terms. Certain leases contain an option to renew that has been considered in the lease receivable when the lessee is reasonably certain to exercise the renewal option. KUB recognized lease revenue, which is included in other operating revenues, of $124,651 in 2023 and $91,172 in 2022. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $30,409 in 2023 and $25,965 in 2022. Total lease receivables were $877,205 ($109,142 current) and $937,242 ($106,030 current) as of June 30, 2023, and 2022, respectively, and are included in other assets on the Statement of Net Position.

8. Lease Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total lease liabilities	$ 104,846	$ 24,084	$ (46,966)	$ 81,964
Less current portion	(38,549)			(19,925)
Long-term portion	$ 66,297			$ 62,039

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total lease liabilities	$ 103,589	$ 84,963	$ (83,706)	$ 104,846
Less current portion	(82,982)			(38,549)
Long-term portion	$ 20,607			$ 66,297

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to twenty years and contain fixed payment terms. Certain office space leases contain the option for renewal, which has been considered in the lease liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2023, are summarized as follows:

	Lease Maturities	Interest Requirements
2024	$ 19,926	$ 2,808
2025	19,268	2,083
2026	14,768	1,426
2027	13,667	876
2028	528	618
2029-2033	3,259	3,007
2034-2038	4,591	2,674
2039-2043	5,957	1,857
	$ 81,964	$ 15,349

9. Subscription-Based Information Technology Agreement Liabilities

Changes in SBITA liabilities are summarized as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Total SBITA liabilities	$ 29,877	$ 13,534	$ (18,250)	$ 25,161
Less current portion	(18,250)			(19,084)
Long-term portion	$ 11,627			$ 6,077

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total SBITA liabilities	$ -	$ 43,967	$ (14,090)	$ 29,877
Less current portion	-			(18,250)
Long-term portion	$ -			$ 11,627

KUB has subscription-based information technology agreements (SBITAs) which grant non-cancelable rights to use underlying information technology software. Terms of agreement range from five to eighteen years and contain fixed and variable payment terms. Certain SBITAs contain the option for renewal, which has been considered in the SBITA liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2023, are summarized as follows:

	Subscription Maturities	Interest Requirements
2024	$ 19,084	$ 371
2025	4,211	113
2026	1,866	18
	$ 25,161	$ 502

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10. Capital and Intangible Assets

Capital and intangible asset activity was as follows:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Pumping & Treatment Plant	$ 304,858,946	$ 6,094,078	$ (1,642,876)	$ 309,310,148
Collection Plant				
Mains and Metering	608,223,328	15,468,295	(2,689,498)	621,002,125
Mains and Metering - Meters	1,180,398	-	-	1,180,398
Other Accounts	79,805,163	-	-	79,805,163
Total Collection Plant	$ 689,208,889	$ 15,468,295	$ (2,689,498)	$ 701,987,686
Total General Plant	43,187,421	941,483	(436,991)	43,691,913
Total Wastewater Plant	$ 1,037,255,256	$ 22,503,856	$ (4,769,365)	$ 1,054,989,747
Less accumulated depreciation	(249,838,970)	(24,665,020)	4,706,680	(269,797,310)
Net Plant Assets	$ 787,416,286	$ (2,161,164)	$ (62,685)	$ 785,192,437
Work In Progress	44,190,406	34,622,498	(19,751,723)	59,061,181
Total Net Plant	$ 831,606,692	$ 32,461,334	$ (19,814,408)	$ 844,253,618
Intangible Right of Use Assets				
Office space	$ 106,608	$ -	$ (40,114)	$ 66,494
Equipment	12,098	19,279	(3,446)	27,931
Other	31,633	16,250	(31,633)	16,250
Total Intangible Right of Use Assets	$ 150,339	$ 35,529	$ (75,193)	$ 110,675
Less Accumulated Amortization	(45,879)	(22,117)	37,721	(30,275)
Net Intangible Right of Use Assets	$ 104,460	$ 13,412	$ (37,472)	$ 80,400
Intangible Subscription Assets				
Intangible Subscription Assets	$ 44,149	$ 19,306	$ -	$ 63,455
Less Accumulated Amortization	(14,272)	(19,025)	-	(33,297)
Net Intangible Subscription Assets	$ 29,877	$ 281	$ -	$ 30,158

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	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Pumping & Treatment Plant	$ 263,238,741	$ 43,381,853	$ (1,761,648)	$ 304,858,946
Collection Plant				
Mains and Metering	589,476,423	23,421,073	(4,674,168)	608,223,328
Mains and Metering - Meters	1,205,284	(24,886)	-	1,180,398
Other Accounts	79,662,163	143,000	-	79,805,163
Total Collection Plant	$ 670,343,870	$ 23,539,187	$ (4,674,168)	$ 689,208,889
Total General Plant	41,978,575	2,074,970	(866,124)	43,187,421
Total Wastewater Plant	$ 975,561,186	$ 68,996,010	$ (7,301,940)	$ 1,037,255,256
Less accumulated depreciation	(235,051,108)	(22,111,143)	7,323,281	(249,838,970)
Net Plant Assets	$ 740,510,078	$ 46,884,867	$ 21,341	$ 787,416,286
Work In Progress	69,464,932	43,340,055	(68,614,581)	44,190,406
Total Net Plant	$ 809,975,010	$ 90,224,922	$ (68,593,240)	$ 831,606,692
Intangible Right of Use Assets				
Office space	$ 141,917	$ 73,682	$ (108,991)	$ 106,608
Equipment	20,390	-	(8,292)	12,098
Other	33,912	11,281	(13,560)	31,633
Total Intangible Right of Use Assets	$ 196,219	$ 84,963	$ (130,843)	$ 150,339
Less Accumulated Amortization	(92,630)	(45,879)	92,630	(45,879)
Net Intangible Right of Use Assets	$ 103,589	$ 39,084	$ (38,213)	$ 104,460
Intangible Subscription Assets				
Intangible Subscription Assets	$ -	$ 44,149	$ -	$ 44,149
Less Accumulated Amortization	-	(14,272)	-	(14,272)
Net Intangible Subscription Assets	$ -	$ 29,877	$ -	$ 29,877

11. Risk Management

KUB is exposed to various risks of loss related to active and retiree medical claims; injuries to workers; theft of, damage to, and destruction of assets; environmental damages; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

These liabilities are included in accrued expenses in the Statement of Net Position. The liability is KUB's best estimate based on available information. As of June 30, 2023, and June 30, 2022, the amount of these liabilities was $543,575 and $495,488 respectively, resulting from the following changes:

	2023	2022
Balance, beginning of year	$ 495,488	$ 425,975
Current year claims and changes in estimates	4,480,100	4,050,584
Claims payments	(4,432,013)	(3,981,071)
Balance, end of year	$ 543,575	$ 495,488

12. Pension Plan

Description of Plan

The Knoxville Utilities Board Pension Plan (the Plan) is a governmental plan as defined by the Employee Retirement Income Security Act of 1974 (ERISA or the Act), is not subject to any of the provisions of the Act, and was revised January 1, 2020, to include all prior approved amendments. The Plan is a single-employer contributory, defined benefit pension plan established by Knoxville Utilities Board Resolution No. 980 dated February 18, 1999, effective July 1, 1999, as authorized by the Charter of the City of Knoxville §1107(J). KUB Board Resolution No. 979, effective July 1, 1999, as amended by Resolution No. 1037, establishing the KUB Retirement System, was amended effective June 18, 2020, to amend the term "Trustee" to include both custodians and/or trustees, in order to provide flexibility should KUB choose to change from its current Pension trustee. The Plan is designed to provide retirement, disability, and death benefits to KUB employees. KUB administers the Plan through an Administrative Committee consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Plan involving costs not approved in the operating budget must be adopted by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Plan may be approved by KUB's President and CEO upon 60 days notification to the Board's Audit and Finance Committee. The Plan issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

Effective January 1, 2011, KUB closed the Plan such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and to accrue benefits under the Plan.

Participants in the Plan consisted of the following as of December 31:

	2022	2021
Inactive plan members:		
Terminated vested participants	14	12
Retirees and beneficiaries	603	600
Active plan members	431	478
Total	1,048	1,090

Retirement Benefits

The Plan provides three benefit arrangements for KUB participants, retirees, and beneficiaries.

The Plan provides pension benefits through the Career Equity Program ("CEP") for eligible employees hired on or after January 1, 1999, and for eligible former "City System Plan A" participants who elected CEP coverage as of July 1, 1999. The guaranteed pension benefit payable to a participant who has completed five or more years of service (or reached the normal retirement date, if earlier) upon termination of KUB employment shall be a lump sum equal to the participant's average compensation times their benefit percentage, as defined in the Plan document, or an annuity may be chosen by the participant.

In addition, the Plan provided retirement benefits through "Plan A" for former City System Plan A participants who elected not to participate in the CEP. Plan A is a closed plan and is not available to KUB employees hired after July 1, 1999. Plan A provides for early retirement benefits with 25 years of service and normal retirement benefits at age 62 or later. Benefits provided to Plan A participants include several different forms of monthly annuity payments.

The Plan also provides retirement benefits through "Plan B" for former "City System Plan B" participants. Plan B is a closed plan providing benefits to participants not covered by Social Security. Benefits provided to Plan B participants include several different forms of monthly annuity payments available to participants.

Effective January 1, 2012, KUB began to provide for additional monthly supplements, which are not subject to cost-of-living adjustments, to certain former employees and surviving dependents of former employees who are eligible for and have elected coverage under the KUB retiree medical plan and are eligible for Medicare. This was done to compensate for the elimination of drug coverage under the KUB retiree medical plan and to assist such individuals in obtaining prescription drug coverage under Medicare Part D.

Contributions

Participation in Plan A requires employee contributions of three percent of the first $4,800 of annual earnings and five percent of annual earnings in excess of $4,800. KUB contributions are determined by the enrolled actuary of the Plan and equal the amount necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions. The method of funding shall be consistent with Plan objectives.

Plan Funding

KUB maintains a Funding Policy for the Plan in accordance with Tennessee State Law. The primary goal of the Policy is to document the method KUB has adopted to provide assurance that future KUB and employee contributions and current Plan assets will be sufficient to fund all benefits expected to be paid to current active, inactive and retired Plan participants and their beneficiaries. Per the Funding Policy, KUB fully funds its annual Actuarially Determined Contribution.

Investments

The Plan's investments are held by State Street Bank and Trust Company (the "Trustee"). The Plan's policy in regard to the allocation of invested assets is established by the Retirement System Investment Committee and approved by the KUB Board of Commissioners and may only be amended by the KUB Board of Commissioners. It is the policy of the Retirement System Investment Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Plan's adopted asset allocation policy as of December 31, 2022:

Asset Class	Target Allocation
Domestic equity – large cap	20% - 50%
Domestic equity – mid cap	0% - 15%
Domestic equity – small cap	0% - 15%
Domestic equity – convertible securities	0% - 10%
Non-U.S. equity	0% - 20%
Real estate equity	0% - 10%
Fixed income – aggregate bonds	5% - 25%
Fixed income – long-term bonds	10% - 25%
Cash and deposits	0% - 5%

Contributions of $2,624,373 and $3,665,168 for 2021 and 2020, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2023, and 2022, respectively. Of these amounts, $459,012 and $638,776 are attributable to the Wastewater Division. The fiscal year 2023 contribution was determined as part of the January 1, 2021, valuation using the Individual Entry

Age Normal funding method. The objective under this method is to fund each participant's benefits under the Plan as payments which are level as a percentage of salary, starting on the original participation date (employment date) and continuing until the assumed retirement, termination, disability, or death.

Net Pension Liability (Asset)

The below summarizes the disclosures of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB 68"), which requires measurement of the net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, will be based on the December 31, 2022, and 2021, measurement dates, respectively. The net pension liability is $22,219,032 (Division's share $3,886,193) as of June 30, 2023, and the net pension asset is $64,137,714 (Division's share $11,178,104) as of June 30, 2022.

GASB 68 requires certain disclosures related to the net pension liability (asset) of the Plan as disclosed below:

	2022	2021
Total pension liability	$ 254,406,723	$ 242,201,780
Plan fiduciary net position	(232,187,691)	(306,339,494)
Plan's net pension liability (asset)	$ 22,219,032	$ (64,137,714)
Plan fiduciary net position as a percentage of the total pension liability	91.27%	126.48%

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Changes in Net Pension Liability (Asset) are as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2021	$ 242,201,780	$ 306,339,494	$ (64,137,714)
Changes for the year:			
Service cost	6,349,402	-	6,349,402
Interest	17,430,465	-	17,430,465
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	282,014	-	282,014
Changes of Assumptions	5,268,672	-	5,268,672
Contributions - employer	-	3,144,770	(3,144,770)
Contributions - rollovers	-	3,080	(3,080)
Contributions - member	-	3,809,515	(3,809,515)
Net investment income	-	(63,484,570)	63,484,570
Benefit payments	(17,125,610)	(17,125,610)	-
Administrative expense	-	(498,988)	498,988
Net changes	12,204,943	(74,151,803)	86,356,746
Balances at December 31, 2022	$ 254,406,723	$ 232,187,691	$ 22,219,032

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation dates	January 1, 2022, rolled forward to December 31, 2022; January 1, 2021, rolled forward to December 31, 2021
Discount rate	7.00% as of December 31, 2022; 7.25% as of December 31, 2021,
Salary increases	From 2.50% to 5.65%, based on years of service as of December 31, 2022, and 2021
Mortality	115% and 110% of the PubG-2010 table for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of December 31, 2022, and 2021
Inflation	2.5% as of December 31, 2022, and 2021

The actuarial assumptions used in the January 1, 2022, and 2021, valuations were based on an actuarial experience study covering the period January 1, 2014, through December 31, 2018.

The long-term expected rate of return on 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 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. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2022, and 2021, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. The Plan has both aggregate and long duration fixed income.

	Long Term Expected Real Rate of Return	
Asset Class	**2022**	**2021**
Domestic equity	5.0%	5.1%
Non-U.S. equity	6.1%	6.0%
Real estate equity	5.4%	5.4%
Debt securities	0.5%	0.2%
Cash and deposits	(0.1%)	(0.3%)

Discount rate
The discount rate used to measure the total pension liability was 7.00 percent as of December 31, 2022, and 7.25 percent as of December 31, 2021. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. 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 plan members. 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.

Sensitivity of the net pension liability (asset) to changes in the discount rate
The following presents the net pension liability of the Plan as of December 31, 2022, calculated using the discount rate of 7.00 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability	$ 45,400,841	$ 22,219,032	$ 2,259,345

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

For the year ended June 30, 2023, KUB recognized pension expense of $8,973,269, and the Wastewater Division's share was $1,742,645.

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2021, this average was four years. During the measurement year, there was a liability experience loss of $282,014, with $70,504 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $211,510. Unrecognized liability experience losses from prior periods were $2,609,559, of which $869,853 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,739,706. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of $1,951,216 (Division's share $341,275). Unrecognized liability gains from prior periods were $542,777, of which $331,952 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $210,825 (Division's share $36,874).

During the measurement year, there was an assumption change loss of $5,268,672 with $1,317,168 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $3,951,504. Net unrecognized assumption change losses from prior periods were $3,389,264, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $1,694,632. The total deferred outflow is $5,646,136 (Division's share $987,530).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $85,314,262, of which $17,062,852 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $38,969,257, of which $10,346,356 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment losses this year, along with unrecognized investment gains from prior periods, results in a deferred outflow of $39,628,509 (Division's share $6,931,176).

The impact of the change in proportionate share for the Wastewater Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred inflow of $19,015, with $4,754 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred inflow of resources of $14,261. Net proportionate share changes from prior periods were $533,820, of which $177,940 was recognized in the current year, resulting in a deferred outflow of resources of $355,880. In addition, KUB's Wastewater Division recorded a deferred outflow of resources of $229,507 for employer contributions made between December 31, 2022, and June 30, 2023.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Wastewater Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 341,275	$ 36,874
Changes in assumptions	987,530	-
Net difference between projected and actual earnings on pension plan investments	6,931,176	-
Change in proportionate share	355,880	14,261
Contributions subsequent to measurement date	229,507	-
Total	$ 8,845,368	$ 51,135

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$229,507 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:		
2024	$	1,010,102
2025		1,971,034
2026		2,599,232
2027		2,984,358
Thereafter		-

For the year ended June 30, 2022, KUB recognized pension expense of ($11,639,307), and the Wastewater Division's share was ($1,850,592).

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. During the measurement year, there was a liability experience loss of $1,935,276, with $483,819 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $1,451,457. Unrecognized liability experience losses from prior periods were $1,544,136, of which $386,034 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,158,102. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of $2,609,559 (Division's share $454,801). Unrecognized liability gains from prior periods were $1,092,163, of which $549,386 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $542,777 (Division's share $94,596).

During the measurement year, there were no benefit changes or assumption changes. Net unrecognized assumption change losses from prior periods were $5,083,896, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $3,389,264 (Division's share $590,691). Net unrecognized assumption change gains from prior periods were $71,525, of which the remaining $71,525 was recognized as a decrease in Pension Expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $17,812,070, of which $3,562,414 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $34,994,864, of which $10,275,263 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with unrecognized investment gains from prior periods, results in a deferred inflow of $38,969,257 (Division's share $6,791,674).

The impact of the change in proportionate share for the Wastewater Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred outflow of $711,760, with $177,940 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred outflow of resources of $533,820. In addition, KUB's Wastewater

Division recorded a deferred outflow of resources of $319,381 for employer contributions made between December 31, 2021, and June 30, 2022.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Wastewater Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 454,801	$ 94,596
Changes in assumptions	590,691	-
Net difference between projected and actual earnings on pension plan investments	-	6,791,674
Change in proportionate share	533,820	-
Contributions subsequent to measurement date	319,381	-
Total	$ 1,898,693	$ 6,886,270

13. Qualified Excess Benefit Arrangement

Description

In fiscal year 2017, KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single-employer defined benefit pension plan administered by KUB. The number of participants in any given year for the QEBA is determined by the number of KUB Pension Plan participants who exceed the current year's section 415(b) limitations, as calculated by the KUB Pension Plan actuary. The amount of QEBA benefit will be the amount specified by the terms of the KUB Pension Plan without regard to Section 415(b) limitations minus the amount payable from the KUB Pension Plan as limited by Section 415(b). QEBA benefits are subject to cost-of-living adjustments.

As of June 30, 2023, there are 404 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2023, and 2022.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2023, and 2022, are based on a December 31, 2022, and 2021, measurement date, respectively. There is no Total Pension Liability as of June 30, 2023, and 2022.

GASB 73 requires certain disclosures related to the total pension liability of the QEBA, as disclosed below:

	2022	**2021**
Total pension liability	$0	$0
Deferred outflows	(6,779)	(11,505)
Deferred inflows	3,408	16,927
Net impact on Statement of Net Position	($3,371)	$5,422
Covered payroll	$37,412,132	$38,074,863
Total pension liability as a % of covered payroll	0.00%	0.00%

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

For the year ended June 30, 2023, KUB recognized pension expense of ($8,793) (Division's share ($1,934)) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [($3,371) - $5,422 + $-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. There was a deferred inflow at the end of the measurement year of $3,408 (Division's share $750) from experience gains in prior years and a deferred outflow of $4,073 (Division's share $897) from experience losses in prior years.

There was a deferred outflow of $2,706 (Division's share $586) from assumption changes in prior years.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,073	$ 3,408
Changes in assumptions	2,706	-
Total	$ 6,779	$ 3,408
Division's share	$ 1,483	$ 750

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:		
2024	$	3,023
2025		348
2026		-
2027		-
2028		-
Thereafter		-

For the year ended June 30, 2022, KUB recognized pension expense of $16,613 (Division's share $3,655) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($19,875), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$5,422 - $8,684 + $19,875].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. During the measurement year, there was an experience gain of $6,816, with $1,704 recognized in the current year and each of the next three years, resulting in a deferred inflow of $5,112 (Division's share $1,124). There was a deferred inflow at the end of the measurement year of $7,225 (Division's share $1,590) from experience gains in prior years and a deferred outflow of $6,112 (Division's share $1,345) from experience losses in prior years.

During the measurement year, there were no assumption changes. There was a deferred inflow at the end of the measurement year of $4,590 (Division's share $1,010) and a deferred outflow of $5,393 (Division's share $1,187) from assumption changes in prior years.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,112	$ 12,337
Changes in assumptions	5,393	4,590
Total	$ 11,505	$ 16,927
Division's share	$ 2,532	$ 3,724

14. Defined Contribution Plan

The KUB Asset Accumulation 401(k) Plan (the "401(k) Plan") is a defined contribution 401(k) employee retirement savings plan covering eligible KUB employees established by the KUB Board of Commissioners in accordance with the Charter of the City of Knoxville, Tennessee. The 401(k) Plan's assets are held in trust under an agreement between KUB and Fidelity Management Trust

Company. Employees hired prior to January 1, 2011, may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. Employees hired on or after January 1, 2011, have an enhanced 401(k) due to the closure of the Defined Benefit Pension Plan. They may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. They also receive a non-elective KUB contribution of three percent to six percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and non-elective contributions of $3,794,561 (Division's share $796,858) and $3,125,903 (Division's share $687,699), respectively, for the years ended June 30, 2023, and 2022.

15. Other Post-Employment Benefits (OPEB)

Description of Trust

The Knoxville Utilities Board Other Post-Employment Benefits Trust (the Trust) is a single-employer trust established by the KUB Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The Trust, along with the KUB Health Plan, make up a Voluntary Employee Beneficiary Association ("VEBA") and are intended to be tax-exempt pursuant to Code §501(c)(9). The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. The applicable documentation was submitted to the State Funding Board and, in December 2007, the State Funding Board approved the Trust. The Trust was also approved by the Internal Revenue Service in June 2008. KUB administers the Trust through a Board of Trustees consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Trust involving costs not approved in the operating budget must be approved by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Trust may be approved by KUB's President and CEO upon 60 days notification to the Board's Audit and Finance Committee. The investment of all deposits to the Trust is governed by an Investment Policy, which was adopted by the KUB Board and approved by the State Funding Board. The Trust issues a financial report which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

Effective January 1, 2022, the Plan was expanded to two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement (HRA), given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

Participants in the Plan consisted of the following as of June 30:

	HRA		Retiree Medical Benefit	
	2023	**2022**	**2023**	**2022**
Retirees	6	4	542	549
Dependents of retirees	2	2	596	612
Eligible active employees	25	15	140	145
Total	33	21	1,278	1,306

Benefits
Benefits for pre-July 1, 1999, eligible participants may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare Part B or Part D premiums, life insurance, long-term care, and long-term disability. Post-July 1, 1999, eligible participants are eligible for HRA benefits which include up to $50,000 to be used exclusively for reimbursement of qualified medical expenses of the retiree and his or her spouse and dependents. Any unused HRA amounts will remain assets of the OPEB Trust.

Contributions and Funding
The primary goal of the Funding Policy for the Trust is to document the method KUB has adopted to provide assurance that future KUB and retiree contributions and current Trust assets will be sufficient to fund all benefits expected to be paid to Trust beneficiaries. Per the Funding Policy, KUB's current practice is to fully fund its annual Actuarially Determined Contribution, which is determined by actuarial valuation.

Contributions are authorized by the terms of the Trust as established by KUB Resolution No. 1168, as amended, as approved by the Tennessee State Funding Board. KUB shall have the right at any time to amend, in whole or in part, the provisions of this Trust; however, no such amendment shall authorize or permit the assets of the Trust to be used for or diverted to purposes other than those expressed in the Declaration of Trust.

It shall be the sole and exclusive responsibility of KUB to determine the level of contributions KUB will make to the Trust for the purpose of financing other post-employment benefits accrued by its respective participants. Neither the Trust, nor the Trust's Board, shall be responsible for collecting or otherwise determining the level of contributions needed by KUB to finance any other post-employment benefits offered by KUB. The assets of the Trust shall be expended solely to make payments for other post-employment benefits pursuant to, and in accordance with, the terms of the Trust and to pay the cost of administration.

Based on the date of retirement, certain retired members are required to contribute specified amounts monthly to maintain health insurance. Those who retired prior to July 1983 have no required monthly premiums for themselves or dependents. The retirees, or their surviving dependents, who retired between August 1983 and January 1998 are required to pay $262.50 per month for pre-Medicare family health insurance. For individuals who retired after January 1998, the required monthly premium for pre-Medicare health insurance is $262.50 for single coverage and $525 for family coverage. There is currently no premium for Medicare eligible retirees or dependents. KUB is responsible for determining the level of retired plan member contributions on an annual basis as part of its review of healthcare cost sharing.

Participants in the Health Reimbursement Arrangement are not eligible for health insurance and are not required to make contributions.

Investments
The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203.

The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2023:

Asset Class	**Target Allocation**
Domestic Equity:	
Large Cap	30%
Small Cap	8%
International Equity:	
Developed	16%
Emerging	8%
Real Estate Equity	8%
Debt Securities	30%
Total	100%

Actuarially determined contributions for the Wastewater Division for the fiscal year ended June 30, 2023, were $253,704. For the fiscal year ended June 30, 2022, an actuarially determined contribution for the Wastewater Division of $360,618 was made to the OPEB Trust, which includes the division's share of an additional $1,500,000 contribution to help fund the HRA. These were based on the OPEB actuarial valuations as of January 1, 2021, and 2020.

Net OPEB Liability

The below summarizes the disclosures of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), which requires measurement of the net OPEB liability as total OPEB liability less the amount of the Trust's fiduciary net position. The amounts reported as of June 30 are based on the reporting date for the KUB Other Post-Employment Benefits Plan, which is June 30. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2023, and 2022, and the Total OPEB Liability as of the valuation date, January 1, 2022, updated to June 30, 2023, and January 1, 2021, updated to June 30, 2022, respectively. The Division's share of the total net OPEB liability was $2,321,053 as of June 30, 2023, and $2,031,015 as of June 30, 2022.

The components of the net OPEB liability of the Trust are as follows as of June 30:

	2023	**2022**
Total OPEB liability	$ 61,637,102	$ 58,536,280
Plan fiduciary net position	48,706,447	47,333,773
Net OPEB liability	$ 12,930,655	$ 11,202,507
Plan fiduciary net position as a percentage of the total OPEB liability	79.02%	80.86%

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Changes in Net OPEB Liability are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	$ 58,536,280	$ 47,333,773	$ 11,202,507
Changes for the year:			
Service cost	595,392	-	595,392
Interest	4,133,008	-	4,133,008
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	117,668	-	117,668
Changes of Assumptions	2,527,824	-	2,527,824
Contributions - employer	-	1,413,392	(1,413,392)
Contributions - member	-	-	-
Net investment income	-	4,333,538	(4,333,538)
Benefit payments	(4,273,070)	(4,273,070)	-
Administrative expense	-	(101,186)	101,186
Net changes	3,100,822	1,372,674	1,728,148
Balances at June 30, 2023	$ 61,637,102	$ 48,706,447	$ 12,930,655

Actuarial assumptions

The total OPEB liability was determined by actuarial valuations, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation dates:	January 1, 2022, rolled forward to June 30, 2023; January 1, 2021, rolled forward to June 30, 2022
Discount rate:	7.00% as of June 30, 2023, and 7.25% as of June 30, 2022
Healthcare cost trend rates:	Pre-Medicare: 5.75% grading down to 3.935% over 20 years as of June 30, 2023, and 6.75% grading down to 4.04% as of June 30, 2022 Medicare: 11.30% grading down to 3.935% over 20 years as of June 30, 2023, and 6.30% grading down to 4.04% as of June 30, 2022 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010) for males and females, respectively, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.50%

The actuarial assumptions used in the January 1, 2022, and January 1, 2021, valuations were based on the results of actuarial experience studies for the periods January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Trust 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 long-term expected rate of return may be lower in periods of current strong performance due to future valuations that mean revert to the long-term average. Best estimates of arithmetic real rates of return for each major asset class included in the Trust's target asset allocation (see the discussion of the Trust's Investment Policy) are summarized in the chart below.

	Long Term Expected Real Rate of Return	
Asset Class	**2023**	**2022**
Domestic equity	5.1%	5.5%
International equity	6.1%	6.5%
Emerging Market equity	8.1%	8.6%
Real estate equity	5.3%	5.7%
Debt securities	1.8%	1.2%
Cash and deposits	0.7%	0.2%

Discount rate

The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023, and 7.25 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the Trust as of June 30, 2023, calculated using the discount rate of 7.00 percent, as well as what the Trust's net OPEB liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1% Increase (8.00%)**
Net OPEB liability	$19,738,026	$12,930,655	$7,246,454

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.
The following presents the net OPEB liability of the Trust as of June 30, 2023, as well as what the Trust's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower or one percent higher than the current rate:

	1% Decrease	Baseline Trends	1% Increase
Net OPEB liability	$7,364,325	$12,930,655	$19,461,880

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2023, KUB's Wastewater Division recognized OPEB expense of $475,279.

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was 7.0 years. During the measurement year, there was an experience loss of $117,668, with $16,810 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of $100,858 (Division's share $18,104). Unrecognized experience losses from prior periods were $30,475, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were no benefit changes.

During the measurement year, there was an assumption change loss of $2,527,824, with $361,118 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of $2,166,706 (Division's share $388,924).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $1,007,293, of which $201,459 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred inflow of resources of $805,834. Net unrecognized investment losses from prior periods were $5,179,219, of which $1,162,271 was recognized as an increase in OPEB expense in the current year, resulting in a net deferred outflow of $4,016,948. The combination of unrecognized gains this year, along with the net unrecognized investment losses from prior periods, results in a deferred outflow of resources of $3,211,114 (Division's share $576,395).

The impact of the change in proportionate share for the Wastewater Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred inflow of $10,787, with $1,541 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred inflow of resources of $9,246. Net proportionate share changes from prior periods were $38,804, of which the entire amount was recognized in the current year. The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Wastewater Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,104	$ -
Changes in assumptions	388,924	-
Net difference between projected and actual earnings on OPEB plan investments	576,395	-
Change in proportionate share	-	9,246
Total	$ 983,423	$ 9,246

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	$ 217,667
2025	125,077
2026	468,704
2027	30,136
2028	66,297
Thereafter	66,296

For the year ended June 30, 2022, KUB's Wastewater Division recognized OPEB expense of $1,044,736.

The impact of liability experience gains or losses and assumption changes on the Wastewater Division's Share of the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was two years. During the measurement year, there was an experience loss of $60,951, with $30,476 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $30,475 (Division's share $5,525). Unrecognized experience losses from prior periods were $21,401, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were benefit changes that increased the Total OPEB Liability by $6,594,293. This increase is recognized immediately in the June 30, 2022, OPEB expense.

Unrecognized gains due to assumption changes from prior periods were $2,052,917, of which the entire amount is recognized as a decrease in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $12,216,418, of which $2,443,284 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred outflow of resources of $9,773,134. Net unrecognized investment gains from prior periods were $5,905,689, of which $1,311,774 was recognized as a decrease in OPEB expense in the current year, resulting in a net deferred inflow of $4,593,915. The combination of unrecognized losses this year, along with the net unrecognized investment gains from prior periods, results in a deferred outflow of resources of $5,179,219 (Division's share $938,993).

The impact of the change in proportionate share for the Wastewater Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is two years. This change resulted in a deferred inflow of $77,608, with $38,804 of that recognized in the current year and the remaining amount recognized in the next year, resulting in a deferred inflow of resources of $38,804. The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Wastewater Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,525	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	938,993	-
Change in proportionate share	-	38,804
Total	$ 944,518	$ 38,804

16. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with the City of Knoxville and with other divisions of KUB. Such transactions for the years ended June 30, 2023, and 2022, are summarized as follows:

	2023	**2022**
City of Knoxville		
Amounts billed by the Division for utilities and related services	$ 1,059,153	$ 932,183
Payments by the Division in lieu of property tax	5,383,684	5,127,318
Payments by the Division for services provided	620,567	1,638,569
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	392,032	339,440
Interdivisional rental expense	665,449	601,595
Interdivisional rental income	284,459	294,743
Amounts billed to the Division by other divisions for utilities services provided	4,140,921	3,798,349

With respect to these transactions, accounts receivable from the City of Knoxville included in the balance sheet at year end were as follows:

	2023	**2022**
Accounts receivable	$ 32,015	$ 35,057

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17. Other Commitments and Contingencies

In the normal course of business, there are various lawsuits pending against KUB. Management has reviewed these lawsuits with counsel, who is vigorously defending KUB's position and is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on KUB's financial position, results of operations, or cash flows.

In February 2005, a Consent Decree was entered into federal court regarding the operation of KUB's wastewater system. Under the terms of the Consent Decree, the remediation of identified sanitary sewer overflows (SSOs) on KUB's wastewater system had to be completed by June 30, 2016. KUB completed all the requirements of the Consent Decree for the collection system two years in advance of the deadline.

The Consent Decree also required KUB to perform an evaluation of the wet weather performance and capacity of its wastewater treatment plants. In July 2007, KUB submitted a Composite Correction Plan (CCP) for its wastewater treatment plants to EPA for review. The development and filing of the CCP was a requirement of the federal order of February 2005. The CCP includes recommended improvements to KUB's Kuwahee and Fourth Creek treatment plants to address wet weather capacity issues noted in prior assessments. The EPA approved the CCP in January 2009 including a recommended schedule of plant improvements that extends beyond the expiration date of the original Consent Decree. An amendment to the Consent Decree incorporating and establishing this schedule was agreed to by all parties and was entered on June 23, 2009. The purpose of the Amendment is to allow KUB to complete a portion of work outlined in the CCP after the Consent Decree deadline of June 30, 2016. The CCP provided for a biologically enhanced high-rate clarification (the BEHRC) secondary treatment system to be installed at the Fourth Creek treatment plant and at the Kuwahee treatment plant. KUB successfully completed the installation of the BEHRC system at the Fourth Creek treatment plant in the 2018 fiscal year. The project at the Kuwahee treatment plant was completed this fiscal year. The total cost of the CCP improvements at the Fourth Creek treatment plant and Kuwahee treatment plant is approximately $120 million.

KUB's funding plan for the Consent Decree included long-term bonds and a series of rate increases phased in over the term of the order. Bond proceeds fund all types of wastewater capital projects, the majority of which are related to the Consent Decree. As of June 30, 2022, the Wastewater Division had issued $594.8 million in bonds to fund wastewater system capital improvements since the inception of the Consent Decree. The Board approved two 50 percent rate increases, which went into effect in April 2005 and January 2007. The Board also approved an 8 percent rate increase, which was effective in September 2008, two 12 percent rate increases, which were effective in April 2011 and October 2012, three 6 percent rate increases, which were effective October 2014, October 2015, and October 2016, three 5 percent rate increases, which were effective July 2017, July 2018, and July 2019, and three 4 percent rate increases, which are effective July 2022, July 2023, and July 2024. KUB anticipates additional bond issues and rate increases over the next decade to help fund wastewater capital improvements.

KUB successfully completed the first cycle of Maintenance Operation Management (MOM) requirements one year before the deadline by inspecting manholes and gravity mains, smoke testing gravity mains, performing required inspections of pump stations and the related force mains, and completing all Corrective Action Plan/Engineering Report (CAP/ER) projects. KUB initiated the second MOM cycle that continues to focus on the prevention of SSOs. As part of the Century II initiative, formally known as the PACE10 program, KUB has installed storage tanks providing 34 million gallons of wastewater storage to control wet weather overflows and rehabilitated or replaced 432 miles of collection system pipe. KUB also continues to maintain a proactive operations and maintenance plan for the wastewater collection system including inspection, grease control, and private lateral enforcement. The result of the PACE10/Century II initiative has been an 80 percent reduction in SSOs.

As of June 30, 2022, the Wastewater Division had completed its 18th full year under the Consent Decree, spending $579.8 million on capital investments to meet Consent Decree requirements.

KUB's request for Consent Decree termination was submitted in January 2022 and was granted on June 16, 2022, by the applicable regulatory authorities.

Knoxville Utilities Board Wastewater Division
Required Supplementary Information – Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2023

	*Year ended December 31								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	$ 6,349,402	$ 6,647,220	$ 5,227,657	$ 6,142,213	$ 5,095,488	$ 4,607,486	$ 4,226,985	$ 4,157,062	$ 4,092,808
Interest	17,430,465	16,982,226	16,393,202	16,030,626	15,344,193	15,015,282	14,966,559	14,812,784	14,698,657
Changes of benefit terms	-	-	-	163,199	-	-	-	-	-
Differences between expected and actual experience	282,014	1,935,276	1,930,170	(1,054,117)	(605,649)	(1,087,161)	(2,233,762)	(1,890,334)	-
Changes of assumptions	5,268,672	-	-	8,473,160	-	(357,633)	(2,932,883)	-	-
Benefit payments, including refunds of member contributions	(17,125,610)	(17,725,963)	(16,006,565)	(15,094,475)	(15,274,814)	(14,969,979)	(14,138,511)	(15,350,926)	(15,533,167)
Net change in total pension liability	12,204,943	7,838,759	7,544,464	14,660,606	4,559,218	3,207,995	(111,612)	1,728,586	3,258,298
Total pension liability - beginning	242,201,780	234,363,021	226,818,557	212,157,951	207,598,733	204,390,738	204,502,350	202,773,764	199,515,466
Total pension liability - ending (a)	$ 254,406,723	$ 242,201,780	$ 234,363,021	$ 226,818,557	$ 212,157,951	$ 207,598,733	$ 204,390,738	$ 204,502,350	$ 202,773,764
Plan fiduciary net position									
Contributions - employer	$ 3,144,770	$ 3,416,428	$ 2,876,752	$ 2,871,241	$ 3,456,475	$ 4,286,597	$ 5,243,146	$ 5,991,887	$ 5,908,541
Contributions - participants	3,812,595	3,939,687	2,284,727	3,170,825	2,081,125	1,488,632	555,075	487,546	475,854
Net investment income	(63,493,985)	37,575,566	44,814,914	49,938,315	(11,748,396)	32,360,219	13,788,263	(95,430)	22,292,369
Other additions	9,415	112,484	7,740	13,579	62,616	82,239	45,848	30,879	29,733
Benefit payments, including refunds of member contributions	(17,065,610)	(17,653,963)	(15,962,565)	(15,030,475)	(15,174,814)	(14,895,979)	(14,044,511)	(15,274,926)	(15,405,167)
Administrative expense	(498,988)	(441,017)	(455,191)	(467,748)	(445,916)	(385,282)	(441,332)	(397,160)	(378,085)
Death benefits	(60,000)	(72,000)	(44,000)	(64,000)	(100,000)	(74,000)	(94,000)	(76,000)	(128,000)
Net change in plan fiduciary net position**	(74,151,803)	26,877,185	33,522,377	40,431,737	(21,868,910)	22,862,426	5,052,489	(9,333,204)	12,795,245
Plan fiduciary net position - beginning**	306,339,494	279,462,309	245,939,932	205,508,195	227,377,105	204,514,679	199,462,190	208,795,394	196,000,149
Plan fiduciary net position - ending (b)**	$ 232,187,691	$ 306,339,494	$ 279,462,309	$ 245,939,932	$ 205,508,195	$ 227,377,105	$ 204,514,679	$ 199,462,190	$ 208,795,394
Plan's net pension liability - ending (a) - (b)	$ 22,219,032	$ (64,137,714)	$ (45,099,288)	$ (19,121,375)	$ 6,649,756	$ (19,778,372)	$ (123,941)	$ 5,040,160	$ (6,021,630)
Plan fiduciary net position as a percentage of the total pension liability	91.27%	126.48%	119.24%	108.43%	96.87%	109.53%	100.06%	97.54%	102.97%
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747	$ 44,446,743	$ 44,076,351
Plan's net pension liability as a percentage of covered payroll	59.39%	(168.45%)	(108.61%)	(47.48%)	15.78%	(45.67%)	(0.28%)	11.34%	(13.66%)

Notes to Schedule:

* Information not reflected prior to 2014 due to changes in actuary methodologies required under GASB 67, which was implemented in 2014.

** Excludes amounts related to 401(k) matching contributions.

Knoxville Utilities Board Wastewater Division
Required Supplementary Information – Schedule of Employer Pension Contributions
June 30, 2023

	*Year ended December 31								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Actuarially determined contribution	$ 3,144,770	$ 3,416,428	$ 2,876,752	$ 2,871,241	$ 3,456,475	$ 4,286,597	$ 5,243,146	$ 5,991,887	$ 5,908,541
Contribution in relation to the actuarially determined contribution	3,144,770	3,416,428	2,876,752	2,871,241	3,456,475	4,286,597	5,243,146	5,991,887	5,908,541
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747	$ 44,446,743	$ 44,076,351
Contributions as a percentage of covered payroll	8.41%	8.97%	6.93%	7.13%	8.20%	9.90%	11.80%	13.48%	13.41%

Notes to Schedule:

Timing:	Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.
Valuation Dates:	January 1, 2021 and January 1, 2020

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual entry age
Asset valuation method:	5-year smoothed market
Amortization method:	As of January 1, 2021: Level dollar, 30-year closed period with 20 years remaining, or a level dollar, 30-year open period for a negative unfunded liability As of January 1, 2020: Level dollar, 30-year closed period with 21 years remaining, or a level dollar, 30-year open period for a negative unfunded liability As of January 1, 2021 and 2020, the unfunded liability was negative.
Discount rate:	7.25% as of January 1, 2021 and January 1, 2020
Salary increases:	2.50% to 5.65%, based on years of service; As of January 1, 2021, a one-time reduction was applied to reduce the 2020 compensation by 3.7% to account for an additional 2020 pay period
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational
Inflation:	2.5%

* Schedule of Employer Contribution information is not reflected prior to 2014 due to changes in actuary methodologies required under GASB 67, which was implemented 2014.
Please refer to prior year's audited financial statements for prior methods and assumptions.

Knoxville Utilities Board Wastewater Division
Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2023

	*Year ended June 30					
	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	$ 595,392	$ 416,277	$ 283,786	$ 256,270	$ 270,515	$ 202,603
Interest	4,133,008	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	-	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	117,668	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	2,527,824	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	3,100,822	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	58,536,280	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	$ 61,637,102	$ 58,536,280	$ 51,515,118	$ 54,544,240	$ 50,197,938	$ 45,604,431
Plan fiduciary net position						
Contributions - employer	$ 1,413,392	$ 1,989,066	$ 757,226	$ 311,324	$ -	$ -
Net investment income	4,333,538	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(101,186)	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	1,372,674	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	47,333,773	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	$ 48,706,447	$ 47,333,773	$ 57,446,946	$ 46,954,793	$ 48,750,196	$ 49,355,499
Net OPEB liability (asset) - ending (a) - (b)	$ 12,930,655	$ 11,202,507	$ (5,931,828)	$ 7,589,447	$ 1,447,742	$ (3,751,068)
Plan fiduciary net position as a percentage of the total OPEB liability	79.02%	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	$ 70,129,341	$ 73,927,857	$ 21,578,366	$ 23,363,536	$ 24,346,735	$ 23,677,080
Net OPEB liability (asset) as a percentage of covered employee payroll	18.44%	15.15%	(27.49%)	32.48%	5.95%	(15.84%)

Notes to Schedule:

* Information not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.

** The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

Knoxville Utilities Board Wastewater Division
Required Supplementary Information – Schedule of Employer OPEB Contributions
June 30, 2023

	*Year ended June 30 2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 1,413,392	$ 489,066	$ 757,226	$ 311,324	$ -	$ -
Contribution in relation to the annual required contribution	1,413,392	1,989,066	757,226	311,324	-	-
Contribution deficiency/(excess)	$ -	$ (1,500,000)	$ -	$ -	$ -	$ -
Covered employee payroll*	$ 70,129,341	$ 73,927,857	$ 21,578,366	$ 23,363,536	$ 24,346,735	$ 23,677,080
Contributions as a percentage of covered employee payroll	2.02%	2.69%	3.51%	1.33%	0.00%	0.00%

* The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

KUB elected to make a $1,500,000 voluntary contribution to the Trust to initially fund the HRA benefit which was effective January 1, 2022.
This contribution was not required.

Notes to Schedule:

Valuation Date:	January 1, 2021 and January 1, 2020
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 15 years remaining as of January 1, 2021 (16 years as of January 1, 2020), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2020 and 2021, the unfunded liability was positive
Discount rate:	7.25%
Healthcare cost trend rate:	Pre-Medicare: 6.50% grading down to 4.04% over 19 years as of January 1, 2021; 6.75% grading down to 4.04% over 20 years as of January 1, 2020 Medicare: 6.20% grading down to 4.04% over 19 years as of January 1, 2021; 6.30% grading down to 4.04% over 20 years as of January 1, 2020 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.5%
Investment rate of return:	7.25%
Retirement age:	2% at ages 50-57, grading up to 100% at age 70

* Schedule of Employer Contribution information is not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.
Please refer to prior year's audited financial statement for prior methods and assumptions.

Knoxville Utilities Board Wastewater Division
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 2023

	*Year ended December 31						
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Total pension liability							
Service cost	$ -	$ -	$ -	$ -	$ 941	$ 584	$ -
Interest (includes interest on service cost)	-	268	388	9,181	9,676	7,535	-
Changes of benefit terms	-	-	-	(218,272)	-	-	185,077
Differences between expected and actual experience	-	(6,816)	10,165	34	(36,125)	13,684	-
Changes of assumptions	-	-	91	13,342	(22,950)	73,461	-
Benefit payments, including refunds of member contributions	-	(12,166)	(12,166)	(15,932)	-	-	-
Net change in total pension liability	-	(18,714)	(1,522)	(211,647)	(48,458)	95,264	185,077
Total pension liability - beginning	-	18,714	20,236	231,883	280,341	185,077	-
Total pension liability - ending	$ -	$ -	$ 18,714	$ 20,236	$ 231,883	$ 280,341	$ 185,077
Covered payroll	$ 37,412,132	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747
Total pension liability as a percentage of covered payroll	0.00%	0.00%	0.05%	0.05%	0.55%	0.65%	0.42%

Notes to Schedule:

* There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 73 to pay related benefits.

Knoxville Utilities Board Wastewater Division
Supplemental Information – Schedule of Debt Maturities by Fiscal Year
June 30, 2023

Continued on Next Page

	2010C			2015A		2015B		2016		2017A		2017B	
FY	**Principal**	**Interest**	**Rebate***	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
23-24		1,235,250	432,338	3,720,000	3,595,012	600,000	42,750	550,000	437,531	595,000	88,300	630,000	685,713
24-25		1,235,250	432,338	3,785,000	3,483,412	625,000	18,750	575,000	421,031	615,000	70,450	660,000	654,212
25-26		1,235,250	432,338	1,425,000	3,369,864			575,000	409,531	640,000	52,000	690,000	621,213
26-27		1,235,250	432,338	1,490,000	3,323,550			600,000	398,031	660,000	26,400	715,000	600,512
27-28		1,235,250	432,338	1,405,000	3,271,400			600,000	386,032			725,000	586,213
28-29		1,235,250	432,338	1,450,000	3,222,226			625,000	374,032			745,000	570,806
29-30		1,235,250	432,338	1,455,000	3,178,726			625,000	361,532			760,000	553,112
30-31		1,235,250	432,338	1,515,000	3,135,076			650,000	348,250			785,000	530,313
31-32		1,235,250	432,338	1,520,000	3,089,626			675,000	333,625			805,000	506,762
32-33		1,235,250	432,338	1,580,000	3,042,125			675,000	318,438			830,000	482,613
33-34		1,235,250	432,338	1,635,000	2,992,750			700,000	302,406			855,000	457,712
34-35		1,235,250	432,338	1,690,000	2,939,612			700,000	284,906			880,000	432,063
35-36	3,700,000	1,235,250	432,338	1,750,000	2,884,688			725,000	267,406			910,000	405,662
36-37	3,875,000	1,009,550	353,343	1,825,000	2,827,812			750,000	249,282			935,000	378,363
37-38	4,050,000	773,175	270,611	13,420,000	2,768,500			775,000	229,594			965,000	350,312
38-39	4,225,000	526,125	184,144	13,895,000	2,298,800			775,000	209,250			995,000	320,156
39-40	4,400,000	268,400	93,940	14,480,000	1,743,000			800,000	186,000			1,025,000	289,063
40-41				15,130,000	1,236,200			825,000	162,000			1,055,000	257,032
41-42				15,775,000	631,000			850,000	137,250			1,090,000	224,062
42-43								875,000	111,750			1,125,000	190,000
43-44								900,000	85,500			1,160,000	154,844
44-45								950,000	58,500			1,195,000	118,594
45-46								1,000,000	30,000			1,230,000	81,250
46-47												1,270,000	41,275
47-48													
48-49													
49-50													
50-51													
51-52													
Total	$ 20,250,000	$ 18,635,500	$ 6,522,432	$ 98,945,000	$ 53,033,379	$ 1,225,000	$ 61,500	$ 16,775,000	$ 6,101,877	$ 2,510,000	$ 237,150	$ 22,035,000	$ 9,491,857

*Series 2010c bonds were issued as federally taxable Build America Bonds. KUB will receive a 35 percent interest rebate payment from the United States Government for each interest payment. Effective October 1, 2021 these bonds became subject to a 5.7% reduction in rebate payment amounts due to the United States Government sequestration. The sequestration is effective until intervening Congressional action, at which time the sequestration rate is subject to change.

Knoxville Utilities Board Wastewater Division
Supplemental Information – Schedule of Debt Maturities by Fiscal Year
June 30, 2023

Continued on Next Page

	2018		2019		2020A		2020B		2021A		2022A	
FY	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
23-24	280,000	365,956	345,000	505,200	750,000	924,900	600,000	813,100	6,085,000	7,996,650	200,000	461,150
24-25	290,000	354,756	360,000	487,950	785,000	887,400	625,000	789,100	6,150,000	7,753,250	210,000	451,150
25-26	305,000	343,156	380,000	469,950	825,000	848,150	650,000	764,100	8,360,000	7,507,250	220,000	440,650
26-27	315,000	330,956	400,000	450,950	865,000	806,900	675,000	738,100	8,535,000	7,172,850	230,000	429,650
27-28	325,000	321,506	420,000	430,950	910,000	763,650	705,000	711,100	9,760,000	6,746,100	245,000	418,150
28-29	335,000	311,756	435,000	409,950	955,000	718,150	730,000	682,900	10,260,000	6,258,100	255,000	405,900
29-30	345,000	301,706	455,000	388,200	1,005,000	670,400	760,000	653,700	10,800,000	5,745,100	270,000	393,150
30-31	355,000	291,356	475,000	370,000	1,055,000	620,150	785,000	630,900	11,315,000	5,205,100	280,000	379,650
31-32	365,000	280,706	495,000	351,000	1,095,000	577,950	805,000	607,350	11,935,000	4,639,350	295,000	365,650
32-33	375,000	269,756	515,000	331,200	1,140,000	534,150	830,000	583,200	12,550,000	4,042,600	310,000	350,900
33-34	390,000	258,038	530,000	315,750	1,175,000	499,950	855,000	558,300	13,015,000	3,540,600	325,000	335,400
34-35	400,000	245,362	545,000	299,850	1,210,000	464,700	880,000	532,650	13,550,000	3,020,000	340,000	322,400
35-36	415,000	232,364	560,000	283,500	1,245,000	428,400	905,000	506,250	10,885,000	2,478,000	355,000	308,800
36-37	425,000	218,874	580,000	266,700	1,285,000	391,050	935,000	479,100	11,430,000	2,042,600	370,000	294,600
37-38	440,000	204,532	595,000	249,300	1,320,000	352,500	965,000	451,050	2,465,000	1,585,400	380,000	279,800
38-39	455,000	189,682	615,000	231,450	1,360,000	312,900	990,000	422,100	2,595,000	1,486,800	395,000	264,600
39-40	475,000	173,756	615,000	213,000	1,400,000	272,100	1,020,000	392,400	2,705,000	1,383,000	415,000	248,800
40-41	490,000	157,132	635,000	194,550	1,445,000	230,100	1,050,000	361,800	3,515,000	1,274,800	430,000	232,200
41-42	505,000	139,982	655,000	175,500	1,490,000	186,750	1,085,000	330,300	3,655,000	1,134,200	445,000	215,000
42-43	525,000	122,306	675,000	155,850	1,530,000	142,050	1,115,000	297,750	3,920,000	988,000	465,000	197,200
43-44	540,000	103,932	700,000	135,600	1,580,000	96,150	1,150,000	264,300	4,110,000	831,200	485,000	178,600
44-45	560,000	85,032	720,000	114,600	1,625,000	48,750	1,185,000	229,800	4,335,000	666,800	505,000	159,200
45-46	580,000	65,432	740,000	93,000			1,220,000	194,250	4,580,000	493,400	525,000	139,000
46-47	600,000	44,406	765,000	70,800			1,255,000	157,650	4,830,000	310,200	545,000	118,000
47-48	625,000	22,656	785,000	47,850			1,295,000	120,000	1,425,000	117,000	565,000	96,200
48-49			810,000	24,300			1,335,000	81,150	1,500,000	60,000	590,000	73,600
49-50							1,370,000	41,100			610,000	50,000
50-51											640,000	25,600
51-52												
Total	$ 10,715,000	$ 5,435,096	$ 14,805,000	$ 7,066,950	$ 26,050,000	$ 10,777,200	$ 25,775,000	$ 12,393,500	$ 184,265,000	$ 84,478,350	$ 10,900,000	$ 7,635,000

See accompanying Independent Auditor's Report

Continued from Previous Page

	2022B		2022C		Totals		Grand Total (P + I)	Grand Total (Less Rebates)
FY	Principal	Interest	Principal	Interest	Principal	Interest		
23-24		1,003,300	170,000	440,025	14,525,000	18,594,837	33,119,837	32,687,499
24-25		1,003,300	175,000	431,525	14,855,000	18,041,536	32,896,536	32,464,198
25-26	545,000	1,003,300	185,000	422,775	14,800,000	17,487,189	32,287,189	31,854,851
26-27	575,000	976,050	195,000	413,525	15,255,000	16,902,724	32,157,724	31,725,386
27-28	610,000	947,300	205,000	403,775	15,910,000	16,221,426	32,131,426	31,699,088
28-29	635,000	916,800	215,000	393,525	16,640,000	15,499,395	32,139,395	31,707,057
29-30	690,000	885,050	225,000	382,775	17,390,000	14,748,701	32,138,701	31,706,363
30-31	715,000	850,550	235,000	371,525	18,165,000	13,968,120	32,133,120	31,700,782
31-32	745,000	814,800	250,000	359,775	18,985,000	13,161,844	32,146,844	31,714,506
32-33	775,000	777,550	260,000	347,275	19,840,000	12,315,057	32,155,057	31,722,719
33-34	835,000	738,800	275,000	334,275	20,590,000	11,569,231	32,159,231	31,726,893
34-35	870,000	697,050	290,000	320,525	21,355,000	10,794,368	32,149,368	31,717,030
35-36	935,000	653,550	305,000	306,025	22,690,000	9,989,895	32,679,895	32,247,557
36-37	965,000	606,800	320,000	290,775	23,695,000	9,055,506	32,750,506	32,397,163
37-38	465,000	568,200	335,000	274,775	26,175,000	8,087,138	34,262,138	33,991,527
38-39	465,000	549,600	345,000	261,375	27,110,000	7,072,838	34,182,838	33,998,694
39-40	460,000	531,000	360,000	247,575	28,155,000	5,948,094	34,103,094	34,009,154
40-41	1,060,000	512,600	375,000	233,175	26,010,000	4,851,589	30,861,589	30,861,589
41-42	1,110,000	470,200	390,000	218,175	27,050,000	3,862,419	30,912,419	30,912,419
42-43	1,155,000	425,800	405,000	202,575	11,790,000	2,833,281	14,623,281	14,623,281
43-44	1,205,000	379,600	420,000	186,375	12,250,000	2,416,101	14,666,101	14,666,101
44-45	1,255,000	331,400	440,000	169,575	12,770,000	1,982,251	14,752,251	14,752,251
45-46	1,300,000	281,200	455,000	151,425	11,630,000	1,528,957	13,158,957	13,158,957
46-47	1,350,000	229,200	475,000	132,656	11,090,000	1,104,187	12,194,187	12,194,187
47-48	1,395,000	175,200	495,000	113,062	6,585,000	691,968	7,276,968	7,276,968
48-49	1,470,000	119,400	515,000	92,644	6,220,000	451,094	6,671,094	6,671,094
49-50	1,515,000	60,600	535,000	71,400	4,030,000	223,100	4,253,100	4,253,100
50-51			560,000	48,662	1,200,000	74,262	1,274,262	1,274,262
			585,000	24,863	585,000	24,863	609,863	609,863
Total	$ 23,100,000	$ 16,508,200	$ 9,995,000	$ 7,646,412	$ 467,345,000	$ 239,501,971	$ 706,846,971	$ 700,324,539

See accompanying Independent Auditor's Report

Knoxville Utilities Board Wastewater Division
Supplemental Information – Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2022	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2023
Business-Type Activities									
BONDS PAYABLE									
Payable through Wastewater Fund									
Revenue Bond, Series 2010C	70,000,000	1.18-6.1	12/08/10	04/01/40	$ 20,250,000	$	$ -	$	$ 20,250,000
Revenue Bond Refunding, Series 2015A	129,825,000	3.0-5.0	05/01/15	04/01/42	104,950,000		6,005,000		98,945,000
Revenue Bond, Series 2015B	30,000,000	3.0-5.0	05/20/15	04/01/25	1,800,000		575,000		1,225,000
Revenue Bond, Series 2016	20,000,000	2.0-5.0	08/05/16	04/01/46	17,300,000		525,000		16,775,000
Revenue Bond Refunding, Series 2017A	11,965,000	3.0-5.0	04/07/17	04/01/27	4,285,000		1,775,000		2,510,000
Revenue Bond, Series 2017B	25,000,000	2.0-5.0	09/15/17	04/01/47	22,635,000		600,000		22,035,000
Revenue Bond, Series 2018	12,000,000	3.0-5.0	09/14/18	04/01/48	10,985,000		270,000		10,715,000
Revenue Bond, Series 2019	16,000,000	3.0-5.0	08/20/19	04/01/49	15,135,000		330,000		14,805,000
Revenue Bond Refunding, Series 2020A	28,230,000	3.0-5.0	05/22/20	04/01/45	26,765,000		715,000		26,050,000
Revenue Bond, Series 2020B	27,460,000	3.0-4.0	10/30/20	04/01/50	26,355,000		580,000		25,775,000
Revenue Bond Refunding, Series 2021A	190,815,000	4.0-5.0	04/19/21	04/01/49	187,325,000		3,060,000		184,265,000
Revenue Bond, Series 2022A	11,125,000	4.0-5.0	04/29/22	04/01/51	11,125,000		225,000		10,900,000
Revenue Bond Refunding, Series 2022B	23,200,000	4.0-5.0	05/13/22	04/01/50	23,200,000		100,000		23,100,000
Revenue Bond, Series 2022C	9,995,000	4.0-5.0	12/16/22	04/01/52	-	9,995,000	-		9,995,000
					$ 472,110,000	$ 9,995,000	$ 14,760,000	$ -	$ 467,345,000

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Wastewater Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 6/30/2022	Issued During Period	Paid and/or Matured During Period	Remeasure- ments	Outstanding 6/30/2023
Lease Liabilities									
Payable through Wastewater Fund									
Centriworks	$ 9,442	3.88%	11/1/2020	10/31/2023	$ 5,762	$ -	$ (4,098)	$ (262)	$ 1,402
Coal Creek Ventures	6,447	3.88%	7/1/2020	9/30/2035	6,314	-	(6,027)	(287)	-
Crown Castle	16,250	3.90%	3/1/2023	2/1/2043	-	16,250	(129)	-	16,121
Manki 1 Investments	66,495	3.88%	7/1/2020	5/31/2027	65,489	-	(12,329)	-	53,160
Pinnacle Towers	10,404	3.88%	7/1/2020	6/30/2027	11,281	-	(10,768)	(513)	-
Ricoh Americas	7,834	3.88%	8/1/2022	8/31/2025	283	7,834	(2,356)	(13)	5,748
RJ Young Company	10,654	3.88%	7/1/2020	6/30/2026	8,530	-	(2,610)	(387)	5,533
White Realty	7,187	3.88%	7/1/2020	6/30/2041	7,187	-	(7,187)	-	-
Total Lease Liabilities					$ 104,846	$ 24,084	$ (45,504)	$ (1,462)	$ 81,964

Knoxville Utilities Board Wastewater Division
Statistical Information – Schedule of Insurance in Force
June 30, 2023
(Unaudited)

Insurance coverage is for KUB as a consolidated entity.

Crime
Covers losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - $5,000,000; $250,000 retention.

Directors' and Officers' Liability Insurance
Covers KUB personnel appropriately authorized to make decisions on behalf of KUB (including but not limited to Commissioners, President and CEO, Senior Vice Presidents, Vice Presidents, and Directors) for wrongful acts. Limits of coverage - $20,000,000; $500,000 corporate deductible, $0 individual deductible.

Employment Practices Liability
Coverage for costs related to actual or alleged employment practices violations for amounts exceeding specified amount ($500,000). Limits of coverage - $10,000,000.

Fiduciary
Covers losses resulting from wrongful acts related to KUB's Pension, 401(k), OPEB Trust funds, and Medical Plan. Limits of coverage - $10,000,000; $150,000 deductible.

Environmental and Pollution Legal Liability
Environmental and Pollution coverage for covered losses resulting from a pollution or environmental event. Limits of coverage - $15,000,000.

Property Insurance
This coverage provides protection of KUB's property for fire, extended coverage, vandalism and malicious mischief, and coverage on boilers and machinery. Also included are flood and earthquake damage and mechanical failure. Limits of coverage - $250,000,000 per occurrence (subject to certain sublimits); $2,500,000 deductible per occurrence.

Travel Accident
Covers losses related to employees' business travel. Limits of coverage - $1,000,000 aggregate.

Excess Insurance for General Liability
As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403).). Limits of coverage - $5,000,000; $700,000 retention.

Excess Insurance for Workers' Compensation
Covers all losses exceeding specified amount per occurrence ($1,000,000). Limits of coverage - Statutory; stop loss coverage applies for aggregate losses over $5,000,000.

Employee Health Plan Stop Loss Coverage
KUB's employee health plan is self-funded. KUB has purchased stop loss insurance, which covers KUB's exposure to annual expenses for more than $600,000 per individual participant.

Cyber Security Liability
Covers losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - $3,000,000; $500,000 retention.

Knoxville Utilities Board Wastewater Division
Statistical Information – Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class	Base Charge	Number of Customers
Residential Inside City rate	For wastewater service furnished to premises entirely within the corporate limits of the City of Knoxville:	56,534

Commodity Charge

First	2	100 Cubic Feet Per Month at $2.00 Per 100 Cubic Feet
Over	2	100 Cubic Feet Per Month at $9.40 Per 100 Cubic Feet

Additional Monthly Customer Charge

5/8" meter	$ 35.90

Rate Class	Base Charge	Number of Customers
Non-Residential Inside City rate	For wastewater service furnished to premises entirely within the corporate limits of the City of Knoxville:	7,841

Commodity Charge

First	2	100 Cubic Feet Per Month at $2.00 Per 100 Cubic Feet
Next	8	100 Cubic Feet Per Month at $12.95 Per 100 Cubic Feet
Next	90	100 Cubic Feet Per Month at $11.90 Per 100 Cubic Feet
Next	300	100 Cubic Feet Per Month at $10.30 Per 100 Cubic Feet
Next	4,600	100 Cubic Feet Per Month at $8.40 Per 100 Cubic Feet
Next	5,000	100 Cubic Feet Per Month at $4.95 Per 100 Cubic Feet

Additional Monthly Customer Charge

5/8" meter	$ 35.90
1" meter	51.90
1 1/2" meter	65.50
2" meter	89.00
3" meter	170.00
4" meter	279.00
6" meter	590.00
8" meter	1,025.00
10" meter	1,560.00
12" meter	2,340.00

See accompanying Independent Auditor's Report

Knoxville Utilities Board Wastewater Division
Statistical Information – Schedule of Current Rates in Force
June 30, 2023
(Unaudited)

Rate Class	Base Charge	Number of Customers
Residential Outside City rate	For wastewater service furnished to premises entirely or partly outside the corporate limits of the City of Knoxville:	9,338

Commodity Charge

First	2	100 Cubic Feet Per Month at $2.15 Per 100 Cubic Feet
Over	2	100 Cubic Feet Per Month at $10.15 Per 100 Cubic Feet

Additional Monthly Customer Charge

5/8" meter	$ 39.90

Rate Class	Base Charge	Number of Customers
Non-Residential Outside City rate	For wastewater service furnished to premises entirely or partly outside the corporate limits of the City of Knoxville:	328

Commodity Charge

First	2	100 Cubic Feet Per Month at $2.25 Per 100 Cubic Feet
Next	8	100 Cubic Feet Per Month at $14.25 Per 100 Cubic Feet
Next	90	100 Cubic Feet Per Month at $13.10 Per 100 Cubic Feet
Next	300	100 Cubic Feet Per Month at $11.25 Per 100 Cubic Feet
Next	4,600	100 Cubic Feet Per Month at $9.35 Per 100 Cubic Feet
Next	5,000	100 Cubic Feet Per Month at $5.50 Per 100 Cubic Feet

Additional Monthly Customer Charge

5/8" meter	$ 39.90
1" meter	56.00
1 1/2" meter	73.50
2" meter	97.00
3" meter	191.00
4" meter	307.00
6" meter	649.00
8" meter	1,130.00
10" meter	1,710.00
12" meter	2,560.00

See accompanying Independent Auditor's Report

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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*

Board of Commissioners
Wastewater Division of the Knoxville Utilities Board
Knoxville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Wastewater Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Division's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division'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 Division's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Commissioners
Wastewater Division of the Knoxville Utilities Board
Knoxville, Tennessee

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division'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 Division's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 31, 2023