

Consolidated

Financial Statements and Supplemental Information
June 30, 2026 and 2025

KUB Board of Commissioners

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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 business-type activities and the aggregate remaining fund information of the Knoxville Utilities Board (KUB), a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2026 and 2025, 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 the business-type activities and aggregate remaining fund information of KUB as of June 30, 2026 and 2025, 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.

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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.

- 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 6-24, the schedule of changes in net pension liability (asset) and related ratios, the schedule of employer pension contributions, the schedule of changes in net OPEB liability (asset) 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 73-77 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, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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.

Emphasis of Matter – GASB 103

As discussed in Note 2 to the financial statements, during the year ended June 30, 2026, KUB adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. GASB Statement No. 103 modified certain financial statement presentation requirements, including the presentation of revenues, expenses, and changes in fund net position for proprietary funds and the classification of certain nonoperating activities. The accompanying financial statements have been prepared in accordance with the provisions of this standard. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2026, 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 15, 2026

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.

Management's Discussion and Analysis

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, 2026, activities, resulting changes, and current known facts, and should be read in conjunction with KUB's consolidated financial statements.

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, 2026, and 2025. 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 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, capital, or other assets.

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

Net investment in capital assets reflects the book value of all capital 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.

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.

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.

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 (treatment, fiber products and promotions, distribution and collection, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor cost (staffing, wage rates), active employee and retiree medical expenses, and system maintenance.

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

- Taxes are impacted by labor cost (staffing, wage rates).

- Subsidies received are impacted by non-capital grants and other transfers received that help stabilize customer rates, with funding levels driven by changes in government funding programs, program eligibility, grant award cycles, and reimbursement timing for operational expenses.

- Subsidies provided 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.

- 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).

- Investment income (expense) is impacted by mark-to-market adjustments on investments.

Statement of Cash Flows

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

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

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

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Financial Summary

Statement of Net Position

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

Statements of Net Position
As of June 30

(in thousands of dollars)	**2026**	**2025**	**2024**
Current, restricted, and other assets	$ 554,307	$ 510,538	$ 441,906
Capital and intangible assets, net	2,823,440	2,667,185	2,520,482
Total assets	3,377,747	3,177,723	2,962,388
Deferred outflows of resources	15,565	29,457	43,938
Total assets and deferred outflows of resources	3,393,312	3,207,180	3,006,326
Current and other liabilities	282,677	276,254	271,665
Long-term debt outstanding	1,246,052	1,255,871	1,193,277
Total liabilities	1,528,729	1,532,125	1,464,942
Deferred inflows of resources	35,163	13,578	12,337
Total liabilities and deferred inflows of resources	1,563,892	1,545,703	1,477,279
Net position			
Net investment in capital assets	1,524,014	1,364,989	1,280,751
Restricted	29,716	25,257	25,949
Unrestricted	275,690	271,231	222,347
Total net position	$ 1,829,420	$ 1,661,477	$ 1,529,047

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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

(in thousands of dollars)	2026	2025 as restated	2024 as restated
Operating revenues	$ 1,149,323	$ 1,059,463	$ 951,461
Less: Purchased energy expense	587,447	549,793	491,481
Margin from sales	561,876	509,670	459,980
Operating expenses			
Treatment	24,309	23,789	21,663
Fiber products and promotions	8,078	6,793	5,313
Distribution and collection	100,063	90,808	92,564
Customer service	12,020	11,347	10,708
Administrative and general	77,192	73,963	74,556
Depreciation and amortization	109,849	105,819	97,979
Taxes	7,198	6,601	6,243
Total operating expenses	338,709	319,120	309,026
Operating income	223,167	190,550	150,954
Non-capital subsidies			
Subsidies received	407	796	3,437
Subsidies provided	(34,405)	(31,956)	(35,319)
Total non-capital subsidies	(33,998)	(31,160)	(31,882)
Operating income and non-capital subsidies	189,169	159,390	119,072
Other non-operating revenues (expenses)			
Interest income	13,395	15,455	12,606
Interest expense	(48,853)	(49,247)	(45,086)
Capital contributions	9,942	1,242	2,530
Other income/(expense)	4,290	5,590	7,065
Total other non-operating revenues (expenses)	(21,226)	(26,960)	(22,885)
Increase in net position	$ 167,943	$ 132,430	$ 96,187

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Detailed Analyses

Fiscal Year 2026 Compared to Fiscal Year 2025

Total net position increased $167.9 million, or 10.1 percent. Net investment in capital assets increased $159 million, or 11.7 percent, the result of an increase of $156.3 million in net capital and intangible asset additions, a $1.6 million decrease in the current and long-term portions of revenue bonds, and a $0.6 million decrease in the current and long-term portions of lease and subscription liabilities. Restricted net position increased $4.5 million compared to the prior year, partially due to an increase in the bond funds. Funds restricted for pensions increased $2 million. Unrestricted net position increased $4.5 million compared to the prior fiscal year.

Current, restricted, and other assets increased $43.8 million, or 8.6 percent, due to an increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of $31 million, an increase in net pension asset of $14.8 million, and an increase in net OPEB asset of $3.9 million. These increases were offset by a decrease in accounts receivable of $5.7 million.

KUB under recovered $1.5 million in wholesale power costs from its customers in fiscal year 2026, as compared to a $5.9 million under recovery in fiscal year 2025. 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 $3.4 million in wholesale gas costs from its customers in fiscal year 2026, as compared to a $2.7 million under recovery in fiscal year 2025. 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.

Total capital and intangible assets (net) increased $156.3 million, or 5.9 percent, over the last fiscal year. Capital assets are discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred outflows of resources decreased $13.9 million compared to the prior year, due to a decrease in pension outflow of $12.5 million, a decrease in unamortized bond refunding costs of $0.9 million, and a decrease in OPEB outflow of $0.5 million when compared to the prior fiscal year.

Current and other liabilities increased $6.4 million, or 2.3 percent, compared to the prior fiscal year. This reflects an increase of $7.9 million in payables, an increase of $4 million in customer advances for construction, a $3.2 million increase in the current portion of revenue bonds, and a $3 million increase in customer deposits and accrued interest. These increases were offset by a decrease of $5.3 million in the actuarially determined net OPEB liability, a $3.8 million decrease in accrued expenses, and a $3 million decrease in the actuarially determined net pension liability.

Long-term debt decreased $9.8 million, due to the net impact of the scheduled repayment of debt and $45 million in electric and water system revenue bonds issued in February 2026. Long-term financing activity is discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred inflows increased $21.6 million compared to the prior fiscal year, due to a $12.8 million increase in pension inflow, a $7.9 million increase in OPEB inflow, and a $1 million increase in lease inflow offset by a $0.1 million decrease in unamortized bond refunding costs.

Operating revenue was $89.9 million higher than the previous fiscal year. Both electric and natural gas experienced increases in wholesale energy prices. Electric Division operating revenue increased $44.5 million, driven by additional revenue from the April 2025 and April 2026 rate increases, coupled with increased wholesale energy costs. Fiber Division operating revenue increased $13 million due to the addition of fiber customers this fiscal year. Gas Division revenue increased $25.2 million for the fiscal year,

the net effect of a 3.8 percent decrease in billed natural gas volumes and additional revenue from a three percent rate increase effective in October 2025. Water Division revenue increased $5 million, the net effect of a decrease in billed water sales volumes of 0.3 percent and additional revenue from a six percent rate increase effective in July 2025. Wastewater Division revenue was $2.1 million higher than the previous year, reflecting additional revenue from a two percent rate increase effective in July 2025.

Wholesale energy expense increased $37.7 million, or 6.8 percent. Purchased power expense increased $16.2 million compared to last year, due to increased wholesale power costs as TVA instituted two of the largest fuel cost adjustments due to Winter Storm Fern. KUB received $10.7 million as a result of TVA's Long-Term Partnership Credit and $2.4 million in Flexibility Energy Credit, which decreased power expenses by $13.1 million in fiscal year 2025. Purchased gas expense was $21.6 million higher than the prior year, reflecting higher natural gas prices, along with higher interstate pipeline rates resulting partially from a Federal Energy Regulatory Commission Section 4 rate case filed by East Tennessee Natural Gas. A settlement has been reached, and management estimates a refund of $4.4 million for natural gas transportation costs. KUB expects payment in fiscal year 2027 and will flow these dollars back to gas customers through its Purchased Gas Adjustment.

Margin from sales (operating revenue less purchased energy expense) increased $52.2 million compared to the previous year.

Operating expenses (excluding wholesale purchased energy expense) increased $19.6 million, or 6.1 percent, compared to fiscal year 2025. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes. 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 $0.5 million, primarily due to an increase in contractor and outside consultant expenses, utility service, and labor-related costs offset by a decrease in chemicals.

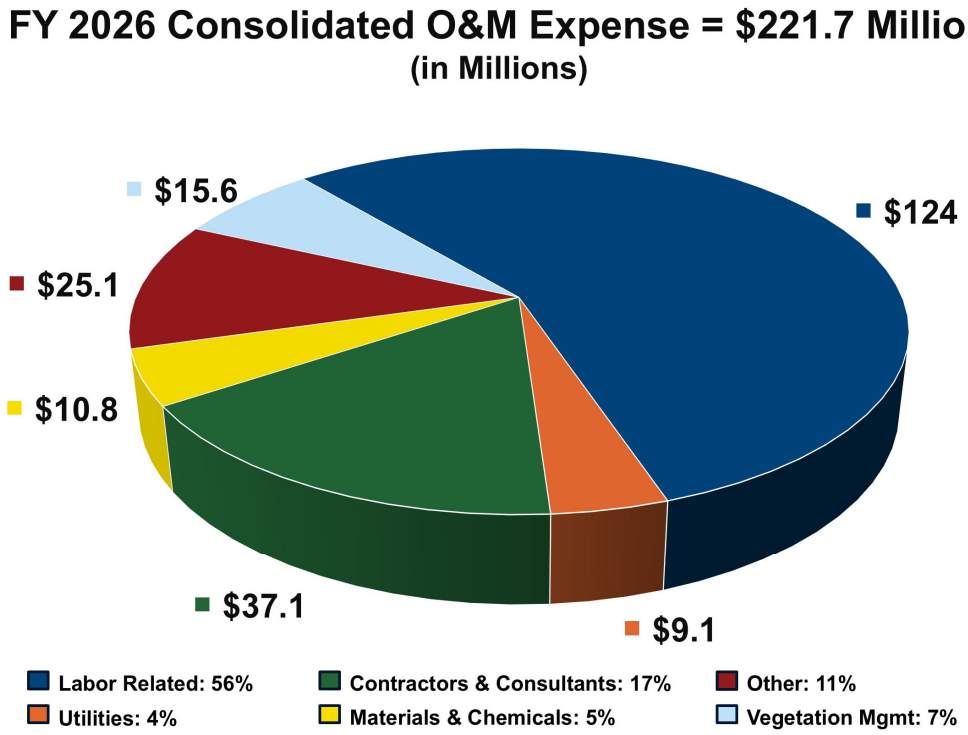
- Fiber products and promotions increased $1.3 million, primarily due to increased telephone and television expenses.

- Distribution and collection expenses increased $9.3 million, or 10.2 percent, primarily due to an increase in vegetation management expenses, labor-related costs, contractor and outside consultant expenses, and utility service.

- Customer service expenses increased $0.7 million, primarily due to labor-related costs.

- Administrative and general expenses increased $3.2 million, primarily due to an increase in contractor and outside consultant expenses, and labor-related costs.

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- Depreciation and amortization expense increased $4 million, or 3.8 percent. KUB added $231 million in assets during fiscal year 2026. A partial year of depreciation expense was recorded on these capital investments, and a full year of depreciation expense was incurred on $212.1 million in assets placed in service during fiscal year 2025. In addition, $14.7 million of assets were retired during fiscal year 2026.

- Taxes increased $0.6 million, or 9.1 percent, due to increased payroll taxes for the fiscal year.

Non-capital subsidies received decreased $0.4 million compared to the prior year due to a reduction in grant reimbursements.

Non-capital subsidies provided increased $2.4 million, due to an increase in tax equivalents paid as a result of higher plant values.

Interest income decreased $2.1 million compared to the prior fiscal year due to a decline in market interest rates.

Interest expense increased $0.4 million, reflecting the interest expense from new revenue bonds sold during the fiscal year.

Capital contributions by developers were $8.7 million higher, due to an increase in donated utility assets compared to the prior fiscal year. Developer contributions of $9.9 million were recorded this fiscal year.

Other income (net) decreased $1.3 million, primarily due to mark-to-market adjustments on investments.

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 $146.7 million in net capital and intangible asset additions and a $1.9 million decrease in the current and long-term portions of lease and subscription liabilities 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.

Current, restricted, and other assets increased $68.6 million, or 15.5 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, and 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.

Total capital and intangible assets (net) increased $146.7 million, or 5.8 percent over the last fiscal year. Capital assets are discussed in greater detail under the significant capital asset and long-term financing activity section below.

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 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.

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. Long-term financing activity is discussed in greater detail under the significant capital asset and long-term financing activity section below.

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.

Operating revenue was $108 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 $4.9 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 $49.7 million compared to the previous year.

Operating expenses (excluding wholesale purchased energy expense) increased $10.1 million compared to fiscal year 2024. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes. 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

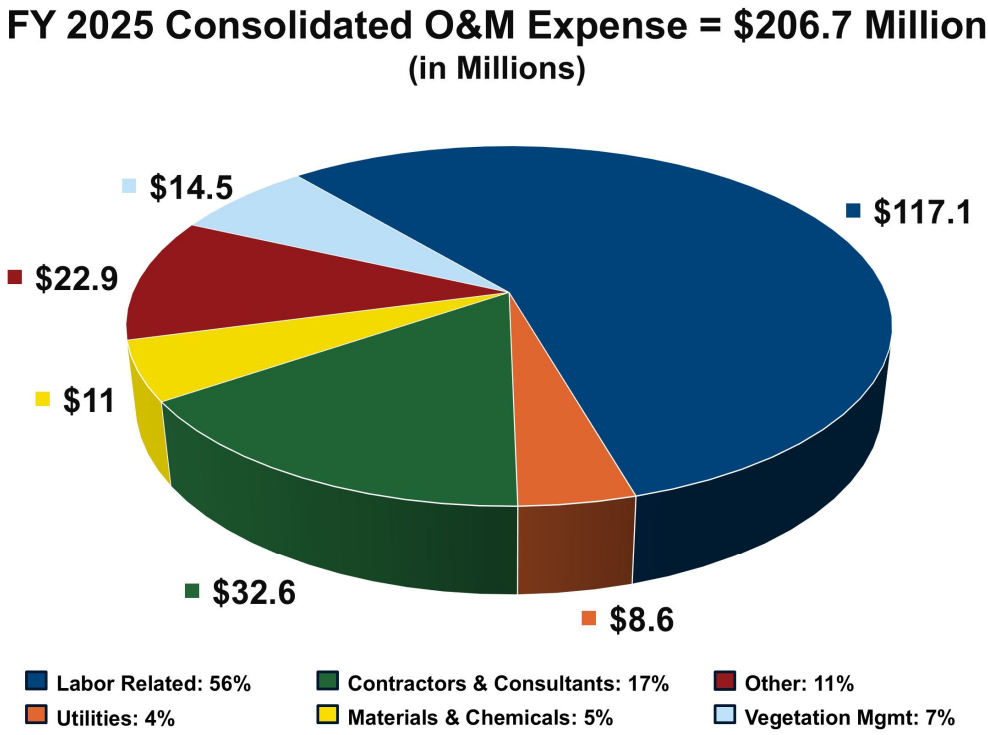
- Fiber products and promotions increased $1.5 million, primarily due to television expenses, and materials costs.

- 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.

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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 increased $0.4 million due to increased payroll taxes.

Non-capital subsidies received decreased $2.6 million compared to the prior year due to a reduction in grant reimbursements.

Non-capital subsidies provided decreased $3.4 million, primarily due to a decrease in tax equivalents paid as a result of Knox County's reduction in equalization rates.

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.

Capital contributions by developers were $1.3 million lower, due to a decrease in donated utility assets compared to the prior fiscal year. Developer contributions of $1.2 million were recorded this fiscal year.

Other income (net) decreased $1.5 million, due to mark-to-market adjustments on investments.

Significant Capital Asset and Long-Term Financing Activity

The Knoxville area continues to grow, and customers are being added across all divisions. As of June 30, 2026, KUB served 538,049 customers. KUB added 18,506 new customers to these systems in fiscal year 2026, representing growth of 3.6 percent.

The electric system set a new record peak demand in January 2026 of 1,388 megawatts. The natural gas system's record peak demand remains 169,458 dekatherms, set in December 2022.

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 its electric energy supply. Flexibility investments will allow for significant power cost savings and demonstrate KUB's commitment to a cleaner environment. During the fiscal year, KUB contracted an additional TVA Flexibility project for 7 MW of solar capacity, which brings our total solar commitments to 61 MW. Future projects will allow a projected total commitment of 81-85 MW. These commitments will result in additional savings for decades to come through their predictable pricing for the life of the agreement.

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's natural gas system was formally recognized by the American Public Gas Association (APGA) for achieving a landmark milestone: winning the APGA Safety Contest Award for five consecutive years. This consecutive streak places KUB's natural gas operations in the top tier of public utilities nationwide for maintaining exceptionally low employee injury, illness, and lost-work-time incident rates.

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 brought online in October 2026.

Knox County contributed $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 awarded $7.5 million through a TDEC non-competitive grant and $5 million in direct ARPA funding. Through fiscal year 2025, $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.

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 2026, KUB met the 2025 criteria to earn a NACWA Peak Performance Gold Award for its Fourth Creek and Loves Creek Wastewater Treatment Plants, and Silver Awards for its Eastbridge Wastewater Treatment Plant.

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.

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. Two of three approved electric rate increases took effect in April 2025 and April 2026, generating additional annual Electric Division revenue of $26 million and $20.2 million, respectively. The remaining rate increase, effective April 2027, is expected to provide $13.7 million in additional annual Electric Division revenue. Two of three approved 3 percent gas rate increases took effect in October 2024 and October 2025, generating additional annual Gas Division revenue of $4.1 million and $4.2 million, respectively. The remaining rate increase, effective October 2026, is expected to provide $4.3 million in additional annual Gas Division revenue. The first of three approved 6 percent water rate increases took effect in July 2025, generating additional annual Water Division revenue of $4.5 million. The remaining rate increases, effective July 2026 and July 2027, are expected to provide $4.8 million and $5.1 million in additional annual Water Division revenue, respectively. The first of three approved wastewater rate increases took effect in July 2025, generating additional annual Wastewater Division revenue of $2.3 million. The remaining rate increases, effective July 2026 and July 2027, are expected to provide $2.4 million in additional annual Wastewater Division revenue each.

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 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, 2026, the Fiber Division had 34,319 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, 2026, KUB has received $14.2 million in reimbursements.

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.

Capital and Intangible Assets
As of June 30
(Net of Depreciation and Amortization)

(in thousands of dollars)	2026	2025	2024
Production plant (Intakes)	$ 6	$ 6	$ 6
Pumping and Treatment plant	275,332	281,538	284,752
Distribution and Collection plant			
Mains and metering	1,040,961	1,010,840	979,208
Services and meters	205,744	187,513	174,815
Electric station equipment	221,465	186,334	144,074
Poles, towers and fixtures	187,484	179,304	175,823
Overhead conductors	206,241	188,191	174,932
Line transformers	69,481	67,146	65,160
Other accounts	200,745	197,436	197,904
Total Distribution and Collection plant	2,132,121	2,016,764	1,911,916
Total general plant	146,827	135,387	130,872
Net plant assets in service	$ 2,554,286	$ 2,433,695	$ 2,327,546
Intangible right of use assets			
Office space	$ 2,070	$ 1,393	$ 2,182
Equipment	-	2	27
Other	181	223	265
Net intangible right of use assets	$ 2,251	$ 1,618	$ 2,474
Intangible subscription assets			
Intangible subscription assets	$ 3,941	$ 4,954	$ 6,093
Net intangible subscription assets	$ 3,941	$ 4,954	$ 6,093
Net intangible assets	$ 6,192	$ 6,572	$ 8,567
Work in progress	262,962	226,918	184,369
Net capital and intangible assets	$ 2,823,440	$ 2,667,185	$ 2,520,482

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Fiscal Year 2026 Compared to Fiscal Year 2025

As of June 30, 2026, KUB had $2.8 billion invested in capital and intangible assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $156.3 million, or 5.9 percent, over the end of the last fiscal year.

Major capital asset expenditures (reflected in both plant additions and work in progress) during the year were as follows:

- $56.5 million for fiber network buildout
- $35.6 million related to wastewater Century II projects
  - $18 million for collection system improvements
  - $6.9 million for wastewater treatment plant upgrades
  - $4.4 million for sewer mini-basin rehabilitation and replacement
  - $3.9 million for pump station construction and improvements
  - $2.4 million for short line projects
- $27.4 million for various electric distribution system improvements
- $27.2 million for installation of new electric services and the upgrade or replacement of existing services
- $26.4 million for water main replacements
- $12.7 million for pole replacements for the electric system
- $10.5 million for water plant redundancy
- $10.4 million for auto and truck purchases
- $8.4 million for the gas service extensions

System assets of $14.7 million were retired during fiscal year 2026.

During the fiscal year, KUB expanded its operational capacity by entering into a new lease agreement for office space. This transaction resulted in the recognition of a $2.3 million intangible right of use lease asset and corresponding lease liability, with a net intangible asset addition at the end of the fiscal year of $2 million. The lease obligation will be amortized over a term of four years.

During the fiscal year, KUB experienced a reduction in its intangible right of use assets and corresponding lease liabilities. A one-year renewal option previously factored into one of the lease terms for office space was not elected. In accordance with GASB Statement No. 87, this shift in expected use triggered a formal remeasurement that effectively shortened the remaining lease term by one year. This decision decreased intangible right of use assets by $0.7 million and lowered lease liabilities by $0.9 million, resulting in the recognition of a small gain.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, KUB had $2.7 billion invested in capital and intangible assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $146.7 million, or 5.8 percent, over the end of the last fiscal year.

Major capital asset expenditures (reflected in both plant additions and work in progress) 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

System assets of $20.9 million were retired during fiscal year 2025.

Debt Administration

KUB's outstanding debt was $1.19 billion as of June 30, 2026. Debt as a percentage of capital structure was 39.5 percent in 2026, 41.8 percent in 2025, and 42.5 percent in 2024.

Outstanding Debt
As of June 30

(in thousands of dollars)	**2026**	**2025**	**2024**
Revenue bonds	$ 1,192,610	$ 1,194,195	$ 1,130,115
Total outstanding debt	$ 1,192,610	$ 1,194,195	$ 1,130,115

KUB will pay $496 million in principal payments over the next ten years, representing 41.6 percent of outstanding bonds.

Fiscal Year 2026 Compared to Fiscal Year 2025

As of June 30, 2026, KUB had $1.19 billion in outstanding debt (including the current portion of revenue bonds), representing a decrease of $1.6 million. As of June 30, 2026, KUB's weighted average cost of debt was 4 percent (3.96 percent including the impact of Build America Bonds rebates).

Long-term debt represented 39.5 percent of KUB's consolidated capital structure, compared to 41.8 percent last fiscal year. Capital structure equals long-term debt (including the current and long-term portion of revenue bonds), plus net position.

KUB issued $27 million in electric system revenue bonds in February 2026 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 4.11 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2056.

KUB issued $18 million in water system revenue bonds in February 2026 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 4.11 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2056.

KUB's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2026, S&P Global Ratings rated the revenue bonds of both the Water Division and the Wastewater Division AAA, the revenue bonds of the Electric Division AA- and the Gas Division AA. Moody's Investors Service rated the bonds of the Water Division Aa1 and the Electric, Gas, and Wastewater Divisions Aa2.

Fiscal Year 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).

Long-term debt represented 41.8 percent of KUB's consolidated capital structure, compared to 42.5 percent in fiscal year 2024. Capital structure equals long-term debt (including the current and long-term portion of revenue bonds), plus net position.

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 both the Water Division and the Wastewater Division AAA, 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.

Currently Known Facts, Decisions, or Conditions

KUB anticipates an increase of 16,390 customers, including 11,340 fiber system customers, during fiscal year 2027.

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 $2 million loan is anticipated during fiscal year 2027.

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.

In May 2026, the Board approved the issuance of up to $14 million of Electric System Revenue Bonds, $19 million of Water System Revenue Bonds, and $12 million of Wastewater System Revenue Bonds in order to fund capital improvements to those systems.

In August 2026, the Tennessee Valley Authority (TVA) finalized a dedicated wholesale data center rate structure designed to insulate traditional ratepayers from the infrastructure costs associated with high-density computational load growth. As a local power company distributing TVA-generated electricity, KUB will implement these changes via a cost-neutral pass-through mechanism, mirroring TVA's newly established rate classes to apply a 10% base rate adjustment directly to data center end-users. The rate increase will be implemented via a three-year fiscal phase-in period. This multi-year implementation framework provides stable, predictable adjustments to our wholesale power costs and corresponding retail billings, minimizing short-term volatility in our industrial operating revenues. Furthermore, new or expanding data center developments exceeding 5 megawatts are required to fund non-refundable, upfront Capacity Commitment Charges of approximately $1.5 million per megawatt during the interconnection application process, which KUB will collect and remit directly to TVA to finance regional transmission and generation assets. Consequently, these structural revisions and their phased implementation mitigate KUB's long-term exposure to stranded asset liabilities and localized distribution system strain, ensuring that industrial load fluctuations do not adversely affect the financial condition or operating results of our residential and commercial customer segments.

The City of Knoxville and Knox County have both enacted one-year moratoriums on new large-scale data center developments, which will be in effect through mid-2027, to give the Knoxville-Knox County Planning Commission time to draft comprehensive zoning laws addressing noise, land use, and resource consumption. For local electric utilities, these pauses on facilities exceeding 10 megawatts will temporarily flatten projected industrial load growth and pause immediate new infrastructure revenue from the data sector. However, this regulatory intermission mitigates the immediate risk of stranded assets or unrecovered grid upgrade costs, allowing the utility to collaborate with planners on billing structures that protect existing ratepayers before high-volume commercial demand accelerates.

The Gas Division will receive an estimated refund of $4.4 million from East Tennessee Natural Gas for natural gas transportation costs due to a settlement reached with shippers regarding a Federal Energy Regulatory Commission Section 4 rate case. KUB expects payment in fiscal year 2027 and will flow these dollars back to gas customers through its Purchased Gas Adjustment.

In October 2026, a large industrial customer, who is one of our top wastewater customers, will cease operations within our service territory, though the closure represents less than 1% of both our total system load and annual operating revenues. The reduction in industrial demand is expected to be partially mitigated over time by sustained residential development and customer growth across our service area.

Consequently, this closure is not anticipated to materially impact our long-term financial condition, results of operations, or planned infrastructure investments. Management continues to monitor local economic indicators and load trends to ensure optimal grid alignment and system efficiency.

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 2026.

Knoxville Utilities Board
Consolidated Statements of Net Position
June 30, 2026 and 2025

	2026	2025
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 171,214,092	$ 156,248,936
Short-term contingency fund investments	61,452,246	90,077,072
Other current assets	722,297	892,229
Accrued interest receivable	140,584	154,373
Accounts receivable, less allowance of uncollectible accounts of $928,679 in 2026 and $989,403 in 2025	109,142,332	114,849,607
Current portion of lease receivable	905,911	795,306
Inventories	27,164,956	29,049,209
Prepaid expenses	1,304,229	1,332,827
Gas storage	9,759,177	7,703,575
Total current assets	381,805,824	401,103,134
Restricted assets:		
Bond funds	45,586,921	43,055,545
Student internet special fund	1,567,738	1,848,211
Other funds	1,529	1,526
Total restricted assets	47,156,188	44,905,282
Capital assets:		
Plant in service	3,929,494,631	3,713,198,561
Less accumulated depreciation	(1,375,208,267)	(1,279,503,318)
Net capital assets	2,554,286,364	2,433,695,243
Intangible assets:		
Intangible right of use asset	2,996,278	4,672,493
Intangible subscription asset	9,142,988	9,114,411
Less accumulated amortization	(5,947,327)	(7,215,435)
Net intangible assets	6,191,939	6,571,469
Retirement in progress	2,479,758	2,156,691
Construction in progress	260,481,694	224,761,781
Net capital and intangible assets	2,823,439,755	2,667,185,184
Other assets:		
Net pension asset	14,831,176	-
Net OPEB asset	3,850,120	-
Long-term contingency fund investments	81,827,604	37,209,220
Long-term lease receivable	8,746,253	7,758,811
TVA conservation program receivable	-	10,729
Under recovered purchased power cost	1,457,552	5,929,336
Under recovered purchased gas cost	3,362,661	2,744,926
Other	11,269,250	10,875,962
Total other assets	125,344,616	64,528,984
Total assets	3,377,746,383	3,177,722,584
Deferred outflows of resources:		
Pension outflow	3,204,880	15,698,178
OPEB outflow	1,469,353	1,931,174
Unamortized bond refunding costs	10,890,990	11,828,240
Total deferred outflows of resources	15,565,223	29,457,592
Total assets and deferred outflows of resources	$ 3,393,311,606	$ 3,207,180,176

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

Knoxville Utilities Board
Consolidated Statements of Net Position
June 30, 2026 and 2025

	2026	2025
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 49,765,000	$ 46,585,000
Current portion of accrued compensated absences	8,847,651	7,923,816
Current portion of lease liability	644,889	937,961
Current portion of subscription liability	1,260,282	1,206,487
Sales tax collections payable	2,027,075	1,862,503
Accounts payable	118,761,757	110,876,150
Unearned revenue	1,365,392	901,316
Accrued expenses	25,849,814	29,646,425
Customer deposits plus accrued interest	30,391,194	27,405,189
Accrued interest on revenue bonds	17,859,437	17,800,120
Total current liabilities	256,772,491	245,144,967
Other liabilities:		
TVA conservation program	-	13,195
Accrued compensated absences	3,440,753	3,902,775
Customer advances for construction	17,146,711	13,193,204
Lease liability	1,662,354	899,442
Subscription liability	3,314,697	4,477,938
Net pension liability	51,314	3,075,398
Net OPEB liability	-	5,315,804
Other	288,336	231,356
Total other liabilities	25,904,165	31,109,112
Long-term debt:		
Revenue bonds	1,142,845,000	1,147,610,000
Unamortized premiums/discounts	103,206,967	108,261,114
Total long-term debt	1,246,051,967	1,255,871,114
Total liabilities	1,528,728,623	1,532,125,193
Deferred inflows of resources:		
Pension inflow	12,843,790	-
Unamortized bond refunding costs	1,328,069	1,429,427
OPEB inflow	12,030,031	4,153,751
Lease inflow	8,960,692	7,994,976
Total deferred inflows of resources	35,162,582	13,578,154
Total liabilities and deferred inflows of resources	1,563,891,205	1,545,703,347
Net position		
Net investment in capital assets	1,524,013,959	1,364,989,474
Restricted for:		
Debt service	27,727,484	25,255,424
Pensions	1,987,386	-
Other	1,529	1,526
Unrestricted	275,690,043	271,230,405
Total net position	1,829,420,401	1,661,476,829
Total liabilities, deferred inflows, and net position	$ 3,393,311,606	$ 3,207,180,176

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, 2026 and 2025

	2026	2025 as restated
Operating revenues		
Electric	$ 762,620,315	$ 718,106,979
Fiber	30,027,459	17,004,668
Gas	154,036,544	128,874,496
Water	81,677,039	76,638,327
Wastewater	120,961,874	118,838,568
Total operating revenues	1,149,323,231	1,059,463,038
Operating expenses		
Purchased power	507,711,367	491,545,513
Purchased gas	79,735,507	58,247,192
Treatment	24,309,354	23,789,187
Fiber products and promotions	8,078,195	6,792,493
Distribution and collection	100,063,287	90,807,474
Customer service	12,020,227	11,347,365
Administrative and general	77,192,484	73,963,437
Depreciation and amortization	109,848,715	105,819,200
Taxes	7,197,510	6,599,995
Total operating expenses	926,156,646	868,911,856
Operating income	223,166,585	190,551,182
Non-capital subsidies		
Subsidies received	407,694	796,188
Subsidies provided	(34,405,287)	(31,956,678)
Total non-capital subsidies	(33,997,593)	(31,160,490)
Operating income and non-capital subsidies	189,168,992	159,390,692
Other non-operating revenues (expenses)		
Capital subsidies	13,173,793	20,483,247
Interest income	13,395,349	15,454,964
Interest expense	(48,852,862)	(49,247,108)
Amortization of debt costs	4,917,442	4,887,843
Write-down of plant for costs recovered through contributions	(13,173,793)	(20,483,247)
Capital contributions	9,942,477	1,242,297
Investment income (expense)	(627,826)	700,931
Total other non-operating revenues (expenses)	(21,225,420)	(26,961,073)
Increase in net position	167,943,572	132,429,619
Net position, beginning of year	1,661,476,829	1,529,047,210
Net position, end of year	$ 1,829,420,401	$ 1,661,476,829

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

Knoxville Utilities Board
Consolidated Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 1,153,672,363	$ 1,049,165,320
Cash receipts from other operations	31,907,055	16,819,114
Cash payments to suppliers of goods or services	(723,992,160)	(680,078,873)
Cash payments to employees for services	(103,870,833)	(81,121,946)
Cash receipts from collections of TVA conservation loan program participants	10,781	69,308
Cash payments for TVA Conservation loan program	(13,245)	(78,582)
Net cash provided by operating activities	357,713,961	304,774,341
Cash flows from non-capital financing activities:		
Non-capital subsidies received	407,694	796,188
Non-capital subsidies provided	(34,405,287)	(31,956,678)
Net cash used in non-capital financing activites	(33,997,593)	(31,160,490)
Cash flows from capital and related financing activities:		
Net proceeds from bond issuance	45,418,627	114,480,770
Principal paid on revenue bonds	(46,585,000)	(46,915,000)
Interest paid on revenue bonds	(49,099,040)	(46,254,306)
Acquisition and construction of plant	(271,415,408)	(276,751,433)
Changes in bond funds, restricted	(2,531,377)	(746,352)
Customer advances for construction	4,501,520	2,418,740
Proceeds received on disposal of plant	487,520	314,969
Principal paid on lease liabilities	(1,893,514)	(889,422)
Principal paid on subscription liabilities	(1,109,446)	(1,037,806)
Interest paid on lease and subscription liabilities	(301,051)	(333,168)
Cash received from developers and individuals for capital purposes	18,549,912	23,310,202
Net cash used in capital and related financing activities	(303,977,257)	(232,402,806)
Cash flows from investing activities:		
Purchase of investment securities	(72,494,840)	(32,971,642)
Maturities of investment securities	57,150,000	26,900,000
Interest received	10,884,630	12,711,678
Other property and investments	(313,745)	(890,393)
Net cash (used in) provided by investing activities	(4,773,955)	5,749,643
Net increase in cash and cash equivalents	14,965,156	46,960,688
Cash and cash equivalents, beginning of year	156,248,936	109,288,248
Cash and cash equivalents, end of year	$ 171,214,092	$ 156,248,936
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 223,166,586	$ 190,551,182
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	114,298,222	109,782,169
Changes in operating assets and liabilities:		
Accounts receivable	331,156	(13,930,828)
Lease receivable	(1,098,047)	838,179
Inventories	1,884,251	2,602,334
Prepaid expenses and gas storage	(2,027,004)	(308,823)
TVA conservation program receivable	10,729	67,322
Other assets	37,883	(103,832)
Sales tax collections payable	164,574	311,366
Accounts payable, other accrued expenses, and deferrals	13,078,458	15,275,958
TVA conservation program payable	(13,195)	(76,595)
Unrecovered purchased power cost	4,471,784	(871,822)
Underrecovered gas costs	(617,735)	(1,694,194)
Customer deposits	3,505,240	1,735,981
Unearned revenue	464,076	472,989
Other liabilities	56,983	122,955
Net cash provided by operating activities	$ 357,713,961	$ 304,774,341
Noncash capital activities:		
Acquisition of plant assets through developer contributions	$ 9,942,477	$ 1,242,297
Record intangible right of use asset and lease liability	$ 2,356,773	$ -

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

Knoxville Utilities Board
Statement of Fiduciary Net Position
June 30, 2026 and 2025

	2026 Pension (and Other Employee Benefit Trust Funds)	2025 Pension (and Other Employee Benefit Trust Funds)
Assets		
Cash and cash equivalents	$ 1,279,293	$ 1,548,484
Interest and dividends receivable	286,048	262,693
Due from broker for investment sales	23,500	53,000
Prepaid assets	20,000	10,000
Investments at fair value	356,386,885	325,738,008
Total assets	357,995,726	327,612,185
Liabilities		
Accounts payable	139,229	287,382
Due to broker for investment purchases	23,500	53,000
Benefit obligations	1,076,509	937,785
Total liabilities	1,239,238	1,278,167
Total net position	$ 356,756,488	$ 326,334,018

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

Knoxville Utilities Board
Statement of Changes in Fiduciary Net Position
June 30, 2026 and 2025

	2026 Pension (and Other Employee Benefit Trust Funds)	2025 Pension (and Other Employee Benefit Trust Funds)
Additions		
Contributions:		
Employer	$ 3,719,008	$ 2,939,172
Participants	4,118,618	4,971,148
Total contributions	7,837,626	7,910,320
Investment income:		
Net change in fair value of investments	42,091,661	29,101,568
Less investment expenses	(173,325)	(264,182)
Interest income	1,543,160	1,552,208
Dividend income	4,152,052	4,235,963
Net investment income	47,613,548	34,625,557
Other	-	738
Total net additions	55,451,174	42,536,615
Deductions		
Benefit payments	24,025,397	22,646,995
Claims processing fees	376,133	348,019
General and administrative expenses	591,174	744,093
Death benefits	36,000	32,000
Total deductions	25,028,704	23,771,107
Net increase in net position	30,422,470	18,765,508
Total net position		
Beginning of the year	326,334,018	307,568,510
End of the year	$ 356,756,488	$ 326,334,018

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

1. Description of Business

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

2. Significant Accounting Policies

Basis of Accounting

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

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

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

Recently Adopted New Accounting Pronouncements

In 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. Adoption of this Statement resulted in a change in accounting principle per Statement No. 100 and the provisions of Statement No. 103 have been applied retroactively. As

a result, certain comparative financial statement classifications for the prior fiscal year have been restated to conform to the new presentation requirements. Tax equivalent transfers are now included as subsidies provided in the new non-capital subsidies section below operating income rather than in operating expenses. Grant income and Build America Bonds rebates are now included as subsidies received in the new non-capital subsidies section below operating income rather than in non-operating revenues (expenses). Contributions in aid of construction are now categorized as capital subsidies in the other non-operating revenues (expenses) section. There is now a subtotal for operating income and non-capital subsidies, and change in net position is now referred to as increase in net position. These adjustments represent presentation and reclassification changes only; they had no impact on the beginning or ending net position.

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. 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 $4,506,926 in fiscal year 2026 and $3,962,970 in fiscal year 2025 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 $2,789,475 in fiscal year 2026 and of $2,905,912 in fiscal year 2025.

Non-capital Subsidies

Non-capital subsidies are defined as resources received from another party for which goods and services are not provided to that party and that directly or indirectly keep current or future fees and charges lower than they would be otherwise.

Non-operating Revenue

Non-operating revenue consists of revenues related to financing and investing types of activities, subsidies received, and resources from capital asset and inventory disposals.

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

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

These classifications are defined as follows:

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

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

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

Contributions in Aid of Construction and Capital Contributions
Contributions in aid of construction are cash collections from customers, grantors, or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as capital subsidies in 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 (asset) as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2026, and 2025, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2026, and 2025, are based on a June 30, 2026, and 2025, measurement date, respectively. The net OPEB asset is $3,850,120 as of June 30, 2026, and the net OPEB liability is $5,315,804 as of June 30, 2025.

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 (asset) as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2026, and 2025, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2026, and 2025, are based on a December 31, 2025, and 2024, measurement date, respectively. The net pension asset is $14,831,176 as of June 30, 2026, and the net pension liability is $3,054,172 as of June 30, 2025.

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, 2026, and 2025, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2026, and 2025, are based on a December 31, 2025, and 2024, measurement date, respectively. The total pension liability of the QEBA is $51,314 as of June 30, 2026, and $21,226 as of June 30, 2025.

For presentation purposes, the Pension Plan net pension asset is disclosed in the Statement of Net Position as Net pension asset of $14,831,176 as of June 30, 2026 and the QEBA total pension liability is disclosed in the Statement of Net Position as Net pension liability of $51,314 as of June 30, 2026, while 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. The Pension Plan deferred outflows and QEBA deferred outflows are disclosed as Pension outflow of $3,204,880 as of June 30, 2026 and $15,698,178 as of June 30, 2025. The Pension Plan deferred inflows and QEBA deferred inflows are disclosed as Pension inflow of $12,843,790 as of June 30, 2026 and $0 as of June 30, 2025.

Investments

Investments are carried at fair value as determined by quoted market prices at the reporting date. Investments are classified as short-term if they have a maturity date of one year or less from the reporting date. Investments are classified as long-term if they have a maturity date of more than one year from 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 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.

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 and accumulated 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) accumulated leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash items.

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. No loans were made through this program after October 31, 2015 and all loans were satisfied as of June 30, 2026.

Reclassification

Certain 2025 amounts have been reclassified to conform to the 2026 presentation.

Subsequent Events

KUB has evaluated events and transactions through October 22, 2026, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Purchased Power Adjustment

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

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

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

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 ($1,457,552) as of June 30, 2026, and ($5,929,336) as of June 30, 2025.

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 ($3,362,661) as of June 30, 2026, and ($2,744,926) as of June 30, 2025.

Recently Issued Accounting Pronouncements

In December 2025, the GASB issued GASB Statement No. 105 (Statement No. 105), *Subsequent Events.* The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. Statement No. 105 is effective for fiscal years beginning after June 15, 2026.

KUB has not elected early implementation of this standard and has not completed the process of evaluating the impact of this statement on its financial statements.

3. Deposits and Investments

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

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

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

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

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

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Classification of deposits and investments per Statement of Net Position:

	2026	2025
Current assets		
Cash and cash equivalents	$ 171,214,092	$ 156,248,936
Short-term contingency fund investments	60,249,179	83,359,281
Other assets		
Long-term contingency fund investments	81,827,604	37,209,220
Restricted assets		
Unused bond proceeds	-	-
Bond fund	45,586,921	43,055,545
Student internet special fund	1,567,738	1,848,211
Other funds	1,529	1,526
	$ 360,447,063	$ 321,722,719

The above amounts do not include accrued interest of $1,203,067 in fiscal year 2026 and $1,042,861 in fiscal year 2025. 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, 2026:

	Cash Equivalents and Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-4
Supersweep NOW and Other Deposits	$ 205,156,485	$ 205,156,485	$ -
State Treasurer's Investment Pool	49,974,817	49,974,817	-
Agency Bonds	108,857,244	27,029,640	81,827,604
	$ 363,988,546	$ 282,160,942	$ 81,827,604

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, 2026:

- U.S. Agency bonds of $81,827,604, which have a maturity at purchase of greater than one year, are valued using quoted market prices (Level 1 inputs)

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

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4. Accounts Receivable

Accounts receivable consists of the following:

	2026	2025
Wholesale and retail customers		
Billed services	$ 68,232,676	$ 63,611,849
Unbilled services	36,617,896	39,294,597
Other	5,220,439	12,932,564
Allowance for uncollectible accounts	(928,679)	(989,403)
	$ 109,142,332	$ 114,849,607

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2026	2025
Trade accounts	$ 118,761,757	$ 110,876,150
Current portion of accrued compensated absences	8,847,651	7,923,816
Salaries and wages	3,059,118	2,494,326
Advances on pole rental	1,559,141	1,610,930
Self-insurance liabilities	3,303,095	2,934,693
Other current liabilities	17,928,460	22,606,476
	$ 153,459,222	$ 148,446,391

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6. Long-Term Obligations

	Balance June 30, 2025	Additions	Payments	Defeased	Balance June 30, 2026	Amounts Due Within One Year
Electric						
EE-2015 - 2.0 - 5.0%	$ 14,260,000	$ -	$ 2,670,000	$ -	$ 11,590,000	$ 2,735,000
GG-2016 - 2.0 - 5.0%	32,550,000	-	1,125,000	-	31,425,000	1,150,000
HH-2017 - 2.5 - 5.0%	8,060,000	-	2,560,000	-	5,500,000	2,695,000
II-2017 - 3.0 - 5.0%	34,075,000	-	1,035,000	-	33,040,000	1,075,000
JJ-2018 - 3.0 - 5.0%	34,760,000	-	1,005,000	-	33,755,000	1,055,000
KK-2020 - 5.0%	9,405,000	-	1,400,000	-	8,005,000	1,460,000
LL-2021 - 4.0 - 5.0%	55,700,000	-	2,745,000	-	52,955,000	2,890,000
MM-2022 - 4.0 - 5.0%	44,080,000	-	850,000	-	43,230,000	895,000
NN-2022 - 4.0 - 5.0%	26,390,000	-	845,000	-	25,545,000	865,000
OO-2022 - 4.0 - 5.0%	77,725,000	-	1,340,000	-	76,385,000	1,410,000
PP-2023 - 5.0%	55,000,000	-	865,000	-	54,135,000	910,000
QQ-2024 - 4.0 - 5.0%	91,000,000	-	-	-	91,000,000	1,475,000
RR-2026 - 4.0 - 5.0%	-	27,000,000	-	-	27,000,000	-
Total bonds	$ 483,005,000	$ 27,000,000	$ 16,440,000	$ -	$ 493,565,000	$ 18,615,000
Unamortized Premium	34,177,913	824,642	2,126,051		32,876,504	-
Total long term debt	$ 517,182,913	$ 27,824,642	$ 18,566,051	$ -	$ 526,441,504	$ 18,615,000
Gas						
U-2015 - 2.0 - 5.0%	$ 5,730,000	$ -	$ 880,000	$ -	$ 4,850,000	$ 895,000
V-2016 - 2.125 - 5.0%	9,575,000	-	350,000	-	9,225,000	350,000
W-2017 - 5.0%	1,935,000	-	940,000	-	995,000	995,000
X-2017 - 2.0 - 5.0%	9,890,000	-	330,000	-	9,560,000	340,000
Y-2018 - 3.0 - 5.0%	6,745,000	-	200,000	-	6,545,000	210,000
Z-2020 - 4.0 - 5.0%	3,740,000	-	675,000	-	3,065,000	710,000
AA-2021 - 4.0 - 5.0%	27,200,000	-	3,220,000	-	23,980,000	3,130,000
Total bonds	$ 64,815,000	$ -	$ 6,595,000	$ -	$ 58,220,000	$ 6,630,000
Unamortized Premium	6,134,159	-	922,377	-	5,211,782	-
Total long term debt	$ 70,949,159	$ -	$ 7,517,377	$ -	$ 63,431,782	$ 6,630,000
Water						
BB-2015 - 2.0 - 5.0%	$ 14,745,000	$ -	$ 1,210,000	$ -	$ 13,535,000	$ 1,245,000
CC-2015 - 2.0 - 4.0%	550,000	-	550,000	-	-	-
DD-2016 - 3.0 - 5.0%	20,150,000	-	700,000	-	19,450,000	725,000
EE-2016 - 2.0 - 5.0%	13,055,000	-	1,460,000	-	11,595,000	1,515,000
FF-2017 - 3.0 - 5.0%	1,240,000	-	605,000	-	635,000	635,000
GG-2017 - 2.125 - 5.0%	16,720,000	-	530,000	-	16,190,000	555,000
HH-2018 - 3.0 - 5.0%	16,950,000	-	485,000	-	16,465,000	510,000
II-2019 - 3.0 - 5.0%	17,590,000	-	465,000	-	17,125,000	485,000
JJ-2020 - 3.0 - 5.0%	17,055,000	-	460,000	-	16,595,000	465,000
KK-2020 - 3.0 - 5.0%	8,100,000	-	205,000	-	7,895,000	215,000
LL-2021 - 4.0 - 5.0%	28,035,000	-	1,400,000	-	26,635,000	1,450,000
MM-2022 - 3.0 - 5.0%	14,815,000	-	-	-	14,815,000	505,000
NN-2023 - 4.0 - 5.0%	19,410,000	-	350,000	-	19,060,000	370,000
OO-2024 - 4.0 - 5.0%	19,995,000	-	330,000	-	19,665,000	350,000
PP-2026 - 4.0 - 5.0%	-	18,000,000	-	-	18,000,000	240,000
Total bonds	$ 208,410,000	$ 18,000,000	$ 8,750,000	$ -	$ 217,660,000	$ 9,265,000
Unamortized Premium	13,915,532	499,753	842,809	-	13,572,476	-
Total long term debt	$ 222,325,532	$ 18,499,753	$ 9,592,809	$ -	$ 231,232,476	$ 9,265,000
Wastewater						
2010C - 1.18 - 6.1%	$ 20,250,000	$ -	$ -	$ -	$ 20,250,000	$ -
2015A - 3.0 - 5.0%	91,440,000	-	1,425,000	-	90,015,000	1,490,000
2016 - 2.0 - 5.0%	15,650,000	-	575,000	-	15,075,000	600,000
2017A - 3.0 - 5.0%	1,300,000	-	640,000	-	660,000	660,000
2017B - 2.0 - 5.0%	20,745,000	-	690,000	-	20,055,000	715,000
2018 - 3.0 - 5.0%	10,145,000	-	305,000	-	9,840,000	315,000
2019 - 3.0 - 5.0%	14,100,000	-	380,000	-	13,720,000	400,000
2020A - 3.0 - 5.0%	24,515,000	-	825,000	-	23,690,000	865,000
2020B - 3.0 - 4.0%	24,550,000	-	650,000	-	23,900,000	675,000
2021A - 4.0 - 5.0%	172,030,000	-	8,360,000	-	163,670,000	8,535,000
2022A - 4.0 - 5.0%	10,490,000	-	220,000	-	10,270,000	230,000
2022B - 4.0 - 5.0%	23,100,000	-	545,000	-	22,555,000	575,000
2022C - 4.0 - 5.0%	9,650,000	-	185,000	-	9,465,000	195,000
Total bonds	$ 437,965,000	$ -	$ 14,800,000	$ -	$ 423,165,000	$ 15,255,000
Unamortized Premium	54,033,511	-	2,487,305	-	51,546,206	-
Total long term debt	$ 491,998,511	$ -	$ 17,287,305	$ -	$ 474,711,206	$ 15,255,000
Consolidated						
Total Bonds	$ 1,194,195,000	$ 45,000,000	$ 46,585,000	$ -	$ 1,192,610,000	$ 49,765,000
Total unamortized premium	108,261,114	1,324,395	6,378,542	-	103,206,967	-
Total long term debt	$ 1,302,456,114	$ 46,324,395	$ 52,963,542	$ -	$ 1,295,816,967	$ 49,765,000

	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	-	2,495,541	-	54,033,511	-
Total long term debt	$ 509,349,052	$ -	$ 17,350,541	$ -	$ 491,998,511	$ 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

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

Fiscal Year	Principal	Interest	Total
2027	$ 49,765,000	$ 47,183,772	$ 96,948,772
2028	51,725,000	45,082,163	96,807,163
2029	50,810,000	42,926,307	93,736,307
2030	52,465,000	40,775,954	93,240,954
2031	49,515,000	38,627,939	88,142,939
2032-2036	241,730,000	163,212,924	404,942,924
2037-2041	274,470,000	113,385,036	387,855,036
2042-2046	226,840,000	61,754,569	288,594,569
2047-2051	134,800,000	25,704,985	160,504,985
2052-2056	60,490,000	4,747,260	65,237,260
Total	$ 1,192,610,000	$ 583,400,909	$ 1,776,010,909

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, 2026, 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 2026, KUB's Electric Division issued Series RR 2026 bonds to fund electric system capital improvements.

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

During fiscal year 2026, KUB's Water Division issued Series PP 2026 bonds to fund water 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 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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Other liabilities consist of the following:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
TVA conservation program	$ 13,195	$ -	(13,195)	$ -
Customer advances for construction	13,193,204	9,933,886	(5,980,379)	17,146,711
Other	231,356	216,788	(159,807)	288,337
	$ 13,437,755	$ 10,150,674	$ (6,153,381)	$ 17,435,048

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
TVA conservation program	$ 89,790	$ 1,987	(78,582)	$ 13,195
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
	$ 11,678,158	$ 6,329,160	$ (4,569,563)	$ 13,437,755

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 $1,014,537 in 2026 and $991,065 in 2025. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $329,489 in 2026 and $310,164 in 2025. Total lease receivables were $9,652,164 ($905,911 current) and $8,554,117 ($795,306 current) as of June 30, 2026, and 2025, respectively, and are included in other assets on the Statement of Net Position.

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8. Lease Liability

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Total lease liabilities	$ 1,837,403	$ 2,363,353	$ (1,893,513)	$ 2,307,243
Less current portion	(937,961)			(644,889)
Long-term portion	$ 899,442			$ 1,662,354

	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	$ 1,837,403			$ 899,442

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to seventeen 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, 2026, are summarized as follows:

	Lease Maturities	Interest Requirements
2027	$ 644,889	$ 80,536
2028	595,234	55,671
2029	616,802	31,933
2030	323,968	9,808
2031	6,488	6,034
2032-2036	40,027	28,446
2037-2041	56,375	23,003
2042-2043	23,460	5,656
	$ 2,307,243	$ 241,087

9. Subscription-Based Information Technology Agreement Liabilities

Changes in SBITA liabilities are summarized as follows:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Total SBITA liabilities	$ 5,684,425	$ -	$ (1,109,446)	$ 4,574,979
Less current portion	(1,206,487)			(1,260,282)
Long-term portion	$ 4,477,938			$ 3,314,697

	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	(1,037,806)			(1,206,487)
Long-term portion	$ 5,684,425			$ 4,477,938

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, 2026, are summarized as follows:

	Subscription Maturities	Interest Requirements
2027	$ 1,260,282	$ 154,642
2028	1,320,711	104,508
2029	612,851	66,801
2030	637,145	42,506
2031-2032	743,990	18,215
	$ 4,574,979	$ 386,672

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10. Capital and Intangible Assets

Capital and intangible asset activity was as follows:

	Beginning June 30, 2025	Increase	Decrease	Ending June 30, 2026
Production plant (Intakes)	$ 742,503	$ -	$ -	$ 742,503
Pumping and Treatment plant	455,425,656	5,305,224	(158,817)	460,572,063
Distribution and Collection plant				
Mains and metering	1,348,783,323	59,951,102	(1,186,439)	1,407,547,986
Services and meters	295,853,359	31,103,412	-	326,956,771
Electric station equipment	340,061,380	48,635,371	-	388,696,751
Poles, towers and fixtures	265,776,884	15,570,067	-	281,346,951
Overhead conductors	242,016,454	25,266,903	-	267,283,357
Line transformers	121,347,860	5,270,275	-	126,618,135
Other accounts	334,362,587	12,242,683	(70,865)	346,534,405
Total Distribution and Collection plant	$ 2,948,201,847	$ 198,039,813	$ (1,257,304)	$ 3,144,984,356
Total general plant	308,828,555	27,688,390	(13,321,236)	323,195,709
Total plant in service	$ 3,713,198,561	$ 231,033,427	$ (14,737,357)	$ 3,929,494,631
Less accumulated depreciation	(1,279,503,318)	(112,213,567)	16,508,618	(1,375,208,267)
Net plant assets in service	$ 2,433,695,243	$ 118,819,860	$ 1,771,261	$ 2,554,286,364
Intangible right of use assets				
Office space	$ 4,253,775	$ 2,349,923	$ (3,951,528)	$ 2,652,170
Equipment	88,040	13,430	(88,040)	13,430
Other	330,678	-	-	330,678
Total intangible right of use assets	$ 4,672,493	$ 2,363,353	$ (4,039,568)	$ 2,996,278
Less accumulated amortization	(3,054,902)	(1,184,793)	3,494,297	(745,398)
Net intangible right of use assets	$ 1,617,591	$ 1,178,560	$ (545,271)	$ 2,250,880
Intangible subscription assets				
Intangible subscription assets	$ 9,114,411	$ 123,229	$ (94,652)	$ 9,142,988
Less accumulated amortization	(4,160,533)	(1,135,731)	94,335	(5,201,929)
Net intangible subscription assets	4,953,878	(1,012,502)	(317)	3,941,059
Net intangible assets	$ 6,571,469	$ 166,058	$ (545,588)	$ 6,191,939
Work in progress	226,918,472	257,131,860	(221,088,880)	262,961,452
Net capital and intangible assets	$ 2,667,185,184	$ 376,117,778	$ (219,863,207)	$ 2,823,439,755

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	Beginning June 30, 2024	Increase	Decrease	Ending June 30, 2025
Production plant (intakes)	$ 742,503	$ -	$ -	$ 742,503
Pumping & 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 and Collection plant	$ 2,769,177,448	$ 182,131,753	$ (3,107,354)	$ 2,948,201,847
Total general plant	305,316,783	20,630,222	(17,118,450)	308,828,555
Total plant assets in service	$ 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 in service	$ 2,327,546,055	$ 104,211,167	$ 1,938,021	$ 2,433,695,243
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
Net intangible assets	$ 8,567,165	$ (1,991,794)	$ (3,902)	$ 6,571,469
Work in progress	184,369,091	255,073,250	(212,523,869)	226,918,472
Net capital and intangible assets	$ 2,520,482,311	$ 357,292,623	$ (210,589,750)	$ 2,667,185,184

11. Accrued Compensated Absences

KUB accrues a liability for earned and accumulated 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) accumulated 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 liability is KUB's best estimate based on available information. As of June 30, 2026, and June 30, 2025, the total amount of the liability was $12,288,404 and $11,826,591, respectively, resulting from the following changes:

	2026	2025
Balance, beginning of year	$ 11,826,591	$ 10,792,417
Net increase (decrease)	461,813	1,034,174
Balance, end of year	$ 12,288,404	$ 11,826,591
Due Within One Year	$ 8,847,651	$ 7,923,816

12. 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, 2026, and June 30, 2025, the amount of these liabilities was $3,303,095 and $2,934,693, respectively, resulting from the following changes:

	2026	2025
Balance, beginning of year	$ 2,934,693	$ 2,720,264
Current year claims and changes in estimates	22,259,430	19,813,908
Claims payments	(21,891,028)	(19,599,479)
Balance, end of year	$ 3,303,095	$ 2,934,693

13. 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:

	2025	2024
Inactive plan members:		
Terminated vested participants	8	10
Retirees and beneficiaries	593	589
Active plan members	329	359
Total	930	958

Retirement Benefits

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

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

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

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

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

Contributions

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

Plan Funding

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

Investments

The Plan's investments are held by State Street Bank and Trust Company (the "Trustee"). The Plan's policy in regard to the allocation of invested assets is established by the Retirement System Investment Committee and approved by the KUB Board of Commissioners and may only be amended by the KUB Board of Commissioners. It is the policy of the Retirement System Investment Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Plan's adopted asset allocation policy as of December 31, 2025:

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 $2,793,313 and $2,210,234 were made during the Plan sponsor's fiscal years ended June 30, 2026, and 2025, respectively. The fiscal year 2026 contribution was determined as part of the January 1, 2024, valuation using the Individual Entry Age Normal funding method. The objective under this method is to fund each participant's benefits under the Plan as payments which are level as a percentage of salary, starting on the original participation date (employment date) and continuing until the assumed retirement, termination, disability, or death.

Net Pension Liability (Asset)

The below summarizes the disclosures of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB 68"), which requires measurement of the net pension liability (asset) 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, 2026 and 2025, will be based on the December 31, 2025, and 2024, measurement date, respectively.

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

	2025	2024
Total pension liability	$ 278,846,784	$ 274,028,893
Plan fiduciary net position	(293,677,960)	(270,974,721)
Plan's net pension (asset) liability	$ (14,831,176)	$ 3,054,172
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.32%	98.89%

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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, 2024	$ 274,028,893	$ 270,974,721	$ 3,054,172
Changes for the year:			
Service cost	6,838,243	-	6,838,243
Interest	18,928,036	-	18,928,036
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	(333,525)	-	(333,525)
Changes of Assumptions	-	-	-
Contributions - employer	-	2,501,774	(2,501,774)
Contributions - rollovers	-	4,118,618	(4,118,618)
Contributions - member	-	-	-
Net investment income	-	37,202,632	(37,202,632)
Benefit payments	(20,614,863)	(20,614,863)	-
Administrative expense	-	(504,922)	504,922
Net changes	4,817,891	22,703,239	(17,885,348)
Balances at December 31, 2025	$ 278,846,784	$ 293,677,960	$ (14,831,176)

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, 2025, rolled forward to December 31, 2025; January 1, 2024, rolled forward to December 31, 2024
Discount rate	7.00% as of December 31, 2025 and 2024
Salary increases	From 2.50% to 8.50%, based on years of service as of December 31, 2025 and 2024
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, 2025 and 2024
Inflation	2.5% as of December 31, 2025 and 2024

The actuarial assumptions used in the January 1, 2025 and January 1, 2024 valuation were based on an actuarial experience study covering January 1, 2019 through December 31, 2023.

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, 2025, and 2024, 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.

	Long Term Expected Real Rate of Return	
Asset Class	**2025**	**2024**
Domestic equity	6.0%	6.0%
Non-U.S. equity	6.6%	6.5%
Real estate U.S. core	5.1%	5.1%
Debt securities	2.4%	2.5%
Cash and deposits	1.0%	1.2%

Discount rate

The discount rate used to measure the total pension liability was 7.00 percent as of December 31, 2025, and December 31, 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the Plan as of December 31, 2025, calculated using the discount rate of 7.00 percent, as well as what the Plan's net pension liability (asset) 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 (asset)	$ 11,822,706	$ (14,831,176)	$ (37,722,705)

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

For the year ended June 30, 2026, KUB recognized pension expense of $10,255,792.

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, 2024, this average was three years. During the measurement year, there was a liability experience gain of $333,525, with $111,175 of that recognized in the current year and each of the next two years, resulting in a deferred inflow of $222,350. Unrecognized liability experience losses from prior periods were $2,681,280, of which $1,375,891 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,305,389.

During the measurement year, there were no assumption changes. Unrecognized assumption change losses from prior periods were $2,267,398, of which $1,792,283 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $475,115.

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 $18,733,297, of which $3,746,659 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 $9,630,231, of which $7,262,204 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 inflow of $12,618,611.

In addition, KUB recorded a deferred outflow of resources of $1,396,657 for employer contributions made between December 31, 2025 and June 30, 2026.

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	$ 1,305,389	$ 222,350
Changes in assumptions	475,115	-
Net difference between projected and actual earnings on pension plan investments	-	12,618,611
Contributions subsequent to measurement date	1,396,657	-
Total	$ 3,177,161	$ 12,840,961

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$1,396,657 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, 2027. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30:	
2027	$ 8,747,290
2028	(10,096,068)
2029	(5,965,018)
2030	(3,746,661)
2031	-
Thereafter	-

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	$ 15,684,027	$ -

14. 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, 2026, there are 311 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 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, 2026, and 2025, are based on a December 31, 2025 and 2024, measurement date, respectively. The total pension liability of the QEBA is $51,314 as of June 30, 2026, and $21,226 as of June 30, 2025.

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

	2025	2024
Total pension liability	$51,314	$21,226
Deferred outflows	(27,719)	(14,151)
Deferred inflows	2,829	-
Net impact on Statement of Net Position	$26,424	$7,075
Covered payroll	$33,357,966	$34,776,504
Total pension liability as a % of covered payroll	0.15%	0.06%

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

	Increase (Decrease) Total Pension Liability
Balances at December 31, 2024	$ 21,226
Changes for the year:	
Service cost	1,188
Interest	2,178
Changes of Benefits	-
Differences between Expected and Actual Experience	30,965
Changes of Assumptions	(4,243)
Benefit payments	-
Net changes	30,088
Balances at December 31, 2025	$ 51,314

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, 2025 and January 1, 2024
Actuarial cost method	Individual entry age
Discount rate	4.83% at January 1, 2025 and 4.08% at January 1, 2024
Salary increases	From 2.50% to 8.50%, based on years of service
Mortality	*Non-Annuitant Mortality* The benefits-weighted Public Sector General Employee Mortality Table (PubG-2010) for males and females, with future improvement from the base year of 2010 on a generational basis using Scale MP-2021. *Healthy Annuitant Mortality* The benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010) for annuitants age 50 and older and the benefits-weighted Public Sector General Employee Table for annuitants under age 50. This combined table is adjusted 115% and 110% for males and females, respectively, with future improvement from the base year of 2010 on a generational basis using Scale MP-2021. *Disabled Life Mortality* The benefits-weighted Public Sector General Disabled Annuitant Mortality Table (PubG-2010) for males and females, with future

	improvement from the base year of 2010 on a generational basis using Scale MP-2021.
Inflation	2.50%

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 4.83% at December 31, 2025.

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, 2025, calculated using the discount rate of 4.83 percent, as well as what the QEBA's liability would be if it were calculated using a discount rate that is one percent lower (3.83 percent) or one percent higher (5.83 percent) than the current rate.

	1% Decrease (3.83%)	Current Discount Rate (4.83%)	1% Increase (5.83%)
QEBA's total pension liability	$ 57,048	$ 51,314	$ 46,164

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

For the year ended June 30, 2026, KUB recognized pension expense of $26,849 for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($0), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$26,424 – $7,075 + $7,500].

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, 2024, this average was three years.

During the measurement year, there was an experience loss of $30,965 with $10,322 recognized in the current year and the remaining deferred outflow of $20,643 to be recognized over the next two years. Unrecognized experience losses from prior periods were $14,151 of which $7,075 was recognized as an increase in pension expense in the current year and resulted in a deferred outflow of $7,076. The combination of the experience loss this year, along with unrecognized experience losses from prior periods, results in a deferred outflow of $27,719.

During the measurement year, there was an assumption change gain of $4,243 with $1,414 of that recognized in the current year and each of the next two years, resulting in a deferred inflow of $2,829.

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	$ 27,719	$ -
Changes in assumptions	-	2,829
Total	$ 27,719	$ 2,829

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

Year ending June 30:	
2027	$ 15,984
2028	8,906
2029	-
2030	-
2031	-
Thereafter	-

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 ($0), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$7,075 – ($347)+ $0].

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	$ 14,151	$ -

15. 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 $4,858,344 and $4,799,996, respectively, for the years ended June 30, 2026, and 2025.

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:

Years of Service	Vested Percentage
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 $332,716 during calendar year 2025 and $243,630 during calendar year 2024. Forfeitures of $330,929 and $271,595 were used to reduce employer contributions in 2025 and 2024, respectively. The ending balance of forfeited assets in the Plan, including contributions and dividends, totaled $15,633 and $10,862 as of December 31, 2025 and 2024, respectively.

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16. 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	
	2026	2025	2026	2025
Retirees	23	16	703	707
Dependents of retirees	21	16	389	385
Eligible active employees	1,165	1,109	103	128
Total	1,209	1,141	1,195	1,220

Benefits

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

Contributions and Funding

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

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

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

Based on the date of retirement, certain retired members are required to contribute specified amounts monthly to maintain health insurance. Those who retired prior to July 1983 have no required monthly premiums for themselves or dependents. The retirees, or their surviving dependents, who retired between August 1983 and January 1998 are required to pay $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 Investment Management, 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, 2026:

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 $1,217,234 and $1,279,985 were made to the OPEB Trust in fiscal years ended June 30, 2026 and 2025, respectively. These were based on the OPEB actuarial valuations as of January 1, 2024, and 2023.

Net OPEB Liability (Asset)

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 (asset) 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, 2026, and 2025, and the Total OPEB Liability as of the valuation date January 1, 2025, updated to June 30, 2026, and January 1, 2024, updated to June 30, 2025, respectively. KUB's total net OPEB asset was $3,850,120 as of June 30, 2026. KUB's total net OPEB liability was $5,315,804 as of June 30, 2025.

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

	2026	2025
Total OPEB liability	$ 59,228,408	$ 60,675,101
Plan fiduciary net position	63,078,528	55,359,297
Net OPEB liability (asset)	$ (3,850,120)	$ 5,315,804
Plan fiduciary net position as a percentage of the total OPEB liability	106.50%	91.24%

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

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2025	$ 60,675,101	$ 55,359,297	$ 5,315,804
Changes for the year:			
Service cost	475,479	-	475,479
Interest	4,021,666	-	4,021,666
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	(1,673,399)	-	(1,673,399)
Changes of Assumptions	(447,772)	-	(447,772)
Contributions - employer	-	1,217,234	(1,217,234)
Contributions - member	-	-	-
Net investment income	-	10,410,916	(10,410,916)
Benefit payments	(3,822,667)	(3,822,667)	-
Administrative expense	-	(86,252)	86,252
Net changes	(1,446,693)	7,719,231	(9,165,924)
Balances at June 30, 2026	$ 59,228,408	$ 63,078,528	$ (3,850,120)

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, 2025, rolled forward to June 30, 2026; January 1, 2024, rolled forward to June 30, 2025
Discount rate:	7.00%
Healthcare cost trend rates:	*Pre-Medicare*: 8.00% grading down to 3.935% over 20 years *Medicare*: 6.00% grading down to 3.935% over 20 years *Administrative expenses*: 3.0% per year
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, 2025 and 2024 valuations were based on the results of an actuarial experience study for the period January 1, 2019 through December 31, 2023.

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

	Long Term Expected Real Rate of Return	
Asset Class	**2026**	**2025**
Domestic equity	5.9%	6.0%
International equity	6.2%	6.4%
Emerging market equity	6.5%	7.3%
Real estate equity	6.1%	6.3%
Debt securities	2.6%	2.4%
Cash and deposits	1.2%	0.9%

Discount rate
The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2026 and June 30, 2025. 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 (asset) to changes in the discount rate.
The following presents the net OPEB liability(asset) of the Trust as of June 30, 2026, calculated using the discount rate of 7.00 percent, as well as what the Trust's net OPEB liability (asset) 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 (asset)	$1,054,816	$(3,850,120)	$(8,109,554)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates.
The following presents the net OPEB liability (asset) of the Trust as of June 30, 2026, as well as what the Trust's net OPEB liability (asset) 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 (asset)	$(9,269,648)	$(3,850,120)	$2,418,301

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

For the year ended June 30, 2026, KUB recognized OPEB expense of $389,411.

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 $1,673,399, with $239,057 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 $1,434,342. Unrecognized experience gains from prior periods were $132,429, of which $22,072 is recognized as a decrease in OPEB expense in the current year, resulting in a deferred inflow of resources of $110,357. The combination of unrecognized liability experience gains this year, along with unrecognized liability experience gains from prior periods, results in a deferred inflow of resources of $1,544,699. Unrecognized experience losses from prior periods were $486,704, of which $100,703 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of resources of $386,001.

During the measurement year, there were no benefit changes.

During the measurement year, there was an assumption change gain of $447,772, with $63,967 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 $383,805. Unrecognized assumption change gains from prior period were $2,617,578, of which $486,315 was recognized as a decrease in OPEB expense in the current year and resulted in a deferred inflow of resources of $2,131,263. 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 $2,515,068.

Unrecognized assumption losses from prior periods were $1,444,470, of which $361,118 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of $1,083,352.

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 $6,628,381, of which $1,325,676 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 $5,302,705. Net unrecognized investment gains from prior periods were $1,403,744. An increase of $1,263,815 relating to prior investment experience was recognized in OPEB expense in the current year, resulting in a net deferred inflow of $2,667,559. The combination of unrecognized gains and losses from the current year and prior periods results in a deferred inflow of resources of $7,970,264.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 386,001	$ 1,544,699
Changes in assumptions	1,083,352	2,515,068
Net difference between projected and actual earnings on OPEB plan investments	-	7,970,264
Total	$ 1,469,353	$ 12,030,031

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

Year ending June 30:	
2027	$ (2,854,731)
2028	(2,653,273)
2029	(2,185,357)
2030	(2,053,194)
2031	(511,096)
Thereafter	(303,027)

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. 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	$ 1,931,174	$ 4,153,751

17. 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, 2026, and 2025, are summarized as follows:

	2026	2025
City of Knoxville		
Amounts billed by KUB for utilities and related services	$ 17,680,833	$ 16,215,411
Payments by KUB in lieu of property tax	24,142,247	22,496,330
Payments by KUB for services provided	1,065,396	1,148,597

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

	2026	2025
Accounts receivable	$ 1,302,470	$ 1,009,029

18. Natural Gas Supply Contract Commitments

For fiscal year 2026, the Gas Division hedged 22 percent of its total gas purchases via gas supply contracts. As of June 30, 2026, the Gas Division had hedged the price on six percent of its anticipated gas purchases for fiscal year 2027.

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

	2027	2028	2029	2030	2031
Transportation					
Tennessee Gas Pipeline	$ 5,439,384	$ 5,439,384	$ 5,439,384	$ 5,439,384	$ 1,813,128
East Tennessee Natural Gas	20,947,756	20,947,756	20,947,756	20,947,756	5,719,512
Texas Eastern	540,000	540,000	540,000	540,000	180,000
Storage					
Tennessee Gas Pipeline	1,392,180	1,392,180	1,392,180	1,392,180	464,060
East Tennessee Natural Gas	2,369,000	2,369,000	2,369,000	2,369,000	-
Saltville Natural Gas	2,695,752	2,230,830	836,064	627,048	-
Bobcat	378,000	378,000	378,000	378,000	126,000
Demand Total	$ 33,762,072	$ 33,297,150	$ 31,902,384	$ 31,693,368	$ 8,302,700

Firm obligations related to purchased gas - commodity

	2027	2028	2029	2030	2031	2032-2054
Baseload						
BP Energy	$ 482,980	$	$	$	$	$
ConocoPhillips	917,580	-	-	-	-	-
NextEra Energy	1,328,480	-	-	-	-	-
Enervest Operating LLC	3,129,598	2,612,830	-	-	-	-
CNX	4,978,137	5,122,875	4,180,266	-	-	-
Tennergy Corporation (2021A)	2,704,121	2,962,520	3,052,179	3,131,980	2,871,697	54,387,755
Tennergy Corporation (2022)	2,887,161	3,129,742	3,223,601	3,321,063	3,125,711	65,747,428
Commodity Total	$ 16,428,057	$ 13,827,967	$ 10,456,046	$ 6,453,043	$ 5,997,408	$ 120,135,182

The total commodity values presented here are based upon firm supply obligations with each individual natural gas supplier. The firm obligations value for BP Energy, 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, 2026. 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, 2026.

19. 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.

20. 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

	2026				
	Electric	**Fiber**	**Gas**	**Water**	**Wastewater**
Assets and Deferred Outflows of Resources					
Current assets	$ 224,548,529	$ 12,414,004	$ 63,887,270	$ 29,369,552	$ 53,912,436
Restricted assets	28,832,046	1,567,784	2,922,741	5,793,765	8,039,852
Net capital and intangible assets	1,079,784,945	8,314,005	360,730,700	482,246,232	892,363,873
Other assets	89,119,994	934,724	18,476,394	25,365,759	26,610,243
Total assets	$ 1,422,285,514	$ 23,230,517	$ 446,017,105	$ 542,775,308	$ 980,926,404
Deferred outflows of resources	2,459,179	322,541	867,216	2,355,671	10,259,950
Total assets and deferred outflows of resources	$ 1,424,744,693	$ 23,553,058	$ 446,884,321	$ 545,130,979	$ 991,186,354
Liabilities and Deferred Inflows of Resources					
Current liabilities	$ 176,062,049	$ 7,299,877	$ 25,553,842	$ 23,519,629	$ 26,663,056
Other liabilities	17,421,449	3,174,776	2,027,462	1,014,375	2,266,105
Long-term debt	507,826,504	35,162,500	56,801,782	221,967,476	459,456,206
Total liabilities	$ 701,310,002	$ 45,637,153	$ 84,383,086	$ 246,501,480	$ 488,385,367
Deferred inflows of resources	17,904,200	1,373,817	5,347,931	5,478,706	5,757,262
Total liabilities and deferred inflows of resources	$ 719,214,202	$ 47,010,970	$ 89,731,017	$ 251,980,186	$ 494,142,629
Net position					
Net investment in capital assets	$ 539,711,985	4,518,711	$ 296,246,351	$ 254,677,433	$ 428,859,479
Restricted	18,615,803	46	2,210,360	3,088,632	3,814,171
Unrestricted	147,202,703	(27,976,669)	58,696,593	35,384,728	64,370,075
Total net position	$ 705,530,491	$ (23,457,912)	$ 357,153,304	$ 293,150,793	$ 497,043,725

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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 and intangible assets	986,323,642	8,554,096	353,773,545	448,331,612	870,202,291
Other assets	75,994,989	234,080	4,770,626	3,518,177	17,373,615
Total assets	$ 1,308,116,979	$ 23,662,878	$ 424,050,360	$ 508,870,584	$ 952,717,621
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	$ 1,316,835,296	$ 24,249,141	$ 427,148,887	$ 513,773,920	$ 965,855,279
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	$ 692,117,954	$ 47,537,590	$ 90,096,486	$ 237,784,684	$ 504,284,319
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	$ 699,561,777	$ 48,181,395	$ 92,256,879	$ 239,743,035	$ 506,642,609
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	$ 617,273,519	$ (23,932,254)	$ 334,892,008	$ 274,030,885	$ 459,212,670

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Condensed Statement of Revenues, Expenses and Changes in Net Position

	2026				
	Electric	**Fiber**	**Gas**	**Water**	**Wastewater**
Operating revenues	$ 783,822,274	$ 30,184,882	$ 154,887,344	$ 82,397,058	$ 121,568,504
Operating expenses	611,630,935	27,566,286	109,557,997	42,680,789	48,408,753
Depreciation and amortization	52,904,207	940,084	17,555,068	12,922,859	25,526,496
Total operating expenses	664,535,142	28,506,370	127,113,065	55,603,648	73,935,249
Non-capital subsidies received	-	-	-	-	407,694
Non-capital subsidies provided	(18,992,987)	(18,181)	(6,193,691)	(2,968,141)	(6,232,287)
Operating income (loss) and non-capital subsidies	100,294,145	1,660,331	21,580,588	23,825,269	41,808,662
Other non-operating expense	(12,037,173)	(1,185,989)	680,708	(4,705,361)	(3,977,607)
Change in net position	88,256,972	474,342	22,261,296	19,119,908	37,831,055
Net position					
Beginning of year	617,273,519	(23,932,254)	334,892,008	274,030,885	459,212,670
End of year	$ 705,530,491	$ (23,457,912)	$ 357,153,304	$ 293,150,793	$ 497,043,725

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2025 as restated				
	Electric	**Fiber**	**Gas**	**Water**	**Wastewater**
Operating revenues	$ 734,797,909	$ 17,134,243	$ 129,653,139	$ 77,461,933	$ 119,456,199
Operating expenses	592,751,281	19,058,139	85,918,697	38,369,048	46,035,874
Depreciation and amortization	48,781,855	854,633	17,013,045	13,027,773	26,141,893
Total operating expenses	641,533,136	19,912,772	102,931,742	51,396,821	72,177,767
Non-capital subsidies received	314,409	-	-	9,276	472,503
Non-capital subsidies provided	(17,184,661)	(15,350)	(6,044,143)	(2,777,013)	(5,935,512)
Operating income (loss) and non-capital subsidies	76,394,521	(2,793,879)	20,677,254	23,297,375	41,815,423
Other non-operating expense	(10,030,141)	(1,130,545)	219,160	(4,017,285)	(12,002,264)
Change in net position	66,364,380	(3,924,424)	20,896,414	19,280,090	29,813,159
Net position					
Beginning of year	550,909,139	(20,007,830)	313,995,594	254,750,795	429,399,511
End of year	$ 617,273,519	$ (23,932,254)	$ 334,892,008	$ 274,030,885	$ 459,212,670

Condensed Statement of Cash Flows

	2026				
	Electric	**Fiber**	**Gas**	**Water**	**Wastewater**
Net cash provided by operating activities	$ 187,818,012	$ 3,902,541	$ 47,955,729	$ 42,625,196	$ 75,412,483
Net cash used in noncapital and related financing activities	(18,992,987)	(3,940,854)	(6,193,691)	(2,968,141)	(5,824,593)
Net cash used in capital and related financing activities	(153,384,987)	(1,477,129)	(34,525,810)	(43,815,065)	(70,611,100)
Net cash provided by (used in) investing activities	5,179,076	468,807	(7,480,295)	(700,245)	1,518,210
Net increase (decrease) in cash and cash equivalents	20,619,114	(1,046,635)	(244,067)	(4,858,255)	495,000
Cash and cash equivalents, beginning of year	75,775,316	10,856,874	26,655,283	20,556,604	22,404,858
Cash and cash equivalents, end of year	$ 96,394,430	$ 9,810,239	$ 26,411,216	$ 15,698,349	$ 22,899,858

Condensed Statement of Cash Flows

	2025 as restated				
	Electric	**Fiber**	**Gas**	**Water**	**Wastewater**
Net cash provided by (used in) operating activities	$ 146,319,717	$ (1,290,326)	$ 43,773,199	$ 44,294,878	$ 71,676,876
Net cash (used in) provided by non-capital and related financing activities	(16,870,252)	3,461,189	(6,044,143)	(2,767,737)	(5,463,009)
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 (used in) provided by investing activities	(5,724,114)	563,577	1,627,817	2,826,505	2,979,315
Net increase 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	$ 75,775,316	$ 10,856,874	$ 26,655,283	$ 20,556,604	$ 22,404,858

Knoxville Utilities Board
Required Supplementary Information - Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
June 30, 2026

	Year ended December 31									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Total pension liability										
Service cost	$ 6,838,243	$ 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
Interest	18,928,036	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
Changes of benefit terms	-	-	-	-	-	-	163,199	-	-	-
Differences between expected and actual experience	(333,525)	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)
Changes of assumptions	-	1,425,345	-	5,268,672	-	-	8,473,160	-	(357,633)	(2,932,883)
Benefit payments, including refunds of member contributions	(20,614,863)	(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)
Net change in total pension liability	4,817,891	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)
Total pension liability - beginning	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
Total pension liability - ending (a)	$ 278,846,784	$ 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
Plan fiduciary net position										
Contributions - employer	$ 2,501,774	$ 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
Contributions - participants	4,118,618	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
Net investment income	37,202,632	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
Other additions	-	738	4,568	9,415	112,484	7,740	13,579	62,616	82,239	45,848
Benefit payments, including refunds of member contributions	(20,578,863)	(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)
Administrative expense	(504,922)	(662,847)	(602,078)	(498,988)	(441,017)	(455,191)	(467,748)	(445,916)	(385,282)	(441,332)
Death benefits	(36,000)	(32,000)	(44,000)	(60,000)	(72,000)	(44,000)	(64,000)	(100,000)	(74,000)	(94,000)
Net change in plan fiduciary net position**	22,703,239	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
Plan fiduciary net position - beginning**	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 fiduciary net position - ending (b)**	$ 293,677,960	$ 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
Plan's net pension liability (asset) - ending (a) - (b)	$ (14,831,176)	$ 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)
Plan fiduciary net position as a percentage of the total pension liability	105.32%	98.89%	97.17%	91.27%	126.48%	119.24%	108.43%	96.87%	109.53%	100.06%
Covered payroll	$ 33,357,966	$ 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
Plan's net pension liability (asset) as a percentage of covered payroll	(44.46%)	8.78%	20.93%	59.39%	(168.45%)	(108.61%)	(47.48%)	15.78%	(45.67%)	(0.28%)

See accompanying Independent Auditor's Report

Knoxville Utilities Board
Required Supplementary Information - Schedule of Employer Pension Contributions
June 30, 2026

	Year ended December 31									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Actuarially determined contribution	$ 2,501,774	$ 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
Contribution in relation to the actuarially determined contribution	2,501,774	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
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 33,357,966	$ 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
Contributions as a percentage of covered payroll	7.50%	4.77%	5.24%	8.41%	8.97%	6.93%	7.13%	8.20%	9.90%	11.80%

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, 2024 and January 1, 2023

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, 2024: Level dollar, 30-year closed period with 17 years remaining, or a level dollar, 30-year open period for a negative unfunded liability 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, 2024 and 2023, the unfunded liability was negative
Discount rate:	7.00%
Salary increases:	2.50% to 8.50%, based on years of service as of January 1, 2024; 2.50% to 5.65%, based on years of service as of January 1, 2023
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 as of January 1, 2024 and scale MP2021 as of January 1, 2023
Inflation:	2.5%

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

Knoxville Utilities Board
Required Supplementary Information – Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
June 30, 2026

	*Year ended June 30								
	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Total OPEB liability									
Service cost	$ 475,479	$ 506,802	$ 615,753	$ 595,392	$ 416,277	$ 283,786	$ 256,270	$ 270,515	$ 202,603
Interest	4,021,666	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	(1,673,399)	(154,501)	587,252	117,668	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	(447,772)	(1,302,021)	(2,102,184)	2,527,824	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(3,822,667)	(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	(1,446,693)	(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	60,675,101	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)	$ 59,228,408	$ 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	$ 1,217,234	$ 1,279,985	$ 1,187,768	$ 1,413,392	$ 1,989,066	$ 757,226	$ 311,324	$ -	$ -
Net investment income	10,410,916	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	(3,822,667)	(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	(86,252)	(81,246)	(94,379)	(101,186)	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	7,719,231	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	55,359,297	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)	$ 63,078,528	$ 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)	$ (3,850,120)	$ 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	106.50%	91.24%	84.65%	79.02%	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	$ 97,536,282	$ 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	(3.95%)	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, 2026

	*Year ended June 30								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 1,217,234	$ 1,279,985	$ 1,187,768	$ 1,413,392	$ 489,066	$ 757,226	$ 311,324	$ -	$ -
Contribution in relation to the annual required contribution	1,217,234	1,279,985	1,187,768	1,413,392	1,989,066	757,226	311,324	-	-
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ (1,500,000)	$ -	$ -	$ -	$ -
Covered employee payroll*	$ 97,536,282	$ 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	1.25%	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.
The discount rate changed from 7.5% to 7.25% in the 2020 valuation and from 7.25% to 7% in the 2023 valuation.

Notes to Schedule:

Valuation Date:	January 1, 2024
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; 30-year rolling amortization for a funding surplus; As of January 1, 2024, there was an unfunded liability.
Discount rate:	7.00%
Healthcare cost trend rate:	Pre-Medicare: 8.00% in 2024 grading down to 3.935% in 2044 and beyond using the Getzen trend model Medicare: 6.00% in 2024 grading down to 3.935% in 2044 and beyond using the Getzen trend model Administrative expenses: 3.0% per year
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the benefits-weighted Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2021 fully generational
Inflation:	2.5%
Investment rate of return:	7.00%
Retirement age:	3% at ages 50-51, 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, 2026

	*Year ended December 31									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Total pension liability										
Service cost	$ 1,188	$ -	$ -	$ -	$ -	$ -	$ -	$ 941	$ 584	$ -
Interest (includes interest on service cost)	2,178	-	-	-	268	388	9,181	9,676	7,535	-
Changes of benefit terms	-	-	-	-	-	-	(218,272)	-	-	185,077
Differences between expected and actual experience	30,965	21,226	-	-	(6,816)	10,165	34	(36,125)	13,684	-
Changes of assumptions	(4,243)	-	-	-	-	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	30,088	21,226	-	-	(18,714)	(1,522)	(211,647)	(48,458)	95,264	185,077
Total pension liability - beginning	21,226	-	-	-	18,714	20,236	231,883	280,341	185,077	-
Total pension liability - ending	$ 51,314	$ 21,226	$ -	$ -	$ -	$ 18,714	$ 20,236	$ 231,883	$ 280,341	$ 185,077
Covered payroll	$ 33,357,966	$ 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	0.15%	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, 2026

Federal Grantor/ Pass-Through Grantor	Program Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Treasury through Tennessee Department of Environment and Conservation Division of Water Resources	American Rescue Plan - State Water Infrastructure Investment Plan	21.027	32701-05494	$ 3,695,525
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	$ 324,074
		Total Program 21.027		$ 4,019,599
		Total Federal Awards		$ 4,019,599

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, 2026, 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 15% de minimis indirect cost rate.

NOTE 2 - SUBRECIPIENTS

There were no awards passed through to subrecipients.

See accompanying Independent Auditor's Report

Knoxville Utilities Board
Supplemental Information
Combining Statement of Fiduciary Net Position – Pension Plan and OPEB Trust
June 30, 2026

	2026			2025		
	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	$ 1,068,413	$ 210,880	$ 1,279,293	$ 1,342,162	$ 206,322	$ 1,548,484
Interest and dividends receivable	286,048	-	286,048	262,693	-	262,693
Due from broker for investment sales	23,500	-	23,500	53,000	-	53,000
Prepaid assets	-	20,000	20,000	-	10,000	10,000
Investments at fair value	292,449,232	63,937,653	356,386,885	269,625,598	56,112,410	325,738,008
Total assets	293,827,193	64,168,533	357,995,726	271,283,453	56,328,732	327,612,185
Liabilities						
Accounts payable	125,733	13,496	139,229	255,732	31,650	287,382
Due to broker for investment purchases	23,500	-	23,500	53,000	-	53,000
Benefit obligations	-	1,076,509	1,076,509	-	937,785	937,785
Total liabilities	149,233	1,090,005	1,239,238	308,732	969,435	1,278,167
Net position restricted for Pensions and Other Post Employment Benefits	$ 293,677,960	$ 63,078,528	$ 356,756,488	$ 270,974,721	$ 55,359,297	$ 326,334,018

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, 2026

	2026			2025		
	Pension Plan	Other Post Employment Benefits Trust	Total Fiduciary Funds	Pension Plan	Other Post Employment Benefits Trust	Total Fiduciary Funds
Additions						
Contributions:						
Employer	$ 2,501,774	$ 1,217,234	$ 3,719,008	$ 1,659,187	$ 1,279,985	$ 2,939,172
Participants	4,118,618	-	4,118,618	4,971,148	-	4,971,148
Total contributions	6,620,392	1,217,234	7,837,626	6,630,335	1,279,985	7,910,320
Investment income:						
Net change in fair value of investments	31,604,566	10,487,095	42,091,661	22,943,115	6,158,453	29,101,568
Less investment expenses	(97,146)	(76,179)	(173,325)	(190,635)	(73,547)	(264,182)
Interest income	1,543,160	-	1,543,160	1,552,208	-	1,552,208
Dividend income	4,152,052	-	4,152,052	4,235,963	-	4,235,963
Net investment income	37,202,632	10,410,916	47,613,548	28,540,651	6,084,906	34,625,557
Other	-	-	-	738	-	738
Total net additions	43,823,024	11,628,150	55,451,174	35,171,724	7,364,891	42,536,615
Deductions						
Benefit payments	20,578,863	3,446,534	24,025,397	19,400,811	3,246,184	22,646,995
Claims processing fees	-	376,133	376,133	-	348,019	348,019
General and administrative expenses	504,922	86,252	591,174	662,847	81,246	744,093
Death benefits	36,000	-	36,000	32,000	-	32,000
Total deductions	21,119,785	3,908,919	25,028,704	20,095,658	3,675,449	23,771,107
Net increase in net position	22,703,239	7,719,231	30,422,470	15,076,066	3,689,442	18,765,508
Net position restricted for Pensions and Other Post Employment Benefits						
Beginning of the year	270,974,721	55,359,297	326,334,018	255,898,655	51,669,855	307,568,510
End of the year	$293,677,960	$ 63,078,528	$ 356,756,488	$270,974,721	$ 55,359,297	$326,334,018

See accompanying Independent Auditor's Report

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 government entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). KUB is self-insured for up to the first $700,000 of any accident. Limits of coverage -$5,000,000.

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.

MAULDIN & JENKINS
CPAs & ADVISORS

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 business-type activities and aggregate remaining fund information of the Knoxville Utilities Board (KUB), a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise KUB's basic financial statements, and have issued our report thereon dated October 15, 2026.

Report on Internal Control over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 15, 2026

KNOXVILLE UTILITIES BOARD

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	_X_ no
Significant deficiency(ies) identified?	___ yes	_X_ none reported
Noncompliance material to financial statements noted?	___ yes	_X_ no

KNOXVILLE UTILITIES BOARD

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

SECTION II
FINANCIAL STATEMENT FINDINGS

None reported.

KNOXVILLE UTILITIES BOARD

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2025-001	Timekeeping Discrepancy	Resolved