



Consolidated

Financial Statements and Supplemental Information June 30, 2025 and 2024

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Knoxville Utilities Board

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Knoxville Utilities Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Knoxville Utilities Board (KUB), a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise KUB's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of KUB as of June 30, 2025 and 2024, and the changes in 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* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 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 *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

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- 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 6 through 29, the schedule of changes in net pension liability and related ratios, the schedule of employer pension contributions, the schedule of changes in net OPEB liability and related ratios, the schedule of employer OPEB contributions and the schedule of changes in total pension liability and related ratios - qualified governmental excess benefit arrangement on pages 77 – 81 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise KUB's basic financial statements. The schedule of expenditures of federal awards and combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Matter

The financial statements of KUB as of June 30, 2024, were audited by other auditors whose report dated October 23, 2024, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2025, 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 KUB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KUB's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 17, 2025

Knoxville Utilities Board

Management's Discussion and Analysis

June 30, 2025 and 2024

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, 2025, activities, resulting changes, and current known facts, and should be read in conjunction with KUB's consolidated financial statements.

Consolidated Highlights

System Highlights

Progress continues on the construction of the fiber network, as well as at the Mark B. Whitaker Water Treatment Plant, where redundancy is being built into KUB's water treatment process.

The Knoxville area continues to grow, and customers are being added across all divisions. As of June 30, 2025, KUB served 519,543 customers. KUB added 18,228 new customers to these systems in fiscal year 2025, representing growth of three percent.

The electric system's record peak demand remains 1,350.5 megawatts, set in January 2024. The natural gas system's record peak demand remains 169,458 dekatherms, set in December 2022.

During fiscal year 2025, KUB sold \$111 million in revenue bonds for the purpose of funding system expenditures.

On August 24, 2024, TVA's board voted to approve a 5.25 percent electric base rate increase effective October 1, 2024. The increase flowed 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 up to 5 percent of KUB's electric energy supply. The goals of this program include achieving significant power cost savings, advancing the goal to generate 400 megawatts of renewable energy by 2030, and demonstrating KUB's commitment to a cleaner environment. During the fiscal year, KUB contracted three TVA Flexibility projects. These include a TVA Green Invest Flexibility Conversion for 20 megawatts which began January 2025, a joint project with EPB and SR Durhamville for 33 megawatts beginning June 2028, and a short-term Biomass contract that will scale down as future solar resources come online. KUB also received Board approval in June 2025 for a fourth Flexibility contract, securing a 21 megawatts local project to be hosted at Cemex.

In the fall of 2024, KUB completed installation of two public fast-charging stations for electric vehicles in Downtown Knoxville and Seymour. These stations were installed as part of TVA's Fast Charge Tennessee

Knoxville Utilities Board

Management's Discussion and Analysis

June 30, 2025 and 2024

Network. Since going live, they have provided over 3,000 charging sessions for electric vehicle drivers in the Knoxville region.

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 commitment to system integrity, continuous improvement, safety, and employee development. As a Gold Level designee, the company remains a member of the program through 2027. In recognition of safety performance, KUB was named a 2025 APGA Safety Contest Winner. KUB also received the 2025 APGA Safety Management Excellence Award and the 2025 Community Service Award for excellence in operating its natural gas utility.

KUB's wastewater treatment plants have a strong track record of excellent performance, recognized through numerous awards from the National Association of Clean Water Agencies (NACWA) over the years. In 2025, KUB met the 2024 criteria to earn a NACWA Peak Performance Gold Award for its Fourth Creek Wastewater Treatment Plant, and Silver Awards for its Eastbridge, Kuwahee, and Loves Creek facilities.

KUB was named a NACWA National Environmental Achievement Awards 2024 honoree. These awards recognize individuals and NACWA member agencies that have made outstanding contributions to environmental protection and the clean water community. In 2024, KUB received two awards: one in the Operations & Environmental Performance category for its Biologically Enhanced High-Rate Clarifier, and another in the Workforce Development category for its Utility Apprentice Program.

In 2023, KUB obtained Diamond Certification from the National Biosolids Partnership, a ten-year recognition that represents the highest and newest level of certification within the program. Biosolids are nutrient-rich organic matter produced by wastewater treatment and are registered fertilizers 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 September 2021, the Board approved electric rate increases to support both the Century II program and expanded fiber network. The three approved 3 percent electric rate increases went into effect April 2022, April 2023, and April 2024 generating \$16.7 million, \$17.4 million, and \$18 million in additional annual Electric Division revenue, respectively.

In June 2022, the Board approved water and wastewater rate increases to support the Century II program. The water rate increases took effect in July 2022, July 2023, and July 2024, generating additional annual Water Division revenue of \$3.4 million, \$3.4 million, and \$3.6 million, respectively. The wastewater rate increases took effect in July 2022, July 2023, and July 2024, generating additional annual Wastewater Division revenue of \$3.9 million, \$4 million, and \$4.2 million, respectively.

In June 2024, as part of KUB's Inflation Response Plan, the Board approved the next phase of electric, gas, water, and wastewater rate increases to support the Century II program and the expanded fiber network. The first of three approved electric rate increases took effect in April 2025 generating additional annual Electric Division revenue of \$26 million. The remaining rate increases, effective April 2026 and April

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Management's Discussion and Analysis

June 30, 2025 and 2024

2027, are expected to provide \$20.7 million and \$14.2 million in additional annual Electric Division revenue, respectively. The first of three approved 3 percent gas rate increases took effect in October 2024, generating additional annual Gas Division revenue of \$4.1 million. The remaining rate increases, effective October 2025 and October 2026, are expected to provide \$4.5 million in additional annual Gas Division revenue each. The three approved 6 percent water rate increases are effective in July 2025, July 2026, and July 2027 and are expected to provide \$4.5 million, \$4.8 million, and \$5.1 million in additional annual Water Division revenue, respectively. The three approved wastewater rate increases are effective in July 2025, July 2026, and July 2027 and are expected to provide \$2.3 million, \$2.4 million, and \$2.4 million in additional 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 \$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. Construction of the new water filter project commenced in October 2022 and is projected to be completed by November 2025.

Knox County committed \$2.6 million through a Tennessee Department of Environment and Conservation (TDEC) non-competitive grant and an additional \$10 million in direct funding from the American Rescue Plan Act (ARPA). The City of Knoxville contributed \$7.5 million through a TDEC non-competitive grant and \$5 million in direct ARPA funding. In total, \$25.1 million in grant funding was awarded. All funds have been received by KUB and were used to support KUB's new water filter project at its Mark B. Whitaker Water Treatment Plant.

In fiscal year 2025, the electric system replaced 8 miles of transmission lines and 5.3 miles of underground cable. In the natural gas system, 8.4 miles of gas steel main were replaced. In the water system, 2.7 miles of galvanized water main and 9.2 miles of cast iron water main were replaced. In the wastewater system, 7.9 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 it, 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 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 of building and operating 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 addition to providing broadband services, the fiber network is also allowing 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, \$7 million was provided in August 2022, \$13 million was provided in February 2023, and \$5 million

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Management's Discussion and Analysis

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was provided in May 2024, all maturing in June 2030. The Electric Division issued a \$2 million loan in May 2024, and a \$7 million loan in December 2024 to the Fiber Division, both maturing in June 2032.

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, 2025, the Fiber Division had 22,416 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. As of June 30, 2025, KUB has received \$10.6 million in reimbursements.

KUB's internet assistance program, ConnectED, provides free high-speed internet to student households who qualify, with funding from the City of Knoxville and Knox County. ConnectED participants receive \$80 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 Fiber Division.

Financial Highlights

Fiscal Year 2025 Compared to Fiscal Year 2024

KUB's consolidated Change in Net Position increased \$132.4 million in fiscal year 2025. Comparatively, net position increased by \$96.2 million in fiscal year 2024.

Operating revenue increased \$108.4 million, driven by increased volumes, a higher customer base in the Fiber Division, and rate increases in the Electric, Gas, Water, and Wastewater Divisions. Purchased energy expense (power and natural gas) increased \$58.3 million, or 11.9 percent, the combined effect of a \$49.5 million increase in purchased power cost and a \$8.8 million increase in purchased gas cost. Increased levels of purchased power expense were driven by higher customer demand and wholesale power costs from TVA's 5.25 percent rate increase. Increased purchased gas cost was due to higher storage injections, natural gas prices, and customer demand. Margin from sales (operating revenue less purchased energy expense) increased \$50.1 million, or 10.9 percent, compared with the prior fiscal year.

Operating expenses (excluding purchased power and purchased gas expense) increased \$6.7 million. Operating and maintenance (O&M) expenses were \$1.9 million higher than the previous year, due to an increase in labor-related expenses and materials and chemicals. Depreciation and amortization expense increased \$7.8 million, or 8 percent. Taxes and tax equivalents decreased \$3 million, or 7.2 percent.

Interest income was \$2.8 million higher than the prior fiscal year, driven by higher cash balances and the replacement of maturing low-yield investments with new investments at significantly higher rates, despite a modest decline in overall interest rates. Interest expense increased \$4.2 million, or 9.2 percent, reflecting interest expense from new revenue bonds sold during fiscal year 2025 and interest on increased levels of customer deposits.

Capital contributions decreased \$1.3 million, the result of a lower level of assets contributed by developers.

Total capital assets (net) increased \$148.7 million, or 5.9 percent over the last fiscal year.

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Management's Discussion and Analysis

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Long-term debt represented 41.8 percent of KUB's consolidated capital structure, compared to 42.5 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 2024 Compared to Fiscal Year 2023

KUB's consolidated Change in Net Position increased \$96.2 million in fiscal year 2024. Comparatively, net position increased by \$69.5 million in fiscal year 2023.

Operating revenue decreased \$21.1 million, the net result of the flow through of lower energy costs in KUB's rates, along with rate increases in the Electric, Water, and Wastewater Divisions. Purchased energy expense (power and natural gas) decreased \$62.1 million or 11.2 percent, the combined effect of a \$28.5 million decrease in purchased power cost and a \$33.6 million decrease in purchased gas cost. Margin from sales (operating revenue less purchased energy expense) increased \$41.1 million or 9.8 percent compared with the prior fiscal year.

Operating expenses (excluding purchased power and purchased gas expense) increased \$19.2 million. Operating and maintenance (O&M) expenses were \$12.9 million higher than the previous year, due to an increase in outside contractor and consultant expenses, materials and chemicals, labor-related expenses, and vegetation management expenses. Depreciation and amortization expense increased \$4.1 million or 4.3 percent. Taxes and tax equivalents increased \$2.3 million or 5.9 percent.

Interest income was \$3.5 million higher than the prior fiscal year, due to higher interest rates throughout the fiscal year. Interest expense increased \$2.4 million or 5.7 percent, reflecting interest expense from new revenue bonds sold during fiscal year 2024.

Capital contributions decreased \$1.8 million, the result of a lower level of assets contributed by developers.

Total capital assets (net) increased \$156.1 million or 6.6 percent over the last fiscal year.

Long-term debt represented 42.5 percent of KUB's consolidated capital structure, compared to 43.4 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.

Knoxville Utilities Board

Management's Discussion and Analysis

June 30, 2025 and 2024

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.

Knoxville Utilities Board
Management's Discussion and Analysis
June 30, 2025 and 2024

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

<i>(in thousands of dollars)</i>	2025	2024	2023
Current, restricted, intangible, and other assets	\$ 517,109	\$ 450,473	\$ 460,223
Capital assets, net	<u>2,660,614</u>	<u>2,511,915</u>	<u>2,355,801</u>
Total assets	<u>3,177,723</u>	<u>2,962,388</u>	<u>2,816,024</u>
Deferred outflows of resources	<u>29,457</u>	<u>43,938</u>	<u>67,744</u>
Total assets and deferred outflows of resources	<u>3,207,180</u>	<u>3,006,326</u>	<u>2,883,768</u>
Current and other liabilities	276,254	271,665	277,812
Long-term debt outstanding	<u>1,255,871</u>	<u>1,193,277</u>	<u>1,167,157</u>
Total liabilities	<u>1,532,125</u>	<u>1,464,942</u>	<u>1,444,969</u>
Deferred inflows of resources	<u>13,578</u>	<u>12,337</u>	<u>5,939</u>
Total liabilities and deferred inflows of resources	<u>1,545,703</u>	<u>1,477,279</u>	<u>1,450,908</u>
Net position			
Net investment in capital assets	1,364,989	1,280,751	1,154,845
Restricted	25,257	25,949	23,818
Unrestricted	<u>271,231</u>	<u>222,347</u>	<u>254,197</u>
Total net position	<u>\$ 1,661,477</u>	<u>\$ 1,529,047</u>	<u>\$ 1,432,860</u>

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.

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Management's Discussion and Analysis

June 30, 2025 and 2024

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2025 Compared to Fiscal Year 2024

Current, restricted, intangible, and other assets increased \$66.6 million, or 14.8 percent, due to an increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of \$56.2 million, an increase in accounts receivable of \$11.1 million. These increases were offset by a decrease in inventories of \$2.6 million.

KUB under recovered \$5.9 million in wholesale power costs from its customers in fiscal year 2025, as compared to a \$5.1 million under recovery in fiscal year 2024. 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. KUB under recovered \$2.7 million in wholesale gas costs from its customers in fiscal year 2025, as compared to a \$1.1 million under recovery in fiscal year 2024. This under recovery of costs will be charged to KUB's gas customers during the next fiscal year through adjustments to rates via the Purchased Gas Adjustment.

Fiscal Year 2024 Compared to Fiscal Year 2023

Current, restricted, intangible, and other assets decreased \$9.8 million or 2.1 percent, due to a decrease in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of \$38.3 million offset by an increase in accounts receivable of \$14.2 million, an increase in under recovered purchased power cost of \$5.1 million, an increase in lease receivable of \$5 million, and an increase in inventories of \$3.8 million.

KUB under recovered \$5.1 million in wholesale power costs from its customers in fiscal year 2024, as compared to a \$3.5 million over recovery in fiscal year 2023. 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. KUB under recovered \$1.1 million in wholesale gas costs from its customers in fiscal year 2024, as compared to a \$4.4 million over recovery in fiscal year 2023. This under recovery of costs will be charged to KUB's gas customers during the next fiscal year through adjustments to rates via the Purchased Gas Adjustment.

Capital Assets

Fiscal Year 2025 Compared to Fiscal Year 2024

Capital assets (net) increased \$148.7 million, or 5.9 percent. Major capital expenditures (reflected in both plant additions and work in progress) in fiscal year 2025 included \$76.3 million for fiber network buildout, \$27.8 million for various electric distribution system improvements, \$23.4 million for water plant redundancy, \$23.3 million related to wastewater Century II projects, \$22.7 million for electric services and extensions, \$15 million for water main replacements, \$8.9 million for pole replacements for the electric system, and \$8.4 million for gas service extensions. System assets of \$20.9 million were retired during fiscal year 2025.

Fiscal Year 2024 Compared to Fiscal Year 2023

Capital assets (net) increased \$156.1 million or 6.6 percent. Major capital expenditures (reflected in both plant additions and work in progress) in fiscal year 2024 included \$67.7 million for fiber network buildout, \$32.3 million for various electric distribution system improvements, \$21 million related to wastewater Century II projects, \$17.6 million for electric services and extensions, \$11.2 million for water plant redundancy, \$9.1 million for water main replacements, \$7.7 million for gas service extensions, and \$7.3

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million for pole replacements for the electric system. System assets of \$36.7 million were retired during fiscal year 2024.

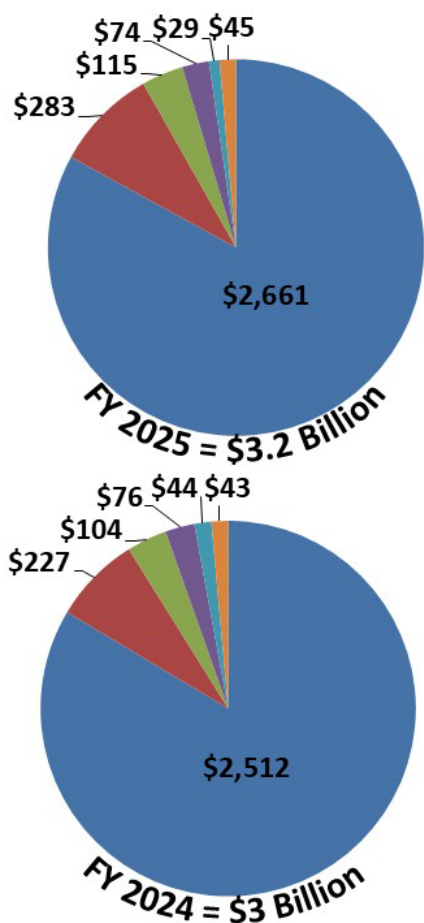
Deferred Outflows of Resources

Fiscal Year 2025 Compared to Fiscal Year 2024

Deferred outflows of resources decreased \$14.5 million compared to the prior year, due to a decrease in pension outflow of \$12.6 million, a decrease in OPEB outflow of \$1 million, and a decrease in unamortized bond refunding costs of \$0.9 million when compared to the prior fiscal year.

Fiscal Year 2024 Compared to Fiscal Year 2023

Deferred outflows of resources decreased \$23.8 million compared to the prior year, due to a decrease in pension outflow of \$20.3 million, a decrease in OPEB outflow of \$2.6 million, and a decrease in unamortized bond refunding costs of \$0.9 million when compared to the prior fiscal year.



Consolidated Total Assets and Deferred Outflows of Resources (in Millions)

	FY25	FY24
Plant	83%	84%
General and Contingency Funds	9%	8%
Accounts Receivable	4%	3%
Other Assets	2%	3%
Deferred Outflows of Resources	1%	1%
Restricted Assets	1%	1%

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Current and Other Liabilities

Fiscal Year 2025 Compared to Fiscal Year 2024

Current and other liabilities increased \$4.6 million, or 1.7 percent, compared to the prior fiscal year. This reflects an increase of \$4.7 million in accrued expenses, an increase of \$4.1 million in payables, an increase of \$1.8 million in customer deposits, a \$1.7 million increase in customer advances for construction, and a \$1.4 million increase in accrued interest on revenue bonds. These increases were offset by a decrease of \$4.4 million in the actuarially determined net pension liability, a \$4.1 million decrease in the actuarially determined net OPEB liability, and a \$1 million decrease in subscription liability.

Fiscal Year 2024 Compared to Fiscal Year 2023

Current and other liabilities decreased \$6.1 million, or 2.2 percent, compared to the prior fiscal year. This reflects a decrease of \$14.8 million in the actuarially determined net pension liability, a decrease of \$4.4 million in over recovered purchased gas cost, a \$3.6 million decrease in the actuarially determined net OPEB liability, and a decrease of \$3.5 million over recovered purchased power cost. These decreases were offset by an increase of \$13.5 million in payables, an increase of \$2.8 million in the current portion of revenue bonds, an increase of \$2.6 million in accrued expenses, and an increase of \$1.3 million in customer deposits.

Long-term Debt

Fiscal Year 2025 Compared to Fiscal Year 2024

Long-term debt increased \$62.6 million, or 5.2 percent. The increase is due in part to the net impact of the scheduled repayment of debt and \$111 million in electric and water system revenue bonds sold in July 2024.

Fiscal Year 2024 Compared to Fiscal Year 2023

Long-term debt increased \$26.1 million, or 2.2 percent. The increase is due in part to the net impact of the scheduled repayment of debt and \$75 million in electric and water system revenue bonds sold in November 2023.

Deferred Inflows of Resources

Fiscal Year 2025 Compared to Fiscal Year 2024

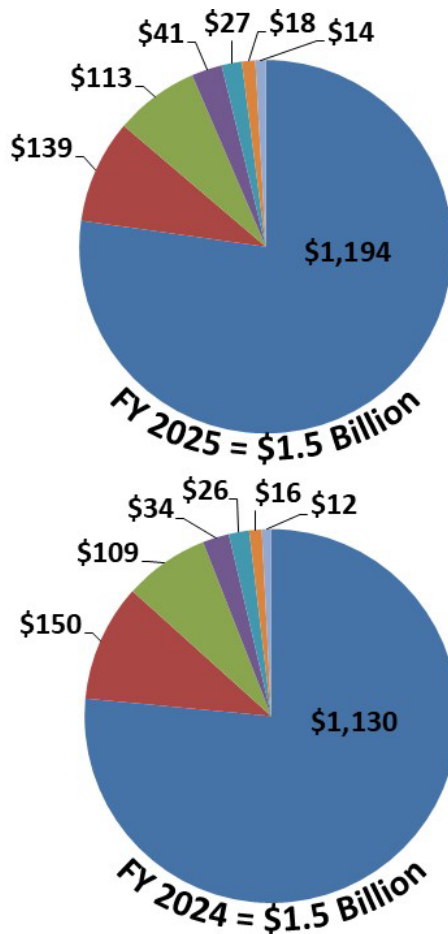
Deferred inflows increased \$1.2 million compared to the prior fiscal year, primarily due to a \$2.4 million increase in OPEB inflow offset by a \$1 million decrease in lease inflow.

Fiscal Year 2024 Compared to Fiscal Year 2023

Deferred inflows increased \$6.4 million compared to the prior fiscal year, primarily due to a \$4.8 million increase in lease inflow and a \$1.8 million increase in OPEB inflow.

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**Consolidated Total Liabilities and
Deferred Inflows of Resources
(in Millions)**

	<u>FY25</u>	<u>FY24</u>
Bond Debt	77%	76%
Other Liabilities	9%	10%
Payables	7%	7%
Misc Current	3%	3%
Customer Deposits	2%	2%
Interest Accrued	1%	1%
Deferred Inflows of Resources	1%	1%

Net Position

Fiscal Year 2025 Compared to Fiscal Year 2024

Total net position increased \$132.4 million, or 8.7 percent. Net investment in capital assets increased \$84.2 million, or 6.6 percent, the result of an increase of \$148.7 million in net plant additions offset by a \$64.1 million increase in the current and long-term portions of revenue bonds. Restricted net position decreased \$0.7 million compared to the prior year. Unrestricted net position increased \$48.9 million, or 22 percent compared to the previous fiscal year, primarily due to an increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of \$56.2 million.

Fiscal Year 2024 Compared to Fiscal Year 2023

Total net position increased \$96.2 million, or 6.7 percent. Net investment in capital assets increased \$125.9 million, or 10.9 percent, the result of an increase of \$156.1 million in net plant additions offset by a \$30.6 million increase in the current and long-term portions of revenue bonds. Restricted net position increased \$2.1 million compared to the prior year. Unrestricted net position decreased \$31.8 million, or 12.5 percent, compared to the previous fiscal year, primarily due to a decrease in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of \$38.3 million.

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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

<i>(in thousands of dollars)</i>	2025	2024	2023
Operating revenues	\$ 1,059,872	\$ 951,461	\$ 972,519
Less: Purchased energy expense	<u>549,793</u>	<u>491,481</u>	<u>553,595</u>
Margin from sales	<u>510,079</u>	<u>459,980</u>	<u>418,924</u>
Operating expenses			
Treatment	23,789	21,663	20,707
Fiber products and promotions	6,793	5,313	3,142
Distribution and collection	90,808	92,564	86,742
Customer service	11,347	10,708	15,659
Administrative and general	73,963	74,556	65,698
Depreciation and amortization	105,819	97,979	93,928
Taxes and tax equivalents	<u>38,557</u>	<u>41,562</u>	<u>39,260</u>
Total operating expenses	<u>351,076</u>	<u>344,345</u>	<u>325,136</u>
Operating income	159,003	115,635	93,788
Interest income	15,455	12,606	9,122
Interest expense	(49,247)	(45,086)	(42,674)
Other income/(expense)	<u>5,977</u>	<u>10,502</u>	<u>4,971</u>
Change in net position before capital contributions	<u>131,188</u>	<u>93,657</u>	<u>65,207</u>
Capital contributions	<u>1,242</u>	<u>2,530</u>	<u>4,325</u>
Change in net position	\$ <u>132,430</u>	\$ <u>96,187</u>	\$ <u>69,532</u>

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.

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- 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 2025 Compared to Fiscal Year 2024

KUB's consolidated Change in Net Position increased \$132.4 million in fiscal year 2025. Comparatively, net position increased \$96.2 million in fiscal year 2024.

Fiscal Year 2024 Compared to Fiscal Year 2023

KUB's consolidated Change in Net Position increased \$96.2 million in fiscal year 2024. Comparatively, net position increased \$69.5 million in fiscal year 2023.

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Margin from Sales

Fiscal Year 2025 Compared to Fiscal Year 2024

Operating revenue was \$108.4 million higher than the previous fiscal year. Both electric and natural gas experienced increases in wholesale energy prices. Electric Division operating revenue increased \$73.2 million, driven by a 3 percent increase in billed sales volumes, additional revenue from the April 2024 and April 2025 rate increases, and increased wholesale energy costs from TVA's 5.25 percent rate increase. Fiber Division operating revenue increased \$10.7 million due to the addition of fiber customers this fiscal year. Gas Division revenue increased \$14.7 million for the fiscal year, driven by a 6 percent increase in billed volumes and additional revenue from the October 2024 rate increase. Water Division revenue increased \$4.6 million, due to an increase in billed water sales volumes of 0.4 percent and additional revenue from the July 2024 rate increase. Wastewater Division revenue was \$5.3 million higher than the previous year, reflecting additional revenue from the July 2024 rate increase.

Wholesale energy expense increased \$58.3 million, or 11.9 percent. Purchased power expense increased \$49.5 million compared to last year, due to higher customer demand and increased wholesale power costs resulting from TVA's 5.25 percent rate increase. KUB received \$10.4 million as a result of TVA's Long-Term Partnership Credit and \$0.6 million in a Flexibility Energy Credit, which decreased power expenses by \$11 million in the current fiscal year. Purchased gas expense was \$8.8 million higher than the prior year, reflecting increased storage injection, higher natural gas prices, and higher customer demand.

Margin from sales (operating revenue less purchased energy expense) increased \$50.1 million compared to the previous year.

Fiscal Year 2024 Compared to Fiscal Year 2023

Operating revenue was \$21.1 million lower than the previous fiscal year. Both electric and natural gas experienced decreases in wholesale energy prices. Electric Division operating revenue decreased \$4.9 million, the net result of a 0.6 percent increase in billed sales volumes, additional revenue from the April 2024 rate increase, and lower wholesale energy costs. Fiber Division operating revenue increased \$5.5 million due to the addition of fiber customers this fiscal year. Gas Division revenue decreased \$31.9 million for the fiscal year, the net result of a 1.7 percent increase in billed sales volumes and lower natural gas prices. Water Division revenue increased \$4 million, reflecting a 1.8 percent increase in billed sales volumes and additional revenue from the July 2023 rate increase. Wastewater Division revenue was \$6.2 million higher than the previous year, reflecting a 2.2 percent increase in billable wastewater flows and additional revenue from the July 2023 rate increase.

Wholesale energy expense decreased \$62.1 million, or 11.2 percent. Purchased power expense decreased \$28.5 million compared to last year, due to the flow through of lower wholesale power costs. KUB received \$9.7 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 \$33.6 million lower than the prior year, reflecting lower natural gas prices for the fiscal year.

Margin from sales (operating revenue less purchased energy expense) increased \$41.1 million compared to the previous year.

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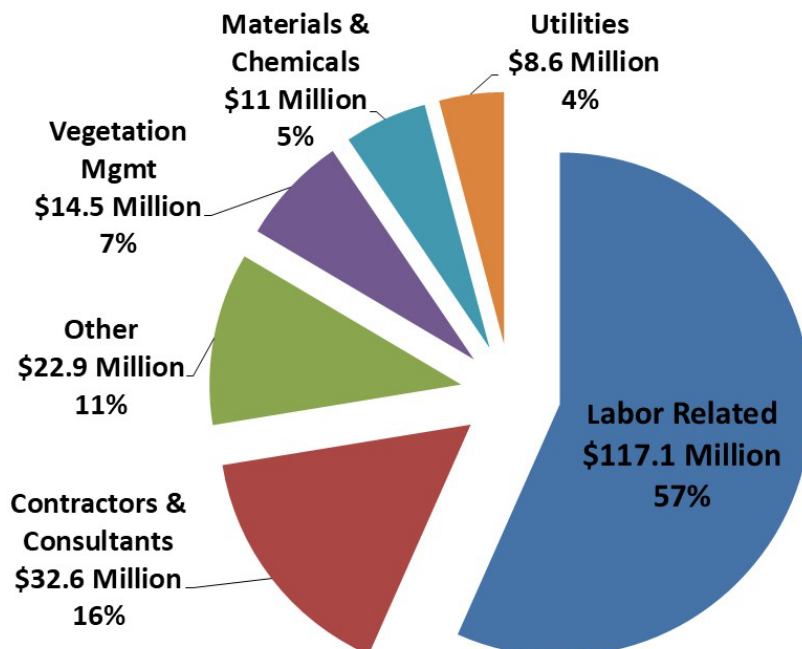
Operating Expenses

Fiscal Year 2025 Compared to Fiscal Year 2024

Operating expenses (excluding wholesale purchased energy expense) increased \$6.7 million compared to fiscal year 2024. 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 \$2.1 million, primarily due to higher materials and chemicals expenses and labor-related expenses
- Fiber products and promotions increased \$1.5 million, primarily due to television expenses, and materials costs.
- Distribution and collection expenses decreased \$1.8 million, or 1.9 percent, primarily due to lower outside contractor and consultant expenses, partially offset by higher labor-related expenses and vegetation management circuit work.
- Customer service expenses increased \$0.6 million, primarily due to labor-related expenses.
- Administrative and general expenses decreased \$0.6 million, primarily due to lower outside contractor and consultant costs, partially offset by higher labor-related expenses and technology subscriptions.

FY 2025 Consolidated O&M Expense = \$206.7 Million



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- Depreciation and amortization expense increased \$7.8 million, or 8 percent. KUB added \$212.1 million in assets during fiscal year 2025. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on \$290.3 million in assets placed in service during fiscal year 2024. In addition, \$20.9 million of assets were retired during fiscal year 2025.
- Taxes and tax equivalents decreased \$3 million, or 7.2 percent, primarily due to the City of Knoxville's reduction in equalization rates offset by higher plant in service levels and increased employer Federal Insurance Contributions Act (FICA) taxes.

Fiscal Year 2024 Compared to Fiscal Year 2023

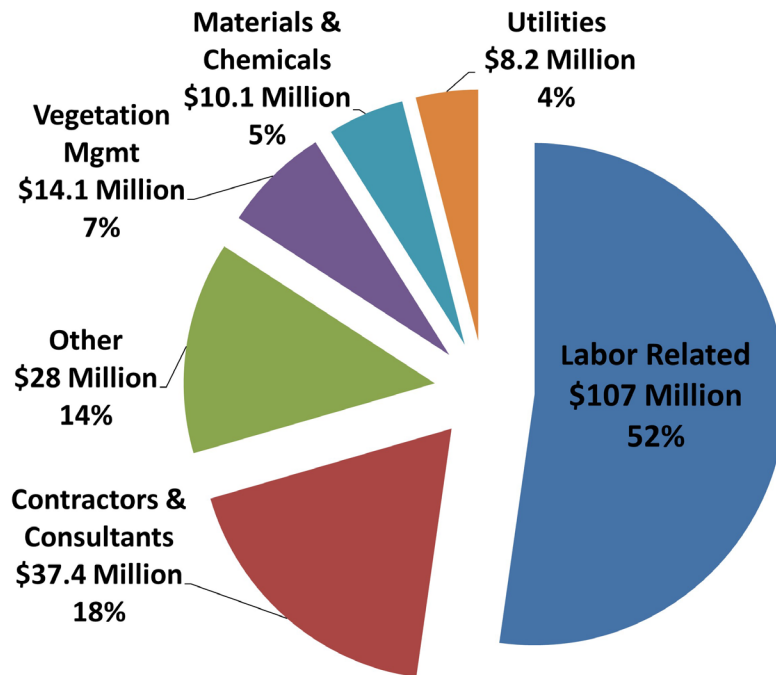
Operating expenses (excluding wholesale purchased energy expense) increased \$19.2 million compared to fiscal year 2023. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, fiber products and promotions, distribution and collection, customer service, and administrative and general.

- Treatment expenses increased \$1 million, primarily due to higher labor-related expenses and chemical expenses.
- Fiber products and promotions increased \$2.2 million, primarily due to materials, corporate advertising, and labor-related expenses.
- Distribution and collection expenses increased \$5.8 million, or 6.7 percent, primarily due to outside contractor and consultant expenses, labor-related expenses, and vegetation management circuit work.
- Customer service expenses decreased \$5 million, primarily due to a change in methodology for technology-related costs that resulted in an offsetting increase in administration and general expenses.
- Administrative and general expenses increased \$8.9 million, primarily due to a change in methodology for technology-related costs that resulted in an offsetting decrease in customer service expenses and increased insurance costs.

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FY 2024 Consolidated O&M Expense = \$204.8 Million



- Depreciation and amortization expense increased \$4.1 million, or 4.3 percent. KUB added \$290.3 million in assets during fiscal year 2024. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on \$137.4 million in assets placed in service during fiscal year 2023. In addition, \$36.7 million of assets were retired during fiscal year 2024.
- Taxes and tax equivalents increased \$2.3 million, or 5.9 percent, primarily due to increased plant in service levels and employer Federal Insurance Contributions Act (FICA) taxes.

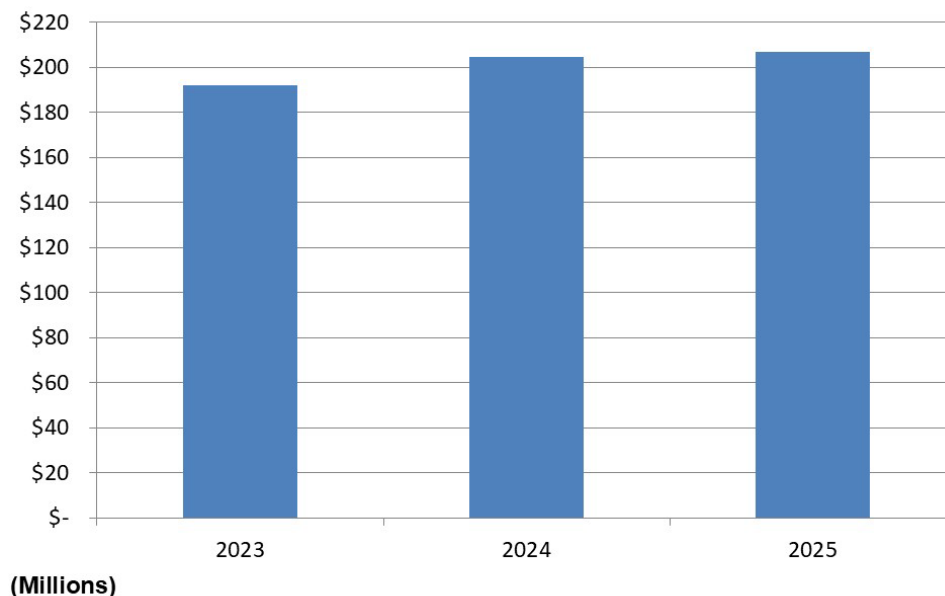
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Consolidated Operation & Maintenance Expense



Other Income and Expense

Fiscal Year 2025 Compared to Fiscal Year 2024

Interest income increased \$2.8 million compared to the prior fiscal year, driven by higher cash balances and the replacement of maturing low-yield investments with new investments at significantly higher rates, despite a modest decline in overall interest rates.

Interest expense increased \$4.2 million, or 9.2 percent, reflecting the interest expense from new revenue bonds sold during the fiscal year and interest on increased levels of customer deposits.

Other income (net) decreased \$4.5 million, primarily due a reduction in grant reimbursements and to mark-to-market adjustments on investments.

Capital contributions by developers were \$1.3 million lower, due to a decrease in donated utility assets compared to the prior fiscal year.

Fiscal Year 2024 Compared to Fiscal Year 2023

Interest income increased \$3.5 million compared to the prior fiscal year, reflecting higher interest rates throughout the year.

Interest expense increased \$2.4 million, or 5.7 percent, reflecting the interest expense from new revenue bonds sold during the fiscal year.

Other income (net) increased \$5.5 million, primarily due to grant reimbursements and mark-to-market adjustments on investments.

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Capital contributions by developers were \$1.8 million lower, due to a decrease in donated utility assets compared to the prior fiscal year.

Capital Assets

Capital Assets As of June 30 (Net of Depreciation)			
<i>(in thousands of dollars)</i>	2025	2024	2023
Production Plant (Intakes)	\$ 6	\$ 6	6
Pumping and Treatment Plant	281,538	284,752	268,410
Distribution and Collection Plant			
Mains and metering	\$ 1,011,549	\$ 979,996	\$ 940,034
Services and meters	186,804	174,027	164,010
Electric station equipment	186,334	144,074	85,676
Poles, towers and fixtures	179,304	175,823	163,802
Overhead conductors	188,191	174,932	150,166
Line transformers	67,146	65,160	62,002
Other accounts	197,436	197,904	188,126
Total Distribution & Collection Plant	\$ 2,016,764	\$ 1,911,916	\$ 1,753,816
General Plant	135,387	130,872	112,247
Total Plant Assets	\$ 2,433,695	\$ 2,327,546	\$ 2,134,479
Work In Progress	226,919	184,369	221,322
Total Net Plant	\$ 2,660,614	\$ 2,511,915	\$ 2,355,801

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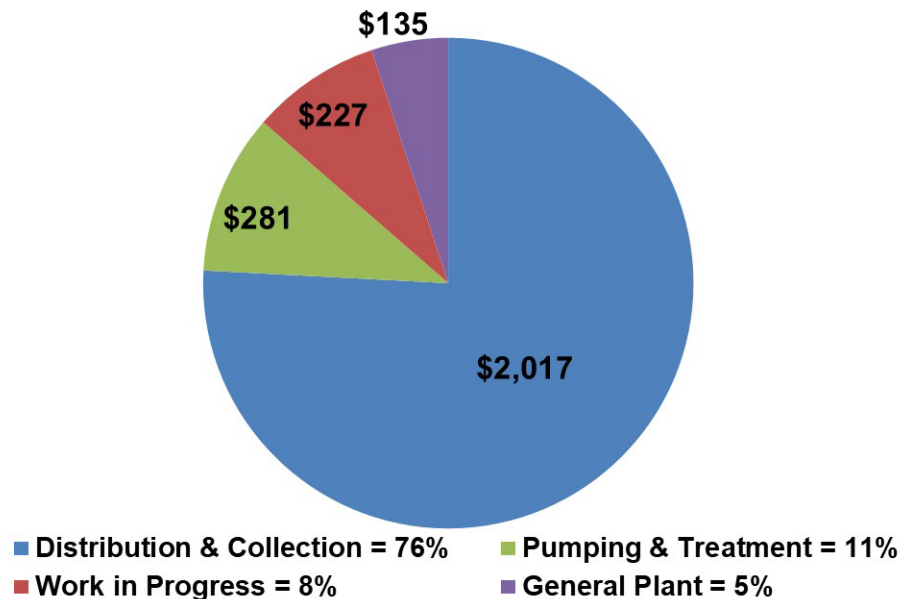
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Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, KUB had \$2.7 billion invested in capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of \$148.7 million, or 5.9 percent, over the end of the last fiscal year.

FY 2025 Consolidated Capital Assets = \$2.7 Billion (in Millions)



Major capital asset additions during the year were as follows:

- \$76.3 million for fiber network buildout
- \$27.8 million for various electric distribution system improvements
- \$23.4 million for water plant redundancy
- \$23.3 million related to wastewater Century II projects
 - \$10.3 million for collection system improvements
 - \$8.3 million for pump station construction and improvements
 - \$3.5 million for wastewater treatment plant upgrades
 - \$0.6 million for sewer mini-basin rehabilitation and replacement
 - \$0.6 million for short line projects
- \$22.7 million for installation of new electric services and the upgrade or replacement of existing services.
- \$15 million for water main replacements
- \$8.9 million for pole replacements for the electric system
- \$8.4 million for the gas service extensions
- \$7.3 million for auto and truck purchases

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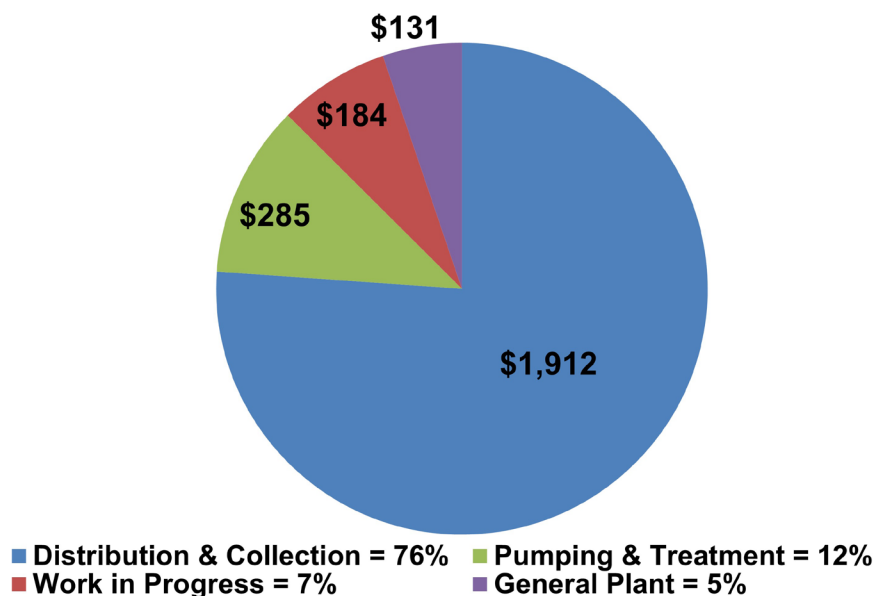
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Fiscal Year 2024 Compared to Fiscal Year 2023

As of June 30, 2024, KUB had \$2.5 billion invested in capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of \$156.1 million, or 6.6 percent, over the end of the last fiscal year.

FY 2024 Consolidated Capital Assets = \$2.5 Billion (in Millions)



Major capital asset additions during the year were as follows:

- \$67.7 million for fiber network buildout
- \$32.3 million for various electric distribution system improvements
- \$21 million related to wastewater Century II projects
 - \$4.4 million for pump station construction and improvements
 - \$7.2 million for sewer mini-basin rehabilitation and replacement
 - \$4.2 million for wastewater treatment plant upgrades
 - \$4.4 million for short line projects
 - \$0.8 million for trunkline improvements
- \$17.6 million for installation of new electric services and the upgrade or replacement of existing services.
- \$11.2 million for water plant redundancy
- \$9.1 million for water main replacements
- \$7.7 million for the gas service extensions
- \$7.3 million for pole replacements for the electric system
- \$3.9 million for auto and truck purchases

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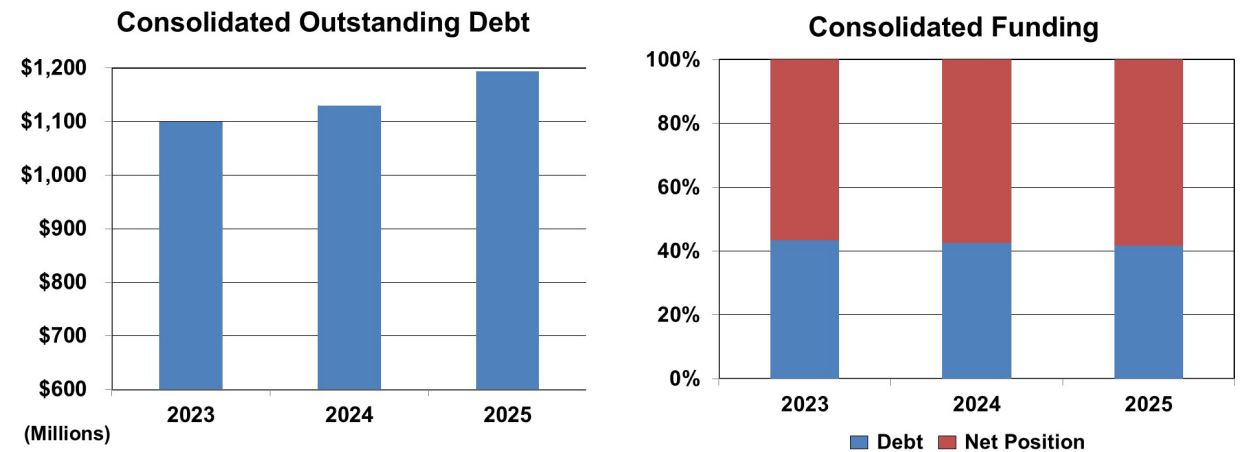
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Debt Administration

KUB’s outstanding debt was \$1.19 billion as of June 30, 2025. Debt as a percentage of capital structure was 41.8 percent in 2025, 42.5 percent in 2024, and 43.4 percent in 2023.

	Outstanding Debt As of June 30		
(in thousands of dollars)	2025	2024	2023
Revenue bonds	\$ 1,194,195	\$ 1,130,115	\$ 1,099,510
Total outstanding debt	\$ 1,194,195	\$ 1,130,115	\$ 1,099,510



KUB will pay \$485.9 million in principal payments over the next ten years, representing 40.7 percent of outstanding bonds.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, KUB had \$1.19 billion in outstanding debt (including the current portion of revenue bonds), representing an increase of \$64.1 million. As of June 30, 2025, KUB’s weighted average cost of debt was 3.99 percent (3.96 percent including the impact of Build America Bonds rebates).

KUB sold \$91 million in electric system revenue bonds in July 2024 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 4.05 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2055.

KUB sold \$20 million in water system revenue bonds in July 2024 for the purpose of funding water system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.04 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2054.

KUB’s outstanding debt is rated by S&P Global Ratings and Moody’s Investors Service. In July 2024, S&P Global Ratings upgraded KUB’s wastewater system’s rating from AA+ to AAA, the highest rating available. As of June 30, 2025, S&P Global Ratings rated the revenue bonds of the both the Water Division and the Wastewater Division AAA, the revenue bonds of the Electric Division AA- and the Gas Division AA. Moody’s

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Investors Service rated the bonds of the Water Division Aa1 and the Electric, Gas, and Wastewater Divisions Aa2

Fiscal Year 2024 Compared to Fiscal Year 2023

As of June 30, 2024, KUB had \$1.13 billion in outstanding debt (including the current portion of revenue bonds), representing an increase of \$30.6 million. As of June 30, 2024, KUB's weighted average cost of debt was 3.95 percent (3.91 percent including the impact of Build America Bonds rebates).

KUB sold \$55 million in electric system revenue bonds in November 2023 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 4.40 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2054.

KUB sold \$20 million in water system revenue bonds in November 2023 for the purpose of funding water system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.33 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2054.

KUB's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2024, S&P Global Ratings 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.

Impacts on Future Financial Position

KUB anticipates an increase of 15,750 customers, including 11,100 fiber system customers, during fiscal year 2026.

As a component of the Fiber Division's start-up financing plan, the Electric Division will provide \$55 million of interdivisional loans. To date, \$44 million has been issued to the Fiber Division. A \$6 million loan is anticipated during fiscal year 2026.

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 \$2,793,313 for the fiscal year ending June 30, 2026, based on the Plan's current funding policy. Subsequent to June 30, 2025, an actuarial valuation was completed and resulted in an actuarially determined contribution of \$2,939,593 for the fiscal year ending June 30, 2027, based on the Plan's current funding policy. For the Plan year beginning January 1, 2025, the Plan's actuarial funded ratio is 103.9 percent, and the market value funded ratio is 100.3 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of \$1,217,234 for the fiscal year ending June 30, 2026, based on the Plan's current funding policy. Subsequent to June 30, 2025, an actuarial valuation was completed and resulted in an actuarially determined contribution of \$968,538 for the fiscal year ending June 30, 2027, based on the Plan's current funding policy. For the Plan year beginning January 1, 2025, the Plan's actuarial funded ratio is 96.3 percent, and the market value funded ratio is 93.8 percent.

Knoxville Utilities Board

Management's Discussion and Analysis

June 30, 2025 and 2024

GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for fiscal years beginning after June 15, 2025. GASB Statement No. 104, *Disclosure of Certain Capital Assets*, is effective for fiscal years beginning after June 15, 2025. 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 2025.

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, 2025, and 2024. 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, 2025 and 2024

	2025	2024
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 156,248,936	\$ 109,288,248
Short-term contingency fund investments	90,077,072	60,673,701
Other current assets	892,229	892,885
Accrued interest receivable	154,373	155,663
Accounts receivable, less allowance of uncollectible accounts of \$989,403 in 2025 and \$800,861 in 2024	114,849,607	103,745,734
Current portion of lease receivable	795,306	838,178
Inventories	29,049,209	31,651,543
Prepaid expenses	1,332,827	1,284,871
Gas storage	7,703,575	7,442,708
Total current assets	<u>401,103,134</u>	<u>315,973,531</u>
Restricted assets:		
Bond funds	43,055,545	42,309,193
Student internet special fund	1,848,211	1,119,548
Other funds	1,526	1,524
Total restricted assets	<u>44,905,282</u>	<u>43,430,265</u>
Plant in service	3,713,198,561	3,522,024,743
Less accumulated depreciation	<u>(1,279,503,318)</u>	<u>(1,194,478,688)</u>
	2,433,695,243	2,327,546,055
Retirement in progress	2,156,691	1,834,945
Construction in progress	224,761,781	182,534,146
Net plant in service	<u>2,660,613,715</u>	<u>2,511,915,146</u>
Intangible assets:		
Intangible right of use asset	4,672,493	4,672,493
Intangible subscription asset	9,114,411	9,323,779
Less accumulated amortization	<u>(7,215,435)</u>	<u>(5,429,107)</u>
Net intangible assets	<u>6,571,469</u>	<u>8,567,165</u>
Other assets:		
Long-term contingency fund investments	37,209,220	57,402,740
Long-term lease receivable	7,758,811	8,554,118
TVA conservation program receivable	10,729	78,051
Under recovered purchased power cost	5,929,336	5,057,514
Under recovered purchased gas cost	2,744,926	1,050,732
Other	10,875,962	10,358,699
Total other assets	<u>64,528,984</u>	<u>82,501,854</u>
Total assets	<u>3,177,722,584</u>	<u>2,962,387,961</u>
Deferred outflows of resources:		
Pension outflow	15,698,178	28,276,023
OPEB outflow	1,931,174	2,889,145
Unamortized bond refunding costs	11,828,240	12,773,238
Total deferred outflows of resources	<u>29,457,592</u>	<u>43,938,406</u>
Total assets and deferred outflows of resources	<u>\$ 3,207,180,176</u>	<u>\$ 3,006,326,367</u>

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

Knoxville Utilities Board
Consolidated Statements of Net Position
June 30, 2025 and 2024

	2025	2024
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	\$ 46,585,000	\$ 46,915,000
Current portion of accrued compensated absences	7,923,816	7,122,995
Current portion of lease liability	937,961	889,422
Current portion of subscription liability	1,206,487	1,037,806
Sales tax collections payable	1,862,503	1,551,137
Accounts payable	110,876,150	107,113,618
Unearned revenue	901,316	428,327
Accrued expenses	29,646,425	24,899,002
Customer deposits plus accrued interest	27,405,189	25,650,667
Accrued interest on revenue bonds	17,800,120	16,361,685
Total current liabilities	<u>245,144,967</u>	<u>231,969,659</u>
Other liabilities:		
TVA conservation program	13,195	89,790
Accrued compensated absences	3,902,775	3,669,422
Customer advances for construction	13,193,204	11,479,966
Lease liability	899,442	1,837,403
Subscription liability	4,477,938	5,684,425
Net pension liability	3,075,398	7,452,380
Net OPEB liability	5,315,804	9,373,073
Other	231,356	108,402
Total other liabilities	<u>31,109,112</u>	<u>39,694,861</u>
Long-term debt:		
Revenue bonds	1,147,610,000	1,083,200,000
Unamortized premiums/discounts	108,261,114	110,077,252
Total long-term debt	<u>1,255,871,114</u>	<u>1,193,277,252</u>
Total liabilities	<u>1,532,125,193</u>	<u>1,464,941,772</u>
Deferred inflows of resources:		
Pension inflow	-	1,717
Unamortized bond refunding costs	1,429,427	1,530,785
OPEB inflow	4,153,751	1,801,872
Lease inflow	7,994,976	9,003,011
Total deferred inflows of resources	<u>13,578,154</u>	<u>12,337,385</u>
Total liabilities and deferred inflows of resources	<u>1,545,703,347</u>	<u>1,477,279,157</u>
Net position		
Net investment in capital assets	1,364,989,474	1,280,750,537
Restricted for:		
Debt service	25,255,424	25,947,508
Other	1,526	1,523
Unrestricted	271,230,405	222,347,642
Total net position	<u>1,661,476,829</u>	<u>1,529,047,210</u>
Total liabilities, deferred inflows, and net position	<u>\$ 3,207,180,176</u>	<u>\$ 3,006,326,367</u>

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
Years Ended June 30, 2025 and 2024

	2025	2024
Operating revenues		
Electric	\$ 718,106,979	\$ 644,955,767
Fiber	17,004,668	6,330,281
Gas	128,874,496	114,178,993
Water	76,638,327	72,075,990
Wastewater	119,247,012	113,919,625
Total operating revenues	<u>1,059,871,482</u>	<u>951,460,656</u>
Operating expenses		
Purchased power	491,545,513	442,008,407
Purchased gas	58,247,192	49,472,739
Treatment	23,789,187	21,662,439
Fiber products and promotions	6,792,493	5,313,148
Distribution and collection	90,807,474	92,563,865
Customer service	11,347,365	10,708,141
Administrative and general	73,963,437	74,556,205
Depreciation and amortization	105,819,200	97,978,982
Taxes and tax equivalents	38,556,673	41,562,257
Total operating expenses	<u>900,868,534</u>	<u>835,826,183</u>
Operating income	<u>159,002,948</u>	<u>115,634,473</u>
Non-operating revenues (expenses)		
Contributions in aid of construction	20,483,247	27,291,771
Interest income	15,454,964	12,606,202
Interest expense	(49,247,108)	(45,085,501)
Amortization of debt costs	4,887,843	4,632,245
Write-down of plant for costs recovered through contributions	(20,483,247)	(27,291,771)
Other	1,088,675	5,869,543
Total non-operating revenues (expenses)	<u>(27,815,626)</u>	<u>(21,977,511)</u>
Change in net position before capital contributions	131,187,322	93,656,962
Capital contributions	1,242,297	2,530,416
Change in net position	<u>132,429,619</u>	<u>96,187,378</u>
Net position, beginning of year	<u>1,529,047,210</u>	<u>1,432,859,832</u>
Net position, end of year	<u>\$ 1,661,476,829</u>	<u>\$ 1,529,047,210</u>

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

Knoxville Utilities Board

Consolidated Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash receipts from customers	\$ 1,049,590,366	\$ 939,005,214
Cash receipts from other operations	16,090,644	8,780,566
Cash payments to suppliers of goods or services	(680,108,393)	(625,052,483)
Cash payments to employees for services	(80,410,082)	(76,719,497)
Payment in lieu of taxes	(31,927,154)	(35,344,750)
Cash receipts from collections of TVA conservation loan program participants	69,308	184,825
Cash payments for TVA Conservation loan program	(78,582)	(193,934)
Net cash provided by operating activities	<u>273,226,107</u>	<u>210,659,941</u>
Cash flows from capital and related financing activities:		
Net proceeds from bond issuance	114,480,770	78,729,215
Principal paid on revenue bonds	(46,915,000)	(44,390,000)
Increase (decrease) in unused bond proceeds	-	13
Interest paid on revenue bonds	(46,254,306)	(42,885,965)
Acquisition and construction of plant	(276,751,433)	(281,297,034)
Changes in bond funds, restricted	(746,352)	(3,122,038)
Customer advances for construction	2,418,740	763,495
Proceeds received on disposal of plant	314,969	307,483
Principal paid on lease liabilities	(889,422)	(839,756)
Principal paid on subscription liabilities	(1,037,806)	(1,358,003)
Interest paid on lease and subscription liabilities	(333,168)	(400,444)
Cash received from developers and individuals for capital purposes	23,310,202	27,291,771
Net cash used in capital and related financing activities	<u>(232,402,806)</u>	<u>(267,201,263)</u>
Cash flows from investing activities:		
Purchase of investment securities	(32,971,642)	(92,326,733)
Maturities of investment securities	26,900,000	90,200,000
Interest received	12,711,678	12,344,500
Other property and investments	(502,649)	2,845,480
Net cash provided by investing activities	<u>6,137,387</u>	<u>13,063,247</u>
Net increase (decrease) in cash and cash equivalents	46,960,688	(43,478,075)
Cash and cash equivalents, beginning of year	<u>109,288,248</u>	<u>152,766,323</u>
Cash and cash equivalents, end of year	<u>\$ 156,248,936</u>	<u>\$ 109,288,248</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 159,002,948	\$ 115,634,473
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	109,782,169	101,439,885
Changes in operating assets and liabilities:		
Accounts receivable	(13,930,828)	(14,231,545)
Lease receivable	838,179	(5,020,718)
Inventories	2,602,334	(3,821,523)
Prepaid expenses and gas storage	(308,823)	2,076,314
TVA conservation program receivable	67,322	172,240
Other assets	(103,832)	(502,376)
Sales tax collections payable	311,366	45,057
Accounts payable and other accrued expenses	15,275,958	27,753,318
TVA conservation program payable	(76,595)	(181,348)
Unrecovered purchased power cost	(871,822)	(8,606,036)
Underrecovered gas costs	(1,694,194)	(5,422,440)
Customer deposits plus accrued interest	1,735,981	991,646
Unearned revenue	472,989	344,215
Other liabilities	122,955	(11,221)
Net cash provided by operating activities	<u>\$ 273,226,107</u>	<u>\$ 210,659,941</u>
Noncash capital activities:		
Acquisition of plant assets through developer contributions	\$ 1,242,297	\$ 2,530,416
Record intangible right of use asset and lease liability	\$ -	\$ 39,002
Record intangible subscription asset and subscription liability	\$ -	\$ 447,577

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

Knoxville Utilities Board
Statement of Fiduciary Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
	Pension (and Other Employee Benefit Trust Funds)	Pension (and Other Employee Benefit Trust Funds)
Assets		
Cash and cash equivalents	\$ 1,548,484	\$ 1,610,656
Interest and dividends receivable	262,693	546,051
Due from broker for investment sales	53,000	209,328
Prepaid assets	10,000	10,000
Investments at fair value	325,738,008	306,682,853
Total assets	<u>327,612,185</u>	<u>309,058,888</u>
Liabilities		
Accounts payable	287,382	366,518
Due to broker for investment purchases	53,000	269,866
Benefit obligations	937,785	853,994
Total liabilities	<u>1,278,167</u>	<u>1,490,378</u>
Total net position	<u><u>\$ 326,334,018</u></u>	<u><u>\$ 307,568,510</u></u>

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

Knoxville Utilities Board
Statement of Changes in Fiduciary Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
	Pension (and Other Employee Benefit Trust Funds)	Pension (and Other Employee Benefit Trust Funds)
Additions		
Contributions:		
Employer	\$ 2,939,172	\$ 3,054,029
Participants	4,971,148	5,752,609
Total contributions	<u>7,910,320</u>	<u>8,806,638</u>
Investment income:		
Net change in fair value of investments	29,101,568	35,316,569
Less investment expenses	(264,182)	(406,711)
Interest income	1,552,208	2,443,138
Dividend income	4,235,963	4,230,832
Net investment income	<u>34,625,557</u>	<u>41,583,828</u>
Other	738	4,568
Total net additions	<u>42,536,615</u>	<u>50,395,034</u>
Deductions		
Benefit payments	22,646,995	22,663,779
Claims processing fees	348,019	316,426
General and administrative expenses	744,093	696,457
Death benefits	32,000	44,000
Total deductions	<u>23,771,107</u>	<u>23,720,662</u>
Change in net position	18,765,508	26,674,372
Total net position		
Beginning of the year	307,568,510	280,894,138
End of the year	<u>\$ 326,334,018</u>	<u>\$ 307,568,510</u>

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

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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 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. Adoption of this Statement did not result in a restatement of prior periods due to immateriality.

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

In December 2023, the GASB issued GASB Statement No. 102 (Statement No. 102), *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Statement No. 102 is effective for fiscal years beginning after June 15, 2024. Adoption of this Statement did not have a significant impact 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. Depreciation for transportation equipment of \$3,962,970 in fiscal year 2025 and \$3,460,902 in fiscal year 2024 is included in operation and maintenance expense.

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 \$2,905,912 in fiscal year 2025 and of \$2,110,501 in fiscal year 2024.

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,

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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, 2025, and 2024, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a June 30, 2025, and 2024, measurement date, respectively. The net OPEB liability is \$5,315,804 as of June 30, 2025, and \$9,373,073 as of June 30, 2024.

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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, 2025, and 2024, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a December 31, 2024, and 2023, measurement date, respectively. The net pension liability is \$3,054,172 as of June 30, 2025, and the net pension liability is \$7,452,380 as of June 30, 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 (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, 2025, and 2024, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a December 31, 2024, and 2023, measurement date, respectively. The total pension liability of the QEBA is \$21,226 as of June 30, 2025, and \$0 as of June 30, 2024.

For presentation purposes, the Pension Plan net pension liability and the QEBA total pension liability are disclosed in the Statement of Net Position as Net pension liability of \$3,075,398 as of June 30, 2025 and \$7,452,380 as of June 30, 2024. The Pension Plan deferred outflows and QEBA deferred outflows are disclosed as Pension outflow of \$15,698,178 as of June 30, 2025 and \$28,276,023 as of June 30, 2024. The Pension Plan deferred inflows and QEBA deferred inflows are disclosed as Pension inflow of \$0 as of June 30, 2025 and \$1,717 as of June 30, 2024.

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, over/under purchased power and gas costs, lease liabilities, subscription liabilities, developer contributions, compensated absences, 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

Knoxville Utilities Board

Notes to Consolidated Financial Statements

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economic development. Assets are reported as restricted when limitations on their use are either imposed by creditors, contributors, grantors or imposed by enabling legislation.

KUB has established a program called ConnectED that provides financial assistance to student households in need, with donations from the City of Knoxville and Knox County. ConnectED provides up to \$80 monthly to qualified families for internet and router services. The restricted asset is shown in the student internet special fund, while the associated liability is shown in accrued expenses.

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.

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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. During fiscal year 2025, KUB adopted GASB Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash items. The accompanying financial statements, as of and for the year ended June 30, 2024, have not been restated due to immaterial impact on the net position.

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.

Reclassification

Certain 2024 amounts have been reclassified to conform to the 2025 presentation.

Subsequent Events

KUB has evaluated events and transactions through October 23, 2025, 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

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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 provided a Pandemic Recovery Credit to local power companies. KUB 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 (\$5,929,336) as of June 30, 2025, and (\$5,057,514) as of June 30, 2024.

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 (\$2,744,926) as of June 30, 2025, and (\$1,050,732) as of June 30, 2024.

Recently Issued Accounting Pronouncements

In April 2024, the GASB issued GASB Statement No. 103 (Statement No. 103), *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Statement No. 103 is effective for fiscal years beginning after June 15, 2025.

In September 2024, the GASB issued GASB Statement No. 104 (Statement No. 104), *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. Statement No. 104 is effective for fiscal years beginning after June 15, 2025.

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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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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Classification of deposits and investments per Statement of Net Position:

	2025	2024
Current assets		
Cash and cash equivalents	\$ 156,248,936	\$ 109,288,248
Short-term contingency fund investments	89,034,211	60,002,890
Other assets		
Long-term contingency fund investments	37,209,220	57,402,740
Restricted assets		
Bond fund	43,055,545	42,309,193
Student internet special fund	1,848,211	1,119,548
Other funds	1,526	1,524
	<u>\$ 327,397,649</u>	<u>\$ 270,124,143</u>

The above amounts do not include accrued interest of \$1,042,861 in fiscal year 2025 and \$670,811 in fiscal year 2024. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's cash equivalents and investments as held by financial institutions as of June 30, 2025:

	Cash Equivalents and Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-5
Supersweep NOW and Other Deposits	\$ 191,112,171	\$ 191,112,171	\$ -
State Treasurer's Investment Pool	48,235,608	48,235,608	-
Agency Bonds	94,511,337	57,302,117	37,209,220
	<u>\$ 333,859,116</u>	<u>\$ 296,649,896</u>	<u>\$ 37,209,220</u>

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, 2025:

- U.S. Agency bonds of \$37,209,220, 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.

Knoxville Utilities Board
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4. Accounts Receivable

Accounts receivable consists of the following:

	2025	2024
Wholesale and retail customers		
Billed services	\$ 63,611,849	\$ 55,815,880
Unbilled services	39,294,597	33,514,225
Other	12,932,564	15,216,490
Allowance for uncollectible accounts	(989,403)	(800,861)
	<u>\$ 114,849,607</u>	<u>\$ 103,745,734</u>

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2025	2024
Trade accounts	\$ 110,876,150	\$ 107,113,618
Current portion of accrued compensated absences	7,923,816	7,122,995
Salaries and wages	2,494,326	2,272,345
Advances on pole rental	1,610,930	1,527,262
Self-insurance liabilities	2,934,693	2,720,264
Other current liabilities	22,606,476	18,379,131
	<u>\$ 148,446,391</u>	<u>\$ 139,135,615</u>

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Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

6. Long-Term Obligations

	Balance June 30, 2024	Additions	Payments	Defeased	Balance June 30, 2025	Amounts Due Within One Year
Electric						
EE-2015 - 2.0 - 5.0%	\$ 16,815,000	\$ -	\$ 2,555,000	\$ -	\$ 14,260,000	\$ 2,670,000
GG-2016 - 2.0 - 5.0%	33,650,000	-	1,100,000	-	32,550,000	1,125,000
HH-2017 - 2.5 - 5.0%	10,520,000	-	2,460,000	-	8,060,000	2,560,000
II-2017 - 3.0 - 5.0%	35,060,000	-	985,000	-	34,075,000	1,035,000
JJ-2018 - 3.0 - 5.0%	35,725,000	-	965,000	-	34,760,000	1,005,000
KK-2020 - 5.0%	10,740,000	-	1,335,000	-	9,405,000	1,400,000
LL-2021 - 4.0 - 5.0%	60,715,000	-	5,015,000	-	55,700,000	2,745,000
MM-2022 - 4.0 - 5.0%	44,885,000	-	805,000	-	44,080,000	850,000
NN-2022 - 4.0 - 5.0%	27,215,000	-	825,000	-	26,390,000	845,000
OO-2022 - 4.0 - 5.0%	79,000,000	-	1,275,000	-	77,725,000	1,340,000
PP-2023 - 5.0%	55,000,000	-	-	-	55,000,000	865,000
QQ-2024 - 4.0 - 5.0%	-	91,000,000	-	-	91,000,000	-
Total bonds	\$ 409,325,000	\$ 91,000,000	\$ 17,320,000	\$ -	\$ 483,005,000	\$ 16,440,000
Unamortized Premium	32,495,461	3,778,026	2,095,574	-	34,177,913	-
Total long term debt	\$ 441,820,461	\$ 94,778,026	\$ 19,415,574	\$ -	\$ 517,182,913	\$ 16,440,000
Gas						
U-2015 - 2.0 - 5.0%	\$ 6,575,000	\$ -	\$ 845,000	\$ -	\$ 5,730,000	\$ 880,000
V-2016 - 2.125 - 5.0%	9,900,000	-	325,000	-	9,575,000	350,000
W-2017 - 5.0%	2,835,000	-	900,000	-	1,935,000	940,000
X-2017 - 2.0 - 5.0%	10,205,000	-	315,000	-	9,890,000	330,000
Y-2018 - 3.0 - 5.0%	6,940,000	-	195,000	-	6,745,000	200,000
Z-2020 - 4.0 - 5.0%	4,385,000	-	645,000	-	3,740,000	675,000
AA-2021 - 4.0 - 5.0%	30,595,000	-	3,395,000	-	27,200,000	3,220,000
Total bonds	\$ 71,435,000	\$ -	\$ 6,620,000	\$ -	\$ 64,815,000	\$ 6,595,000
Unamortized Premium	7,056,536	-	922,377	-	6,134,159	-
Total long term debt	\$ 78,491,536	\$ -	\$ 7,542,377	\$ -	\$ 70,949,159	\$ 6,595,000
Water						
BB-2015 - 2.0 - 5.0%	\$ 15,915,000	\$ -	\$ 1,170,000	\$ -	\$ 14,745,000	\$ 1,210,000
CC-2015 - 2.0 - 4.0%	1,075,000	-	525,000	-	550,000	550,000
DD-2016 - 3.0 - 5.0%	20,825,000	-	675,000	-	20,150,000	700,000
EE-2016 - 2.0 - 5.0%	14,490,000	-	1,435,000	-	13,055,000	1,460,000
FF-2017 - 3.0 - 5.0%	1,815,000	-	575,000	-	1,240,000	605,000
GG-2017 - 2.125 - 5.0%	17,225,000	-	505,000	-	16,720,000	530,000
HH-2018 - 3.0 - 5.0%	17,415,000	-	465,000	-	16,950,000	485,000
II-2019 - 3.0 - 5.0%	18,030,000	-	440,000	-	17,590,000	465,000
JJ-2020 - 3.0 - 5.0%	17,505,000	-	450,000	-	17,055,000	460,000
KK-2020 - 3.0 - 5.0%	8,295,000	-	195,000	-	8,100,000	205,000
LL-2021 - 4.0 - 5.0%	29,385,000	-	1,350,000	-	28,035,000	1,400,000
MM-2022 - 3.0 - 5.0%	14,815,000	-	-	-	14,815,000	-
NN-2023 - 4.0 - 5.0%	19,745,000	-	335,000	-	19,410,000	350,000
OO-2024 - 4.0 - 5.0%	-	19,995,000	-	-	19,995,000	330,000
Total bonds	\$ 196,535,000	\$ 19,995,000	\$ 8,120,000	\$ -	\$ 208,410,000	\$ 8,750,000
Unamortized Premium	13,996,203	754,810	835,481	-	13,915,532	-
Total long term debt	\$ 210,531,203	\$ 20,749,810	\$ 8,955,481	\$ -	\$ 222,325,532	\$ 8,750,000
Wastewater						
2010C - 1.18 - 6.1%	\$ 20,250,000	\$ -	\$ -	\$ -	\$ 20,250,000	\$ -
2015A - 3.0 - 5.0%	95,225,000	-	3,785,000	-	91,440,000	1,425,000
2015B - 3.0 - 5.0%	625,000	-	625,000	-	-	-
2016 - 2.0 - 5.0%	16,225,000	-	575,000	-	15,650,000	575,000
2017A - 3.0 - 5.0%	1,915,000	-	615,000	-	1,300,000	640,000
2017B - 2.0 - 5.0%	21,405,000	-	660,000	-	20,745,000	690,000
2018 - 3.0 - 5.0%	10,435,000	-	290,000	-	10,145,000	305,000
2019 - 3.0 - 5.0%	14,460,000	-	360,000	-	14,100,000	380,000
2020A - 3.0 - 5.0%	25,300,000	-	785,000	-	24,515,000	825,000
2020B - 3.0 - 4.0%	25,175,000	-	625,000	-	24,550,000	650,000
2021A - 4.0 - 5.0%	178,180,000	-	6,150,000	-	172,030,000	8,360,000
2022A - 4.0 - 5.0%	10,700,000	-	210,000	-	10,490,000	220,000
2022B - 4.0 - 5.0%	23,100,000	-	-	-	23,100,000	545,000
2022C - 4.0 - 5.0%	9,825,000	-	175,000	-	9,650,000	185,000
Total bonds	\$ 452,820,000	\$ -	\$ 14,855,000	\$ -	\$ 437,965,000	\$ 14,800,000
Unamortized Premium	56,529,052	-	2,495,542	-	54,033,510	-
Total long term debt	\$ 509,349,052	\$ -	\$ 17,350,542	\$ -	\$ 491,998,510	\$ 14,800,000
Consolidated						
Total Bonds	\$ 1,130,115,000	\$ 110,995,000	\$ 46,915,000	\$ -	\$ 1,194,195,000	\$ 46,585,000
Total unamortized premium	110,077,252	4,532,836	6,348,974	-	108,261,114	-
Total long term debt	\$ 1,240,192,252	\$ 115,527,836	\$ 53,263,974	\$ -	\$ 1,302,456,114	\$ 46,585,000

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	Balance June 30, 2023	Additions	Payments	Defeased	Balance June 30, 2024	Amounts Due Within One Year
Electric						
EE-2015 - 2.0 - 5.0%	\$ 19,230,000	\$ -	\$ 2,415,000	\$ -	\$ 16,815,000	\$ 2,555,000
FF-2015 - 2.0 - 5.0%	850,000	-	850,000	-	-	-
GG-2016 - 2.0 - 5.0%	34,700,000	-	1,050,000	-	33,650,000	1,100,000
HH-2017 - 2.5 - 5.0%	12,920,000	-	2,400,000	-	10,520,000	2,460,000
II-2017 - 3.0 - 5.0%	35,995,000	-	935,000	-	35,060,000	985,000
JJ-2018 - 3.0 - 5.0%	36,655,000	-	930,000	-	35,725,000	965,000
KK-2020 - 5.0%	12,010,000	-	1,270,000	-	10,740,000	1,335,000
LL-2021 - 4.0 - 5.0%	65,570,000	-	4,855,000	-	60,715,000	5,015,000
MM-2022 - 4.0 - 5.0%	45,650,000	-	765,000	-	44,885,000	805,000
NN-2022 - 4.0 - 5.0%	27,215,000	-	-	-	27,215,000	825,000
OO-2022 - 4.0 - 5.0%	79,000,000	-	-	-	79,000,000	1,275,000
PP-2023 - 5.0%	-	55,000,000	-	-	55,000,000	-
Total bonds	\$ 369,795,000	\$ 55,000,000	\$ 15,470,000	\$ -	\$ 409,325,000	\$ 17,320,000
Unamortized Premium	30,341,874	4,074,569	1,920,982	-	32,495,461	-
Total long term debt	\$ 400,136,874	\$ 59,074,569	\$ 17,390,982	\$ -	\$ 441,820,461	\$ 17,320,000
Gas						
U-2015 - 2.0 - 5.0%	\$ 7,380,000	\$ -	\$ 805,000	\$ -	\$ 6,575,000	\$ 845,000
V-2016 - 2.125 - 5.0%	10,225,000	-	325,000	-	9,900,000	325,000
W-2017 - 5.0%	3,685,000	-	850,000	-	2,835,000	900,000
X-2017 - 2.0 - 5.0%	10,505,000	-	300,000	-	10,205,000	315,000
Y-2018 - 3.0 - 5.0%	7,125,000	-	185,000	-	6,940,000	195,000
Z-2020 - 4.0 - 5.0%	5,000,000	-	615,000	-	4,385,000	645,000
AA-2021 - 4.0 - 5.0%	34,185,000	-	3,590,000	-	30,595,000	3,395,000
Total bonds	\$ 78,105,000	\$ -	\$ 6,670,000	\$ -	\$ 71,435,000	\$ 6,620,000
Unamortized Premium	7,978,913	-	922,377	-	7,056,536	-
Total long term debt	\$ 86,083,913	\$ -	\$ 7,592,377	\$ -	\$ 78,491,536	\$ 6,620,000
Water						
BB-2015 - 2.0 - 5.0%	\$ 17,025,000	\$ -	\$ 1,110,000	\$ -	\$ 15,915,000	\$ 1,170,000
CC-2015 - 2.0 - 4.0%	1,575,000	-	500,000	-	1,075,000	525,000
DD-2016 - 3.0 - 5.0%	21,475,000	-	650,000	-	20,825,000	675,000
EE-2016 - 2.0 - 5.0%	15,870,000	-	1,380,000	-	14,490,000	1,435,000
FF-2017 - 3.0 - 5.0%	2,365,000	-	550,000	-	1,815,000	575,000
GG-2017 - 2.125 - 5.0%	17,710,000	-	485,000	-	17,225,000	505,000
HH-2018 - 3.0 - 5.0%	17,855,000	-	440,000	-	17,415,000	465,000
II-2019 - 3.0 - 5.0%	18,450,000	-	420,000	-	18,030,000	440,000
JJ-2020 - 3.0 - 5.0%	17,950,000	-	445,000	-	17,505,000	450,000
KK-2020 - 3.0 - 5.0%	8,485,000	-	190,000	-	8,295,000	195,000
LL-2021 - 4.0 - 5.0%	30,690,000	-	1,305,000	-	29,385,000	1,350,000
MM-2022 - 3.0 - 5.0%	14,815,000	-	-	-	14,815,000	-
NN-2023 - 4.0 - 5.0%	-	19,995,000	250,000	-	19,745,000	335,000
Total bonds	\$ 184,265,000	\$ 19,995,000	\$ 7,725,000	\$ -	\$ 196,535,000	\$ 8,120,000
Unamortized Premium	14,439,030	365,073	807,900	-	13,996,203	-
Total long term debt	\$ 198,704,030	\$ 20,360,073	\$ 8,532,900	\$ -	\$ 210,531,203	\$ 8,120,000
Wastewater						
2010C - 1.18 - 6.1%	\$ 20,250,000	\$ -	\$ -	\$ -	\$ 20,250,000	\$ -
2015A - 3.0 - 5.0%	98,945,000	-	3,720,000	-	95,225,000	3,785,000
2015B - 3.0 - 5.0%	1,225,000	-	600,000	-	625,000	625,000
2016 - 2.0 - 5.0%	16,775,000	-	550,000	-	16,225,000	575,000
2017A - 3.0 - 5.0%	2,510,000	-	595,000	-	1,915,000	615,000
2017B - 2.0 - 5.0%	22,035,000	-	630,000	-	21,405,000	660,000
2018 - 3.0 - 5.0%	10,715,000	-	280,000	-	10,435,000	290,000
2019 - 3.0 - 5.0%	14,805,000	-	345,000	-	14,460,000	360,000
2020A - 3.0 - 5.0%	26,050,000	-	750,000	-	25,300,000	785,000
2020B - 3.0 - 4.0%	25,775,000	-	600,000	-	25,175,000	625,000
2021A - 4.0 - 5.0%	184,265,000	-	6,085,000	-	178,180,000	6,150,000
2022A - 4.0 - 5.0%	10,900,000	-	200,000	-	10,700,000	210,000
2022B - 4.0 - 5.0%	23,100,000	-	-	-	23,100,000	-
2022C - 4.0 - 5.0%	9,995,000	-	170,000	-	9,825,000	175,000
Total bonds	\$ 467,345,000	\$ -	\$ 14,525,000	\$ -	\$ 452,820,000	\$ 14,855,000
Unamortized Premium	59,027,339	-	2,498,287	-	56,529,052	-
Total long term debt	\$ 526,372,339	\$ -	\$ 17,023,287	\$ -	\$ 509,349,052	\$ 14,855,000
Consolidated						
Total Bonds	\$ 1,099,510,000	\$ 74,995,000	\$ 44,390,000	\$ -	\$ 1,130,115,000	\$ 46,915,000
Total unamortized premium	111,787,156	4,439,642	6,149,546	-	110,077,252	-
Total long term debt	\$ 1,211,297,156	\$ 79,434,642	\$ 50,539,546	\$ -	\$ 1,240,192,252	\$ 46,915,000

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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

Fiscal Year	Principal	Interest	Total
2026	\$ 46,585,000	\$ 47,293,132	\$ 93,878,132
2027	49,525,000	45,294,854	94,819,854
2028	50,960,000	43,156,751	94,116,751
2029	50,005,000	41,039,645	91,044,645
2030	51,620,000	38,930,167	90,550,167
2031-2035	237,205,000	164,395,024	401,600,024
2036-2040	262,245,000	116,845,944	379,090,944
2041-2045	233,705,000	65,220,885	298,925,885
2046-2050	146,060,000	27,574,074	173,634,074
2051-2055	66,285,000	5,802,907	72,087,907
Total	\$ <u>1,194,195,000</u>	\$ <u>595,553,383</u>	\$ <u>1,789,748,383</u>

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, 2025, these requirements have been satisfied.

The Divisions outstanding bonds payable contain provisions that in an event of default, outstanding amounts are to become immediately due if the Division is unable to make payment.

During fiscal year 2025, KUB's Electric Division issued Series QQ 2024 bonds to fund electric system capital improvements.

During fiscal year 2024, KUB's Electric Division issued Series PP 2023 bonds to fund electric system capital improvements.

During fiscal year 2025, KUB's Water Division issued Series OO 2024 bonds to fund water system capital improvements.

During fiscal year 2024, KUB's Water Division issued Series NN 2023 bonds to fund water system capital improvements.

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.

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Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Other liabilities consist of the following:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
TVA conservation program	\$ 89,790	\$ 1,987	(78,582)	\$ 13,195
Accrued compensated absences	3,669,422	11,884,349	(11,650,996)	3,902,775
Customer advances for construction	11,479,966	6,030,792	(4,317,554)	13,193,204
Other	108,402	296,381	(173,427)	231,356
	<u>\$ 15,347,580</u>	<u>\$ 18,213,509</u>	<u>\$ (16,220,559)</u>	<u>\$ 17,340,530</u>

	Balance June 30, 2023	Increase	Decrease	Balance June 30, 2024
TVA conservation program	\$ 271,138	\$ 13,659	\$ (195,007)	\$ 89,790
Accrued compensated absences	3,585,936	7,019,505	(6,936,019)	3,669,422
Customer advances for construction	11,299,795	4,687,643	(4,507,472)	11,479,966
Other	119,620	137,652	(148,870)	108,402
	<u>\$ 15,276,489</u>	<u>\$ 11,858,459</u>	<u>\$ (11,787,368)</u>	<u>\$ 15,347,580</u>

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 fourteen 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 \$991,065 in 2025 and \$981,984 in 2024. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling \$310,164 in 2025 and \$315,652 in 2024. Total lease receivables were \$8,554,117 (\$795,306 current) and \$9,392,296 (\$838,178 current) as of June 30, 2025, and 2024, respectively, and are included in other assets on the Statement of Net Position.

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Knoxville Utilities Board
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

8. Lease Liability

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2024		Increase		Decrease		Balance June 30, 2025
Total lease liabilities	\$ 2,726,825	\$	-	\$	(889,422)	\$	1,837,403
Less current portion	(889,422)						(937,961)
Long-term portion	<u>\$ 1,837,403</u>					\$	<u>899,442</u>

	Balance June 30, 2023		Increase		Decrease		Balance June 30, 2024
Total lease liabilities	\$ 3,527,578	\$	39,002	\$	(839,755)	\$	2,726,825
Less current portion	(830,979)						(889,422)
Long-term portion	<u>\$ 2,696,599</u>					\$	<u>1,837,403</u>

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to eighteen 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, 2025, are summarized as follows:

	Lease Maturities		Interest Requirements
2026	\$ 937,961	\$	56,798
2027	741,907		21,048
2028	19,470		6,992
2029	5,657		6,145
2030	6,058		6,098
2031-2035	37,377		29,101
2036-2040	52,643		24,423
2041-2043	36,330		9,614
	<u>\$ 1,837,403</u>	\$	<u>160,219</u>

Knoxville Utilities Board
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

9. Subscription-Based Information Technology Agreement Liabilities

Changes in SBITA liabilities are summarized as follows:

		Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total SBITA liabilities	\$	6,722,231	\$ -	\$ (1,037,806)	\$ 5,684,425
Less current portion		<u>(1,037,806)</u>			<u>(1,206,487)</u>
Long-term portion	\$	<u>5,684,425</u>			<u>\$ 4,477,938</u>

		Balance June 30, 2023	Increase	Decrease	Balance June 30, 2024
Total SBITA liabilities	\$	7,632,658	\$ 447,577	\$ (1,358,004)	\$ 6,722,231
Less current portion		<u>(910,426)</u>			<u>(1,037,806)</u>
Long-term portion	\$	<u>6,722,232</u>			<u>\$ 5,684,425</u>

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, 2025, are summarized as follows:

	Subscription Maturities	Interest Requirements
2026	\$ 1,206,487	\$ 199,923
2027	1,237,452	151,138
2028	1,296,951	101,934
2029	588,127	65,191
2030	611,418	41,901
2031-2032	<u>743,990</u>	<u>18,215</u>
	<u>\$ 5,684,425</u>	<u>\$ 578,302</u>

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Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

10. Capital and Intangible Assets

Capital and intangible asset activity was as follows:

	Balance				Balance	
	June 30, 2024		Increase		June 30, 2025	
Production Plant (Intakes)	\$ 742,503	\$	-	\$	742,503	
Pumping and Treatment Plant	446,788,009		9,329,749		(692,102)	455,425,656
Distribution and Collection Plant						
Mains and metering	1,289,523,337		60,094,780		(834,794)	1,348,783,323
Services and meters	272,753,507		24,640,938		(1,541,086)	295,853,359
Electric station equipment	286,073,633		54,258,301		(270,554)	340,061,380
Poles, towers and fixtures	255,203,197		10,573,687		-	265,776,884
Overhead conductors	222,392,698		19,623,756		-	242,016,454
Line transformers	116,531,268		4,816,592		-	121,347,860
Other accounts	326,699,808		8,123,699		(460,920)	334,362,587
Total Distribution & Collection Plant	\$ 2,769,177,448	\$	182,131,753	\$	(3,107,354)	\$ 2,948,201,847
General Plant	305,316,783		20,630,222		(17,118,450)	308,828,555
Total Plant Assets	\$ 3,522,024,743	\$	212,091,724	\$	(20,917,906)	\$ 3,713,198,561
Less Accumulated Depreciation	(1,194,478,688)		(107,880,557)		22,855,927	(1,279,503,318)
Net Plant Assets	\$ 2,327,546,055	\$	104,211,167	\$	1,938,021	\$ 2,433,695,243
Work In Progress	184,369,091		255,073,250		(212,523,869)	226,918,472
Total Net Plant	\$ 2,511,915,146	\$	359,284,417	\$	(210,585,848)	\$ 2,660,613,715
Intangible Right of Use Assets						
Office space	\$ 4,253,775	\$	3,022	\$	(3,022)	\$ 4,253,775
Equipment	88,040		880		(880)	88,040
Other	330,678		-		-	330,678
Total Intangible Right of Use Assets	\$ 4,672,493	\$	3,902	\$	(3,902)	\$ 4,672,493
Less Accumulated Amortization	(2,198,060)		(856,842)		-	(3,054,902)
Net Intangible Right of Use Assets	\$ 2,474,433	\$	(852,940)	\$	(3,902)	\$ 1,617,591
Intangible Subscription Assets						
Intangible Subscription Assets	\$ 9,323,779	\$	-	\$	(209,368)	\$ 9,114,411
Less Accumulated Amortization	(3,231,047)		(1,138,854)		209,368	(4,160,533)
Net Intangible Subscription Assets	\$ 6,092,732	\$	(1,138,854)	\$	-	\$ 4,953,878

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Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

	Balance June 30, 2023		Increase	Decrease	Balance June 30, 2024
Production Plant (Intakes)	\$	742,503	\$	-	\$ 742,503
Pumping and Treatment Plant		419,411,768		(815,674)	446,788,009
Distribution and Collection Plant					
Mains and metering		1,226,555,606		(3,857,811)	1,289,523,337
Services and meters		252,205,063		(608,895)	272,753,507
Electric station equipment		218,924,364		(455,777)	286,073,633
Poles, towers and fixtures		237,092,817		(1,132,423)	255,203,197
Overhead conductors		199,084,887		(6,243,400)	222,392,698
Line transformers		111,182,883		(514,807)	116,531,268
Other accounts		309,980,838		(1,489,238)	326,699,808
Total Distribution & Collection Plant	\$	2,555,026,458	\$	(14,302,351)	\$ 2,769,177,448
General Plant		293,287,525		(21,599,639)	305,316,783
Total Plant Assets	\$	3,268,468,254	\$	(36,717,664)	\$ 3,522,024,743
Less Accumulated Depreciation		(1,133,989,255)		38,985,651	(1,194,478,688)
Net Plant Assets	\$	2,134,478,999	\$	2,267,987	\$ 2,327,546,055
Work In Progress		221,322,238		(289,952,449)	184,369,091
Total Net Plant	\$	2,355,801,237	\$	(287,684,462)	\$ 2,511,915,146
Intangible Right of Use Assets					
Office space	\$	4,206,577	\$	47,198	\$ 4,253,775
Equipment		133,003		(44,963)	88,040
Other		330,678		-	330,678
Total Intangible Right of Use Assets	\$	4,670,258	\$	(44,963)	\$ 4,672,493
Less Accumulated Amortization		(1,365,235)		44,963	(2,198,060)
Net Intangible Right of Use Assets	\$	3,305,023	\$	(830,590)	\$ 2,474,433
Intangible Subscription Assets					
Intangible Subscription Assets	\$	9,323,779	\$	-	\$ 9,323,779
Less Accumulated Amortization		(2,029,713)		-	(3,231,047)
Net Intangible Subscription Assets	\$	7,294,066	\$	(1,201,334)	\$ 6,092,732

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, 2025, and June 30, 2024, the amount of these liabilities was \$2,934,693 and \$2,720,264, respectively, resulting from the following changes:

	2025	2024
Balance, beginning of year	\$ 2,720,264	\$ 2,566,095
Current year claims and changes in estimates	19,813,908	20,269,079
Claims payments	(19,599,479)	(20,114,910)
Balance, end of year	\$ 2,934,693	\$ 2,720,264

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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:

	2024	2023
Inactive plan members:		
Terminated vested participants	10	9
Retirees and beneficiaries	589	602
Active plan members	<u>359</u>	<u>389</u>
Total	<u>958</u>	<u>1,000</u>

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.

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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, 2024:

Asset Class	Target Allocation
Domestic equity – large cap	20% - 50%
Domestic equity – small/mid cap	0% - 30%
Multi-asset credit	0% - 20%
Non-U.S. equity	0% - 20%
U.S. core real estate	0% - 10%
Fixed income	20% - 40%
Cash and deposits	0% - 5%

Contributions of \$2,210,234 and \$1,108,147 for 2023 and 2022, respectively, were made during the Plan sponsor’s fiscal years ended June 30, 2025, and 2024, respectively. The fiscal year 2025 contribution was determined as part of the January 1, 2023, 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.

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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, 2025 and 2024, will be based on the December 31, 2024, and 2023, measurement date, respectively.

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

	2024	2023
Total pension liability	\$ 274,028,893	\$ 263,351,035
Plan fiduciary net position	(270,974,721)	(255,898,655)
Plan's net pension liability	\$ 3,054,172	\$ 7,452,380

Plan fiduciary net position as a percentage of the total pension liability	98.89%	97.17%
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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, 2023	\$ 263,351,035	\$ 255,898,655	\$ 7,452,380
Changes for the year:			
Service cost	7,764,986	-	7,764,986
Interest	18,573,527	-	18,573,527
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	2,346,811	-	2,346,811
Changes of Assumptions	1,425,345	-	1,425,345
Contributions - employer	-	1,659,187	(1,659,187)
Contributions - rollovers	-	75	(75)
Contributions - member	-	4,971,073	(4,971,073)
Net investment income	-	28,541,389	(28,541,389)
Benefit payments	(19,432,811)	(19,432,811)	-
Administrative expense	-	(662,847)	662,847
Net changes	10,677,858	15,076,066	(4,398,208)
Balances at December 31, 2024	\$ 274,028,893	\$ 270,974,721	\$ 3,054,172

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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, 2024, rolled forward to December 31, 2024; January 1, 2023, rolled forward to December 31, 2023
Discount rate	7.00% as of December 31, 2024 and 2023
Salary increases	From 2.50% to 8.50%, based on years of service as of December 31, 2024 and from 2.50% to 5.65% as of December 31, 2023
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 MP-2021, fully generational as of December 31, 2024; Scale MP-2018 was used as of December 31, 2023
Inflation	2.5% as of December 31, 2024 and 2023

The actuarial assumptions used in the January 1, 2024, valuation was based on an actuarial experience study covering January 1, 2019 through December 31, 2023, and the assumptions used in the January 1, 2023 valuation 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, 2024, and 2023, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. Prior to February 22, 2024, the Plan had both aggregate and long duration fixed income. As of December 31, 2024, the Plan has only aggregate fixed income. Effective September 30, 2024 the REIT fund was transferred to a U.S. core real estate fund.

Asset Class	Long Term Expected Real Rate of Return	
	2024	2023
Domestic equity	6.0%	5.6%
Non-U.S. equity	6.5%	6.5%
Real estate equity	n/a	5.8%
Real estate U.S. core	5.1%	n/a
Debt securities	2.5%	1.9%
Cash and deposits	1.2%	0.7%

Discount rate

The discount rate used to measure the total pension liability was 7.00 percent as of December 31, 2024, and December 31, 2023. 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

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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, 2024, 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	\$ 29,141,576	\$ 3,054,172	\$ (19,335,531)

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

For the year ended June 30, 2025, KUB recognized pension expense of \$10,401,958.

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, 2023, this average was three years. During the measurement year, there was a liability experience loss of \$2,346,811, with \$782,270 of that recognized in the current year and each of the next two years, resulting in a deferred outflow of \$1,564,541. Unrecognized liability experience losses from prior periods were \$2,580,215, of which \$1,463,476 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of \$1,116,739. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of \$2,681,280.

During the measurement year, there was an assumption change loss of \$1,425,345 with \$475,115 of that recognized in the current year and each of the next two years, resulting in a deferred outflow of \$950,230. Net unrecognized assumption change losses from prior periods were \$2,634,336, of which \$1,317,168 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of \$1,317,168. The combination of unrecognized assumption change losses this year, along with unrecognized assumption change losses from prior periods, results in a deferred outflow of \$2,267,398.

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 \$11,091,799, of which \$2,218,360 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment losses from prior periods were \$22,505,337, of which \$4,001,667 was recognized as an increase in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with net unrecognized investment losses from prior periods, results in a deferred outflow of \$9,630,231.

In addition, KUB recorded a deferred outflow of resources of \$1,105,118 for employer contributions made between December 31, 2024 and June 30, 2025.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,681,280	\$ -
Changes in assumptions	2,267,398	-
Net difference between projected and actual earnings on pension plan investments	9,630,231	-
Contributions subsequent to measurement date	1,105,118	-
Total	<u>\$ 15,684,027</u>	<u>\$ -</u>

\$1,105,118 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, 2026. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:		
2026	\$	10,430,378
2027		12,605,124
2028		(6,238,234)
2029		(2,218,359)
2030		-
Thereafter		-

For the year ended June 30, 2024, KUB recognized pension expense of \$6,394,757.

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, 2022, this average was four years. During the measurement year, there was a liability experience loss of \$2,092,475, with \$523,119 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of \$1,569,356. Unrecognized liability experience losses from prior periods were \$1,951,216, of which \$940,357 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of \$1,010,859. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of \$2,580,215. Unrecognized liability gains from prior periods were \$210,825, of which \$210,825 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of \$0.

During the measurement year, there were no benefit changes or assumption changes. Net unrecognized assumption change losses from prior periods were \$5,646,136, of which \$3,011,800 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of \$2,634,336.

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 \$20,099,370, of which \$4,019,874 was recognized in the current year and will be recognized in each of the next four years. Net

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unrecognized investment losses from prior periods were \$39,628,509, of which \$1,043,676 was recognized as an increase in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with unrecognized investment losses from prior periods, results in a deferred outflow of \$22,505,337.

In addition, KUB recorded a deferred outflow of resources of \$554,084 for employer contributions made between December 31, 2023, and June 30, 2024.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,580,215	\$ -
Changes in assumptions	2,634,336	-
Net difference between projected and actual earnings on pension plan investments	22,505,337	-
Contributions subsequent to measurement date	554,084	-
Total	<u>\$ 28,273,972</u>	<u>\$ -</u>

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, 2025, there are 341 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.

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

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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, 2025, and 2024, are based on a December 31, 2024 and 2023, measurement date, respectively. The total pension liability of the QEBA is \$21,226 as of June 30, 2025, and \$0 as of June 30, 2024.

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

	2024	2023
Total pension liability	\$21,226	\$0
Deferred outflows	(14,151)	(2,051)
Deferred inflows	-	1,704
Net impact on Statement of Net Position	<u>\$7,075</u>	<u>(\$347)</u>
Covered payroll	\$34,776,504	\$35,604,464
Total pension liability as a % of covered payroll	0.06%	0.00%

Changes in total pension liability of the QEBA are as follows:

	Increase (Decrease)
	Total Pension Liability
Balances at December 31, 2023	\$ -
Changes for the year:	
Service cost	-
Interest	-
Changes of Benefits	-
Differences between Expected and Actual Experience	21,226
Changes of Assumptions	-
Benefit payments	-
Net changes	<u>21,226</u>
Balances at December 31, 2024	<u>\$ 21,226</u>

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, 2024, rolled forward to December 31, 2024
Actuarial cost method	Individual entry age
Discount rate	4.08% at January 1, 2024
Salary increases	From 2.50% to 8.50%, based on years of service
Mortality	115% and 110% of the PubG-2010 table for males and females, respectively, using the benefits-weighted Public Sector General Healthy Annuitant Mortality Table for ages 50 and older and the benefits-weighted Public Sector General Employee Table for ages under 50, both projected from the 2010 base rates using scale MP-2021, fully generational as of December 31, 2024
Inflation	2.50%

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Discount rate

The QEBA is not funded. In accordance with paragraph 31 of GASB 73, the discount rate is based on the Bond Buyer 20-Bond GO index. This rate was 4.08% at December 31, 2024.

Sensitivity of the total pension liability to changes in the discount rate

The following presents the total pension liability of the QEBA as of December 31, 2024, calculated using the discount rate of 4.08 percent, as well as what the QEBA's liability would be if it were calculated using a discount rate that is one percent lower (3.08 percent) or one percent higher (5.08 percent) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
QEBA's total pension liability	\$ 24,131	\$ 21,226	\$ 18,639

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

For the year ended June 30, 2025, KUB recognized pension expense of \$7,422 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 [\$7,075 – (\$347)+ \$-].

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, 2023, this average was three years.

During the measurement year, there was an experience loss of \$21,226 with \$7,075 recognized in the current year and the remaining deferred outflow of \$14,151 to be recognized over the next two years. Unrecognized experience losses from prior periods were \$2,033, with the full amount recognized as an increase in pension expense in the current year. Unrecognized experience gains from prior periods were \$1,704, with the full amount recognized as a decrease in pension expense in the current year.

Unrecognized assumption change losses from prior periods were \$19, with the full amount recognized as an increase in pension expense in the current year.

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	\$ 14,151	\$ -
Changes in assumptions	-	-
Total	<u>\$ 14,151</u>	<u>\$ -</u>

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

Year ended June 30:

2026	\$	7,075
2027		7,076
2028		-
2029		-
2030		-
Thereafter		-

For the year ended June 30, 2024, KUB recognized pension expense of \$3,024 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 [(\$347) – (\$3,371) + \$-].

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 \$1,717 from experience gains in prior years and a deferred outflow of \$2,033 from experience losses in prior years.

There was a deferred outflow of \$18 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	\$ 2,033	\$ 1,717
Changes in assumptions	18	-
Total	<u>\$ 2,051</u>	<u>\$ 1,717</u>

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 \$4,799,996 and \$3,909,598, respectively, for the years ended June 30, 2025, and 2024.

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Vesting

Participants are immediately vested in their own contributions to the Plan, plus actual earnings on these contributions. Participants become 100% vested and entitled to the full value of their account, less any loans outstanding, upon death or disability or upon retirement after attaining their normal retirement age (first of the month coinciding with or following attainment of age 62).

Otherwise, vesting in the KUB matching contribution and non-elective contribution (as applicable) portion of their account plus related earnings are based on years of service and date of hire, as follows:

Participants hired prior to January 1, 2011 are 100% vested in the KUB matching contribution portion of their account.

Participants hired by KUB after December 31, 2010 are vested in the KUB matching and non-elective contribution portion of their account as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 2 years	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

Forfeitures

Forfeitures are created when participants terminate employment before becoming entitled to their full benefits under the Plan. Upon forfeiture, the match and non-elective funds become available to offset Plan expenses. The Plan experienced forfeitures of \$243,630 during calendar year 2024 and \$306,016 during calendar year 2023. Forfeitures of \$271,595 and \$295,955 were used to reduce employer contributions in 2024 and 2023, respectively. The ending balance of forfeited assets in the Plan, including contributions and dividends, totaled \$10,862 and \$37,985 as of December 31, 2024 and 2023, respectively.

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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	
	2025	2024	2025	2024
Retirees	16	9	707	722
Dependents of retirees	16	7	385	401
Eligible active employees	1,109	1,127	128	144
Total	1,141	1,143	1,220	1,267

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.

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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 \$275 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 \$275 for single coverage and \$550 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, 2025:

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 of \$1,279,985 and \$1,187,768 were made to the OPEB Trust in fiscal years ended June 30, 2025 and 2024, respectively. These were based on the OPEB actuarial valuations as of January 1, 2023, and 2022.

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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, 2025, and 2024, and the Total OPEB Liability as of the valuation date January 1, 2024, updated to June 30, 2025, and January 1, 2023, updated to June 30, 2024, respectively. KUB's total net OPEB liability was \$5,315,804 as of June 30, 2025, and \$9,373,073 as of June 30, 2024.

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

	2025	2024
Total OPEB liability	\$ 60,675,101	\$ 61,042,928
Plan fiduciary net position	55,359,297	51,669,855
Net OPEB liability	<u>\$ 5,315,804</u>	<u>\$ 9,373,073</u>
Plan fiduciary net position as a percentage of the total OPEB liability	91.24%	84.65%

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, 2024	\$ 61,042,928	\$ 51,669,855	\$ 9,373,073
Changes for the year:			
Service cost	506,802	-	506,802
Interest	4,176,096	-	4,176,096
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	(154,501)	-	(154,501)
Changes of Assumptions	(1,302,021)	-	(1,302,021)
Contributions - employer	-	1,279,985	(1,279,985)
Contributions - member	-	-	-
Net investment income	-	6,084,906	(6,084,906)
Benefit payments	(3,594,203)	(3,594,203)	-
Administrative expense	-	(81,246)	81,246
Net changes	<u>(367,827)</u>	<u>3,689,442</u>	<u>(4,057,269)</u>
Balances at June 30, 2025	<u>\$ 60,675,101</u>	<u>\$ 55,359,297</u>	<u>\$ 5,315,804</u>

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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, 2024, rolled forward to June 30, 2025; January 1, 2023, rolled forward to June 30, 2024
Discount rate:	7.00% as of June 30, 2025 and June 30, 2024
Healthcare cost trend rates:	<i>Pre-Medicare</i> : 8.00% grading down to 3.935% over 20 years as of June 30, 2025; 5.75% grading down to 3.935% over 20 years as of June 30, 2024 <i>Medicare</i> : 6.00% grading down to 3.935% over 20 years as of June 30, 2025; 11.30% grading down to 3.935% over 20 years as of June 30, 2024 <i>Administrative expenses</i> : 3.0% per year
Salary increases:	From 2.50% to 8.50%
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 (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP-2021 fully generational
Inflation:	2.50%

The actuarial assumptions used in the January 1, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2019 through December 31, 2023. The January 1, 2023 valuation assumptions were based on the results of actuarial experience study 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.

Asset Class	Long Term Expected Real Rate of Return	
	2025	2024
Domestic equity	6.0%	5.4%
International equity	6.4%	6.1%
Emerging Market equity	7.3%	7.8%
Real estate equity	6.3%	5.5%
Debt securities	2.4%	2.3%
Cash and deposits	0.9%	0.9%

Knoxville Utilities Board

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Discount rate

The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2025 and June 30, 2024. 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, 2025, 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	\$10,974,569	\$5,315,804	\$512,532

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, 2025, 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	\$435,302	\$5,315,804	\$10,948,243

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

For the year ended June 30, 2025, KUB recognized OPEB expense of \$532,566.

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 gain of \$154,501, with \$22,072 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred inflow of resources of \$132,429. Unrecognized experience losses from prior periods were \$587,407, of which \$100,703 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of resources of \$486,704.

During the measurement year, there were no benefit changes.

During the measurement year, there was an assumption change gain of \$1,302,021, with \$186,003 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred inflow of resources of \$1,116,018. Unrecognized assumption change gains from prior period were \$1,801,872, of which \$300,312 was recognized as a decrease in OPEB expense in the current year and resulted in a deferred inflow of resources of \$1,501,560.

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Notes to Consolidated Financial Statements

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The combination of unrecognized assumption change gains this year, along with unrecognized assumption change gains from prior periods, results in a deferred inflow of resources of \$2,617,578. Unrecognized assumption losses from prior periods were \$1,805,588, of which \$361,118 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of \$1,444,470.

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 \$2,550,439, of which \$510,088 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 \$2,040,351. Net unrecognized investment losses from prior periods were \$496,150, of which \$140,457 was recognized as an increase in OPEB expense in the current year, resulting in a net deferred outflow of \$636,607. The combination of unrecognized gains and losses from the current year and prior periods results in a deferred inflow of resources of \$1,403,744.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 486,704	\$ 132,429
Changes in assumptions	1,444,470	2,617,578
Net difference between projected and actual earnings on OPEB plan investments	-	1,403,744
Total	<u>\$ 1,931,174</u>	<u>\$ 4,153,751</u>

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

Year ended June 30:	
2026	\$ 1,217,249
2027	(1,226,031)
2028	(1,024,573)
2029	(556,657)
2030	(424,493)
Thereafter	(208,072)

For the year ended June 30, 2024, KUB recognized OPEB expense of \$2,021,591.

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 \$587,252, with \$83,893 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 \$503,359. Unrecognized experience losses from prior periods were \$100,858, of which \$16,810 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of resources of \$84,048. The combination of unrecognized experience gains or losses results in a deferred outflow of resources of \$587,407.

During the measurement year, there was a benefit change gain of \$164,746. The entire amount was recognized as a decrease in OPEB expense in the current year.

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During the measurement year, there was an assumption change gain of \$2,102,184, with \$300,312 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred inflow of resources of \$1,801,872. Unrecognized assumption losses from prior periods were \$2,166,706, of which \$361,118 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of \$1,805,588.

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 \$2,339,599, of which \$467,920 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 \$1,871,679. Net unrecognized investment losses from prior periods were \$3,211,114, of which \$843,284 was recognized as an increase in OPEB expense in the current year, resulting in a net deferred outflow of \$2,367,829. The combination of unrecognized gains and losses from the current year and prior periods results in a deferred outflow of resources of \$496,150. 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	\$ 587,407	\$ -
Changes in assumptions	1,805,588	1,801,872
Net difference between projected and actual earnings on OPEB plan investments	496,150	-
Total	<u>\$ 2,889,145</u>	<u>\$ 1,801,872</u>

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, 2025, and 2024, are summarized as follows:

	2025	2024
City of Knoxville		
Amounts billed by KUB for utilities and related services	\$ 16,215,411	\$ 14,962,620
Payments by KUB in lieu of property tax	22,496,330	24,101,630
Payments by KUB for services provided	1,148,597	846,753
Grant expenditures incurred	-	7,581,000

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

	2025	2024
Accounts receivable	\$ 1,009,029	\$ 1,050,610
Amounts eligible for reimbursement from grants	-	5,518,000

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

17. Natural Gas Supply Contract Commitments

For fiscal year 2025, the Gas Division hedged 19 percent of its total gas purchases via gas supply contracts. As of June 30, 2025, the Gas Division had hedged the price on six percent of its anticipated gas purchases for fiscal year 2026.

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

	2026	2027	2028	2029	2030	2031
Transportation						
Tennessee Gas Pipeline	\$ 4,739,008	\$ 5,408,484	\$ 5,408,484	\$ 5,408,484	\$ 5,408,484	\$ 1,802,828
East Tennessee Natural Gas*	23,896,270	28,145,374	28,145,374	28,145,374	28,145,374	7,684,728
Texas Eastern	469,500	540,000	540,000	540,000	540,000	109,500
Storage						
Tennessee Gas Pipeline	1,452,708	1,452,708	1,452,708	1,452,708	1,452,708	484,236
East Tennessee Natural Gas*	3,010,280	3,010,280	3,010,280	3,010,280	3,010,280	-
Saltville Natural Gas	2,695,752	2,695,752	2,230,830	836,064	627,048	-
Bobcat	318,000	378,000	378,000	378,000	378,000	126,000
Demand Total	<u>\$ 36,581,518</u>	<u>\$ 41,630,598</u>	<u>\$ 41,165,676</u>	<u>\$ 39,770,910</u>	<u>\$ 39,561,894</u>	<u>\$ 10,207,292</u>

*The amounts reflect firm transportation and LNG storage rates filed by ETNG, but have not been approved by FERC. Shippers have intervened on the rate case at FERC and negotiations and/or a FERC trial may occur before resolution is reached and final rates are determined. Such process could take from one to two years to complete. To the extent that rates paid during this time are higher than the final approved rates, pipeline must provide rebates to shippers.

Firm obligations related to purchased gas - commodity

	2026	2027	2028	2029	2030	2031-2054
Baseload						
ConocoPhillips	\$ 1,123,320	\$ -	\$ -	\$ -	\$ -	\$ -
NextEra Energy	2,089,800	-	-	-	-	-
Enervest Operating LLC	3,675,642	3,796,772	2,830,572	-	-	-
CNX	4,098,390	-	-	-	-	-
Tennergy Corporation (2021A)	3,492,687	3,579,022	3,240,000	3,083,720	2,993,830	59,335,817
Tennergy Corporation (2022)	3,696,605	3,811,993	3,464,989	3,311,851	3,286,244	71,199,380
Commodity Total	<u>\$ 18,176,444</u>	<u>\$ 11,187,787</u>	<u>\$ 9,535,561</u>	<u>\$ 6,395,571</u>	<u>\$ 6,280,074</u>	<u>\$ 130,535,197</u>

The total commodity values presented here are based upon firm supply obligations with each individual natural gas supplier. The firm obligations value for ConocoPhillips and NextEra Energy are based upon firm supply obligations and locked prices with those suppliers. The firm obligations value for Enervest Operating LLC and CNX are based upon firm supply obligations and the applicable NYMEX strip prices on June 30, 2025. The firm obligations values 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, 2025.

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
Notes to Consolidated Financial Statements
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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

	2025				
	Electric	Fiber	Gas	Water	Wastewater
Assets and Deferred Outflows of Resources					
Current assets	\$ 219,245,914	\$ 13,026,445	\$ 62,494,367	\$ 51,600,245	\$ 57,069,497
Restricted assets	26,552,434	1,848,257	3,011,822	5,420,550	8,072,218
Net capital assets	984,469,605	5,147,546	353,072,105	447,966,892	869,957,568
Net intangible assets	1,854,037	3,406,550	701,440	364,720	244,723
Other assets	75,994,989	234,080	4,770,626	3,518,177	17,373,615
Total assets	<u>\$ 1,308,116,979</u>	<u>\$ 23,662,878</u>	<u>\$ 424,050,360</u>	<u>\$ 508,870,584</u>	<u>\$ 952,717,621</u>
Deferred outflows of resources	8,718,317	586,263	3,098,527	4,903,336	13,137,658
Total assets and deferred outflows of resources	<u>\$ 1,316,835,296</u>	<u>\$ 24,249,141</u>	<u>\$ 427,148,887</u>	<u>\$ 513,773,920</u>	<u>\$ 965,855,279</u>
Liabilities and Deferred Inflows of Resources					
Current liabilities	\$ 173,046,100	\$ 6,457,516	\$ 21,999,544	\$ 21,649,019	\$ 24,326,126
Other liabilities	18,328,941	3,717,574	3,742,783	2,560,133	2,759,682
Long-term debt	500,742,913	37,362,500	64,354,159	213,575,532	477,198,511
Total liabilities	<u>\$ 692,117,954</u>	<u>\$ 47,537,590</u>	<u>\$ 90,096,486</u>	<u>\$ 237,784,684</u>	<u>\$ 504,284,319</u>
Deferred inflows of resources	7,443,823	643,805	2,160,393	1,958,351	2,358,290
Total liabilities and deferred inflows of resources	<u>\$ 699,561,777</u>	<u>\$ 48,181,395</u>	<u>\$ 92,256,879</u>	<u>\$ 239,743,035</u>	<u>\$ 506,642,609</u>
Net position					
Net investment in capital assets	\$ 458,504,837	\$ 4,342,405	\$ 281,381,356	\$ 229,558,746	\$ 391,202,131
Restricted	16,440,827	46	2,198,692	2,916,964	3,700,421
Unrestricted	142,327,855	(28,274,705)	51,311,960	41,555,175	64,310,118
Total net position	<u>\$ 617,273,519</u>	<u>\$ (23,932,254)</u>	<u>\$ 334,892,008</u>	<u>\$ 274,030,885</u>	<u>\$ 459,212,670</u>

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Knoxville Utilities Board
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Condensed Statement of Net Position

	2024				
	Electric	Fiber	Gas	Water	Wastewater
Assets and Deferred Outflows of Resources					
Current assets	\$ 170,316,208	\$ 11,341,762	\$ 46,263,447	\$ 42,036,015	\$ 47,981,656
Restricted assets	25,944,381	1,119,594	3,123,122	5,018,613	8,224,554
Net capital assets	883,281,774	4,998,613	347,605,164	407,905,814	868,123,781
Net intangible assets	2,587,845	4,205,421	937,117	505,224	331,556
Other assets	69,986,304	253,072	10,480,123	17,072,904	17,446,950
Total assets	<u>\$ 1,152,116,512</u>	<u>\$ 21,918,462</u>	<u>\$ 408,408,973</u>	<u>\$ 472,538,570</u>	<u>\$ 942,108,497</u>
Deferred outflows of resources	14,930,378	907,934	5,506,471	7,509,369	16,361,045
Total assets and deferred outflows of resources	<u>\$ 1,167,046,890</u>	<u>\$ 22,826,396</u>	<u>\$ 413,915,444</u>	<u>\$ 480,047,939</u>	<u>\$ 958,469,542</u>
Liabilities and Deferred Inflows of Resources					
Current liabilities	\$ 163,775,211	\$ 4,615,208	\$ 20,506,655	\$ 16,972,156	\$ 28,065,983
Other liabilities	21,083,790	4,759,855	5,455,533	4,129,460	4,266,221
Long-term debt	424,500,461	32,737,500	71,871,536	202,411,203	494,494,052
Total liabilities	<u>\$ 609,359,462</u>	<u>\$ 42,112,563</u>	<u>\$ 97,833,724</u>	<u>\$ 223,512,819</u>	<u>\$ 526,826,256</u>
Deferred inflows of resources	6,778,289	721,663	2,086,126	1,784,325	2,243,775
Total liabilities and deferred inflows of resources	<u>\$ 616,137,751</u>	<u>\$ 42,834,226</u>	<u>\$ 99,919,850</u>	<u>\$ 225,297,144</u>	<u>\$ 529,070,031</u>
Net position					
Net investment in capital assets	\$ 433,775,494	\$ 4,305,980	\$ 268,290,027	\$ 201,447,697	\$ 372,931,337
Restricted	17,320,826	46	2,207,025	2,706,964	3,714,170
Unrestricted	99,812,819	(24,313,856)	43,498,542	50,596,134	52,754,004
Total net position	<u>\$ 550,909,139</u>	<u>\$ (20,007,830)</u>	<u>\$ 313,995,594</u>	<u>\$ 254,750,795</u>	<u>\$ 429,399,511</u>

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Knoxville Utilities Board
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

**Condensed Statement of Revenues, Expenses
and Changes in Net Position**

	2025				
	Electric	Fiber	Gas	Water	Wastewater
Operating revenues	\$ 734,797,909	\$ 17,134,243	\$ 129,653,139	\$ 77,461,933	\$ 119,864,643
Operating expenses	609,935,942	19,073,489	91,962,840	41,146,061	51,971,386
Depreciation and amortization	48,781,855	854,633	17,013,045	13,027,773	26,141,893
Total operating expenses	<u>658,717,797</u>	<u>19,928,122</u>	<u>108,975,885</u>	<u>54,173,834</u>	<u>78,113,279</u>
Operating income (loss)	76,080,112	(2,793,879)	20,677,254	23,288,099	41,751,364
Non-operating expense	<u>(9,715,732)</u>	<u>(1,130,545)</u>	<u>162,818</u>	<u>(4,170,785)</u>	<u>(12,961,384)</u>
Change in net position before capital contributions	66,364,380	(3,924,424)	20,840,072	19,117,314	28,789,980
Capital contributions	-	-	56,342	162,776	1,023,179
Change in net position	<u>66,364,380</u>	<u>(3,924,424)</u>	<u>20,896,414</u>	<u>19,280,090</u>	<u>29,813,159</u>
Net position					
Beginning of year	550,909,139	(20,007,830)	313,995,594	254,750,795	429,399,511
End of year	<u>\$ 617,273,519</u>	<u>\$ (23,932,254)</u>	<u>\$ 334,892,008</u>	<u>\$ 274,030,885</u>	<u>\$ 459,212,670</u>

**Condensed Statement of Revenues, Expenses
and Changes in Net Position**

	2024				
	Electric	Fiber	Gas	Water	Wastewater
Operating revenues	\$ 657,034,681	\$ 6,419,654	\$ 114,858,667	\$ 72,896,489	\$ 114,620,879
Operating expenses	561,825,049	12,845,444	82,740,991	41,558,064	53,247,369
Depreciation and amortization	44,066,858	876,983	16,316,365	12,268,290	24,450,486
Total operating expenses	<u>605,891,907</u>	<u>13,722,427</u>	<u>99,057,356</u>	<u>53,826,354</u>	<u>77,697,855</u>
Operating income (loss)	51,142,774	(7,302,773)	15,801,311	19,070,135	36,923,024
Non-operating expense	<u>(4,179,494)</u>	<u>(897,193)</u>	<u>180,973</u>	<u>(3,760,806)</u>	<u>(13,320,989)</u>
Change in net position before capital contributions	46,963,280	(8,199,966)	15,982,284	15,309,329	23,602,035
Capital contributions	-	-	25,106	746,997	1,758,313
Change in net position	<u>46,963,280</u>	<u>(8,199,966)</u>	<u>16,007,390</u>	<u>16,056,326</u>	<u>25,360,348</u>
Net position					
Beginning of year	503,945,859	(11,807,864)	297,988,204	238,694,469	404,039,163
End of year	<u>\$ 550,909,139</u>	<u>\$ (20,007,830)</u>	<u>\$ 313,995,594</u>	<u>\$ 254,750,795</u>	<u>\$ 429,399,511</u>

Knoxville Utilities Board
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Condensed Statement of Cash Flows

	2025				
	Electric	Fiber	Gas	Water	Wastewater
Net cash provided by (used in) operating activities	\$ 129,135,056	\$ (1,305,676)	\$ 37,729,056	\$ 41,517,865	\$ 66,149,808
Net cash used in capital and related financing activities	(95,020,529)	(1,171,648)	(32,432,996)	(43,600,629)	(60,177,004)
Net cash provided by noncapital and related financing activities	-	3,476,539	-	-	-
Net cash provided by (used in) investing activities	(5,409,705)	563,577	1,627,817	2,835,781	3,043,374
Net increase (decrease) in cash and cash equivalents	28,704,822	1,562,792	6,923,877	753,017	9,016,178
Cash and cash equivalents, beginning of year	47,070,494	9,294,082	19,731,406	19,803,587	13,388,680
Cash and cash equivalents, end of year	<u>\$ 75,775,316</u>	<u>\$ 10,856,874</u>	<u>\$ 26,655,283</u>	<u>\$ 20,556,604</u>	<u>\$ 22,404,858</u>

Condensed Statement of Cash Flows

	2024				
	Electric	Fiber	Gas	Water	Wastewater
Net cash provided by (used in) operating activities	\$ 92,117,345	\$ (6,474,842)	\$ 30,963,137	\$ 31,753,906	\$ 62,300,396
Net cash used in capital and related financing activities	(119,138,357)	(1,287,949)	(39,296,368)	(27,460,389)	(80,018,201)
Net cash provided by noncapital and related financing activities	-	4,317,052	-	-	-
Net cash provided by (used in) investing activities	1,603,037	475,018	1,970,823	2,067,529	2,629,789
Net increase (decrease) in cash and cash equivalents	(25,417,975)	(2,970,721)	(6,362,408)	6,361,046	(15,088,016)
Cash and cash equivalents, beginning of year	72,488,469	12,264,803	26,093,814	13,442,541	28,476,696
Cash and cash equivalents, end of year	<u>\$ 47,070,494</u>	<u>\$ 9,294,082</u>	<u>\$ 19,731,406</u>	<u>\$ 19,803,587</u>	<u>\$ 13,388,680</u>

Knoxville Utilities Board

Required Supplementary Information - Schedule of Changes in Net Pension Liability and Related Ratios June 30, 2025

	Year ended December 31									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 7,764,986	\$ 8,221,181	\$ 6,349,402	\$ 6,647,220	\$ 5,227,657	\$ 6,142,213	\$ 5,095,488	\$ 4,607,486	\$ 4,226,985	\$ 4,157,062
Interest	18,573,527	17,868,490	17,430,465	16,982,226	16,393,202	16,030,626	15,344,193	15,015,282	14,966,559	14,812,784
Changes of benefit terms	-	-	-	-	-	163,199	-	-	-	-
Differences between expected and actual experience	2,346,811	2,092,475	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	1,425,345	-	5,268,672	-	-	8,473,160	-	(357,633)	(2,932,883)	-
Benefit payments, including refunds of member contributions	(19,432,811)	(19,237,834)	(17,125,610)	(17,725,963)	(16,006,565)	(15,094,475)	(15,274,814)	(14,969,979)	(14,138,511)	(15,350,926)
Net change in total pension liability	10,677,858	8,944,312	12,204,943	7,838,759	7,544,464	14,660,606	4,559,218	3,207,995	(111,612)	1,728,586
Total pension liability - beginning	263,351,035	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
Total pension liability - ending (a)	\$ 274,028,893	\$ 263,351,035	\$ 254,406,723	\$ 242,201,780	\$ 234,363,021	\$ 226,818,557	\$ 212,157,951	\$ 207,598,733	\$ 204,390,738	\$ 204,502,350
Plan fiduciary net position										
Contributions - employer	\$ 1,659,187	\$ 1,866,261	\$ 3,144,770	\$ 3,416,428	\$ 2,876,752	\$ 2,871,241	\$ 3,456,475	\$ 4,286,597	\$ 5,243,146	\$ 5,991,887
Contributions - participants	4,971,148	5,752,609	3,812,595	3,939,687	2,284,727	3,170,825	2,081,125	1,488,632	555,075	487,546
Net investment income	28,540,651	35,927,438	(63,493,985)	37,575,566	44,814,914	49,938,315	(11,748,396)	32,360,219	13,788,263	(95,430)
Other additions	738	4,568	9,415	112,484	7,740	13,579	62,616	82,239	45,848	30,879
Benefit payments, including refunds of member contributions	(19,400,811)	(19,193,834)	(17,065,610)	(17,653,963)	(15,962,565)	(15,030,475)	(15,174,814)	(14,895,979)	(14,044,511)	(15,274,926)
Administrative expense	(662,847)	(602,078)	(498,988)	(441,017)	(455,191)	(467,748)	(445,916)	(385,282)	(441,332)	(397,160)
Death benefits	(32,000)	(44,000)	(60,000)	(72,000)	(44,000)	(64,000)	(100,000)	(74,000)	(94,000)	(76,000)
Net change in plan fiduciary net position**	15,076,066	23,710,964	(74,151,803)	26,877,185	33,522,377	40,431,737	(21,868,910)	22,862,426	5,052,489	(9,333,204)
Plan fiduciary net position - beginning**	255,898,655	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 fiduciary net position - ending (b)**	\$ 270,974,721	\$ 255,898,655	\$ 232,187,691	\$ 306,339,494	\$ 279,462,309	\$ 245,939,932	\$ 205,508,195	\$ 227,377,105	\$ 204,514,679	\$ 199,462,190
Plan's net pension liability - ending (a) - (b)	\$ 3,054,172	\$ 7,452,380	\$ 22,219,032	\$ (64,137,714)	\$ (45,099,288)	\$ (19,121,375)	\$ 6,649,756	\$ (19,778,372)	\$ (123,941)	\$ 5,040,160
Plan fiduciary net position as a percentage of the total pension liability	98.89%	97.17%	91.27%	126.48%	119.24%	108.43%	96.87%	109.53%	100.06%	97.54%
Covered payroll	\$ 34,776,504	\$ 35,604,464	\$ 37,412,132	\$ 38,074,863	\$ 41,524,273	\$ 40,276,197	\$ 42,150,040	\$ 43,309,374	\$ 44,437,747	\$ 44,446,743
Plan's net pension liability as a percentage of covered payroll	8.78%	20.93%	59.39%	(168.45%)	(108.61%)	(47.48%)	15.78%	(45.67%)	(0.28%)	11.34%

Notes to Schedule:

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

See accompanying Independent Auditor's Report

Knoxville Utilities Board

Required Supplementary Information - Schedule of Employer Pension Contributions

June 30, 2025

	Year ended December 31											
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015		
Actuarially determined contribution	\$ 1,659,187	\$ 1,866,261	\$ 3,144,770	\$ 3,416,428	\$ 2,876,752	\$ 2,871,241	\$ 3,456,475	\$ 4,286,597	\$ 5,243,146	\$ 5,991,887		
Contribution in relation to the actuarially determined contribution	1,659,187	1,866,261	3,144,770	3,416,428	2,876,752	2,871,241	3,456,475	4,286,597	5,243,146	5,991,887		
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Covered payroll	\$ 34,776,504	\$ 35,604,464	\$ 37,412,132	\$ 38,074,863	\$ 41,524,273	\$ 40,276,197	\$ 42,150,040	\$ 43,309,374	\$ 44,437,747	\$ 44,446,743		
Contributions as a percentage of covered payroll	4.77%	5.24%	8.41%	8.97%	6.93%	7.13%	8.20%	9.90%	11.80%	13.48%		

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, 2023 and January 1, 2022

Key methods and assumptions used to determine contribution rates:

Actuarial cost method: Individual entry age

Asset valuation method: 5-year smoothed market, adjusted to remain within 20% of the market value

Amortization method: As of January 1, 2023: Level dollar, 30-year closed period with 18 years remaining, or a level dollar, 30-year open period for a negative unfunded liability
As of January 1, 2022: Level dollar, 30-year closed period with 19 years remaining, or a level dollar, 30-year open period for a negative unfunded liability
As of January 1, 2023 and 2022, the unfunded liability was negative.

Discount rate: 7.00% as of January 1, 2023; 7.25% as of January 1, 2022

Salary increases: 2.50% to 5.65%, based on years of service

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%

Please refer to prior year's audited financial statements for prior methods and assumptions.

See accompanying Independent Auditor's Report

Knoxville Utilities Board

Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios June 30, 2025

	2025	2024	2023	*Year ended June 30 2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 506,802	\$ 615,753	\$ 595,392	\$ 416,277	\$ 283,786	\$ 256,270	\$ 270,515	\$ 202,603
Interest	4,176,096	4,256,122	4,133,008	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	-	(164,746)	-	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	(154,501)	587,252	117,668	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	(1,302,021)	(2,102,184)	2,527,824	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(3,594,203)	(3,786,371)	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	(367,827)	(594,174)	3,100,822	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	61,042,928	61,637,102	58,536,280	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	\$ 60,675,101	\$ 61,042,928	\$ 61,637,102	\$ 58,536,280	\$ 51,515,118	\$ 54,544,240	\$ 50,197,938	\$ 45,604,431
Plan fiduciary net position								
Contributions - employer	\$ 1,279,985	\$ 1,187,768	\$ 1,413,392	\$ 1,989,066	\$ 757,226	\$ 311,324	\$ -	\$ -
Net investment income	6,084,906	5,656,390	4,333,538	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(3,594,203)	(3,786,371)	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(81,246)	(94,379)	(101,186)	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	3,689,442	2,963,408	1,372,674	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	51,669,855	48,706,447	47,333,773	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	\$ 55,359,297	\$ 51,669,855	\$ 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)	\$ 5,315,804	\$ 9,373,073	\$ 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	91.24%	84.65%	79.02%	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	\$ 89,939,256	\$ 83,596,708	\$ 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	5.91%	11.21%	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

Required Supplementary Information – Schedule of Employer OPEB Contributions

June 30, 2025

	2025	2024	2023	*Year ended June 30 2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 1,279,985	\$ 1,187,768	\$ 1,413,392	\$ 489,066	\$ 757,226	\$ 311,324	\$ -	\$ -
Contribution in relation to the annual required contribution	1,279,985	1,187,768	1,413,392	1,989,066	757,226	311,324	-	-
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,500,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll*	\$ 89,939,256	\$ 83,596,708	\$ 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	1.42%	1.42%	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, 2023 and January 1, 2022
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: 15-year layered amortization bases for annual changes in the unfunded liabilities as of January 1, 2022 and 2023; 30-year rolling amortization for a funding surplus; As of January 1, 2022 and 2023, there was an unfunded liability
Discount rate: 7.25% and 7.00% as of January 1, 2022 and 2023, respectively
Healthcare cost trend rate: Pre-Medicare: 5.75% in 2022 and 5.70% in 2023 grading down to 3.935% in 2042 and beyond using the Getzen trend model
Medicare: 11.30% in 2022 and 7.40% in 2023 grading down to 3.935% in 2042 and beyond using the Getzen trend model
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% and 7.00% as of January 1, 2022 and 2023, respectively
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.

See accompanying Independent Auditor's Report

Knoxville Utilities Board

Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement

Schedule of Changes in Total Pension Liability and Related Ratios

June 30, 2025

	*Year ended December 31								
	2024	2023	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	21,226	-	-	(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	<u>21,226</u>	<u>-</u>	<u>-</u>	<u>(18,714)</u>	<u>(1,522)</u>	<u>(211,647)</u>	<u>(48,458)</u>	<u>95,264</u>	<u>185,077</u>
Total pension liability - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,714</u>	<u>20,236</u>	<u>231,883</u>	<u>280,341</u>	<u>185,077</u>	<u>-</u>
Total pension liability - ending	<u>\$ 21,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,714</u>	<u>\$ 20,236</u>	<u>\$ 231,883</u>	<u>\$ 280,341</u>	<u>\$ 185,077</u>
Covered payroll	\$ 34,776,504	\$ 35,604,464	\$ 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	0.06%	0.00%	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
Supplemental Information
Schedule of Expenditures of Federal Awards
June 30, 2025

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Program Name</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Treasury through Knox County	COVID-19: Coronavirus State and Local Fiscal Recovery Fund	21.027	DW-COSTR-1	\$ 1,240,000
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	\$ 1,564,243
U.S. Department of Treasury through Tennessee Department of Economic and Community Development	COVID-19: Tennessee Emergency Broadband Fund - American Rescue Plan - Sevier County	21.027	33007-44823	\$ 2,966,528
U.S. Department of Treasury through Tennessee Department of Economic and Community Development	COVID-19: Tennessee Emergency Broadband Fund - American Rescue Plan - Jefferson County	21.027	33007-44723	\$ 395,860
		Total Program 21.027		\$ 6,166,631
U.S. Department of Homeland Security through Tennessee Department of Military	Disaster Grants - Public Assistance	97.036	FEMA-4832-DR-TN	\$ 253,685
		Total Program 97.036		\$ 253,685
		Total Federal Awards		\$ 6,420,316

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, 2025, 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.

See accompanying Independent Auditor's Report

Knoxville Utilities Board
Supplemental Information
Combining Statement of Fiduciary Net Position – Pension Plan and OPEB Trust
June 30, 2025

	2025			2024		
	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	\$ 1,342,162	\$ 206,322	\$ 1,548,484	\$ 1,405,069	\$ 205,587	\$ 1,610,656
Interest and dividends receivable	262,693	-	262,693	546,051	-	546,051
Due from broker for investment sales	53,000	-	53,000	209,328	-	209,328
Prepaid assets	-	10,000	10,000	-	10,000	10,000
Investments at fair value	269,625,598	56,112,410	325,738,008	254,345,234	52,337,619	306,682,853
Total assets	271,283,453	56,328,732	327,612,185	256,505,682	52,553,206	309,058,888
Liabilities						
Accounts payable	255,732	31,650	287,382	337,161	29,357	366,518
Due to broker for investment purchases	53,000	-	53,000	269,866	-	269,866
Benefit obligations	-	937,785	937,785	-	853,994	853,994
Total liabilities	308,732	969,435	1,278,167	607,027	883,351	1,490,378
Net position restricted for Pensions and Other Post Employment Benefits	\$270,974,721	\$ 55,359,297	\$ 326,334,018	\$255,898,655	\$ 51,669,855	\$ 307,568,510

See accompanying Independent Auditor's Report

Knoxville Utilities Board
Supplemental Information
Combining Statement of Changes in Fiduciary Net Position – Pension Plan and
OPEB Trust
June 30, 2025

	2025			2024		
	Pension Plan	Other Post Employment Benefits Trust	Total Fiduciary Funds	Pension Plan	Other Post Employment Benefits Trust	Total Fiduciary Funds
Additions						
Contributions:						
Employer	\$ 1,659,187	\$ 1,279,985	\$ 2,939,172	\$ 1,866,261	\$ 1,187,768	\$ 3,054,029
Participants	4,971,148	-	4,971,148	5,752,609	-	5,752,609
Total contributions	6,630,335	1,279,985	7,910,320	7,618,870	1,187,768	8,806,638
Investment income:						
Net change in fair value of investments	22,943,115	6,158,453	29,101,568	29,608,677	5,707,892	35,316,569
Less investment expenses	(190,635)	(73,547)	(264,182)	(355,209)	(51,502)	(406,711)
Interest income	1,552,208	-	1,552,208	2,443,138	-	2,443,138
Dividend income	4,235,963	-	4,235,963	4,230,832	-	4,230,832
Net investment income	28,540,651	6,084,906	34,625,557	35,927,438	5,656,390	41,583,828
Other	738	-	738	4,568	-	4,568
Total net additions	35,171,724	7,364,891	42,536,615	43,550,876	6,844,158	50,395,034
Deductions						
Benefit payments	19,400,811	3,246,184	22,646,995	19,193,834	3,469,945	22,663,779
Claims processing fees	-	348,019	348,019	-	316,426	316,426
General and administrative expenses	662,847	81,246	744,093	602,078	94,379	696,457
Death benefits	32,000	-	32,000	44,000	-	44,000
Total deductions	20,095,658	3,675,449	23,771,107	19,839,912	3,880,750	23,720,662
Change in net position	15,076,066	3,689,442	18,765,508	23,710,964	2,963,408	26,674,372
Net position restricted for Pensions and Other Post Employment Benefits						
Beginning of the year	255,898,655	51,669,855	307,568,510	232,187,691	48,706,447	280,894,138
End of the year	<u>\$270,974,721</u>	<u>\$ 55,359,297</u>	<u>\$ 326,334,018</u>	<u>\$255,898,655</u>	<u>\$ 51,669,855</u>	<u>\$307,568,510</u>

See accompanying Independent Auditor's Report

Knoxville Utilities Board
Statistical Information – Schedule of Insurance in Force
June 30, 2025
(Unaudited)

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); \$3,500,000 deductible per occurrence.

Travel Accident

Covers losses related to employees' business travel. Limits of coverage - \$3,000,000 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 \$700,000 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 - \$5,000,000; \$500,000 deductible.

Drone

Liability coverage resulting from losses related to bodily injury or damaged property arising out of the ownership, maintenance, or use of a drone aircraft. Limits of coverage - \$2,000,000.

See accompanying Independent Auditor's Report

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

To the Board of Commissioners
Knoxville Utilities Board

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, 2025, and the related notes to the financial statements, which collectively comprise KUB's basic financial statements, and have issued our report thereon dated October 17, 2025.

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 over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

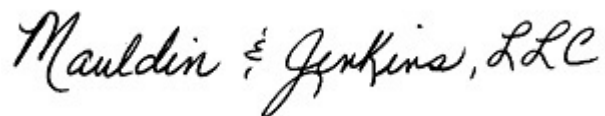
As part of obtaining reasonable assurance about whether KUB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2025-001.

Knoxville Utilities Board Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on KUB's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. KUB's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Chattanooga, Tennessee
October 17, 2025

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Financial Statements

Noncompliance material to financial statements noted? yes X no

KNOXVILLE UTILITIES BOARD

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SECTION II FINANCIAL STATEMENT FINDINGS

2025-001 Timekeeping Discrepancy

Criteria: Knoxville Utilities Board internally identified an allegation that an employee in the Water Systems Engineering Department was falsifying time entered into the time-keeping software and was being paid for hours worked for which the employee was not actually working. This allegation was investigated by KUB's internal management team and they initiated a review due to potential timekeeping discrepancies and unearned compensation related to the employee.

Condition: A preliminary review of time records over a four-week period indicated that an employee logged 25 hours with no physical presence or documented work activity. The employee was interviewed and confirmed that he received training and understood the expectations of accurate timekeeping. After the employee's resignation, a comprehensive review of timekeeping records was conducted.

Context/Cause: The comprehensive review found the employee falsified 256.25 hours and was overpaid in the amount of \$9,240.

Effects: False time reporting resulted in a financial loss to the organization in the form of unearned compensation paid to the employee.

Recommendation: We recommend KUB continue to monitor all employee time that is logged in remotely compared to on-site and continue to enhance the review and approval of all remotely accessed time stamps. This could also include regular, unannounced checks to verify employee presence and work activities, as well as a reconciliation process between time logs and project deliverables or documented tasks.

Auditee's Response: Management is working to implement new controls to prevent similar issues in the future.