

Consolidated

Financial Statements and Supplemental Information
June 30, 2026 and 2025

KUB Board of Commissioners

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Knoxville Utilities Board
Index
June 30, 2026 and 2025

Page(s)

Independent Auditor's Report 1-5

Management's Discussion and Analysis 6-24

Financial Statements

Consolidated Statements of Net Position 25-26

Consolidated Statements of Revenues, Expenses and Changes in Net Position 27

Consolidated Statements of Cash Flows 28

Statements of Fiduciary Net Position 29

Statements of Changes in Fiduciary Net Position 30

Notes to Consolidated Financial Statements 31-72

Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios 73

Schedule of Employer Pension Contributions 74

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios 75

Schedule of Employer OPEB Contributions 76

Qualified Governmental Excess Benefit Arrangement 77

Supplemental Information

Schedule of Expenditures of Federal Awards 78

Combining Statement of Fiduciary Net Position 79

Combining Statement of Changes in Fiduciary Net Position 80

Statistical Information

Schedule of Insurance in Force 81

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* 82-83

Schedule of Findings and Responses 84-85

Summary Schedule of Prior Year Findings 86

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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.

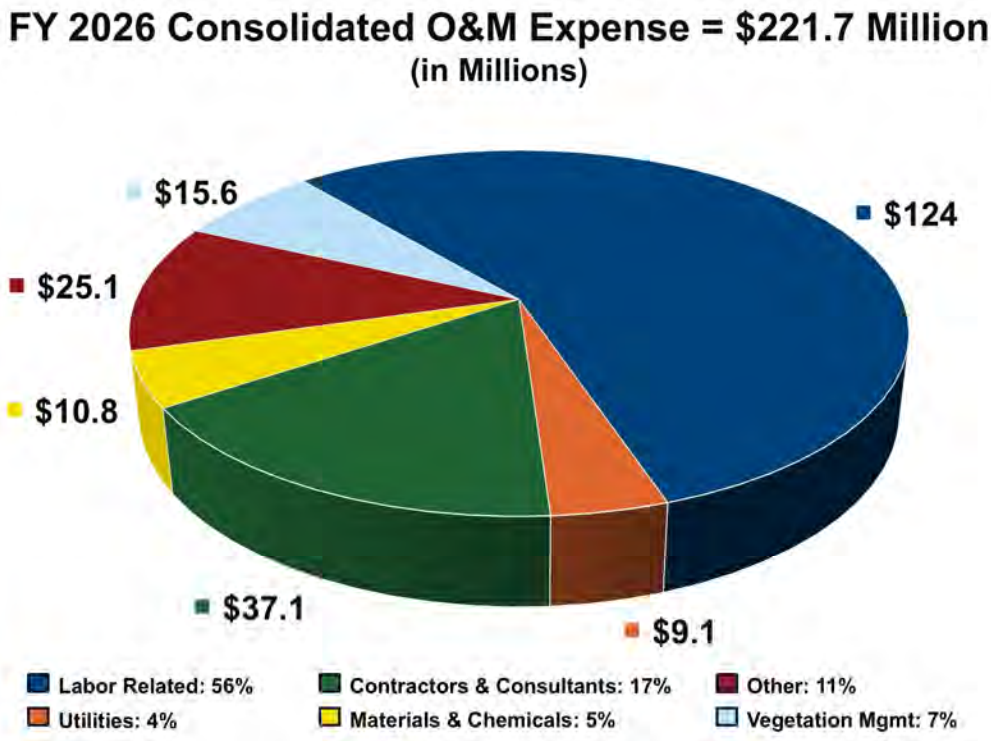
- Fiber products and promotions increased $1.3 million, primarily due to increased telephone and television expenses.

- 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

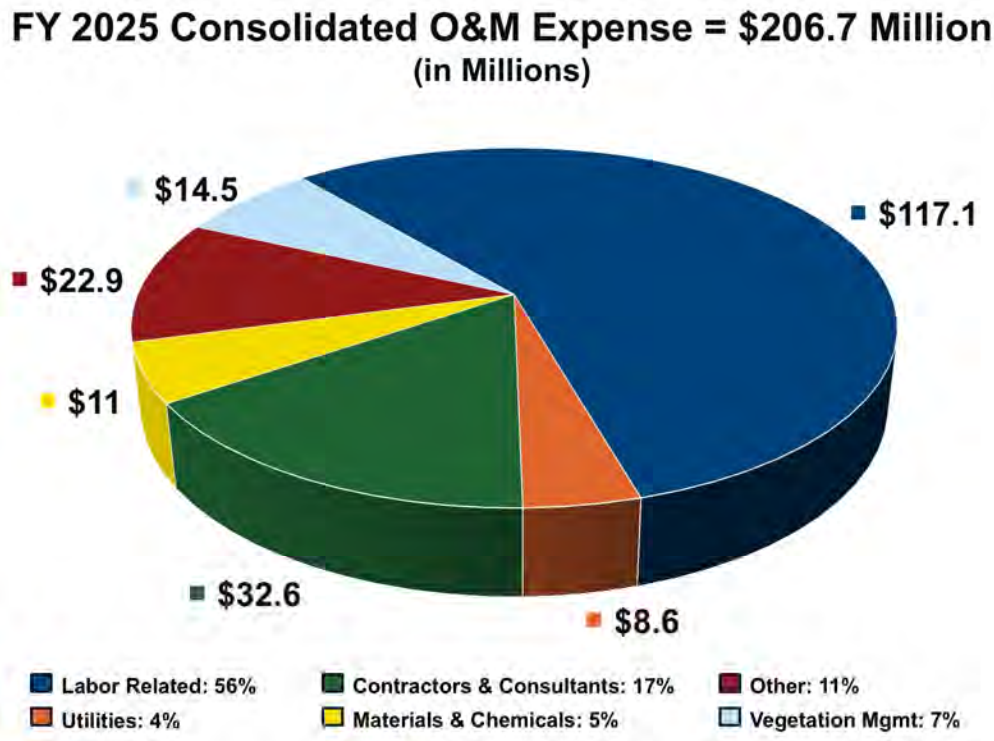
- Fiber products and promotions increased $1.5 million, primarily due to television expenses, and materials costs.

- 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.

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

Electric Division

Financial Statements and Supplemental Information
June 30, 2026 and 2025

KUB Board of Commissioners

Cynthia Gibson, Chair
Kathy Hamilton, Vice Chair
Claudia Caballero
Ron Feinbaum
Phyllis Nichols
Pete Pearson
Dr. Craig Pickett, Jr.

Management

Gabriel Bolas II
President and Chief Executive Officer

Mark Walker
Senior Vice President and Chief Financial Officer

Kurt Stafford
Vice President Engineering and Operations

John Williams
Senior Vice President and Chief Infrastructure and Compliance Officer

Jamie Davis
Senior Vice President Fiber and Chief Technology Officer

Tiffany Martin
Senior Vice President and Chief Customer and Talent Officer

Erin Gill
Vice President Communications and External Relations

Knoxville Utilities Board Electric Division
Index
June 30, 2026 and 2025

Page(s)

Independent Auditor's Report 1-5

Management's Discussion and Analysis 6-22

Basic Financial Statements

Statements of Net Position 23-24

Statements of Revenues, Expenses and Changes in Net Position 25

Statements of Cash Flows 26

Notes to Financial Statements 27-62

Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios 63

Schedule of Employer Pension Contributions 64

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios 65

Schedule of Employer OPEB Contributions 66

Qualified Governmental Excess Benefit Arrangement 67

Supplemental Information

Schedule of Debt Maturities by Fiscal Year 68-69

Schedule of Changes in Long-term Debt by Individual Issue 70

Schedule of Changes in Lease Liabilities 71

Statistical Information

Schedule of Insurance in Force 72

Schedule of Current Rates in Force 73-93

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* 94-95

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Electric Division of the Knoxville Utilities Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Electric Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Division'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 of the Division 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 the Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the Division's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 the Division's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-22, 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 63-67 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 the Division's basic financial statements. The schedule of debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and the schedule of changes in lease liability 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 debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and schedule of changes in lease liabilities 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

As discussed in Note 1, the financial statements present only the Electric Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2026 and 2025, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter – GASB 103

As discussed in Note 2 to the financial statements, during the year ended June 30, 2026, the Electric Division 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 the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division'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 the Division'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. The Electric Division (Division) provides services to certain customers in Knox County and in seven surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Electric Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2026, and 2025, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis

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

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2026, activities, resulting changes and current known facts, and should be read in conjunction with the Division's financial statements.

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 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 Electric Division - Financial Statements

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

Statement of Net Position

The Division reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, 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 the Division 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 the Division's bond covenants or through resolutions passed by the KUB Board.

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

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

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

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

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

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

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

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

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

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

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

- Taxes are impacted by labor costs (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 margin (operating revenue less purchased power expense) levels.

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

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

- 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

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

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

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

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Financial Summary

Statement of Net Position

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

Statements of Net Position
As of June 30

(in thousands of dollars)	**2026**	**2025**	**2024**
Current, restricted, and other assets	$ 342,501	$ 321,793	$ 266,247
Capital and intangible assets, net	1,079,785	986,324	885,870
Total assets	1,422,286	1,308,117	1,152,117
Deferred outflows of resources	2,459	8,718	14,930
Total assets and deferred outflows of resources	1,424,745	1,316,835	1,167,047
Current and other liabilities	193,483	191,375	184,859
Long-term debt outstanding	507,827	500,743	424,501
Total liabilities	701,310	692,118	609,360
Deferred inflows of resources	17,904	7,444	6,778
Total liabilities and deferred inflows of resources	719,214	699,562	616,138
Net position			
Net investment in capital assets	539,712	458,505	433,775
Restricted	19,467	16,441	17,321
Unrestricted	146,352	142,327	99,813
Total net position	$ 705,531	$ 617,273	$ 550,909

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Statement of Revenues, Expenses and Changes in Net Position

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

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

(in thousands of dollars)	2026	2025 as restated	2024 as restated
Operating revenues			
Charges for services	$ 747,829	$ 709,199	$ 636,532
Other	35,993	25,599	20,503
Total operating revenues	783,822	734,798	657,035
Less: Purchased power expense	513,879	497,351	447,013
Margin from sales	269,943	237,447	210,022
Operating expenses			
Distribution	57,617	55,429	57,375
Customer service	4,134	3,887	3,761
Administrative and general	32,609	32,968	32,025
Depreciation and amortization	52,904	48,782	44,067
Taxes	3,392	3,116	2,885
Total operating expenses	150,656	144,182	140,113
Operating income	119,287	93,265	69,909
Non-capital subsidies			
Subsidies received	-	314	3,222
Subsidies provided	(18,993)	(17,185)	(18,766)
Total non-capital subsidies	(18,993)	(16,871)	(15,544)
Operating income and non-capital subsidies	100,294	76,394	54,365
Other non-operating revenues (expenses)			
Interest income	7,526	8,527	6,687
Interest expense	(21,170)	(20,787)	(16,498)
Capital contributions	-	-	-
Other income/(expense)	1,607	2,230	2,409
Total other non-operating revenues (expenses)	(12,037)	(10,030)	(7,402)
Increase in net position	$ 88,257	$ 66,364	$ 46,963

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Detailed Analyses

Fiscal Year 2026 Compared to Fiscal Year 2025

Total net position increased $88.3 million, or 14.3 percent. Net investment in capital assets increased by $81.2 million or 17.7 percent. The change was primarily the result of an increase of $93.5 million in net capital and intangible asset additions offset by an increase in current and long-term portions of revenue bonds of $10.6 million. Restricted net position increased $3 million, partially due to the increase of the electric bond fund and the associated interest payable. Funds restricted for pensions increased $0.9 million. Unrestricted net position increased $4 million.

Current, restricted, and other assets increased $20.7 million. The change reflects a $23.3 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) and a $7.3 million increase in net pension asset offset by a $7.3 million decrease in accounts receivable and a $2.2 million decrease in notes receivable (including current portion).

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.

Total capital and intangible assets (net) increased $93.5 million, or 9.5 percent over the end of the last fiscal year, reflecting the fiber network buildout and other distribution system improvements as part of KUB's Century II electric program. Capital assets are discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred outflows of resources decreased $6.3 million compared to the prior fiscal year, due to a decrease in pension outflow of $6.1 million and a decrease in OPEB outflow of $0.2 million.

Current and other liabilities increased $2.1 million. This increase was primarily due to a $3.1 million increase in customer advances related to construction projects, a $2.2 million increase in payables, a $2.2 million increase in the current portion of revenue bonds, and a $2.1 million increase in customer deposits. Offsetting these increases were a $4 million decrease in accrued expenses, a $2.6 million decrease in the actuarially determined net OPEB liability, and a $1.5 million decrease in the actuarially determined net pension liability.

Long-term debt increased $7.1 million. The increase is due in part to the net impact of the issuance of $27 million of electric system revenue bonds in February 2026 for the purpose of funding electric system capital improvements offset by the scheduled repayment of debt. Long-term financing activity is discussed in greater detail under the significant capital asset and long-term financing activity section below.

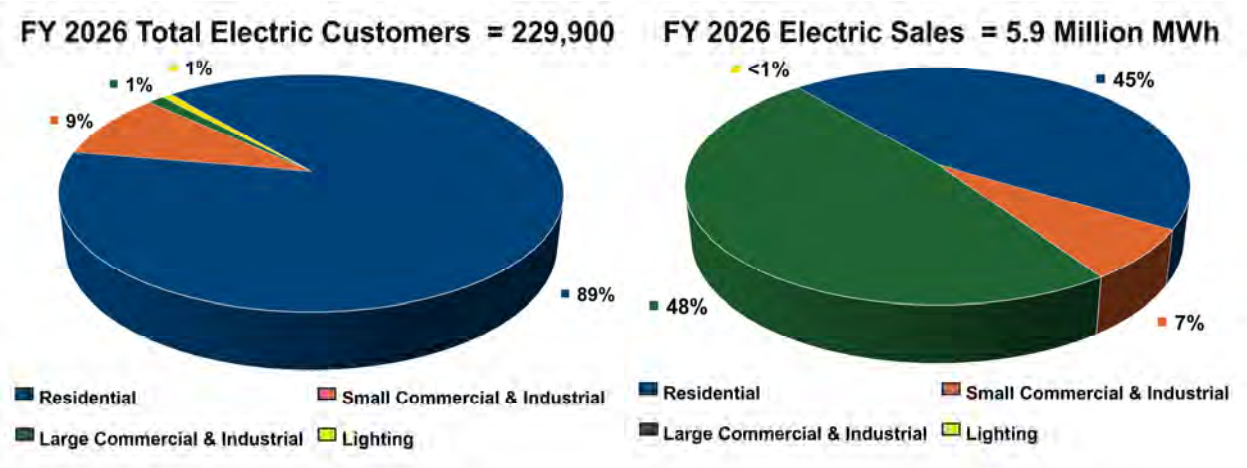
Deferred inflows increased $10.5 million compared to the prior fiscal year, due to an increase in pension inflow of $6.3 million, an increase in OPEB inflow of $3.9 million, and an increase in lease inflow of $0.4 million.

Operating revenue increased $49 million, or 6.7 percent. Charges for services increased $38.6 million, or 5.4 percent, as a result of additional revenue from three-percent rate increases in April 2025 and April 2026. Other revenue increased $10.4 million, or 40.6 percent, compared to the prior year primarily due to a $5.7 million increase in other revenue and a $3.8 million increase in access and utilization fees paid by the Fiber Division. Other revenue increased partially due to a biomass project that produced over 114,000 MWh of biomass power and provided $0.9 million in savings during the fiscal year.

Purchased power expense increased $16.5 million from the prior 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 the current fiscal year. Sixty-nine percent of Electric Division sales revenue was used to purchase electric power from TVA for the fiscal year ended June 30, 2026.

Margin on electric sales (operating revenue less purchased power expense) increased $32.5 million or 13.7 percent.



Residential customers represented 89 percent of total electric system customers and accounted for 45 percent of electric sales volumes for the year. Large commercial and industrial customers accounted for 48 percent of electric sales volumes. KUB's ten largest electric customers accounted for 23 percent of KUB's billed volumes. Those ten customers represent three industrial and seven commercial customers, including five governmental customers. KUB's largest industrial customer accounted for 4.2 percent of total electric system sales. KUB has added 11,556 electric system customers over the past three years, representing annual growth of 1.7 percent. Electric billed sales volumes have increased less than one percent per year over the past three years.

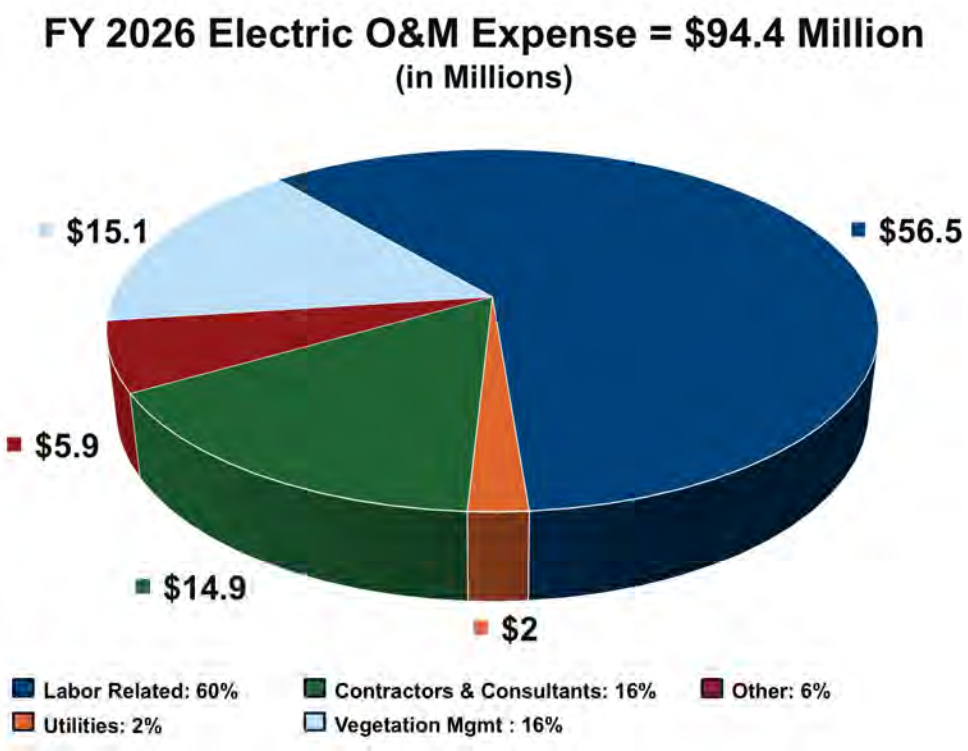
Operating expenses (excluding purchased power expense) increased $6.5 million, or 4.5 percent, compared to fiscal year 2025. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes. O&M expenses can be further classified as distribution, customer service, and administrative and general. Operating and maintenance (O&M) expenditures increased $2.1 million.

- Distribution expenses increased by $2.2 million, or 3.9 percent, primarily due to an increase in vegetation management expenses, labor-related costs, and contractor and outside consultant costs.

- Customer service expenses were $0.2 million higher, primarily due to an increase in technology-related costs.

- Administrative and general expenses decreased $0.4 million, due to a decrease in contractor and outside consultant costs offset by an increase in labor-related expenses.

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- Depreciation and amortization expense increased $4.1 million, or 8.4 percent. KUB added $141.7 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 $127.7 million in assets placed in service during fiscal year 2025. In addition, $5.9 million of assets were retired in fiscal year 2026.

- Taxes were $0.3 million higher than the prior fiscal year due to an increase in payroll taxes.

Non-capital subsidies received decreased $0.3 million compared to the prior fiscal year due to a reduction in grant reimbursements.

Non-capital subsidies provided increased $1.8 million compared to the prior fiscal year due to an increase in tax equivalents paid.

Interest income decreased $1 million compared to the prior fiscal year due to a decline in market interest rates.

Interest expense increased $0.4 million due to new revenue bonds sold during fiscal year 2026 and interest on increased levels of customer deposits.

Other income (net) decreased $0.6 million, due to mark-to-market adjustments on investments.

Fiscal Year 2025 Compared to Fiscal Year 2024

Total net position increased $66.4 million, or 12 percent. Net investment in capital assets increased by $24.7 million or 5.7 percent. The change was primarily the result of an increase of $100.5 million in net capital and intangible asset additions offset by an increase in the electric revenue bonds outstanding of $73.7 million. Restricted net position decreased $0.9 million, due to the net decrease of the electric bond fund and the associated interest payable. Unrestricted net position increased $42.5 million, primarily due

to an increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of $37.1 million and an increase in accounts receivable of $14.4 million.

Current, restricted, and other assets increased $55.5 million, or 20.9 percent. The change reflects a $37.1 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments), $14.4 million increase in accounts receivable, and a $5 million increase in notes receivable (including current portion). These increases were offset by a $2.7 million decrease in inventories.

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 recovered 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.

Total capital and intangible assets (net) increased $100.5 million, or 11.3 percent over the end of the last fiscal year, reflecting the fiber network buildout and other distribution system improvements as part of KUB's Century II electric program. Capital assets are discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred outflows of resources decreased $6.2 million compared to the prior fiscal year, due to a decrease in pension outflow of $5.9 million and a decrease in OPEB outflow of $0.3 million.

Current and other liabilities increased $6.5 million. This increase was primarily due to a $3.7 million rise in accrued expenses, a $3.4 million increase in payables, a $1.8 million increase in customer advances related to construction projects, a $1.5 million increase in accrued interest on revenue bonds, and a $1.2 million increase in customer deposits. Offsetting these increases were a $2.1 million reduction in the actuarially determined net pension liability, a $1.8 million decrease in the actuarially determined net OPEB liability, and a $0.9 million decrease in the current portion of revenue bonds.

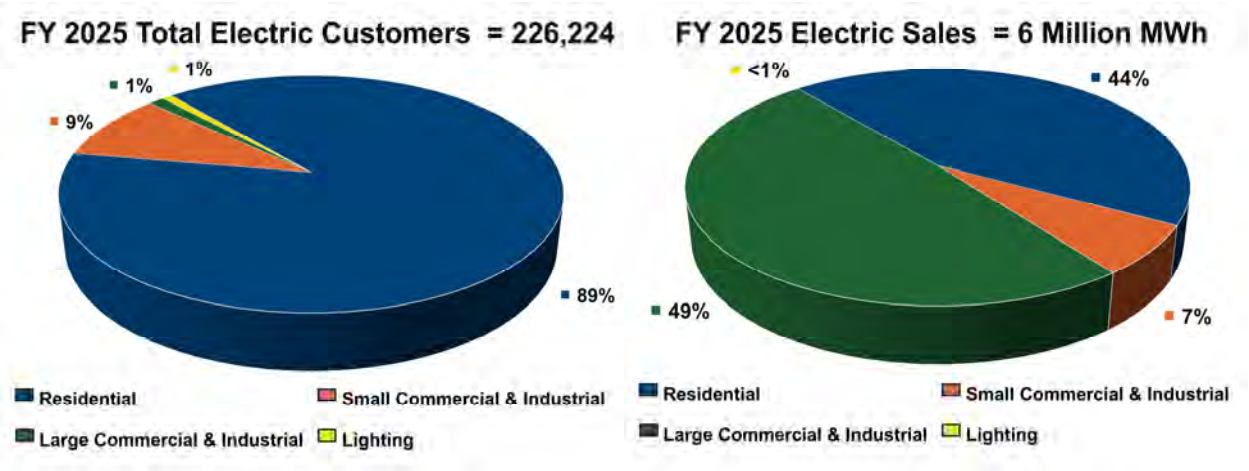
Long-term debt increased $76.2 million, or 18 percent. The increase is due in part to the net impact of the issuance of $91 million of electric system revenue bonds in July 2024 offset by the scheduled repayment of debt. Long term financing activity is discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred inflows increased $0.7 million compared to the prior fiscal year, due to an increase to OPEB inflow of $1.2 million offset by a decrease to lease inflow of $0.5 million.

Operating revenue increased $77.8 million, or 11.8 percent. This increase was driven by a 3 percent increase in billed power sales and additional revenue from KUB's April 2024 and April 2025 rate increases. Seventy percent of Electric Division sales revenue was used to purchase electric power from TVA for the fiscal year ended June 30, 2025.

Purchased power expense increased $50.3 million from the prior 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 fiscal year 2025.

Margin on electric sales (operating revenue less purchased power expense) increased $27.4 million or 13.1 percent, reflecting additional revenue from the KUB rate increases and increased purchased power expense from TVA's rate increase.



Residential customers represented 89 percent of total electric system customers and accounted for 44 percent of electric sales volumes for the year. Large commercial and industrial customers accounted for 49 percent of electric sales volumes. KUB's ten largest electric customers accounted for 24 percent of KUB's billed volumes. Those ten customers represent four industrial and six commercial customers, including four governmental customers. KUB's largest industrial customer accounted for 9.2 percent of total electric system sales. KUB has added 10,960 electric system customers over the past three years, representing annual growth of 1.7 percent. Electric billed sales volumes have increased less than one percent over the past three years. Fiscal year 2025 customer growth was 4,279.

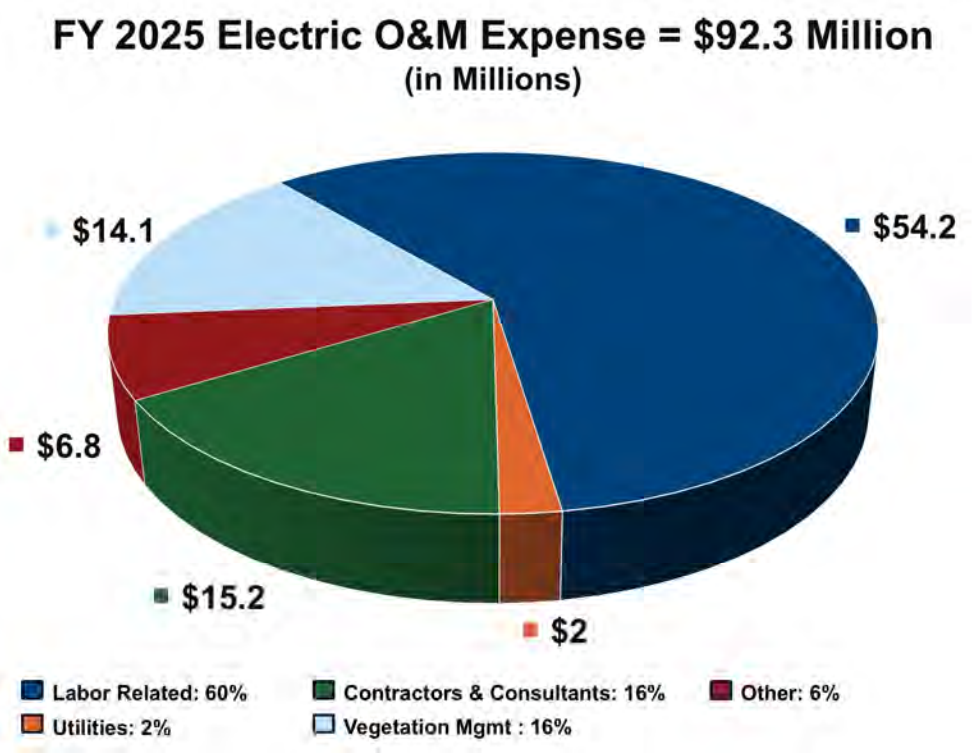
Operating expenses (excluding purchased power expense) increased $4.1 million compared to fiscal year 2024. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes. O&M expenses can be further classified as distribution, customer service, and administrative and general. Operating and maintenance (O&M) expenditures decreased $0.9 million.

- Distribution expenses decreased by $1.9 million, or 3.4 percent, primarily due to lower outside contractor and consultant costs. This decrease was partially offset by an increase in labor-related expenses.

- Customer service expenses were $0.1 million higher, primarily due to an increase in labor-related expenses.

- Administrative and general expenses increased $0.9 million, due to an increase in labor-related expenses and technology subscriptions offset by a decrease in materials.

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- Depreciation and amortization expense increased $4.7 million, or 10.7 percent. KUB added $127.7 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 $176.9 million in assets placed in service during fiscal year 2024. In addition, $9.6 million of assets were retired in fiscal year 2025.

- Taxes were $0.2 million higher than fiscal year 2024 due to an increase in payroll taxes.

Non-capital subsidies received decreased $2.9 million compared to the prior fiscal year due to a reduction in grant reimbursements.

Non-capital subsidies provided decreased $1.6 million compared to the prior fiscal year primarily due to a decrease in tax equivalents paid due to Knox County's reduction in equalization rates.

Interest income increased $1.8 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 $4.3 million, or 26 percent, due to new revenue bonds sold during fiscal year 2025 and interest on increased levels of customer deposits.

Other income (net) decreased $0.2 million, due to mark-to-market adjustments on investments.

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Significant Capital Asset and Long-Term Financing Activity

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. The first broadband customers began receiving service in September 2022.

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

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

(in thousands of dollars)	2026	2025	2024
Distribution plant			
Services and meters	$ 83,585	$ 67,138	$ 53,243
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	127,230	126,350	125,203
Total distribution plant	895,486	814,463	738,435
Total general plant	92,895	85,592	82,681
Net plant assets in service	$ 988,381	$ 900,055	$ 821,116
Intangible right of use assets			
Office space	$ 1,316	$ 657	$ 1,029
Equipment	-	1	12
Other	95	116	137
Net intangible right of use assets	$ 1,411	$ 774	$ 1,178
Intangible subscription assets			
Intangible subscription assets	$ 809	$ 1,080	$ 1,410
Net intangible subscription assets	$ 809	$ 1,080	$ 1,410
Net intangible assets	$ 2,220	$ 1,854	$ 2,588
Work in progress	89,184	84,415	62,166
Net capital and intangible assets	$ 1,079,785	$ 986,324	$ 885,870

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Fiscal Year 2026 Compared to Fiscal Year 2025

As of June 30, 2026, the Division had $1,079.8 million invested in a variety of capital and intangible assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $93.5 million, or 9.5 percent, over the end of the last fiscal year.

Major capital asset expenditures during the year were as follows:

- $56.5 million for fiber network buildout
- $27.4 million for electric distribution system improvements
- $27.2 million for installation of new electric services and the upgrade or replacement of existing services
- $12.7 million for pole replacements
- $6.9 million for building improvements
- $5.2 million for auto and truck purchases
- $2 million for IT systems and equipment
- $0.8 million for tools and equipment
- $0.6 million for lighting
- $0.5 million to accommodate TDOT highway improvement projects

Electric system assets of $5.9 million were retired in 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 $1.5 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 $1.3 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 $0.3 million and lowered lease liabilities by $0.4 million, resulting in the recognition of a small gain.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had $986.3 million invested in a variety of capital and intangible assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $100.5 million, or 11.3 percent, over the end of the last fiscal year.

Major capital asset expenditures during the year were as follows:

- $76.3 million for fiber network buildout
- $27.8 million for electric distribution system improvements

- $22.7 million for installation of new electric services and the upgrade or replacement of existing services
- $8.9 million for pole replacements
- $4.3 million for auto and truck purchases
- $3.2 million for building improvements

Electric system assets of $9.6 million were retired in fiscal year 2025.

Debt Administration

The Division's outstanding debt was $493.6 million as of June 30, 2026. The bonds are secured solely by revenues of the Electric Division. Debt as a percentage of the Division's capital structure was 41.2 percent in 2026, 43.9 percent in 2025, and 42.6 percent in 2024. KUB's Debt Management Policy limits the Division's debt ratio to 50 percent or less.

Outstanding Debt
As of June 30

(in thousands of dollars)	**2026**	**2025**	**2024**
Revenue bonds	$ 493,565	$ 483,005	$ 409,325
Total outstanding debt	$ 493,565	$ 483,005	$ 409,325

The Division will pay $167.4 million in principal payments over the next ten years, representing 33.9 percent of the outstanding bonds. KUB's Debt Management Policy requires that a minimum of 30 percent of electric debt principal be repaid over the next ten years.

Fiscal Year 2026 Compared to Fiscal Year 2025

As of June 30, 2026, the Division had $493.6 million in outstanding debt (including the current portion of revenue bonds), representing an increase of $10.6 million, or 2.2 percent. As of June 30, 2026, the Division's weighted average cost of debt was 4.19 percent.

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.

Long-term debt represented 41.2 percent of the Division's capital structure as of June 30, 2026, compared to 43.9 percent last year. Capital structure equals long-term debt (including the current and long-term portion of any revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 4.95. Maximum debt service coverage for future fiscal years is 4.58.

The Division's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2026, the Division's revenue bonds were rated AA- by S&P Global Ratings and Aa2 by Moody's Investors Service.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had $483 million in outstanding debt (including the current portion of revenue bonds), representing an increase of $73.7 million, or 18 percent. As of June 30, 2025, the Division's weighted average cost of debt was 4.19 percent.

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.

Long-term debt represented 43.9 percent of the Division's capital structure as of June 30, 2025, compared to 42.6 percent in fiscal year 2024. Capital structure equals long-term debt (including the current and long-term portion of any revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for fiscal year 2025 was 4.24. Maximum debt service coverage for future fiscal years is 3.99.

The Division's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2025, the Division's revenue bonds were rated AA- by S&P Global Ratings and Aa2 by Moody's Investors Service.

Currently Known Facts, Decisions, or Conditions

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.

In June 2024, as part of KUB's Inflation Response Plan, the Board approved the next phase of electric 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.

In May 2026, the Board approved the issuance of up to $14 million of Electric System Revenue Bonds in order to fund capital improvements to the electric system.

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.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2026.

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

	2026	2025
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 96,394,430	$ 75,775,316
Short-term contingency fund investments	25,572,391	32,702,772
Accrued interest receivable	210,986	224,826
Accounts receivable, less allowance of uncollectible accounts of $643,508 in 2026 and $728,552 in 2025	77,222,141	84,561,014
Current portion of lease receivable	436,174	393,789
Current portion of notes receivable	2,200,000	2,200,000
Inventories	21,560,856	22,427,386
Prepaid expenses	951,551	960,811
Total current assets	224,548,529	219,245,914
Restricted assets:		
Electric bond fund	28,831,343	26,551,732
Other funds	703	702
Total restricted assets	28,832,046	26,552,434
Capital assets:		
Electric plant in service	1,615,602,857	1,479,861,197
Less accumulated depreciation	(627,221,803)	(579,806,602)
Net capital assets	988,381,054	900,054,595
Intangible assets:		
Intangible right of use asset	1,828,444	2,216,912
Intangible subscription asset	2,385,045	2,372,828
Less accumulated amortization	(1,993,344)	(2,735,703)
Net intangible assets	2,220,145	1,854,037
Retirement in progress	2,024,713	1,575,374
Construction in progress	87,159,033	82,839,636
Net capital and intangible assets	1,079,784,945	986,323,642
Other assets:		
Net pension asset	7,325,564	-
Net OPEB asset	1,892,928	-
Long-term contingency fund investments	34,984,530	25,134,150
Long-term lease receivable	4,091,734	3,709,448
Notes receivable	35,162,500	37,362,500
TVA conservation program receivable	-	10,729
Under recovered purchased power cost	1,457,552	5,929,336
Other	4,205,186	3,848,826
Total other assets	89,119,994	75,994,989
Total assets	1,422,285,514	1,308,116,979
Deferred outflows of resources:		
Pension outflow	1,582,045	7,643,847
OPEB outflow	877,134	1,074,470
Total deferred outflows of resources	2,459,179	8,718,317
Total assets and deferred outflows of resources	$ 1,424,744,693	$ 1,316,835,296

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

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

	2026	2025
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 18,615,000	$ 16,440,000
Current portion of accrued compensated absences	4,155,915	3,735,630
Current portion of lease liability	397,934	442,058
Current portion of subscription liability	377,939	352,339
Sales tax collections payable	1,312,531	1,248,772
Accounts payable	99,201,217	96,986,052
Accrued expenses	20,515,505	24,526,197
Customer deposits plus accrued interest	21,269,765	19,203,444
Accrued interest on revenue bonds	10,216,243	10,111,608
Total current liabilities	176,062,049	173,046,100
Other liabilities:		
TVA conservation program	-	13,195
Accrued compensated absences	1,616,189	1,839,937
Customer advances for construction	14,209,738	11,097,748
Lease liability	1,046,152	434,387
Subscription liability	421,688	754,988
Net pension liability	23,604	1,497,179
Net OPEB liability	-	2,579,621
Other	104,078	111,886
Total other liabilities	17,421,449	18,328,941
Long-term debt:		
Electric revenue bonds	474,950,000	466,565,000
Unamortized premiums/discounts	32,876,504	34,177,913
Total long-term debt	507,826,504	500,742,913
Total liabilities	701,310,002	692,117,954
Deferred inflows of resources:		
Pension inflow	6,474,397	216,907
Unamortized bond refunding costs	1,310,858	1,375,866
OPEB inflow	5,914,613	2,015,707
Lease inflow	4,204,332	3,835,343
Total deferred inflows of resources	17,904,200	7,443,823
Total liabilities and deferred inflows of resources	719,214,202	699,561,777
Net position:		
Net investment in capital assets	539,711,985	458,504,837
Restricted for:		
Debt service	18,615,100	16,440,125
Pensions	851,167	-
Other	703	702
Unrestricted	146,351,536	142,327,855
Total net position	705,530,491	617,273,519
Total liabilities, deferred inflows, and net position	$ 1,424,744,693	$ 1,316,835,296

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

Knoxville Utilities Board Electric Division
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025 as restated
Operating revenues		
Charges for services	$ 747,829,183	$ 709,198,903
Other	35,993,091	25,599,006
Total operating revenues	783,822,274	734,797,909
Operating expenses		
Purchased power	513,878,849	497,351,097
Distribution	57,617,284	55,428,405
Customer service	4,133,647	3,887,095
Administrative and general	32,609,175	32,967,986
Depreciation and amortization	52,904,207	48,781,855
Taxes	3,391,980	3,116,698
Total operating expenses	664,535,142	641,533,136
Operating income	119,287,132	93,264,773
Non-capital subsidies		
Subsidies received	-	314,409
Subsidies provided	(18,992,987)	(17,184,661)
Total non-capital subsidies	(18,992,987)	(16,870,252)
Operating income and non-capital subsidies	100,294,145	76,394,521
Other non-operating revenues (expenses)		
Capital subsidies	4,513,571	12,014,610
Interest income	7,525,942	8,526,790
Interest expense	(21,170,318)	(20,786,522)
Amortization of debt costs	1,977,402	1,957,483
Write-down of plant for costs recovered through contributions	(4,513,571)	(12,014,610)
Investment income (expense)	(370,199)	272,108
Total other non-operating revenues (expenses)	(12,037,173)	(10,030,141)
Increase in net position	88,256,972	66,364,380
Net position, beginning of year	617,273,519	550,909,139
Net position, end of year	$ 705,530,491	$ 617,273,519

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

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

	2026	2025 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 769,610,877	$ 710,065,836
Cash receipts from other operations	27,160,216	12,608,443
Cash payments to suppliers of goods or services	(555,534,498)	(541,177,335)
Cash payments to employees for services	(53,416,119)	(35,167,953)
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	187,818,012	146,319,717
Cash flows from non-capital financing activities:		
Non-capital subsidies received	-	314,409
Non-capital subsidies provided	(18,992,987)	(17,184,661)
Net cash used in non-capital financing activites	(18,992,987)	(16,870,252)
Cash flows from capital and related financing activities:		
Net proceeds from bond issuance	27,299,629	93,956,131
Principal paid on revenue bonds	(16,440,000)	(17,320,000)
Interest paid on revenue bonds	(21,393,683)	(18,080,225)
Acquisition and construction of electric plant	(151,468,803)	(164,107,997)
Changes in electric bond fund, restricted	(2,279,611)	(608,052)
Customer advances for construction	3,470,960	2,203,655
Proceeds received on disposal of plant	458,567	310,754
Principal paid on lease liabilities	(942,489)	(420,301)
Principal paid on subscription liabilities	(307,700)	(339,411)
Interest paid on lease and subscription liabilities	(92,771)	(92,424)
Cash received from developers and individuals for capital purposes	8,310,914	9,477,341
Net cash used in capital and related financing activities	(153,384,987)	(95,020,529)
Cash flows from investing activities:		
Purchase of investment securities	(21,690,078)	(10,886,780)
Maturities of investment securities	19,950,000	5,000,000
Issuance of notes receivable from Fiber Division	-	(7,000,000)
Payments received on notes receivable from Fiber Division	2,200,000	2,025,000
Interest received	5,036,967	5,952,048
Other property and investments	(317,813)	(814,382)
Net cash provided by (used in) investing activities	5,179,076	(5,724,114)
Net increase in cash and cash equivalents	20,619,114	28,704,822
Cash and cash equivalents, beginning of year	75,775,316	47,070,494
Cash and cash equivalents, end of year	$ 96,394,430	$ 75,775,316
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 119,287,132	$ 93,264,773
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	55,426,740	50,904,666
Changes in operating assets and liabilities:		
Accounts receivable	3,541,530	(11,842,306)
Lease receivable	(424,671)	413,182
Inventories	866,530	2,730,508
Prepaid expenses	9,260	(27,923)
TVA conservation program receivable	10,729	67,322
Other assets	(45,004)	(109,942)
Sales tax collections payable	63,759	226,344
Accounts payable, other accrued expenses, and deferrals	2,201,066	10,380,461
Unrecovered purchased power cost	4,471,784	(871,822)
TVA conservation program payable	(13,195)	(76,595)
Customer deposits	2,430,161	1,181,323
Other liabilities	(7,809)	79,726
Net cash provided by operating activities	$ 187,818,012	$ 146,319,717
Noncash capital activities:		
Record intangible right of use asset and lease liability	$ 1,510,130	$ -

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

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Electric Division (Division) provides services to certain customers in Knox County and in seven surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Electric Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2026, and 2025, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

Recently Adopted New Accounting Pronouncements

In 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 is 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.

Electric Plant

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

The provision for depreciation of electric plant in service is based on the estimated useful lives of the assets, which range from three to forty years, and is computed using the straight-line method. Pursuant to FERC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment. Depreciation for transportation equipment of $2,579,952 in fiscal year 2026 and $2,122,811 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 the KUB Electric Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of $2,002,233 in fiscal year 2026 and $2,205,311 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 net assets available, it is KUB's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

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

These classifications are defined as follows:

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

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

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

Contributions in Aid of Construction and Capital Contributions

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

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

Inventories

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

OPEB Trust

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

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability (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 (Division's share $1,892,928) as of June 30, 2026, and the net OPEB liability is $5,315,804 (Division's share $2,579,621) 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 (Division's share $7,325,564) as of June 30, 2026, and the net pension liability is $3,054,172 (Division's share $1,487,203) 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 (Division's share $23,604) as of June 30, 2026, and $21,226 (Division's share $9,976) 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 $7,325,564 as of June 30, 2026 and the QEBA total pension liability is disclosed in the Statement of Net Position as Net pension liability of $23,604 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 $1,497,179 as of June 30, 2025. The Pension Plan deferred outflows and QEBA deferred outflows are disclosed as Pension outflow of $1,582,045 as of June 30, 2026 and $7,643,847 as of June 30, 2025. The Pension Plan deferred inflows and QEBA deferred inflows are disclosed as Pension inflow of $6,474,397 as of June 30, 2026 and $216,907 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 are not limited to, inventory valuation, allowance for uncollectible accounts, depreciable lives of plant assets, unbilled revenue volumes, over/under purchased power 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.

Cash Equivalents

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

Leases

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

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

Subscription-Based Information Technology Arrangements

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

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

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. Deferred inflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or

inflow based on the parameters of Statement No. 65. Deferred outflows of resources also include employer pension contributions made subsequent to the measurement date of the net pension liability and before the end of the employer's reporting period in accordance with Statement No. 71. Deferred inflows and deferred outflows also include the net difference between projected and actual earnings on pension plan investments and OPEB plan investments, differences between expected and actual experience, and changes in assumptions in accordance with Statements No. 68, 73, and 75. Deferred inflows are also recorded at the commencement of the lease term and recognized as revenue over the course of the lease in accordance with Statement No. 87.

Debt Premium/Discount

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

Debt Issuance Costs

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

Deferred Gain/Loss on Refunding of Debt

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

Compensated Absences

KUB accrues a liability for earned 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 by 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's retail electric rates. The PPA allows KUB to promptly adjust retail electric rates in response to wholesale rate changes or adjustments, thus ensuring that KUB will recover the costs incurred for purchased power. These changes in electric costs are reflected as adjustments to the base electric rates established by the Board. The rate-setting authority vested in the Board by the City Charter meets the "self-regulated" provisions of Statement No. 62, *Codification of Accounting and Financial*

Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, and KUB meets the remaining criteria of Statement No. 62.

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

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

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.

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.

Classification of deposits and investments per Statement of Net Position:

	2026	2025
Current assets		
Cash and cash equivalents	$ 96,394,430	$ 75,775,316
Short-term contingency fund investments	25,020,010	32,250,427
Other assets		
Long-term contingency fund investments	34,984,530	25,134,150
Restricted assets		
Electric bond fund	28,831,343	26,551,732
Other funds	703	702
	$ 185,231,016	$ 159,712,327

The above amounts do not include accrued interest of $552,381 in fiscal year 2026 and $452,345 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	$ 127,972,826	$ 127,972,826	$ -
State Treasurer's Investment Pool	10,009,709	10,009,709	-
Agency Bonds	49,994,830	15,010,300	34,984,530
	$ 187,977,365	$ 152,992,835	$ 34,984,530

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

KUB has the following recurring fair value measurements as of June 30, 2026:

- U.S. Agency bonds of $34,984,530, which have a maturity at purchase of greater than one year, are valued using quoted market prices (Level 1 inputs)

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

4. Accounts Receivable

Accounts receivable consists of the following:

	2026	2025
Wholesale and retail customers		
Billed services	$ 46,535,811	$ 44,407,482
Unbilled services	27,823,365	30,615,604
Other	3,506,473	10,266,480
Allowance for uncollectible accounts	(643,508)	(728,552)
	$ 77,222,141	$ 84,561,014

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2026	2025
Trade accounts	$ 99,201,217	$ 96,986,052
Current portion of accrued compensated absences	4,155,915	3,735,630
Salaries and wages	1,638,610	1,307,480
Advances on pole rental	1,559,141	1,610,930
Self-insurance liabilities	1,529,126	1,437,114
Other current liabilities	15,788,628	20,170,673
	$ 123,872,637	$ 125,247,879

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6. Long-Term Obligations

Long-term debt consists of the following:

	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

	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

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

Fiscal Year	Principal	Interest	Total
2027	$ 18,615,000	$ 20,136,410	$ 38,751,410
2028	19,830,000	19,439,452	39,269,452
2029	17,935,000	18,660,449	36,595,449
2030	18,650,000	17,887,224	36,537,224
2031	15,220,000	17,147,524	32,367,524
2032-2036	77,155,000	75,572,155	152,727,155
2037-2041	90,985,000	57,890,027	148,875,027
2042-2046	102,815,000	37,680,268	140,495,268
2047-2051	82,855,000	18,708,298	101,563,298
2052-2056	49,505,000	3,676,580	53,181,580
Total	$ 493,565,000	$ 286,798,387	$ 780,363,387

The Division has pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet the revenue bonds principal and interest payments when due. Such bond requirements are being met through monthly deposits to the Electric Bond Fund as required by the bond covenants. As of June 30, 2026, these requirements had been satisfied.

The Division's 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.

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	11,097,748	7,798,232	(4,686,242)	14,209,738
Other	111,886	56,656	(64,464)	104,078
	$ 11,222,829	$ 7,854,888	$ (4,763,901)	$ 14,313,816

	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	9,292,003	5,444,804	(3,639,059)	11,097,748
Other	32,160	114,402	(34,676)	111,886
	$ 9,413,953	$ 5,561,193	$ (3,752,317)	$ 11,222,829

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 $492,772 in 2026 and $485,646 in 2025. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $155,635 in 2026 and $149,477 in 2025. Total lease receivables were $4,527,908 ($436,174 current) and $4,103,237 ($393,789 current) as of June 30, 2026, and 2025, respectively, and are included in other assets on the Statement of Net Position.

8. Lease Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Total lease liabilities	$ 876,445	$ 1,510,130	$ (942,489)	$ 1,444,086
Less current portion	(442,058)			(397,934)
Long-term portion	$ 434,387			$ 1,046,152

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total lease liabilities	$ 1,296,746	$ -	$ (420,301)	$ 876,445
Less current portion	(420,136)			(442,058)
Long-term portion	$ 876,610			$ 434,387

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	$ 397,934	$ 50,210
2028	378,382	34,836
2029	394,131	19,761
2030	206,673	5,606
2031	3,439	3,198
2032-2036	21,214	15,076
2037-2041	29,879	12,192
2042-2043	12,434	2,998
	$ 1,444,086	$ 143,877

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	$ 1,107,327	$ -	(307,700)	$ 799,627
Less current portion	(352,339)			(377,939)
Long-term portion	$ 754,988			$ 421,688

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total SBITA liabilities	$ 1,446,739	$ -	$ (339,412)	$ 1,107,327
Less current portion	(339,323)			(352,339)
Long-term portion	$ 1,107,416			$ 754,988

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	$ 377,939	$ 23,868
2028	398,480	8,784
2029	11,373	740
2030	11,835	278
	$ 799,627	$ 33,670

10. Capital and Intangible Assets

Capital and intangible asset activity was as follows:

	Beginning June 30, 2025	Increase	Decrease	Ending June 30, 2026
Distribution plant				
Services and meters	$ 111,381,289	$ 22,101,621	$ -	$ 133,482,910
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	222,265,772	7,286,112	-	229,551,884
Total distribution plant	$ 1,302,849,639	$ 124,130,349	$ -	$ 1,426,979,988
Total general plant	177,011,558	17,521,309	(5,909,998)	188,622,869
Total electric plant in service	$ 1,479,861,197	$ 141,651,658	$ (5,909,998)	$ 1,615,602,857
Less accumulated depreciation	(579,806,602)	(54,618,096)	7,202,895	(627,221,803)
Net plant assets in service	$ 900,054,595	$ 87,033,562	$ 1,292,897	$ 988,381,054
Intangible right of use assets				
Office space	$ 2,005,319	$ 1,503,950	$ (1,857,217)	$ 1,652,052
Equipment	41,379	6,178	(41,379)	6,178
Other	170,214	-	-	170,214
Total intangible right of use assets	$ 2,216,912	$ 1,510,128	$ (1,898,596)	$ 1,828,444
Less accumulated amortization	(1,443,330)	(615,597)	1,641,422	(417,505)
Net intangible right of use assets	$ 773,582	$ 894,531	$ (257,174)	$ 1,410,939
Intangible subscription assets				
Intangible subscription assets	$ 2,372,828	$ 55,831	$ (43,614)	$ 2,385,045
Less accumulated amortization	(1,292,373)	(326,922)	43,456	(1,575,839)
Net intangible subscription assets	1,080,455	(271,091)	(158)	809,206
Net intangible assets	$ 1,854,037	$ 623,440	$ (257,332)	$ 2,220,145
Work in progress	84,415,010	145,992,950	(141,224,214)	89,183,746
Net capital and intangible assets	$ 986,323,642	$ 233,649,952	$ (140,188,649)	$ 1,079,784,945

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	Beginning June 30, 2024	Increase	Decrease	Ending June 30, 2025
Distribution plant				
Services and meters	$ 92,684,334	$ 18,838,950	$ (141,995)	$ 111,381,289
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	215,317,948	7,367,291	(419,467)	222,265,772
Total distribution plant	$ 1,188,203,078	$ 115,478,577	$ (832,016)	$ 1,302,849,639
Total general plant	173,514,667	12,233,814	(8,736,923)	177,011,558
Total electric plant in service	$ 1,361,717,745	$ 127,712,391	$ (9,568,939)	$ 1,479,861,197
Less accumulated depreciation	(540,602,236)	(50,263,046)	11,058,680	(579,806,602)
Net plant assets in service	$ 821,115,509	$ 77,449,345	$ 1,489,741	$ 900,054,595
Intangible right of use assets				
Office space	$ 2,002,297	$ 3,022	$ -	$ 2,005,319
Equipment	42,259	-	(880)	41,379
Other	170,214	-	-	170,214
Total intangible right of use assets	$ 2,214,770	$ 3,022	$ (880)	$ 2,216,912
Less accumulated amortization	(1,037,258)	(406,072)	-	(1,443,330)
Net intangible right of use assets	$ 1,177,512	$ (403,050)	$ (880)	$ 773,582
Intangible subscription assets				
Intangible subscription assets	$ 2,474,253	$ -	$ (101,425)	$ 2,372,828
Less accumulated amortization	(1,063,920)	(329,878)	101,425	(1,292,373)
Net intangible subscription assets	1,410,333	(329,878)	-	1,080,455
Net intangible assets	$ 2,587,845	$ (732,928)	$ (880)	$ 1,854,037
Work in progress	62,166,265	151,273,866	(129,025,121)	84,415,010
Net capital and intangible assets	$ 885,869,619	$ 227,990,283	$ (127,536,260)	$ 986,323,642

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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 $5,772,104 and $5,575,567, respectively, resulting from the following changes:

	2026	2025
Balance, beginning of year	$ 5,575,567	$ 5,090,955
Net increase (decrease)	196,537	484,612
Balance, end of year	$ 5,772,104	$ 5,575,567
Due Within One Year	$ 4,155,915	$ 3,735,630

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. As of June 30, 2026, and June 30, 2025, the amount of these liabilities was $1,529,126 and $1,437,114, respectively, resulting from the following changes:

	2026	2025
Balance, beginning of year	$ 1,437,114	$ 1,299,885
Current year claims and changes in estimates	10,282,959	9,426,453
Claims payments	(10,190,947)	(9,289,224)
Balance, end of year	$ 1,529,126	$ 1,437,114

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. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

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

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

	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 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. Of these amounts, $1,379,701 and $1,076,254 are attributable to the Electric Division. 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 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. The net pension asset is $14,831,176 (Division's share $7,325,564) as of June 30, 2026, and the net pension liability is $3,054,172 (Division's share $1,487,203) as of June 30, 2025.

GASB 68 requires certain disclosures related to the net pension liability 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%

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)

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 and the Electric Division's share was $5,065,644.

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 (Division's share $109,826). 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 (Division's share $644,770).

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 (Division's share $234,673).

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 (Division's share $6,232,710).

The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is three years. This change resulted in a deferred inflow of $80,545, with $26,848 of that recognized in the current year and the remaining amount recognized over the next two years, resulting in a deferred inflow of resources of $53,697. Net proportionate share of deferred inflow changes from the prior period were $216,907, of which $140,044 was recognized in the current year, resulting in a deferred inflow of resources of $76,863. In addition, KUB's Electric Division recorded a deferred outflow of resources of $689,851 for employer contributions made between December 31, 2025 and June 30, 2026.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 644,770	$ 109,826
Changes in assumptions	234,673	-
Net difference between projected and actual earnings on pension plan investments	-	6,232,710
Change in proportionate share	-	130,560
Contributions subsequent to measurement date	689,851	-
Total	$ 1,569,294	$ 6,473,096

$689,851 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	$ 4,216,838
2028	(5,013,601)
2029	(2,946,301)
2030	(1,850,589)
2031	-
Thereafter	-

For the year ended June 30, 2025, KUB recognized pension expense of $10,401,958 and the Electric Division's share was $4,975,102.

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 (Division's share $1,305,625).

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 (Division's share $1,104,089).

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 (Division's share $4,689,355).

The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is three years. This change resulted in a deferred inflow of $194,711, with $64,904 of that recognized in the current year and the remaining amount recognized over the next two years, resulting in a deferred inflow of resources of $129,807. Net proportionate share of deferred inflow changes from the prior period were $162,227, of which $75,127 was recognized in the current year, resulting in a deferred inflow of resources of $87,100. Unrecognized proportionate share of deferred outflow changes from prior periods of $50,004, of which $50,004 was recognized in the current year, resulted in a deferred outflow of $0. In addition, KUB's Electric Division recorded a deferred outflow of resources of $538,127 for employer contributions made between December 31, 2024 and June 30, 2025.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,305,625	$ -
Changes in assumptions	1,104,089	-
Net difference between projected and actual earnings on pension plan investments	4,689,355	-
Change in proportionate share	-	216,907
Contributions subsequent to measurement date	538,127	-
Total	$ 7,637,196	$ 216,907

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 (Division's share $23,604) as of June 30, 2026, and $21,226 (Division's share $9,976) 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 (Division's share $12,350) 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 (Division's share $12,751).

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 (Division's share $1,301).

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
Division's share	$ 12,751	$ 1,301

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 (Division's share $3,492) 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 (Division's share $6,651) 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	$ -
Division's share	$ 6,651	$ -

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 (Division's share $2,234,838) and $4,799,996 (Division's share $2,255,998), 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.

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. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

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

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

	HRA		Retiree Medical Benefit	
	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 for the Electric Division of $598,459 and $621,143 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. The Division's share of the total net OPEB asset was $1,892,928 as of June 30, 2026. The Division's share of the total net OPEB liability was $2,579,621 as of June 30, 2025.

The components of the 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 (asset)	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 Trend	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's Electric Division recognized OPEB expense of $222,152.

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 (Division's share $759,457). 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 (Division's share $189,779).

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 (Division's share $1,236,543). 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 (Division's share $532,635).

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 (Division's share $3,918,613).

The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred outflow of $48,096, with $6,872 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred outflow of resources of $41,224. Net proportionate share of deferred outflow changes from prior periods were $137,321, with $23,825 of that recognized in the current year resulting in a deferred outflow of $113,496. The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Electric Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 189,779	$ 759,457
Changes in assumptions	532,635	1,236,543
Net difference between projected and actual earnings on OPEB plan investments	-	3,918,613
Change in proportionate share	154,720	-
Total	$ 877,134	$ 5,914,613

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

Year ending June 30:	
2027	$ (1,372,842)
2028	(1,273,796)
2029	(1,043,741)
2030	(979,626)
2031	(225,360)
Thereafter	(142,114)

For the year ended June 30, 2025, KUB's Electric Division recognized OPEB expense of $282,266.

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 (Division's share $64,264). 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 (Division's share $236,185).

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 (Division's share $1,270,243). 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 (Division's share $700,964).

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 (Division's share $681,200).

The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred outflow of $133,394, with $19,057 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred outflow of resources of $114,337. Net proportionate share changes from prior periods were $27,753, with $4,769 of that recognized in the current year resulting in a deferred outflow of $22,984. The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Electric Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 236,185	$ 64,264
Changes in assumptions	700,964	1,270,243
Net difference between projected and actual earnings on OPEB plan investments	-	681,200
Change in proportionate share	137,321	-
Total	$ 1,074,470	$ 2,015,707

17. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with the City of Knoxville and with other divisions of KUB. Such transactions for the years ended June 30, 2026, and 2025, are summarized as follows:

	2026	2025
City of Knoxville		
Amounts billed by the Division for utilities and related services	$ 8,973,274	$ 8,106,261
Payments by the Division in lieu of property tax	10,910,682	9,869,896
Payments by the Division for services provided	5,143	6,658
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	8,999,344	8,304,229
Interdivisional rental expense	159,156	168,598
Interdivisional rental income	1,816,250	1,752,167
Amounts billed to the Division by other divisions for utilities services provided	146,993	139,215
Interdivisional interest income	1,552,136	1,516,244
Interdivisional access and utilization income	10,386,365	6,634,534

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	$ 624,017	$ 472,229

Broadband services are provided by a high-speed fiber optic network that is owned and maintained by the Electric Division. The Fiber Division shares in the cost to build and operate the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division also pays the Electric Division an annual utilization fee based on attachments to the network.

In October 2021, the Division issued an interdivisional loan of $10 million to the Fiber Division at an interest rate of 3.89 percent. In August 2022, the Division issued an interdivisional loan of $7 million to the Fiber Division at an interest rate of 3.93 percent. In February 2023, the Division issued an interdivisional loan of $13 million to the Fiber Division at an interest rate of 4.02 percent. In May 2024, the Division issued an interdivisional loan of $7 million to the Fiber Division at an interest rate of 4.13 percent. In December 2024, the Division issued an interdivisional loan of $7 million to the Fiber Division at an interest rate of 4.19 percent. The Division received interest revenue of $1,552,136 for the year ended June 30, 2026, and $1,516,244 for the year ended June 30, 2025.

18. Other Commitments and Contingencies

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

Knoxville Utilities Board Electric Division
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 Electric Division
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.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
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 Electric Division
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.

Knoxville Utilities Board Electric Division
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 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 Electric Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2026

Continued on Next Page

	EE-2015		GG-2016		HH-2017		II-2017		JJ-2018		KK-2020		LL-2021	
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
26-27	$ 2,735,000	$ 306,675	$ 1,150,000	$ 834,438	$ 2,695,000	$ 154,330	$ 1,075,000	$ 992,025	$ 1,055,000	$ 1,133,606	$ 1,460,000	$ 363,750	$ 2,890,000	$ 2,318,200
27-28	2,850,000	222,900	1,175,000	811,188	2,805,000	43,478	1,110,000	959,250	1,100,000	1,090,731	1,525,000	289,125	2,995,000	2,171,075
28-29	2,955,000	135,825	1,200,000	787,437			1,140,000	925,500	1,130,000	1,057,281	1,595,000	211,125	3,315,000	2,013,325
29-30	3,050,000	45,750	1,200,000	762,687			1,175,000	890,775	1,165,000	1,022,856	1,675,000	129,375	3,465,000	1,843,825
30-31			1,250,000	731,187			1,215,000	854,925	1,200,000	986,631	1,750,000	43,750	2,525,000	1,694,075
31-32			1,275,000	693,312			1,250,000	817,950	1,240,000	947,731			3,495,000	1,543,575
32-33			1,325,000	654,312			1,285,000	779,925	1,285,000	905,897			2,850,000	1,384,950
33-34			1,350,000	614,187			1,325,000	740,775	1,330,000	860,938			2,845,000	1,242,575
34-35			1,400,000	572,937			1,365,000	700,425	1,375,000	813,600			2,845,000	1,100,325
35-36			1,450,000	535,625			1,410,000	658,800	1,420,000	766,463			2,845,000	972,300
36-37			1,475,000	500,875			1,450,000	615,900	1,470,000	719,500			2,845,000	858,500
37-38			1,525,000	459,563			1,495,000	571,725	1,520,000	669,963			2,845,000	744,700
38-39			1,550,000	417,313			1,540,000	526,200	1,570,000	617,819			2,845,000	630,900
39-40			1,600,000	377,937			1,590,000	479,250	1,625,000	562,888			2,845,000	517,100
40-41			1,650,000	335,250			1,635,000	430,875	1,685,000	504,963			2,845,000	403,300
41-42			1,675,000	289,531			1,685,000	381,075	1,745,000	444,938			2,845,000	289,500
42-43			1,725,000	242,781			1,740,000	329,700	1,805,000	382,813			2,845,000	175,700
43-44			1,775,000	194,656			1,790,000	275,631	1,870,000	318,500			1,485,000	89,100
44-45			1,825,000	142,875			1,850,000	218,756	1,935,000	251,913			1,485,000	29,700
45-46			1,900,000	87,000			1,910,000	160,006	2,005,000	182,963				
46-47			1,950,000	29,250			1,970,000	98,151	2,075,000	111,563				
47-48							2,035,000	33,069	2,150,000	37,625				
48-49														
49-50														
50-51														
51-52														
52-53														
53-54														
54-55														
55-56														
Total	$ 11,590,000	$ 711,150	$ 31,425,000	$ 10,074,341	$ 5,500,000	$ 197,808	$ 33,040,000	$ 12,440,688	$ 33,755,000	$ 14,391,182	$ 8,005,000	$ 1,037,125	$ 52,955,000	$ 20,022,725

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2026

Continued from Previous Page

FY	MM-2022		NN-2022		OO-2022		PP-2023		QQ-2024		RR-2026		Total		Grand Total (P + I)
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
26-27	$ 895,000	$ 1,805,975	$ 865,000	$ 1,068,525	$ 1,410,000	$ 3,388,550	$ 910,000	$ 2,684,000	$ 1,475,000	$ 4,028,269	$	$ 1,058,067	$ 18,615,000	$ 20,136,410	$ 38,751,410
27-28	940,000	1,760,100	885,000	1,024,775	1,480,000	3,316,300	955,000	2,637,375	1,550,000	3,952,643	460,000	1,160,512	19,830,000	19,439,452	39,269,452
28-29	990,000	1,711,850	935,000	979,275	1,560,000	3,240,300	1,005,000	2,588,375	1,630,000	3,873,144	480,000	1,137,012	17,935,000	18,660,449	36,595,449
29-30	1,040,000	1,661,100	965,000	931,775	1,640,000	3,160,300	1,055,000	2,536,875	1,715,000	3,789,519	505,000	1,112,387	18,650,000	17,887,224	36,537,224
30-31	1,090,000	1,607,850	1,025,000	882,025	1,720,000	3,076,300	1,110,000	2,482,750	1,805,000	3,701,519	530,000	1,086,512	15,220,000	17,147,524	32,367,524
31-32	1,150,000	1,551,850	1,050,000	830,150	1,810,000	2,988,050	1,165,000	2,425,875	1,895,000	3,609,018	560,000	1,059,262	14,890,000	16,466,773	31,356,773
32-33	1,205,000	1,492,975	1,110,000	776,150	1,905,000	2,895,175	1,225,000	2,366,125	1,990,000	3,511,894	585,000	1,030,637	14,765,000	15,798,040	30,563,040
33-34	1,270,000	1,431,100	1,170,000	725,000	2,000,000	2,797,550	1,290,000	2,303,250	2,095,000	3,409,769	615,000	1,000,637	15,290,000	15,125,781	30,415,781
34-35	1,335,000	1,365,975	1,190,000	677,800	2,105,000	2,694,925	1,355,000	2,237,125	2,200,000	3,302,394	650,000	969,012	15,820,000	14,434,518	30,254,518
35-36	1,395,000	1,304,700	1,240,000	629,200	2,210,000	2,587,050	1,425,000	2,167,625	2,315,000	3,189,518	680,000	935,762	16,390,000	13,747,043	30,137,043
36-37	1,450,000	1,247,800	1,285,000	578,700	2,325,000	2,473,675	1,495,000	2,094,625	2,435,000	3,070,769	715,000	900,888	16,945,000	13,061,232	30,006,232
37-38	1,510,000	1,188,600	1,335,000	526,300	2,445,000	2,354,425	1,575,000	2,017,875	2,560,000	2,945,894	755,000	864,138	17,565,000	12,343,183	29,908,183
38-39	1,575,000	1,126,900	1,380,000	472,000	2,570,000	2,229,050	1,655,000	1,937,125	2,690,000	2,814,643	790,000	829,462	18,165,000	11,601,412	29,766,412
39-40	1,640,000	1,062,600	1,425,000	415,900	2,700,000	2,097,300	1,740,000	1,852,250	2,830,000	2,676,644	820,000	797,262	18,815,000	10,839,131	29,654,131
40-41	1,705,000	995,700	1,475,000	357,900	2,840,000	1,958,800	1,830,000	1,763,000	2,975,000	2,531,519	855,000	763,762	19,495,000	10,045,069	29,540,069
41-42	1,775,000	926,100	1,520,000	298,000	2,985,000	1,813,175	1,925,000	1,669,125	3,125,000	2,379,019	890,000	728,862	20,170,000	9,219,325	29,389,325
42-43	1,845,000	853,700	1,590,000	235,800	3,135,000	1,660,175	2,020,000	1,570,500	3,285,000	2,218,769	925,000	692,562	20,915,000	8,362,500	29,277,500
43-44	1,920,000	778,400	1,640,000	171,200	3,280,000	1,516,200	2,125,000	1,466,875	3,455,000	2,050,269	965,000	654,762	20,305,000	7,515,593	27,820,593
44-45	2,000,000	700,000	1,710,000	104,200	3,415,000	1,382,300	2,235,000	1,357,875	3,610,000	1,891,694	1,005,000	615,362	21,070,000	6,694,675	27,764,675
45-46	2,080,000	618,400	1,750,000	35,000	3,555,000	1,242,900	2,350,000	1,243,250	3,760,000	1,744,294	1,045,000	574,362	20,355,000	5,888,175	26,243,175
46-47	2,165,000	533,500			3,700,000	1,097,800	2,470,000	1,122,750	3,915,000	1,588,346	1,085,000	531,762	19,330,000	5,113,122	24,443,122
47-48	2,255,000	445,100			3,850,000	946,800	2,595,000	996,125	4,080,000	1,426,000	1,130,000	487,463	18,095,000	4,372,182	22,467,182
48-49	2,350,000	353,000			4,010,000	789,600	2,730,000	863,000	4,245,000	1,259,500	1,175,000	440,629	14,510,000	3,705,729	18,215,729
49-50	2,450,000	257,000			4,170,000	626,000	2,870,000	723,000	4,420,000	1,086,200	1,225,000	391,128	15,135,000	3,083,328	18,218,328
50-51	2,550,000	157,000			4,340,000	455,800	3,015,000	575,875	4,600,000	905,800	1,280,000	339,462	15,785,000	2,433,937	18,218,937
51-52	2,650,000	53,000			4,520,000	278,600	3,170,000	421,250	4,785,000	718,100	1,335,000	284,694	16,460,000	1,755,644	18,215,644
52-53					4,705,000	94,100	3,335,000	258,625	4,980,000	522,800	1,390,000	226,789	14,410,000	1,102,314	15,512,314
53-54							3,505,000	87,625	5,185,000	319,500	1,450,000	166,439	10,140,000	573,564	10,713,564
54-55									5,395,000	107,900	1,515,000	102,486	6,910,000	210,386	7,120,386
55-56											1,585,000	34,672	1,585,000	34,672	1,619,672
Total	$ 43,230,000	$ 26,990,275	$ 25,545,000	$ 11,719,675	$ 76,385,000	$ 53,161,200	$ 54,135,000	$ 46,450,125	$ 91,000,000	$ 68,625,347	$ 27,000,000	$ 20,976,746	$ 493,565,000	$ 286,798,387	$ 780,363,387

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2026

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2025	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2026
Business-Type Activities									
BONDS PAYABLE									
Payable through Electric Fund									
Revenue Bond Refunding, Series EE-2015	$ 28,550,000	2.0-5.0	05/01/15	07/01/29	$ 14,260,000	$ -	$ 2,670,000	$ -	$ 11,590,000
Revenue Bond, Series GG-2016	40,000,000	2.0-5.0	08/05/16	07/01/46	32,550,000	-	1,125,000	-	31,425,000
Revenue Bond Refunding, Series HH-2017	23,445,000	2.5-5.0	04/07/17	07/01/27	8,060,000	-	2,560,000	-	5,500,000
Revenue Bond, Series II-2017	40,000,000	3.0-5.0	09/15/17	07/01/47	34,075,000	-	1,035,000	-	33,040,000
Revenue Bond, Series JJ-2018	39,995,000	3.0-5.0	09/14/18	07/01/47	34,760,000	-	1,005,000	-	33,755,000
Revenue Bond Refunding, Series KK-2020	14,380,000	5.0	05/22/20	07/01/30	9,405,000	-	1,400,000	-	8,005,000
Revenue Bond Refunding, Series LL-2021	70,180,000	4.0-5.0	04/19/21	07/01/44	55,700,000	-	2,745,000	-	52,955,000
Revenue Bond, Series MM-2022	45,650,000	4.0-5.0	04/29/22	07/01/51	44,080,000	-	850,000	-	43,230,000
Revenue Bond Refunding, Series NN-2022	27,215,000	4.0-5.0	05/13/22	07/01/45	26,390,000	-	845,000	-	25,545,000
Revenue Bond, Series OO-2022	79,000,000	4.0-5.0	12/16/22	07/01/52	77,725,000	-	1,340,000	-	76,385,000
Revenue Bond, Series PP-2023	55,000,000	5.0	12/08/23	07/01/53	55,000,000	-	865,000	-	54,135,000
Revenue Bond, Series QQ-2024	91,000,000	4.0-5.0	08/29/24	07/01/54	91,000,000	-	-	-	91,000,000
Revenue Bond, Series RR-2026	27,000,000	4.0-5.0	02/06/26	07/01/55	-	27,000,000	-	-	27,000,000
					$ 483,005,000	$ 27,000,000	$ 16,440,000	$ -	$ 493,565,000

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2026

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2025	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2026
Lease Liabilities									
Payable through Electric Fund									
American Towers - Rocky Hill	$ 34,545	3.90%	11/1/2022	10/31/2027	$ 17,680	$ -	$ (7,243)	$ -	$ 10,437
American Towers - Tillery/Bluegrass	34,759	3.90%	11/1/2022	10/31/2027	17,680	-	(7,243)	-	10,437
Crown Castle	86,124	3.90%	3/1/2023	2/1/2043	81,032	-	(2,442)	-	78,590
Manki 1 Investments	145,079	3.88%	7/1/2020	5/31/2027	58,922	-	(30,845)	1,264	29,341
Playcore KDC, LLC	1,503,951	3.99%	12/1/2025	12/1/2029	-	1,503,951	(193,712)	-	1,310,239
R&S Logistics (Sublease)	1,835,035	3.88%	7/1/2020	3/31/2026	692,111	-	(286,595)	(405,516)	-
Ricoh Americas	17,907	3.88%	7/1/2020	7/31/2025	922	-	(1,007)	85	-
RJ Young Company	6,179	3.88%	7/1/2025	6/30/2026	-	6,179	(6,179)	-	-
SBA Properties	14,786	3.90%	1/1/2023	12/31/2027	8,098	-	(3,056)	-	5,042
Total Lease Liabilities					$ 876,445	$ 1,510,130	$ (538,322)	$ (404,167)	$ 1,444,086

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information – Schedule of Insurance in Force
June 30, 2026
(Unaudited)

Insurance coverage is for KUB as a consolidated entity.

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

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

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

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

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

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

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class		Base Charge			Number of Customers
Residential		Customer Charge:	$22.04 per month, less Hydro Allocation Credit: $1.54 per month.		204,084
		Energy Charge:	Summer Period	$0.12803 per kWh per month.	
			Winter Period	$0.12762 per kWh per month.	
			Transition Period	$0.12762 per kWh per month.	
Residential Time of Use		Customer Charge:	$22.04 per month, less Hydro Allocation Credit: $1.54 per month.		107
		Energy Charge:	Onpeak	$0.23482 per kWh per month for all metered onpeak kWh	
			Offpeak	$0.09890 per kWh per month for all metered offpeak kWh	
Commercial/ Industrial	**A. 1.**	If (a) the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12-month period is not more than 50 kWh, and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh:			20,927
		Customer Charge:	$34.00 per delivery point per month.		
		Demand Charge:	Summer Period	$1.00 per kW of billing demand per month.	
			Winter Period	$1.00 per kW of billing demand per month.	
			Transition Period	$1.00 per kW of billing demand per month.	
		Energy Charge:	Summer Period	$0.14688 per kWh per month.	
			Winter Period	$0.14647 per kWh per month.	
			Transition Period	$0.14647 per kWh per month.	
	2.	If (a) the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12-month period is greater than 50 kW but not more than 1,000 kW, or (b) if the customer's billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh:			2,629
		Customer Charge:	$145.00 per delivery point per month.		
		Demand Charge:	Summer Period	First 50 kW of billing demand per month at $1.00 per kW.	
				Over 50 kW of billing demand per month at $19.69 per kW.	
			Winter Period	First 50 kW of billing demand per month at $1.00 per kW.	
				Over 50 kW of billing demand per month at $18.90 per kW.	
			Transition Period	First 50 kW of billing demand per month at $1.00 per kW.	
				Over 50 kW of billing demand per month at $18.90 per kW.	
		Energy Charge:	Summer Period	First 15,000 kWh per month at $0.18121 per kWh	
				Additional kWh per month at $0.08548 per kWh.	
			Winter Period	First 15,000 kWh per month at $0.18080 per kWh	
				Additional kWh per month at $0.08548 per kWh.	
			Transition Period	First 15,000 kWh per month at $0.18080 per kWh	
				Additional kWh per month at $0.08548 per kWh.	

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class				Number of Customers
3.	If (a) the higher of the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 1,000 kW:			31
	Customer Charge:	$339.00 per delivery point per month.		
	Demand Charge:	Summer Period	First 1,000 kW of billing demand per month, at $20.63 per kW. Excess over 1,000 kW of billing demand per month, at $21.39 per kW, plus an additional $21.39 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.	
		Winter Period	First 1,000 kW of billing demand per month, at $19.87 per kW. Excess over 1,000 kW of billing demand per month, at $20.63 per kW, plus an additional $20.63 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.	
		Transition Period	First 1,000 kW of billing demand per month, at $19.87 per kW. Excess over 1,000 kW of billing demand per month, at $20.63 per kW, plus an additional $20.63 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.	
	Energy Charge:	Summer Period	$0.09744 per kWh per month.	
		Winter Period	$0.09744 per kWh per month.	
		Transition Period	$0.09744 per kWh per month.	

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class				Number of Customers
Commercial/ Industrial Time of Use	**A. 1.**	If the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12-month period is not more than 50 kWh:		265
		Customer Charge:	$34.00 per delivery point per month.	
		Demand Charge:	$2.34 per kW of maximum billing demand per month.	
		Energy Charge: Onpeak	$0.24056 per kWh per month for all metered onpeak kWh.	
		Offpeak	$0.10354 per kWh per month for all metered offpeak kWh.	
	2A.	If the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12-month period is greater than 50 kW but not more than 100 kW:		45
		Customer Charge:	$145.00 per delivery point per month.	
		Demand Charge:	$5.34 per kW of maximum billing demand per month.	
		Energy Charge: Onpeak	$0.25225 per kWh per month for all metered onpeak kWh.	
		Offpeak	$0.11523 per kWh per month for all metered offpeak kWh.	
	2B.	If the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12-month period is greater than 100 kW but not more than 1,000 kW:		36
		Customer Charge:	$163.00 per delivery point per month.	
		Demand Charge:	$7.84 per kW of maximum billing demand per month.	
		Energy Charge: Onpeak	$0.22571 per kWh per month for all metered onpeak kWh.	
		Offpeak	$0.08869 per kWh per month for all metered offpeak kWh.	

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class		Base Charge			Number of Customers
Commercial/ Industrial	**B.**	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW:			3
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$11.81 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.96 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$18.77 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$10.77 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.96 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$17.73 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$10.77 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.96 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$17.73 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:		
Summer Period	Onpeak	$0.10102 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07391 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03631 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03260 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.08866 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07633 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03631 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03260 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.07357 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07357 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03631 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03260 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02385 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class		Base Charge			Number of Customers
Commercial/ Industrial	**C.**	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW:			1
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$11.81 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.79 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$18.60 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$10.77 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.79 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$17.56 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$10.77 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.79 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$17.56 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:		
Summer Period	Onpeak	$0.10117 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07406 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03646 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03275 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.08881 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07648 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03646 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03275 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.07372 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07372 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03646 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03275 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
	For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02385 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.	

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class		Base Charge			Number of Customers
Commercial/ Industrial	**D.**	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 25,000 kW:			1
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$11.81 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.66 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$18.47 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$10.77 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.66 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$17.43 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$10.77 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.66 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$17.43 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:		
Summer Period	Onpeak	$0.10118 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07407 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03523 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03276 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.08882 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07649 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03523 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03276 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.07373 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07373 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03523 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03276 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
	For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02385 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.	

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class		Base Charge			Number of Customers
Commercial/ Industrial Time of Use	**A.**	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 1,000 kW but not more than 5,000 kW:			10
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$12.03 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$8.96 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$20.99 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$10.98 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$8.96 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$19.94 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$10.98 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$8.96 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$19.94 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:		
Summer Period	Onpeak	$0.13882 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.10200 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.05534 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.05202 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.12202 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.10527 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.05534 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.05202 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.10659 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.10659 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.05534 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.05202 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02649 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class		Base Charge			Number of Customers
Manufacturing	**B.**	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.			3
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$11.14 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.49 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$14.63 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$10.08 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.49 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$13.57 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$10.08 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.49 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$13.57 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:		
Summer Period	Onpeak	$0.09242 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06523 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03294 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03017 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.08002 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06766 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03294 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03017 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.06860 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06860 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03294 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03017 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
	For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02400 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.	

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class		Base Charge			Number of Customers
Manufacturing	**C.**	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.			1
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$11.14 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.37 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$14.51 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$10.08 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.37 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$13.45 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$10.08 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.37 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$13.45 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:		
Summer Period	Onpeak	$0.09173 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06453 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03500 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03500 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.07932 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06695 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03500 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03500 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.06790 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06790 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03500 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03500 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02400 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class		Base Charge			Number of Customers
Manufacturing	**D.**	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 25,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.			2
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$11.14 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$2.92 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$14.06 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$10.08 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$2.92 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$13.00 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$10.08 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$2.92 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$13.00 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:		
Summer Period	Onpeak	$0.08792 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06073 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03182 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03119 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.07550 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06313 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03182 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03119 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.06408 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06408 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.03182 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.03119 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
	For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02400 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.	

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class		Base Charge			Number of Customers
Manufacturing Time of Use	**A.**	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 1,000 kW but not more than 5,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.			5
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$11.26 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.98 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$18.24 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$10.19 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.98 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$17.17 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$10.19 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.98 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$17.17 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:		
Summer Period	Onpeak	$0.11123 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.08377 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.05363 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.05083 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	$0.09868 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.08620 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.05363 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.05083 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	$0.08717 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.08717 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.05363 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak enegy to total energy, plus
	Block 3	$0.05083 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of $0.02649 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class	Base Charge		Number of Customers
Outdoor Lighting			
Part A - Charges for Street and Park Lighting Systems, Traffic Signal Systems, and Athletic Field Lighting Installations			70
	Energy Charge:	Summer Period $0.11678 per kWh per month.	
		Winter Period $0.11678 per kWh per month.	
		Transition Period $0.11678 per kWh per month.	
	Facility Charge:	The annual facility charge shall be 13.00 percent of the installed cost to KUB's electric system of the facilities devoted to street and park lighting service specified in this Part A. Such installed cost shall be recomputed on July 1 of each year, or more often if substantial changes in the facilities are made. Each month, one-twelfth of the then total annual facility charge shall be billed to the customer. If any part of the facilities has not been provided at the electric system's expense, or if the installed cost of any portion thereof is reflected on the books of another municipality or agency or department, the annual facility charge shall be adjusted to reflect properly the remaining cost to be borne by the electric system.	
	Customer Charge:	$2.50.	
Part B - Charges for Outdoor Lighting for Individual Customers			25,428

Charges Per Fixture Per Month

a.	**Type of Fixture**	**Lamp Size**	**Rated kWh**	**Facility Charge**	**Total Lamp Charge**
	Light-Emitting Diode (LED)	100WE	21	$ 6.85	$ 9.31
		250WE	58	8.48	15.26
		400WE	79	11.65	20.87
	High Pressure Sodium	100W	42	5.96	10.86
		250W	105	7.07	19.33
		400W	165	8.32	27.59
		1,000W*	385	13.31	58.27
	Decorative	100W	42	6.80	11.70

* 1,000 watt fixtures not offered for new service.

b.	Energy Charge:	For each lamp size under **a.** above, $0.11678 per rated kWh per month.
	Additional pole charge:	$6.00 per pole.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class	Base Charge			Number of Customers
Electric Vehicle Charging	This rate shall exclusively apply to separately metered charging stations for electric vehicles where the charging station's demand is greater than 50 kW but not more than 5,000 kW.			1
	Customer Charge:	$107.00 per delivery point per month.		
	Energy Charge:	Onpeak	$0.34949 per kWh per month for all metered onpeak kWh	
		Offpeak	$0.22444 per kWh per month for all metered offpeak kWh	

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
Electric Division of the 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 of the Electric Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated October 15, 2026, which references, that the financial statements, are only that portion of Knoxville Utilities Board that resulted from the transactions of the Electric Division.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 the Division's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 15, 2026



Fiber Division

Financial Statements and Supplemental Information
June 30, 2026 and 2025

KUB Board of Commissioners

Cynthia Gibson, Chair
Kathy Hamilton, Vice Chair
Claudia Caballero
Ron Feinbaum
Phyllis Nichols
Pete Pearson
Dr. Craig Pickett, Jr.

Management

Gabriel Bolas II
President and Chief Executive Officer

Mark Walker
Senior Vice President and Chief Financial Officer

Kurt Stafford
Vice President Engineering and Operations

John Williams
Senior Vice President and Chief Infrastructure and Compliance Officer

Jamie Davis
Senior Vice President Fiber and Chief Technology Officer

Tiffany Martin
Senior Vice President and Chief Customer and Talent Officer

Erin Gill
Vice President Communications and External Relations

Knoxville Utilities Board Fiber Division
Index
June 30, 2026 and 2025

Page(s)

Independent Auditor's Report 1-5

Management's Discussion and Analysis 6-17

Basic Financial Statements

Statements of Net Position 18-19

Statements of Revenues, Expenses and Changes in Net Position 20

Statements of Cash Flows 21

Notes to Financial Statements 22-54

Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios 55

Schedule of Employer Pension Contributions 56

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios 57

Schedule of Employer OPEB Contributions 58

Qualified Governmental Excess Benefit Arrangement 59

Supplemental Information

Schedule of Debt Maturities by Fiscal Year 60

Schedule of Changes in Long-term Debt by Individual Issue 61

Schedule of Changes in Lease Liabilities 62

Statistical Information

Schedule of Insurance in Force 63

Schedule of Current Rates in Force 64

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* 65-66

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Fiber Division of the Knoxville Utilities Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Fiber Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Division'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 of the Division 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 the Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the Division's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 the Division's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-17, 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 (asset) liability and related ratios, the schedule of employer OPEB contributions and the schedule of changes in total pension liability and related ratios - qualified governmental excess benefit arrangement on pages 55-59 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 the Division's basic financial statements. The schedule of debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and the schedule of changes in lease liabilities 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 debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and schedule of changes in lease liabilities 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

As discussed in Note 1, the financial statements present only the Fiber Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2026 and 2025, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter – GASB 103

As discussed in Note 2 to the financial statements, during the year ended June 30, 2026, the Fiber Division 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 the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division'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 the Division'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. The Fiber Division (Division) will provide services to certain customers in Knox County and in seven surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Fiber Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2026, and 2025, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis

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

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2026, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 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 Fiber Division - Financial Statements

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

Statement of Net Position

The Division reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, 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 the Division 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 the Division's bond covenants or through resolutions passed by the KUB Board.

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

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

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

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

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

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

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

- Operating revenue is largely determined by the number of broadband services provided to customers for the fiscal year. Any change (increase/decrease) in retail fiber rates would also be a cause of change in operating revenue.

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

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

- Taxes are impacted by labor costs (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 and changes in property tax rates.

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

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

- 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

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

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

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

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Financial Summary

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the Fiber Division compared to the prior fiscal year.

Statement of Net Position
As of June 30

(in thousands of dollars)	2026	2025	2024
Current, restricted, and other assets	$ 14,917	$ 15,109	$ 12,715
Capital and intangible assets, net	8,314	8,554	9,204
Total assets	23,231	23,663	21,919
Deferred outflows of resources	322	586	908
Total assets and deferred outflows of resources	23,553	24,249	22,827
Current and other liabilities	10,474	10,174	9,376
Long-term debt outstanding	35,163	37,363	32,737
Total liabilities	45,637	47,537	42,113
Deferred inflows of resources	1,374	644	722
Total liabilities and deferred inflows of resources	47,011	48,181	42,835
Net position			
Net investment in capital assets	4,519	4,343	4,306
Restricted	-	-	-
Unrestricted	(27,977)	(28,275)	(24,314)
Total net position	$ (23,458)	$ (23,932)	$ (20,008)

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Statement of Revenues, Expenses and Changes in Net Position

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

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30

(in thousands of dollars)	2026	2025 as restated	2024 as restated
Operating revenues			
Charges for services	$ 29,749	16,951	6,373
Other	436	183	47
Total operating revenues	30,185	17,134	6,420
Operating expenses			
Products and promotions	18,465	13,427	8,358
Customer service	1,969	1,819	1,552
Administrative and general	6,800	3,580	2,689
Depreciation and amortization	940	854	877
Taxes	333	233	236
Total operating expenses	28,507	19,913	13,712
Operating income (loss)	1,678	(2,779)	(7,292)
Non-capital subsidies			
Subsidies received	-	-	-
Subsidies provided	(18)	(15)	(11)
Total non-capital subsidies	(18)	(15)	(11)
Operating income (loss) and non-capital subsidies	1,660	(2,794)	(7,303)
Other non-operating revenues (expenses)			
Interest income	469	564	475
Interest expense	(1,715)	(1,694)	(1,372)
Other income/(expense)	60	-	-
Total other non-operating revenues (expenses)	(1,186)	(1,130)	(897)
Increase (Decrease) in net position	$ 474	$ (3,924)	$ (8,200)

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Detailed Analyses

Fiscal Year 2026 Compared to Fiscal Year 2025

The Division's Change in Net Position increased $0.5 million in fiscal year 2026. Net investment in capital assets increased $0.2 million, the result of a $0.2 million decrease in net capital and intangible assets and a $0.4 million decrease in the current and long-term portions of intangible and subscription liabilities. Unrestricted net position increased $0.3 million.

Current, restricted, and other assets decreased $0.2 million compared to the prior year. The change is due to a $1 million decrease in general fund cash (consisting of cash and cash equivalents) and a $0.3 million decrease in restricted funds offset by $0.5 million increase in accounts receivable, a $0.4 million increase in net pension asset, a $0.2 million increase in long-term lease receivable, and a $0.2 million increase in net OPEB asset.

Total capital and intangible assets (net) decreased $0.2 million. Capital assets are discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred outflows of resources decreased $0.3 million compared to the prior year, primarily due to a $0.2 million decrease in pension outflow.

Current and other liabilities increased $0.3 million compared to the prior year. This was primarily driven by a $0.6 million increase in accounts payable and a $0.5 million increase in unearned revenue offset by a $0.5 million decrease in subscription liability (including the current portion) and a $0.2 million decrease in accrued expenses.

As of June 30, 2026, the Division had a $37.4 million note payable to the Electric Division in outstanding debt (including the current portion of note payable). Long-term financing activity is discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred inflows of resources increased $0.7 million compared to the prior year, reflecting a $0.3 million increase in OPEB inflow, a $0.2 million increase in lease inflow, and a $0.2 million increase in pension inflow.

The Division's Change in Net Position was $0.5 million in fiscal year 2026, due to $30.2 million in operating revenues and $0.5 million in interest income offset by $28.5 million in operating expenses and $1.7 million in interest expense.

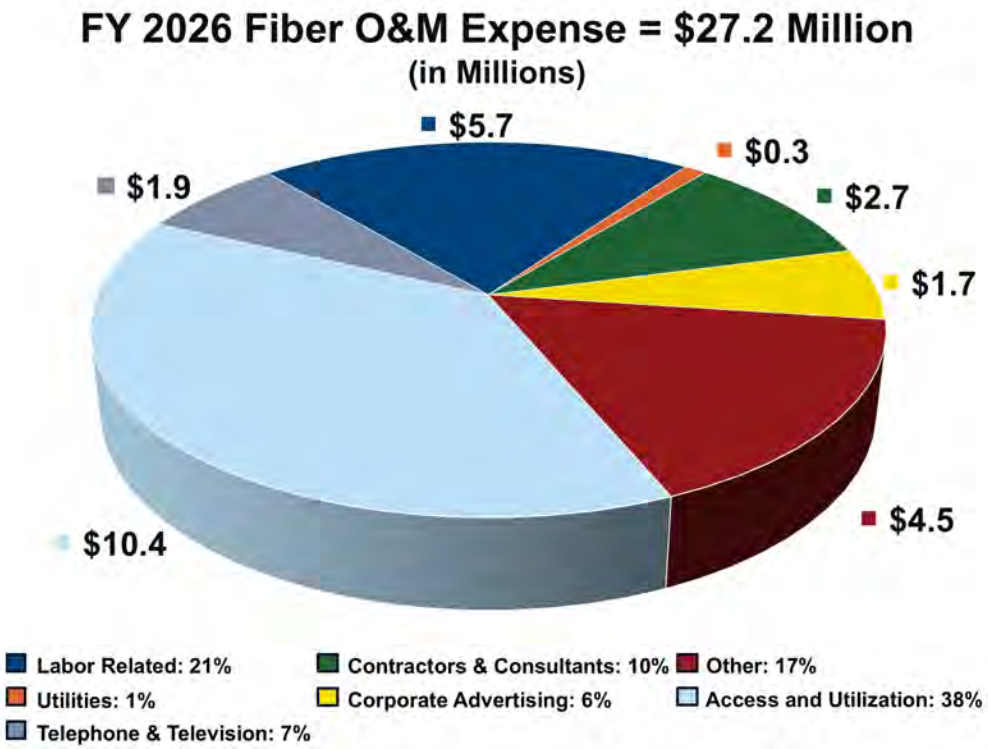
The Fiber Division had operating revenues of $30.2 million in fiscal year 2026, due to customer additions from system growth. Charges for services increased $12.8 million compared to the prior year. KUB continued to expand its broadband network this fiscal year, reaching more of the service territory and adding 11,903 customers. As of June 30, 2026, the Fiber Division had 34,319 customers. The fiber system build-out is more than 75 percent complete as of the end of the fiscal year.

Operating expenses increased $8.6 million and consisted of the following changes: operating and maintenance (O&M) expenditures increased $8.4 million; depreciation and amortization expense increased $0.1 million; and taxes increased $0.1 million compared to the prior year. O&M expenses can be further classified as products and promotions, customer service, and administrative and general.

- Products and promotions expenses were $5 million higher than the prior fiscal year, primarily due to increased access and utilization costs, and telephone and television expenses.

- Customer service expenses were $0.2 million higher, primarily due to an increase in labor-related costs.

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



- Depreciation and amortization expense increased $0.1 million compared with the prior fiscal year. KUB added $0.2 million in assets during fiscal year 2026. A partial year of depreciation was recorded on these capital assets, and a full year of depreciation expense was incurred on $0.3 million in fiber system assets placed in service during fiscal year 2025.

- Taxes increased $0.1 million compared with the prior fiscal year, as Fiber staffing expanded.

Non-capital subsidies provided remain consistent with the prior year.

Interest income was $0.1 million lower than the prior fiscal year.

Interest expense was consistent with the prior fiscal year.

Fiscal Year 2025 Compared to Fiscal Year 2024

The Division's Change in Net Position decreased $3.9 million in fiscal year 2025. During the initial phases of system buildout and customer growth, the Fiber Division has been operating under a negative annual change in net position, and a deficit net position balance. This negative annual change in net position will continue to decrease and become positive as operating revenues increase with the addition of customers as the system builds out. At that time, KUB fully anticipates future operations with a positive change in net position that will lead to a surplus net position balance.

Net investment in capital assets and restricted net position was comparable to the prior year. Unrestricted net position decreased $3.9 million.

Current, restricted, and other assets increased $2.4 million compared to the prior year. The change is primarily due to an increase in general fund cash (consisting of cash and cash equivalents) of $1.6 million and a $0.7 million increase in the student internet special fund balance.

Total capital and intangible assets (net) decreased $0.7 million, reflecting the addition of new fiber equipment offset by the amortization of intangible assets. Capital assets are discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred outflows of resources decreased $0.3 million compared to the prior year, reflecting a $0.3 million decrease in pension outflow.

Current and other liabilities increased $0.8 million compared to the prior year. This was primarily driven by a $0.7 million increase in accrued expenses, a $0.5 million increase in unearned revenue, and a $0.4 million increase in the current portion of the note payable. These increases were offset by a $0.4 million decrease in lease liability (including the current portion), a $0.3 million decrease in subscription liability (including the current portion), and a $0.1 million decrease in the actuarially determined net OPEB liability.

As of June 30, 2025, the Division had a $39.6 million note payable to the Electric Division in outstanding debt (including the current portion of note payable). Long-term financing activity is discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred inflows of resources decreased $0.1 million compared to the prior year, reflecting a $0.1 million decrease in pension inflow.

The Division's Change in Net Position was ($3.9 million) in fiscal year 2025, due to $17.1 million in operating revenues and $0.6 million in interest income offset by $19.9 million in operating expenses and $1.7 million in interest expense.

The Fiber Division had operating revenues of $17.1 million in fiscal year 2025, due to system growth. Charges for services increased $10.6 million compared to the prior year. KUB continued to expand its broadband network this fiscal year, reaching more of the service territory and adding 11,657 customers. As of June 30, 2025, the Fiber Division had 22,416 customers.

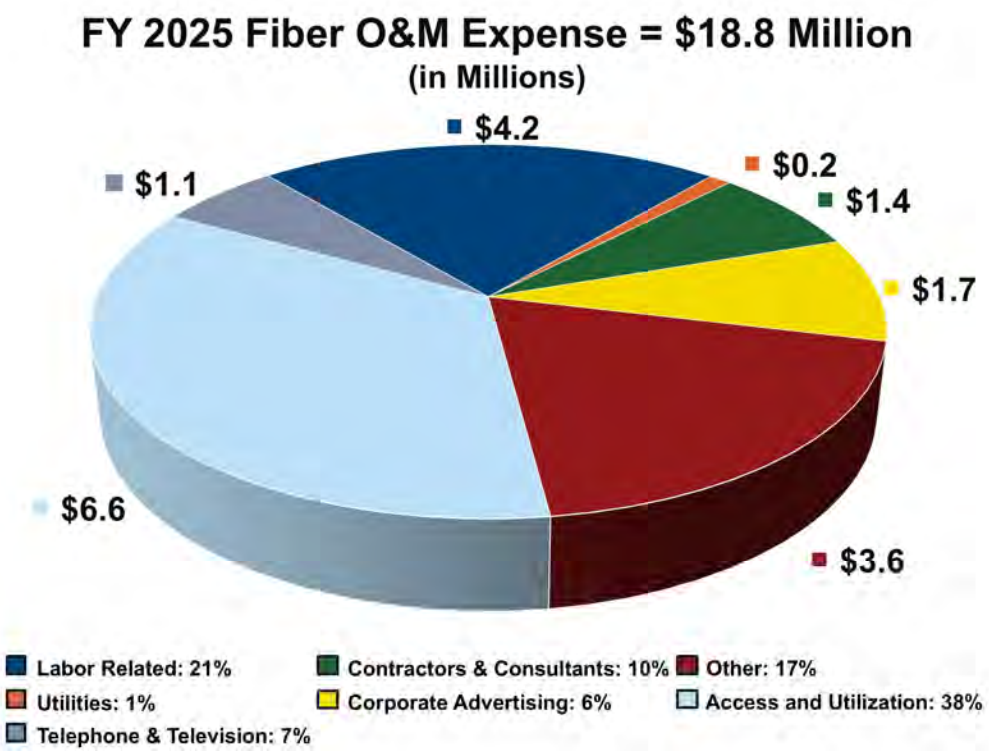
Operating expenses increased $6.2 million. Operating and maintenance (O&M) expenditures increased $6.2 million. Depreciation and amortization expense, as well as taxes, remained consistent with the prior year. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes. O&M expenses can be further classified as products and promotions, customer service, and administrative and general.

- Products and promotions expenses were $5.1 million higher the prior fiscal year, primarily due to increased access and utilization costs, television expenses, and material costs.

- Customer service expenses were $0.3 million higher, primarily due labor-related costs.

- Administrative and general expenses increased $0.9 million, primarily due to labor-related costs.

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- Depreciation and amortization expense was consistent with the prior fiscal year. KUB added $0.3 million in capital assets during fiscal year 2025. A partial year of depreciation was recorded on these capital assets, and a full year of depreciation expense was incurred on $0.5 million in fiber system assets placed in service during fiscal year 2024.

- Taxes remained consistent with fiscal year 2024.

Non-capital subsidies provided remain consistent with the prior year.

Interest income increased $0.1 million compared to the prior fiscal year.

Interest expense was $0.3 million higher than the prior fiscal year due to higher notes payable.

The Tennessee Emergency Broadband Fund selected KUB for a grant of $15.3 million to assist in the provision of broadband access to Grainger, Jefferson, Sevier, and Union Counties. As of June 30, 2025, KUB has received $10.6 million in reimbursements.

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

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Significant Capital Asset and Long-Term Financing Activity

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.

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.

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**
Total general plant	$ 5,139	$ 5,085	$ 4,892
Net plant assets in service	$ 5,139	$ 5,085	$ 4,892
Intangible right of use assets			
Office space	$ 725	$ 600	$ 943
Net intangible right of use assets	$ 725	$ 600	$ 943
Intangible subscription assets			
Intangible Subscription Assets	$ 2,357	$ 2,806	$ 3,262
Net intangible subscription assets	$ 2,357	$ 2,806	$ 3,262
Net intangible assets	$ 3,082	$ 3,406	$ 4,205
Work in progress	93	63	107
Net capital and intangible assets	$ 8,314	$ 8,554	$ 9,204

Fiscal Year 2026 Compared to Fiscal Year 2025

As of June 30, 2026, the Division had $8.3 million invested in a variety of capital and intangible assets, as reflected in the schedule of capital assets, which represents a net decrease (including additions, retirements, and depreciation) of $0.2 million compared to the end of last fiscal year.

Major capital asset expenditures during the year were as follows:

- $0.2 million for building improvements

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 $0.8 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 $0.7 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 $0.3 million and lowered lease liabilities by $0.4 million, resulting in the recognition of a small gain.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had $8.6 million invested in a variety of capital and intangible assets, as reflected in the schedule of capital assets, which represents a net decrease (including additions, retirements, and depreciation) of $0.7 million, or 7.1 percent, compared to the end of last fiscal year.

Major capital asset expenditures during the year were as follows:

- $0.1 million for fiber trucks and autos

During the fiscal year, KUB experienced a reduction in its intangible right of use assets and corresponding lease liabilities due to a reassessment of its facility requirements. Management formally determined that it is no longer reasonably certain to exercise a one-year renewal option previously factored into one of the lease terms for office space. 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 $0.3 million and lowered lease liabilities by $0.4 million, resulting in a leaner debt profile moving into the next fiscal year.

Debt Administration

The Division's outstanding debt was $37.4 million as of June 30, 2026. In support of KUB's Fiber Division, the Electric Division issued a series of loans to the Fiber Division. 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 Electric Division issued a $10 million loan in October 2021, a $7 million loan in August 2022, a $13 million loan in February 2023, and a $5 million loan in May 2024 to the Fiber Division, 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.

This investment supports construction of an advanced fiber infrastructure to improve electric system operations and to enable residential and commercial broadband services for KUB customers.

Outstanding Debt
As of June 30

(in thousands of dollars)	2026	2025	2024
Note Payable	$ 37,363	$ 39,563	$ 34,588
Total outstanding debt	$ 37,363	$ 39,563	$ 34,588

Fiscal Year 2026 Compared to Fiscal Year 2025

As of June 30, 2026, the Division had $37.4 million in outstanding debt (including the current portion of note payable), compared to $39.6 million as of June 30, 2025. During the course of the fiscal year, $2.2 million of principal payments were made on the outstanding debt. No additional notes were issued during the fiscal year.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had $39.6 million in outstanding debt (including the current portion of note payable), compared to $34.6 million as of June 30, 2024. During the course of the fiscal year, $2 million of principal payments were made on the outstanding debt.

In December 2024, the Division was issued an interdivisional loan of $7 million from the Electric Division at an interest rate of 4.19 percent.

Currently Known Facts, Decisions, or Conditions

KUB anticipates adding 11,340 additional fiber customers during fiscal year 2027.

Broadband services will be provided by a high-speed fiber optic network that will be owned and maintained by the Electric Division. The Fiber Division will share in the cost to build and operate the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division will also pay the Electric Division an annual utilization fee based on attachments to the network.

As a component of the Fiber Division's start-up financing plan, the Electric Division will provide $55 million of interdivisional loans. To date, $44 million has been issued to the Fiber Division. A $2 million loan is anticipated during fiscal year 2027.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2026.

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

	2026	2025
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 9,810,239	$ 10,856,874
Accounts receivable, less allowance of uncollectible accounts of $57,484 in 2026 and $26,641 in 2025	1,542,418	1,003,795
Current portion of lease receivable	43,494	22,727
Inventories	923,101	1,046,613
Prepaid expenses	94,752	96,436
Total current assets	12,414,004	13,026,445
Restricted assets:		
Student internet special fund	1,567,738	1,848,211
Other funds	46	46
Total restricted assets	1,567,784	1,848,257
Capital assets:		
Fiber plant in service	5,622,313	5,385,163
Less accumulated depreciation	(483,343)	(300,582)
Net capital assets	5,138,970	5,084,581
Intangible assets:		
Intangible right of use asset	846,644	1,859,859
Intangible subscription asset	4,290,889	4,287,604
Less accumulated amortization	(2,055,988)	(2,740,913)
Net intangible assets	3,081,545	3,406,550
Construction in progress	93,490	62,965
Net capital and intangible assets	8,314,005	8,554,096
Other assets:		
Net pension asset	350,060	-
Net OPEB asset	150,828	-
Long-term lease receivable	430,974	229,209
Other	2,862	4,871
Total other assets	934,724	234,080
Total assets	23,230,517	23,662,878
Deferred outflows of resources:		
Pension outflow	84,605	333,761
OPEB outflow	237,936	252,502
Total deferred outflows of resources	322,541	586,263
Total assets and deferred outflows of resources	$ 23,553,058	$ 24,249,141

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

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

	2026	2025
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of note payable	$ 2,200,000	$ 2,200,000
Current portion of accrued compensated absences	293,904	218,099
Current portion of lease liability	195,275	384,677
Current portion of subscription liability	545,316	467,133
Sales tax collections payable	103,902	61,786
Accounts payable	711,750	125,025
Unearned revenue	1,365,392	901,316
Accrued expenses	1,758,372	1,966,143
Accrued interest	125,966	133,337
Total current liabilities	7,299,877	6,457,516
Other liabilities:		
Accrued compensated absences	114,296	107,422
Lease liability	541,734	306,448
Subscription liability	2,512,969	3,053,433
Net pension liability	2,566	62,343
Net OPEB liability	-	182,704
Other	3,211	5,224
Total other liabilities	3,174,776	3,717,574
Long-term debt:		
Long-term note payable	35,162,500	37,362,500
Total long-term debt	35,162,500	37,362,500
Total liabilities	45,637,153	47,537,590
Deferred inflows of resources:		
Pension inflow	462,136	265,590
OPEB inflow	471,277	142,764
Lease inflow	440,404	235,451
Total deferred inflows of resources	1,373,817	643,805
Total liabilities and deferred inflows of resources	47,010,970	48,181,395
Net position:		
Net investment in capital assets	4,518,711	4,342,405
Restricted for:		
Other	46	46
Unrestricted	(27,976,669)	(28,274,705)
Total net position	(23,457,912)	(23,932,254)
Total liabilities, deferred inflows, and net position	$ 23,553,058	$ 24,249,141

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

Knoxville Utilities Board Fiber Division
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025 as restated
Operating revenues		
Charges for services	$ 29,749,056	$ 16,951,272
Other	435,826	182,971
Total operating revenues	30,184,882	17,134,243
Operating expenses		
Products and promotions	18,464,560	13,427,027
Customer service	1,969,449	1,818,746
Administrative and general	6,799,725	3,580,041
Depreciation and amortization	940,084	854,633
Taxes	332,552	232,325
Total operating expenses	28,506,370	19,912,772
Operating income (loss)	1,678,512	(2,778,529)
Non-capital subsidies		
Subsidies provided	(18,181)	(15,350)
Total non-capital subsidies	(18,181)	(15,350)
Operating income (loss) and non-capital subsidies	1,660,331	(2,793,879)
Other non-operating revenues (expenses)		
Interest income	468,805	563,579
Interest expense	(1,715,302)	(1,693,951)
Investment income (expense)	60,508	(173)
Total other non-operating revenues (expenses)	(1,185,989)	(1,130,545)
Increase (decrease) in net position	474,342	(3,924,424)
Net position, beginning of year	(23,932,254)	(20,007,830)
Net position, end of year	$ (23,457,912)	$ (23,932,254)

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

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

	2026	2025 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 29,679,784	$ 16,995,780
Cash receipts from other operations	776,051	170,187
Cash payments to suppliers of goods or services	(21,913,141)	(15,005,998)
Cash payments to employees for services	(4,640,153)	(3,450,295)
Net cash provided by (used in) operating activities	3,902,541	(1,290,326)
Cash flows from noncapital and related financing activities:		
Proceeds from notes payable to Electric Division	-	7,000,000
Principal payments on notes payable to Electric Division	(2,200,000)	(2,025,000)
Interest paid on notes payable to Electric Division	(1,559,507)	(1,498,461)
Non-capital subsidies provided	(18,181)	(15,350)
Net cash (used in) provided by noncapital and related financing activities	(3,777,688)	3,461,189
Cash flows from capital and related financing activities:		
Acquisition and construction of fiber plant	(214,089)	(307,578)
Principal paid on lease liabilities	(800,759)	(361,380)
Principal paid on subscription liabilities	(462,281)	(324,983)
Interest paid on lease and subscription liabilities	(163,166)	(177,707)
Net cash used in capital and related financing activities	(1,640,295)	(1,171,648)
Cash flows from investing activities:		
Interest received	468,805	563,579
Other property and investments	2	(2)
Net cash provided by investing activities	468,807	563,577
Net (decrease) increase in cash and cash equivalents	(1,046,635)	1,562,792
Cash and cash equivalents, beginning of year	10,856,874	9,294,082
Cash and cash equivalents, end of year	$ 9,810,239	$ 10,856,874
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating income (loss)	$ 1,678,512	$ (2,778,529)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation and amortization expense	1,024,890	958,102
Changes in operating assets and liabilities:		
Accounts receivable	(538,623)	(528,202)
Lease receivable	(222,532)	24,057
Inventories	123,512	426,259
Prepaid expenses	1,684	(21,277)
Other assets	(17,311)	(20,537)
Sales tax collections payable	42,116	42,310
Accounts payable, other accrued expenses, and deferrals	1,348,231	129,278
Unearned revenue	464,076	472,989
Other liabilities	(2,014)	5,224
Net cash provided by (used in) operating activities	$ 3,902,541	$ (1,290,326)
Noncash capital activities:		
Record intangible right of use asset and lease liability	$ 846,643	$ -

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

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Fiber Division (Division) will provide services to certain customers in Knox County and in seven surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Fiber Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2026, and 2025, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

Recently Adopted New Accounting Pronouncements

In 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. There is now a subtotal for operating income and non-capital subsidies, and change in net position is now referred to as increase (decrease) 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.

Fiber Plant

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

The provision for depreciation of fiber plant in service is based on the estimated useful lives of the assets, which range from three to forty years, and is computed using the straight-line method. Pursuant to FERC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment. Depreciation for transportation equipment of $84,806 in fiscal year 2026 and $103,468 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 the KUB Fiber Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unearned revenue. Revenues are reported net of bad debt expense of $97,057 in fiscal year 2026 and $49,774 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 net assets available, it is KUB's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

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

These classifications are defined as follows:

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

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

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

Inventories

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

OPEB Trust

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

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability (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 (Division's share $150,828) as of June 30, 2026, and the net OPEB liability is $5,315,804 (Division's share $182,704) 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 (Division's share $350,060) as of June 30, 2026, and the net pension liability is $3,054,172 (Division's share $61,706) 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 (Division's share $2,566) as of June 30, 2026, and $21,226 (Division's share $637) 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 $350,060 as of June 30, 2026 and the QEBA total pension liability is disclosed in the Statement of Net Position as Net pension liability of $2,566 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 $62,343 as of June 30, 2025. The Pension Plan deferred outflows and QEBA deferred outflows are disclosed as Pension outflow of $84,605 as of June 30, 2026 and $333,761 as of June 30, 2025. The Pension Plan deferred inflows and QEBA deferred inflows are disclosed as Pension inflow of $462,136 as of June 30, 2026 and $265,590 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 are not limited to, inventory valuation, allowance for uncollectible accounts, depreciable lives of plant assets, lease liabilities, subscription liabilities, 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 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.

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.

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.

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.

Classification of deposits and investments per Statement of Net Position:

	2026	2025
Current assets		
Cash and cash equivalents	$ 9,810,239	$ 10,856,874
Restricted assets		
Student internet special fund	1,567,738	1,848,211
Other funds	46	46
	$ 11,378,023	$ 12,705,131

The above amounts do not include accrued interest in fiscal year 2026 or 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	$ 10,065,098	$ 10,065,098	$ -
	$ 10,065,098	$ 10,065,098	$ -

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Division has no recurring fair value measurements as of June 30, 2026.

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

4. Accounts Receivable

Accounts receivable consists of the following:

	2026	2025
Wholesale and retail customers		
Billed services	$ 1,599,902	$ 1,030,436
Allowance for uncollectible accounts	(57,484)	(26,641)
	$ 1,542,418	$ 1,003,795

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2026	2025
Trade accounts	$ 711,750	$ 125,023
Current portion of accrued compensated absences	293,904	218,099
Salaries and wages	79,728	57,348
Self-insurance liabilities	148,791	79,150
Other current liabilities	1,529,853	1,829,645
	$ 2,764,026	$ 2,309,265

6. Long-Term Obligations

Long-term debt consists of the following:

	Balance June 30, 2025	Additions	Payments	Balance June 30, 2026
Notes payable	$ 39,562,500	$ -	$ (2,200,000)	$ 37,362,500
Less current portion	(2,200,000)			(2,200,000)
Long-term portion	$ 37,362,500			$ 35,162,500

	Balance June 30, 2024	Additions	Payments	Balance June 30, 2025
Notes payable	$ 34,587,500	$ 7,000,000	$ (2,025,000)	$ 39,562,500
Less current portion	(1,850,000)			(2,200,000)
Long-term portion	$ 32,737,500			$ 37,362,500

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Fiscal Year	Total Principal	Interest	Grand Total
2027	$ 2,200,000	$ 1,471,052	$ 3,671,052
2028	7,788,518	1,382,597	9,171,115
2029	14,540,714	1,078,759	15,619,473
2030	7,163,851	499,525	7,663,376
2031	2,115,000	211,814	2,326,814
2032	3,554,417	119,305	3,673,722
Total	$ 37,362,500	$ 4,763,052	$ 42,125,552

In support of KUB's Fiber Division, the Electric Division issued a series of loans to the Fiber Division. The Electric Division issued a $10 million loan in October 2021, a $7 million loan in August 2022, a $13 million loan in February 2023, and a $5 million loan in May 2024 to the Fiber Division, 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. The loans support startup costs of the Fiber Division as KUB's advanced fiber infrastructure is being constructed to allow customers to receive broadband services.

Other liabilities consist of the following:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Other	$ 5,224	$ -	$ (2,013)	$ 3,211
	$ 5,224	$ -	$ (2,013)	$ 3,211

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Other	$ -	$ 5,810	$ (586)	$ 5,224
	$ -	$ 5,810	$ (586)	$ 5,224

7. Lease Receivables

KUB, as lessor, leases office space 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 $48,312 in 2026 and $28,609 in 2025. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $16,098 in 2026 and $9,096 in 2025. Total lease receivables were $474,468 ($43,494 current) and $251,936 ($22,727 current) as of June 30, 2026, and 2025, respectively, and are included in other assets on the Statement of Net Position.

8. Lease Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Total lease liabilities	$ 691,125	$ 846,643	$ (800,759)	$ 737,009
Less current portion	(384,677)			(195,275)
Long-term portion	306,448			$ 541,734

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total lease liabilities	$ 1,052,505	$ -	$ (361,380)	$ 691,125
Less current portion	(360,351)			(384,677)
Long-term portion	692,154			$ 306,448

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

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2026, are summarized as follows:

	Lease Maturities	Interest Requirements
2027	$ 195,275	$ 25,117
2028	207,275	17,525
2029	220,012	9,283
2030	114,447	1,336
	$ 737,009	$ 53,261

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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	$ 3,520,566	$ -	$ (462,281)	$ 3,058,285
Less current portion	(467,133)			(545,316)
Long-term portion	$ 3,053,433			$ 2,512,969

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total SBITA liabilities	$ 3,845,549	$ -	$ (324,983)	$ 3,520,566
Less current portion	(325,072)			(467,133)
Long-term portion	$ 3,520,477			$ 3,053,433

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 ten 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	$ 545,316	$ 109,320
2028	566,912	87,723
2029	589,363	65,272
2030	612,704	41,931
2031-2032	743,990	18,215
	$ 3,058,285	$ 322,461

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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
Total general plant	$ 5,385,163	$ 237,150	$ -	$ 5,622,313
Total fiber plant in service	$ 5,385,163	$ 237,150	$ -	$ 5,622,313
Less accumulated depreciation	(300,582)	(189,684)	6,923	(483,343)
Net plant assets in service	$ 5,084,581	$ 47,466	$ 6,923	$ 5,138,970
Intangible right of use assets				
Office space	$ 1,857,218	$ 845,973	$ (1,857,218)	$ 845,973
Equipment	2,641	671	(2,641)	671
Other	-	-	-	-
Total intangible right of use assets	$ 1,859,859	$ 846,644	$ (1,859,859)	$ 846,644
Less accumulated amortization	(1,259,773)	(464,499)	1,602,747	(121,525)
Net intangible right of use assets	$ 600,086	$ 382,145	$ (257,112)	$ 725,119
Intangible subscription assets				
Intangible subscription assets	$ 4,287,604	$ 7,925	$ (4,640)	$ 4,290,889
Less accumulated amortization	(1,481,140)	(457,963)	4,640	(1,934,463)
Net intangible subscription assets	2,806,464	(450,038)	-	2,356,426
Net intangible assets	$ 3,406,550	$ (67,893)	$ (257,112)	$ 3,081,545
Work in progress	62,965	248,602	(218,077)	93,490
Net capital and intangible assets	$ 8,554,096	$ 228,175	$ (468,266)	$ 8,314,005

	Beginning June 30, 2024	Increase	Decrease	Ending June 30, 2025
Total general plant	$ 5,033,917	$ 351,246	$ -	$ 5,385,163
Total fiber plant in service	$ 5,033,917	$ 351,246	$ -	$ 5,385,163
Less accumulated depreciation	(142,109)	(158,473)	-	(300,582)
Net plant assets in service	$ 4,891,808	$ 192,773	$ -	$ 5,084,581
Intangible right of use assets				
Office space	$ 1,857,218	$ -	$ -	$ 1,857,218
Equipment	1,760	-	881	2,641
Other	-	-	-	-
Total intangible right of use assets	$ 1,858,978	$ -	$ 881	$ 1,859,859
Less accumulated amortization	(915,540)	(344,233)	-	(1,259,773)
Net intangible right of use assets	$ 943,438	$ (344,233)	$ 881	$ 600,086
Intangible subscription assets				
Intangible subscription assets	$ 4,290,863	$ -	$ (3,259)	$ 4,287,604
Less accumulated amortization	(1,028,880)	(455,519)	3,259	(1,481,140)
Net intangible subscription assets	3,261,983	(455,519)	-	2,806,464
Net intangible assets	$ 4,205,421	$ (799,752)	$ 881	$ 3,406,550
Work in progress	106,805	57,382	(101,222)	62,965
Net capital and intangible assets	$ 9,204,034	$ (549,597)	$ (100,341)	$ 8,554,096

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 $408,200 and $325,521, respectively, resulting from the following changes:

	2026	2025
Balance, beginning of year	$ 325,521	$ 241,723
Net increase (decrease)	82,679	83,798
Balance, end of year	$ 408,200	$ 325,521
Due Within One Year	$ 293,904	$ 218,099

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. As of June 30, 2026, and June 30, 2025, the amount of these liabilities was $148,791 and $79,150, respectively, resulting from the following changes:

	2026	2025
Balance, beginning of year	$ 79,150	$ 50,902
Current year claims and changes in estimates	975,876	512,689
Claims payments	(906,235)	(484,441)
Balance, end of year	$ 148,791	$ 79,150

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. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

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

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

	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 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. Of these amounts, $65,931 and $44,656 are attributable to the Fiber Division. 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. The net pension asset is $14,831,176 (Division's share $350,060) as of June 30, 2026. The net pension liability is $3,054,172 (Division's share $61,706) as of June 30, 2025.

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%

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)

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 and the Fiber Division's share was $242,067.

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 (Division's share $5,248). 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 (Division's share $30,812).

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 (Division's share $11,214).

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 (Division's share $297,837).

The impact of the change in proportionate share for the Fiber Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is three years. This change resulted in a deferred inflow of $39,173, with $13,058 of that recognized in the current year and the remaining amount recognized over the next two years, resulting in a deferred inflow of resources of $26,115. Net proportionate share of deferred inflow changes from the prior period were $265,590, of which $132,795 was recognized in the current year, resulting in a deferred inflow of resources of $132,795. Net proportionate share of deferred outflow changes from the prior period were $16,457, of which $8,229 was recognized in the current year, resulting in a deferred outflow of resources of $8,228. In addition, KUB's Fiber Division recorded a deferred outflow of resources of $32,965 for employer contributions made between December 31, 2025 and June 30, 2026.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 30,812	$ 5,248
Changes in assumptions	11,214	-
Net difference between projected and actual earnings on pension plan investments	-	297,837
Change in proportionate share	8,228	158,910
Contributions subsequent to measurement date	32,965	-
Total	$ 83,219	$ 461,995

$32,965 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	$ 68,837
2028	(251,354)
2029	(140,792)
2030	(88,432)
2031	-
Thereafter	-

For the year ended June 30, 2025, KUB recognized pension expense of $10,401,958 and the Fiber Division's share was $85,595.

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 (Division's share $54,172).

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 (Division's share $45,811).

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 (Division's share $194,569).

The impact of the change in proportionate share for the Fiber Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is three years. This change resulted in a deferred outflow of $24,686, with $8,229 of that recognized in the current year and the remaining amount recognized over the next two years, resulting in a deferred outflow of resources of $16,457. Net proportionate share changes from the prior period were $398,385, of which $132,795 was recognized in the current year, resulting in a deferred inflow of resources of $265,590. In addition, KUB's Fiber Division recorded a deferred outflow of resources of $22,328 for employer contributions made between December 31, 2024 and June 30, 2025.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 54,172	$ -
Changes in assumptions	45,811	-
Net difference between projected and actual earnings on pension plan investments	194,569	-
Change in proportionate share	16,457	265,590
Contributions subsequent to measurement date	22,328	-
Total	$ 333,337	$ 265,590

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 (Division's share $2,566) as of June 30, 2026, and $21,226 (Division's share $637) 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 (Division's share $1,342) 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 (Division's share $1,386).

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 (Division's share $141).

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
Division's share	$ 1,386	$ 141

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 (Division's share $212) 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 (Division's share $424) 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	$ -
Division's share	$ 424	$ -

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 (Division's share $242,917) and $4,799,996 (Division's share $144,000), 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.

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. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

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

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

	HRA		Retiree Medical Benefit	
	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 for the Fiber Division of $47,685 and $43,993 were made to the OPEB Trust in fiscal years ended June 30, 2026 and June 30, 2025. 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. The Division's share of the total net OPEB asset was $150,828 as of June 30, 2026. The Division's share of the total net OPEB liability was $182,704 as of June 30, 2025.

The components of the 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 (asset)	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 Trend	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's Fiber Division recognized OPEB expense of $57,232.

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 (Division's share $60,514). 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 (Division's share $15,123).

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 (Division's share $98,528). 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 (Division's share $42,440).

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 (Division's share $312,235).

The impact of the change in proportionate share for the Fiber Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred outflow of $36,222, with $5,175 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred outflow of resources of $31,047. Net proportionate share of deferred outflow changes from prior periods were $186,128, with $36,802 of that recognized in the current year resulting in a deferred outflow of resources of $149,326. The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Fiber Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,123	$ 60,514
Changes in assumptions	42,440	98,528
Net difference between projected and actual earnings on OPEB plan investments	-	312,235
Change in proportionate share	180,373	-
Total	$ 237,936	$ 471,277

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

Year ending June 30:	
2027	$ (69,857)
2028	(61,965)
2029	(43,634)
2030	(38,458)
2031	(12,728)
Thereafter	(6,699)

For the year ended June 30, 2025, KUB's Fiber Division recognized OPEB expense of $55,106.

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 (Division's share $4,551). 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 (Division's share $16,728).

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 (Division's share $89,966). 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 (Division's share $49,646).

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 (Division's share $48,247).

The impact of the change in proportionate share for the Fiber Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred outflow of $14,815, with $2,116 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred outflow of resources of $12,699. Net proportionate share changes from prior periods were $208,115, with $34,686 of that recognized in the current year resulting in a deferred outflow of resources of $173,429. The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Fiber Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,728	$ 4,551
Changes in assumptions	49,646	89,966
Net difference between projected and actual earnings on OPEB plan investments	-	48,247
Change in proportionate share	186,128	-
Total	$ 252,502	$ 142,764

17. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with the City of Knoxville and with other divisions of KUB. Such transactions for the years ended June 30, 2026, and 2025, are summarized as follows:

	2026	2025
City of Knoxville		
Payments by the Division in lieu of property tax	$ 10,565	$ 8,920
Payments by the Division for services provided	32,216	19,693
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	157,423	129,575
Interdivisional rental expense	81,035	55,167
Amounts billed to the Division by other divisions for utilities services provided	42,614	40,437
Interdivisional interest expense	1,552,136	1,516,244
Interdivisional access and utilization expense	10,386,365	6,634,534

Broadband services are provided by a high-speed fiber optic network that is owned and maintained by the Electric Division. The Fiber Division shares in the cost to build and operate the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division also pays the Electric Division an annual utilization fee based on attachments to the network.

In October 2021, the Division was issued an interdivisional loan of $10 million from the Electric Division at an interest rate of 3.89 percent. In August 2022, the Division was issued an interdivisional

loan of $7 million from the Electric Division at an interest rate of 3.93 percent. In February 2023, the Division was issued an interdivisional loan of $13 million from the Electric Division at an interest rate of 4.02 percent. In May 2024, the Division was issued an interdivisional loan of $7 million from the Electric Division at an interest rate of 4.13 percent. In December 2024, the Division was issued an interdivisional loan of $7 million from the Electric Division at an interest rate of 4.19 percent. The Division paid interest expense of $1,552,136 for the year ended June 30, 2026, and $1,516,244 for the year ended June 30, 2025.

18. Other Commitments and Contingencies

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

Knoxville Utilities Board Fiber Division
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%)

Knoxville Utilities Board Fiber Division
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 Fiber Division
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.

Knoxville Utilities Board Fiber Division
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.

Knoxville Utilities Board Fiber Division
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.

Knoxville Utilities Board Fiber Division
Supplemental Information – Schedule of Debt Maturities by Fiscal Year
June 30, 2026

FY	Electric Division Loan 1		Electric Division Loan 2		Electric Division Loan 3		Electric Division Loan 4A		Electric Division Loan 4B		Electric Division Loan 5		Totals		Grand Total (P + I)
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
26-27	$ 500,000	$ 308,769	$ 350,000	$ 217,214	$ 650,000	$ 425,701	$ 250,000	$ 181,118	$ 100,000	$ 72,447	$ 350,000	$ 265,803	$ 2,200,000	$ 1,471,052	$ 3,671,052
27-28	2,381,375	289,319	1,647,500	203,459	3,059,643	399,571	250,000	170,793	100,000	68,317	350,000	251,138	7,788,518	1,382,597	9,171,115
28-29	4,342,500	202,782	3,000,000	142,962	5,571,428	284,646	1,176,786	147,709	100,000	64,187	350,000	236,473	14,540,714	1,078,759	15,619,473
29-30	901,125	40,216	660,834	29,493	1,552,262	69,089	2,802,380	85,808	400,000	60,057	847,250	214,862	7,163,851	499,525	7,663,376
30-31	-	-	-	-	-	-	-	-	400,000	44,569	1,715,000	167,245	2,115,000	211,814	2,326,814
31-32	-	-	-	-	-	-	-	-	691,667	23,920	2,862,750	95,385	3,554,417	119,305	3,673,722
Total	$ 8,125,000	$ 841,086	$ 5,658,334	$ 593,128	$ 10,833,333	$ 1,179,007	$ 4,479,166	$ 585,428	$ 1,791,667	$ 333,497	$ 6,475,000	$ 1,230,906	$ 37,362,500	$ 4,763,052	$ 42,125,552

See accompanying Independent Auditor's Report

Knoxville Utilities Board Fiber Division
Supplemental Information – Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2026

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2025	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2026
Business-Type Activities									
LOAN PAYABLE									
Electric Division Loan 1	$ 10,000,000	3.89	10/01/21	06/01/30	$ 8,625,000	$ -	$ 500,000	$ -	$ 8,125,000
Electric Division Loan 2	7,000,000	3.93	08/01/22	06/01/30	6,008,334	-	350,000	-	5,658,334
Electric Division Loan 3	13,000,000	4.02	02/01/23	06/01/30	11,483,333	-	650,000	-	10,833,333
Electric Division Loan 4A	5,000,000	4.13	05/01/24	06/01/30	4,729,166	-	250,000	-	4,479,166
Electric Division Loan 4B	2,000,000	4.13	05/01/24	06/01/32	1,891,667	-	100,000	-	1,791,667
Electric Division Loan 5	7,000,000	4.19	12/01/24	06/01/32	6,825,000	-	350,000	-	6,475,000
					$ 39,562,500	$ -	$ 2,200,000	$ -	$ 37,362,500

See accompanying Independent Auditor's Report

Knoxville Utilities Board Fiber Division
Supplemental Information – Schedule of Changes in Lease Liabilities
June 30, 2026

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2025	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2026
Lease Liabilities									
Payable through Fiber Fund									
Playcore KDC, LLC	$ 845,972	3.99%	12/1/2025	12/1/2029	$ -	$ 845,972	$ (108,963)	$ -	$ 737,009
R&S Logistics (Sublease)	1,835,035	3.88%	7/1/2020	3/31/2026	691,082	-	(286,595)	(404,487)	-
Ricoh Americas	746	3.88%	7/1/2020	7/31/2025	43	-	(66)	23	-
RJ Young Company	671	3.88%	7/1/2025	6/30/2026	-	671	(671)	-	-
Total Lease Liabilities					$ 691,125	$ 846,643	$ (396,295)	$ (404,464)	$ 737,009

See accompanying Independent Auditor's Report

Knoxville Utilities Board Fiber Division
Statistical Information – Schedule of Insurance in Force
June 30, 2026
(Unaudited)

Insurance coverage is for KUB as a consolidated entity.

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

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

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

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

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

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

Knoxville Utilities Board Fiber Division
Statistical Information – Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class	Product	Base Charge	Number of Customers
Residential	The Gig (1 Gigabit symmetrical internet service)	$65.00	31,753
	The Gig 2.5 (2.5 Gigabit symmetrical internet service)	$150.00	691
	The Gig 10 (10 Gigabit symmetrical internet service)	$300.00	5
	Smart Gig Managed WiFi Service	$15.00	16,112
	Residential Phone Unlimited (unlimited long distance continental US)	$35.00	946
	Bronze TV (~38 Channels with 6 concurrent streams)	$53.00	294
	Silver TV (~108 Channels with 6 concurrent streams)	$137.00	648
	Gold TV (~211 Channels with 6 concurrent streams)	$147.00	423
	Spanish Language TV (~13 Channels)	$5.00	2
	HBO (~14 Channels)	$19.00	49
	Starz (~29 Channels)	$10.00	33
	Showtime (~20 Channels)	$10.00	29
	Cinemax (~12 Channels)	$12.00	12
	Additional 4 Concurrent Video Streams	$5.00	2
	Static IP Address	$10.00	122
Non-Residential	Business Connect (500 Megabit symmetrical internet service)	$85.00	1,178
	The Gig at Work (1 Gigabit symmetrical internet service)	$150.00	530
	The Gig 2.5 at Work (2.5 Gigabit symmetrical internet service)	$225.00	53
	Custom Connect Pro	*	43
	Point to Point	*	65
	Utility Point to Point	*	1
	Business Phone Unlimited – First Line	$40.00	519
	Business Phone Unlimited – Second Line	$35.00	316
	Hosted Business Phone	*	65
	Smart Gig at Work Router Service	$20.00	541
	Smart Gig for Work Plus	*	40
	Commercial Static IP Address	$5.00	603
	Toll-Free Line	$20.00	10

*Custom Pricing

See accompanying Independent Auditor's Report

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
Fiber Division of the 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 of the Fiber Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated October 15, 2026, which references, that the financial statements, are only that portion of Knoxville Utilities Board that resulted from the transactions of the Fiber Division.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 the Division's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 15, 2026



Gas Division

Financial Statements and Supplemental Information
June 30, 2026 and 2025

KUB Board of Commissioners

Cynthia Gibson, Chair
Kathy Hamilton, Vice Chair
Claudia Caballero
Ron Feinbaum
Phyllis Nichols
Pete Pearson
Dr. Craig Pickett, Jr.

Management

Gabriel Bolas II
President and Chief Executive Officer

Mark Walker
Senior Vice President and Chief Financial Officer

Kurt Stafford
Vice President Engineering and Operations

John Williams
Senior Vice President and Chief Infrastructure and Compliance Officer

Jamie Davis
Senior Vice President Fiber and Chief Technology Officer

Tiffany Martin
Senior Vice President and Chief Customer and Talent Officer

Erin Gill
Vice President Communications and External Relations

Knoxville Utilities Board Gas Division
Index
June 30, 2026 and 2025

Page(s)

Independent Auditor's Report 1-5

Management's Discussion and Analysis 6-20

Basic Financial Statements

Statements of Net Position 21-22

Statements of Revenues, Expenses and Changes in Net Position 23

Statements of Cash Flows 24

Notes to Financial Statements 25-61

Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios 62

Schedule of Employer Pension Contributions 63

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios 64

Schedule of Employer OPEB Contributions 65

Qualified Governmental Excess Benefit Arrangement 66

Supplemental Information

Schedule of Debt Maturities by Fiscal Year 67

Schedule of Changes in Long-term Debt by Individual Issue 68

Schedule of Changes in Lease Liabilities 69

Statistical Information

Schedule of Insurance in Force 70

Schedule of Current Rates in Force 71-74

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* 75-76

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Gas Division of the Knoxville Utilities Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Gas Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Division'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 of the Division 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 the Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the Division's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 the Division's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-20, 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 62-66 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 the Division's basic financial statements. The schedule of debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and the schedule of changes in lease liability 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 debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and schedule of changes in lease liabilities 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

As discussed in Note 1, the financial statements present only the Gas Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2026 and 2025, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter – GASB 103

As discussed in Note 2 to the financial statements, during the year ended June 30, 2026, the Gas Division 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 the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division'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 the Division's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 15, 2026

Knoxville Utilities Board (KUB), comprised of Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions. The Gas Division (Division) provides services to certain customers in Knox County and portions of Anderson and Loudon counties. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Gas Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2026, and 2025, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis

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

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2026, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 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 Gas Division - Financial Statements

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

Statement of Net Position

The Division reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, 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 represents what was previously reported as accumulated or retained earnings. Net position tells the user what the Division has done with its accumulated earnings, not just the balance.

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

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

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

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

The Division reports its revenues and expenses (both operating and non-operating) on the Statement of Revenues, Expenses and Changes in Net Position. In addition, any contributions in aid of construction (funds received via grants, developers, etc. to fund capital projects) and associated write-downs of plant assets are reported on this statement.

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

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

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

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

- Operating revenue is largely determined by volume of natural gas sales for the fiscal year. Any change (increase/decrease) in retail gas rates would also be a cause of change in operating revenue. The Division utilizes a Purchased Gas Adjustment (PGA) mechanism in setting its monthly retail gas rates. Through the PGA, the Division adjusts its retail rates each month based on current wholesale gas

prices. If wholesale gas prices increase/decrease, the Division increases/decreases its retail gas rates accordingly.

- Volumes of gas purchased from the Division's wholesale gas suppliers for resale to customers impact purchased gas expense. The Division purchases gas for resale to its customers from a variety of wholesale suppliers. Changes (increase/decrease) in wholesale gas prices would also result in a change in purchased gas expense.

- Operating expenses (distribution, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor costs (staffing, wage rates), active employee and retiree medical costs, and gas distribution system maintenance.

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

- Taxes are impacted by labor costs (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 margin (operating revenue less purchased gas expense) levels.

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

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

- 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

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

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

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

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Financial Summary

Statement of Net Position

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

Statements of Net Position
As of June 30

(in thousands of dollars)	2026	2025	2024
Current, restricted, and other assets	$ 85,286	$ 70,276	$ 59,867
Capital and intangible assets, net	360,731	353,774	348,542
Total assets	446,017	424,050	408,409
Deferred outflows of resources	867	3,099	5,506
Total assets and deferred outflows of resources	446,884	427,149	413,915
Current and other liabilities	27,581	25,743	25,962
Long-term debt outstanding	56,802	64,354	71,872
Total liabilities	84,383	90,097	97,834
Deferred inflows of resources	5,348	2,160	2,086
Total liabilities and deferred inflows of resources	89,731	92,257	99,920
Net position			
Net investment in capital assets	296,246	281,381	268,290
Restricted	2,503	2,199	2,207
Unrestricted	58,404	51,312	43,498
Total net position	$ 357,153	$ 334,892	$ 313,995

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Statement of Revenues, Expenses and Changes in Net Position

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

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

(in thousands of dollars)	2026	2025 as restated	2024 as restated
Operating revenues			
Charges for services	$ 151,874	$ 127,141	$ 112,422
Other	3,013	2,512	2,437
Total operating revenues	154,887	129,653	114,859
Less: Purchased gas expense	80,115	58,545	49,712
Margin from sales	74,772	71,108	65,147
Operating expenses			
Distribution	14,266	12,741	11,696
Customer service	1,503	1,383	1,328
Administrative and general	12,644	12,302	11,834
Depreciation and amortization	17,555	17,013	16,316
Taxes	1,030	948	913
Total operating expenses	46,998	44,387	42,087
Operating income	27,774	26,721	23,060
Non-capital subsidies			
Subsidies received	-	-	7
Subsidies provided	(6,194)	(6,044)	(7,259)
Total non-capital subsidies	(6,194)	(6,044)	(7,252)
Operating income and non-capital subsidies	21,580	20,677	15,808
Other non-operating revenues (expenses)			
Interest income	2,028	1,997	2,077
Interest expense	(2,438)	(2,762)	(3,095)
Capital contributions	263	56	25
Other income/(expense)	828	929	1,192
Total other non-operating revenues (expenses)	681	220	199
Increase in net position	$ 22,261	$ 20,897	$ 16,007

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Detailed Analyses

Fiscal Year 2026 Compared to Fiscal Year 2025

Net position increased $22.3 million in fiscal year 2026. Net investment in capital assets increased $14.9 million, primarily due to an increase in net capital and intangible assets of $7 million and a decrease in the current and long-term portions of revenue bonds of $6.6 million. Restricted net position increased $0.3 million due to an increase in funds restricted for pensions. Unrestricted net position increased $7.1 million, largely due to a $9.2 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) offset by a $2.7 million increase in accounts payable.

Current, restricted, and other assets increased $15 million, or 21.4 percent, primarily due to a $9.2 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments), a $2.2 million increase in net pension asset, a $2.1 million increase in natural gas inventories, a $0.6 million increase in under recovered purchased gas costs, a $0.6 million increase in net OPEB asset, and a $0.5 million increase in accounts receivable.

KUB under recovered $3.4 million in wholesale gas costs from its customers in fiscal year 2026, as compared to an under recovery of $2.8 million 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 $7 million, or 2 percent, reflecting capital investment associated with the replacement of key gas system assets and other major system projects. Capital assets are discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred outflows of resources decreased $2.2 million compared to the prior fiscal year due to a $2.2 million decrease in pension outflow.

Current and other liabilities increased $1.8 million compared to the prior fiscal year, the result of a $2.7 million increase in accounts payable and a $0.6 million increase in customer deposits offset by a $0.8 million decrease in the actuarially determined net OPEB liability and a $0.5 million decrease in the actuarially determined net pension liability.

Long-term debt was $7.6 million lower than the prior year. The decrease is due to the impact of the scheduled repayment of debt. Long-term financing activity is discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred inflows of resources increased $3.2 million compared to the prior fiscal year due to a $1.9 million increase in pension inflow, a $1.1 million increase in OPEB inflow, and a $0.2 million increase in lease inflow.

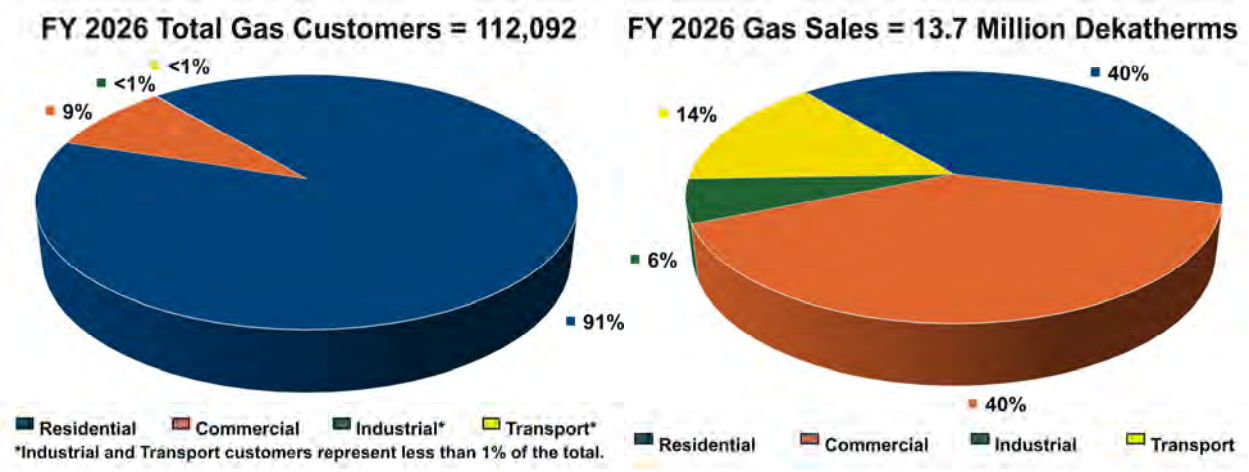
Operating revenue increased $25.2 million, or 19.5 percent, for the fiscal year ended June 30, 2026. This was the net effect of a 3.8 percent decrease in billed natural gas volumes and additional revenue from a three percent rate increase effective in October 2025, along with higher natural gas commodity and transportation charges.

Margin on gas sales (operating revenue less purchased gas expense) increased $3.7 million, or 5.2 percent. Additional revenue was offset by higher purchased gas expense.

Purchased gas expense increased $21.6 million, or 36.8 percent. This increase was driven by higher natural gas market 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.

Total purchased volumes delivered to KUB's gas distribution system increased 3.4 percent while deliveries from storage decreased 16 percent this fiscal year. Total volumes delivered to KUB's gas distribution system for fiscal year 2026 decreased less than one percent compared to the prior year. The Division's weighted average cost of gas purchased for fiscal year 2026 was $3.71 per dekatherm, as compared to $3.12 per dekatherm the prior fiscal year.



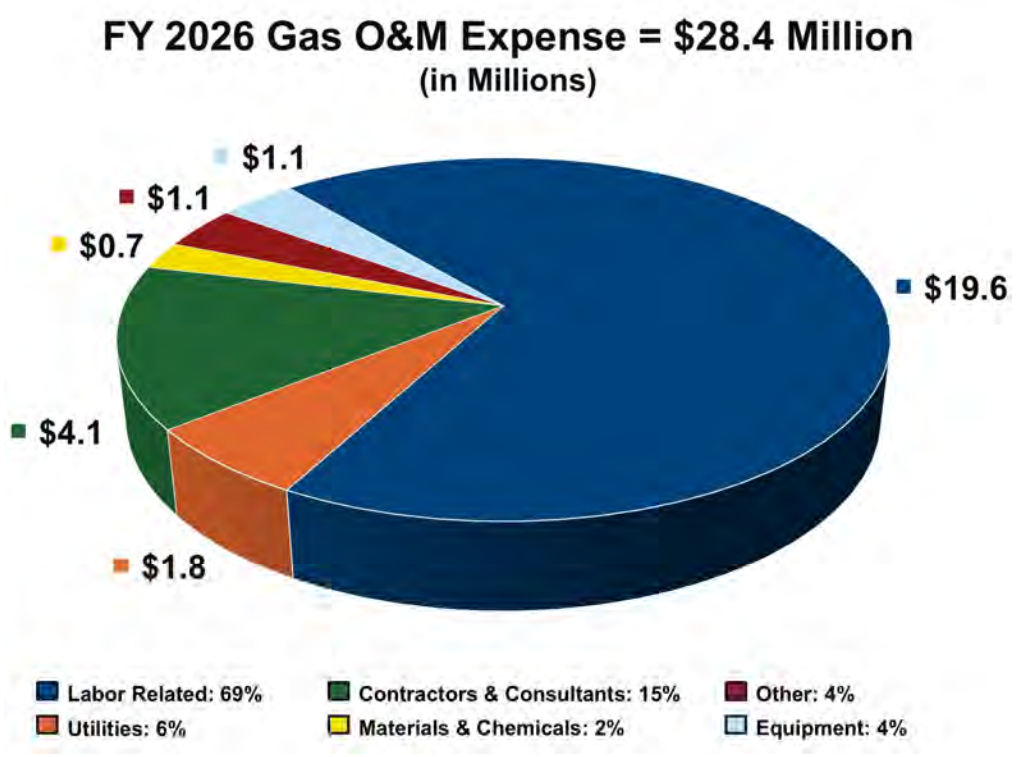
Residential customers, whose natural gas is primarily used as a heating source during winter months, accounted for 91 percent of customers billed and 40 percent of total volumes sold during the year. Residential sales volumes decreased 2.7 percent, commercial sales volumes decreased 1.5 percent, industrial sales volumes decreased 28.4 percent, and transport sales volumes increased 0.6 percent. KUB's ten largest gas customers accounted for 24 percent of billed gas volumes. These customers include five commercial and five industrial customers, including three governmental customers. KUB has added 3,394 gas customers over the past three years, representing annual growth of one percent. Natural Gas system growth has increased due to increased new housing construction and KUB reaching new customers through its gas growth programs. KUB has 12 transport customers who purchase gas directly from a supplier other than KUB. KUB provides transportation service on its gas distribution system to those customers.

Operating expenses (excluding purchased gas expense) increased $2.6 million, or 5.9 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 distribution, customer service, and administrative and general.

- Distribution system O&M expenses were $1.5 million, or 12 percent, higher than the prior fiscal year, primarily due to increased labor-related expenses as well as expenses for contractors and outside consultants.

- Customer service expenses were $0.1 million higher, primarily due to increased labor-related expenses.

- Administrative and general expenses increased $0.3 million, primarily due to labor-related costs.



- Depreciation and amortization expense increased $0.5 million. KUB added $32.5 million in assets during fiscal year 2026. A partial year of depreciation was recorded on these capital improvements, and a full year of depreciation expense was incurred on $19.5 million in gas system assets placed in service during fiscal year 2025. In addition, $3.9 million of assets were retired during the fiscal year.

- Taxes were $0.1 million higher than the prior fiscal year due to an increase in payroll taxes.

Non-capital subsidies provided were $0.2 million higher than the prior fiscal year due to an increase in tax equivalents paid.

Interest income was consistent with the prior year.

Interest expense decreased $0.3 million compared with the prior year, reflecting a lower amount of outstanding bonds.

Capital contributions increased $0.2 million compared to the prior year. Developer contributions of $0.3 million were recorded this fiscal year.

Other income (net) was $0.1 million lower than the prior fiscal year, due to mark-to-market adjustments on investments.

Fiscal Year 2025 Compared to Fiscal Year 2024

Net position increased $20.9 million in fiscal year 2025. Net investment in capital assets increased $13.1 million, primarily due to an increase in net capital and intangible assets of $5.2 million and a decrease in the current and long-term portions of revenue bonds of $6.6 million. Restricted net position was consistent with the prior fiscal year. Unrestricted net position increased $7.8 million, primarily due to a $7.2 million

increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments).

Current, restricted, and other assets increased $10.4 million, or 17.4 percent, primarily due to a $7.2 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments), a $1.7 million increase in under recovered purchased gas costs, and $1.4 million increase in accounts receivable.

KUB under recovered $2.8 million in wholesale gas costs from its customers in fiscal year 2025, as compared to an under recovery of $1.1 million 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 $5.2 million, or 1.5 percent, reflecting capital investment associated with the replacement of key gas system assets and other major system projects. Capital assets are discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred outflows of resources decreased $2.4 million compared to the prior fiscal year. The decrease is attributable to a $2.2 million decrease in pension outflow and a $0.2 million decrease in OPEB outflow.

Current and other liabilities decreased $0.2 million compared to the prior fiscal year, the result of a $0.9 million increase in accounts payable offset by a $0.7 million decrease in the actuarially determined net pension liability and a $0.7 million decrease in the actuarially determined net OPEB liability.

Long-term debt was $7.5 million lower than the prior year. The decrease is due to the impact of the scheduled repayment of debt. Long-term financing activity is discussed in greater detail under the significant capital asset and long-term financing activity section below.

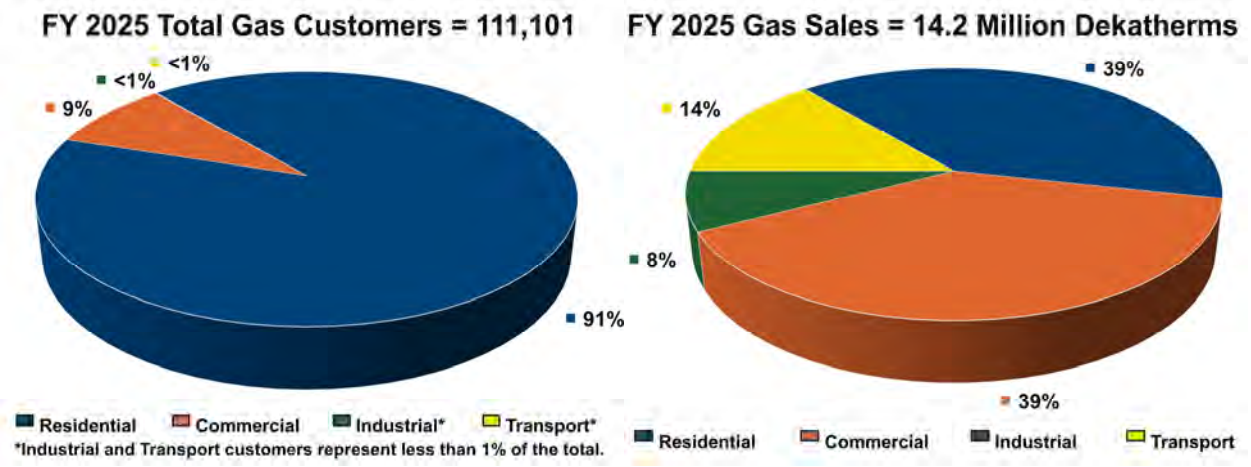
Deferred inflows of resources increased $0.1 million compared to the prior fiscal year due to a $0.4 million increase in OPEB inflow offset by a $0.2 million decrease in lease inflow and a $0.1 million decrease in pension inflow.

Operating revenue increased $14.8 million, or 12.9 percent, for the fiscal year ended June 30, 2025. This was driven by a 6 percent increase in billed volumes and additional revenue from the October 2024 rate increase. Although the gas system service territory experienced a warmer than normal winter, Heating Degree Days increased 4.7 percent compared to the prior fiscal year.

Margin on gas sales (operating revenue less purchased gas expense) increased $6 million, or 9.2 percent, due to higher sales volumes.

Purchased gas expense increased $8.8 million, or 17.8 percent, due to increased storage withdrawals, higher natural gas prices, and higher customer demand. Total purchased volumes delivered to KUB's gas distribution system increased less than one percent while storage volumes increased 20.1 percent. Total volumes delivered to KUB's gas distribution system for fiscal year 2025 increased 4.1 percent compared to the prior year. The Division's weighted average cost of gas purchased for fiscal year 2025 was $3.12 per dekatherm, as compared to $2.51 per dekatherm the prior fiscal year.

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Residential customers, whose natural gas is primarily used as a heating source during winter months, accounted for 91 percent of customers billed and 39 percent of total volumes sold during the year. Residential sales volumes increased 7.2 percent, commercial sales volumes increased 2.9 percent, industrial sales volumes increased 43.3 percent, and transport sales volumes decreased 2.8 percent. Industrial sales volumes increased significantly due to one customer's shift to natural gas for the fiscal year, instead of using a mix of their two fuel sources. KUB's ten largest gas customers accounted for 26 percent of billed gas volumes. These customers include five commercial and five industrial customers, including three governmental customers and one hospital. KUB has added 3,712 gas customers over the past three years, representing annual growth of one percent. Natural Gas system growth has increased due to increased new housing construction and KUB reaching new customers through its gas growth programs. KUB has 12 transport customers who purchase gas directly from a supplier other than KUB. KUB provides transportation service on its gas distribution system to those customers.

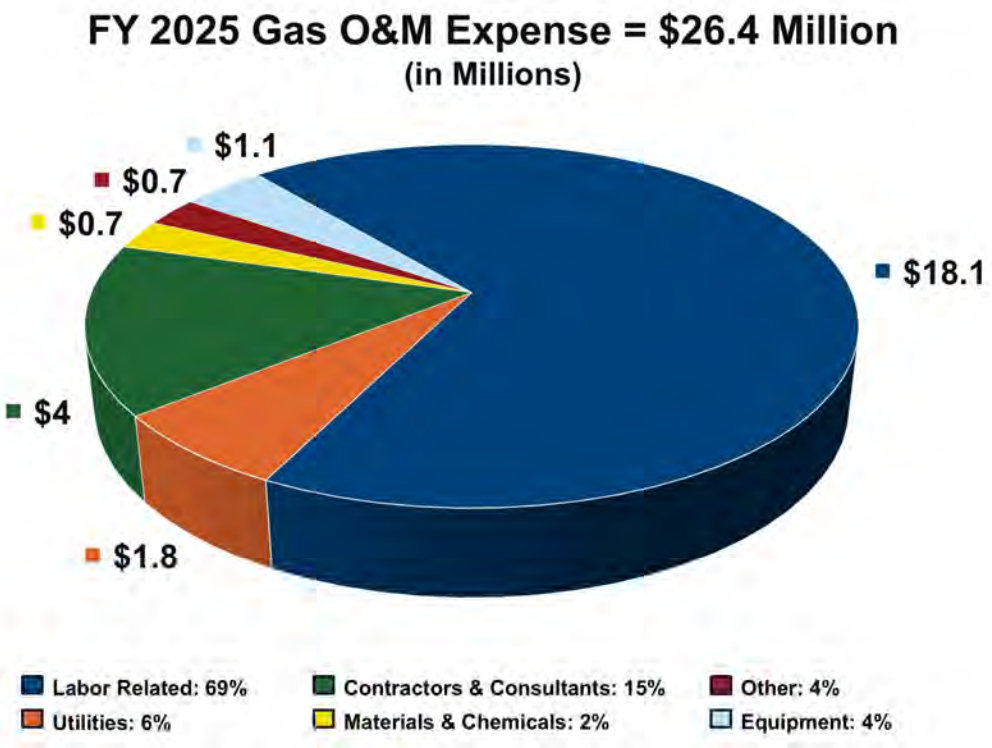
Operating expenses (excluding purchased gas expense) increased $2.3 million, or 5.5 percent, compared to fiscal year 2024. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes. O&M expenses can be further classified as distribution, customer service, and administrative and general.

- Distribution system O&M expenses were $1 million higher than the prior fiscal year, primarily due to increased labor-related expenses as well as expenses for outside contractors and consultants.

- Customer service expenses were $0.1 million higher, primarily due to increased labor-related expenses.

- Administrative and general expenses increased $0.5 million, primarily due to labor-related expenses that include $0.6 million in pension expense.

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- Depreciation and amortization expense increased $0.7 million. KUB added $19.5 million in assets during fiscal year 2025. A partial year of depreciation was recorded on these capital improvements, and a full year of depreciation expense was incurred on $29.3 million in gas system assets placed in service during fiscal year 2024. In addition, $4.1 million of assets were retired during the fiscal year.

- Taxes were consistent with the fiscal year 2024.

Subsidies provided were $1.2 million lower than the prior fiscal year. Tax equivalents were $1.2 million lower than the prior fiscal year, primarily due to Knox County's reduction in equalization rates.

Interest income decreased $0.1 million compared with the prior year.

Interest expense decreased $0.3 million compared with the prior year, reflecting a lower amount of outstanding bonds.

Capital contributions were consistent with the prior fiscal year. Developer contributions of $0.1 million were recorded this fiscal year.

Other income (net) was $0.3 million lower than the prior fiscal year, due to mark-to-market adjustments on investments.

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Significant Capital Asset and Long-Term Financing Activity

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

(in thousands of dollars)	2026	2025	2024
Distribution plant			
Mains	$ 221,365	$ 214,415	$ 212,547
Services and meters/regulators	87,207	85,152	85,137
Other accounts	5,116	1,061	988
Total distribution plant	313,688	300,628	298,672
Total general plant	16,752	15,084	14,687
Net plant assets in service	$ 330,440	$ 315,712	$ 313,359
Intangible right of use assets			
Office space	$ 10	$ 95	$ 148
Equipment	-	1	5
Other	58	77	96
Net intangible right of use assets	$ 68	$ 173	$ 249
Intangible subscription assets			
Intangible subscription assets	$ 390	$ 529	$ 688
Net intangible subscription assets	$ 390	$ 529	$ 688
Net intangible assets	$ 458	$ 702	$ 937
Work in progress	29,833	37,360	34,246
Net capital and intangible assets	$ 360,731	$ 353,774	$ 348,542

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.

Fiscal Year 2026 Compared to Fiscal Year 2025

As of June 30, 2026, the Division had $360.7 million invested in a variety of capital and intangible assets, as reflected in the schedule of capital and intangible assets, which represents a net increase (including additions, retirements, and depreciation) of $7 million, or 2 percent, over the end of last fiscal year.

Major capital asset expenditures during the year were as follows:

- $8.4 million for service extensions
- $4.2 million for main improvements

- $4.1 million for steel mains and services
- $2.2 million for auto and truck purchases
- $0.4 million to accommodate TDOT highway improvement projects
- $0.1 million for tools and equipment

The Gas Division retired $3.9 million of natural gas system assets during the fiscal year.

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 $0.1 million and lowered lease liabilities by $0.1 million, resulting in the recognition of a small gain.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had $353.8 million invested in a variety of capital and intangible assets, as reflected in the schedule of capital and intangible assets, which represents a net increase (including additions, retirements, and depreciation) of $5.2 million, or 1.5 percent, over the end of last fiscal year.

Major capital asset expenditures during the year were as follows:

- $8.4 million for service extensions
- $6.5 million for main improvements
- $2.8 million for steel mains and services
- $1.2 million for auto and truck purchases
- $0.9 million for replacement and relocation of gas system assets to accommodate TDOT highway improvement projects

The Gas Division retired $4.1 million of natural gas system assets during the fiscal year.

Debt Administration

As of June 30, 2026, the Gas Division had $58.2 million in outstanding gas system bonds. The bonds are secured solely by revenues of the Gas Division. Debt as a percentage of the Division's capital structure represented 14 percent in 2026, 16.2 percent in 2025 and 18.5 percent in 2024. KUB's Debt Management Policy limits the Division's debt ratio to 50 percent or less.

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Outstanding Debt
As of June 30

(in thousands of dollars)	2026	2025	2024
Revenue bonds	$ 58,220	$ 64,815	$ 71,435
Total outstanding debt	$ 58,220	$ 64,815	$ 71,435

The Division will pay $43.1 million in principal payments over the next ten years, representing 74 percent of the outstanding bonds. KUB's Debt Management Policy requires a minimum of 30 percent of gas debt principal be repaid over the next ten years.

Fiscal Year 2026 Compared to Fiscal Year 2025

As of June 30, 2026, the Division had $58.2 million in outstanding debt (including current portions of revenue bonds), representing a decrease of $6.6 million, or 10.2 percent. The Division's weighted average cost of debt as of June 30, 2026, was 3.67 percent.

Long-term debt represented 14 percent of the Division's capital structure as of June 30, 2026, as compared to 16.2 percent last year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 5.24. Maximum debt service coverage for future fiscal years is 5.40.

The Division's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2026, the Division's revenue bonds were rated AA by S&P Global Ratings and Aa2 by Moody's Investors Service.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had $64.8 million in outstanding debt (including current portions of revenue bonds), representing a decrease of $6.6 million, or 9.3 percent. The Division's weighted average cost of debt as of June 30, 2025, was 3.76 percent.

Long-term debt represented 16.2 percent of the Division's capital structure as of June 30, 2025, as compared to 18.5 percent in fiscal year 2024. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for fiscal year 2025 was 4.86. Maximum debt service coverage for future fiscal years is 5.04.

The Division's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2025, the Division's revenue bonds were rated AA by S&P Global Ratings and Aa2 by Moody's Investors Service.

Currently Known Facts, Decisions, or Conditions

In June 2024, as part of KUB's Inflation Response Plan, the Board approved the next phase of gas rate increases to support the Century II program. 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.

In July 2026, the Gas Division was recognized by S&P Global Ratings with a credit rating upgrade to AA+. The rating reflects the Division's solid financial position, including its ample debt service coverage and liquidity. Out of the roughly 250 natural gas systems rated by S&P across North America, KUB is now one of only two that have achieved the AA+ rating, which is the highest rating S&P has given to a natural gas system.

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.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2026.

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

	2026	2025
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 26,411,216	$ 26,655,283
Short-term contingency fund investments	16,362,629	17,079,495
Other current assets	722,297	669,753
Accrued interest receivable	9,640	11,396
Accounts receivable, less allowance of uncollectible accounts of $66,674 in 2026 and $63,895 in 2025	9,027,179	8,555,973
Current portion of lease receivable	139,181	121,213
Inventories	1,371,945	1,609,486
Gas storage	9,759,177	7,703,575
Prepaid expenses	84,006	88,193
Total current assets	63,887,270	62,494,367
Restricted assets:		
Gas bond fund	2,922,481	3,011,563
Other funds	260	259
Total restricted assets	2,922,741	3,011,822
Capital assets:		
Gas plant in service	560,707,778	532,094,560
Less accumulated depreciation	(230,267,950)	(216,382,233)
Net capital assets	330,439,828	315,712,327
Intangible assets:		
Intangible right of use asset	179,870	425,877
Intangible subscription asset	1,162,053	1,157,480
Less accumulated amortization	(884,582)	(881,917)
Net intangible assets	457,341	701,440
Retirement in progress	424,514	495,220
Construction in progress	29,409,017	36,864,558
Net capital and intangible assets	360,730,700	353,773,545
Other assets:		
Net pension asset	2,224,320	-
Net OPEB asset	577,148	-
Long-term contingency fund investments	10,188,932	-
Long-term lease receivable	1,379,117	1,222,449
Under recovered purchased gas costs	3,362,661	2,744,926
Other	744,216	803,251
Total other assets	18,476,394	4,770,626
Total assets	446,017,105	424,050,360
Deferred outflows of resources:		
Pension outflow	645,155	2,805,178
OPEB outflow	222,061	293,349
Total deferred outflows of resources	867,216	3,098,527
Total assets and deferred outflows of resources	$ 446,884,321	$ 427,148,887

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

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

	2026	2025
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 6,630,000	$ 6,595,000
Current portion of accrued compensated absences	1,373,147	1,218,159
Current portion of lease liability	30,284	80,495
Current portion of subscription liability	183,905	172,219
Sales tax collections payable	137,550	125,480
Accounts payable	8,646,396	5,924,497
Accrued expenses	1,597,914	1,471,074
Customer deposits plus accrued interest	6,242,265	5,599,490
Accrued interest on revenue bonds	712,381	813,130
Total current liabilities	25,553,842	21,999,544
Other liabilities:		
Accrued compensated absences	534,001	599,989
Customer advances for construction	1,215,028	1,370,261
Lease liability	44,365	111,075
Subscription liability	201,993	370,372
Net pension liability	8,210	459,411
Net OPEB liability	-	800,879
Other	23,865	30,796
Total other liabilities	2,027,462	3,742,783
Long-term debt:		
Gas revenue bonds	51,590,000	58,220,000
Unamortized premiums/discounts	5,211,782	6,134,159
Total long-term debt	56,801,782	64,354,159
Total liabilities	84,383,086	90,096,486
Deferred inflows of resources:		
Pension inflow	1,931,414	-
Unamortized bond refunding costs	17,210	53,560
OPEB inflow	1,990,015	851,095
Lease inflow	1,409,292	1,255,738
Total deferred inflows of resources	5,347,931	2,160,393
Total liabilities and deferred inflows of resources	89,731,017	92,256,879
Net position:		
Net investment in capital assets	296,246,351	281,381,356
Restricted for:		
Debt service	2,210,100	2,198,433
Pensions	292,906	-
Other	260	259
Unrestricted	58,403,687	51,311,960
Total net position	357,153,304	334,892,008
Total liabilities, deferred inflows, and net position	$ 446,884,321	$ 427,148,887

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

Knoxville Utilities Board Gas Division
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025 as restated
Operating revenues		
Charges for services	$ 151,874,240	$ 127,141,019
Other	3,013,104	2,512,120
Total operating revenues	154,887,344	129,653,139
Operating expenses		
Purchased gas	80,115,325	58,544,812
Distribution	14,265,719	12,740,787
Customer service	1,502,826	1,382,949
Administrative and general	12,643,724	12,302,329
Depreciation and amortization	17,555,068	17,013,045
Taxes	1,030,403	947,820
Total operating expenses	127,113,065	102,931,742
Operating income	27,774,279	26,721,397
Non-capital subsidies		
Subsidies provided	(6,193,691)	(6,044,143)
Total non-capital subsidies	(6,193,691)	(6,044,143)
Operating income and non-capital subsidies	21,580,588	20,677,254
Other non-operating revenues (expenses)		
Capital subsidies	1,349,981	1,135,504
Interest income	2,028,459	1,997,240
Interest expense	(2,438,475)	(2,761,741)
Amortization of debt costs	883,995	883,995
Write-down of plant for costs recovered through contributions	(1,349,981)	(1,135,504)
Capital contributions	262,578	56,342
Investment income (expense)	(55,849)	43,324
Total other non-operating revenues (expenses)	680,708	219,160
Increase in net position	22,261,296	20,896,414
Net position, beginning of year	334,892,008	313,995,594
Net position, end of year	$ 357,153,304	$ 334,892,008

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

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

	2026	2025 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 154,432,366	$ 127,824,371
Cash receipts from other operations	1,303,300	1,115,704
Cash payments to suppliers of goods or services	(93,569,298)	(72,535,601)
Cash payments to employees for services	(14,210,639)	(12,631,275)
Net cash provided by operating activities	47,955,729	43,773,199
Cash flows from non-capital financing activities:		
Non-capital subsidies provided	(6,193,691)	(6,044,143)
Net cash used in non-capital financing activites	(6,193,691)	(6,044,143)
Cash flows from capital and related financing activities:		
Principal paid on revenue bonds	(6,595,000)	(6,620,000)
Interest paid on revenue bonds	(2,635,486)	(2,748,294)
Acquisition and construction of gas plant	(26,403,280)	(24,019,351)
Changes in gas bond fund, restricted	89,082	111,300
Customer advances for construction	(35,377)	(16,905)
Proceeds received on disposal of plant	4,818	1,194
Principal paid on lease liabilities	(119,070)	(77,301)
Principal paid on subscription liabilities	(156,693)	(164,946)
Interest paid on lease and subscription liabilities	(24,785)	(34,197)
Cash received from developers and individuals for capital purposes	1,349,981	1,135,504
Net cash used in capital and related financing activities	(34,525,810)	(32,432,996)
Cash flows from investing activities:		
Purchase of investment securities	(16,610,828)	(300,000)
Maturities of investment securities	7,200,000	-
Interest received	1,947,337	2,000,171
Other property and investments	(16,804)	(72,354)
Net cash (used in) provided by investing activities	(7,480,295)	1,627,817
Net (decrease) increase in cash and cash equivalents	(244,067)	6,923,877
Cash and cash equivalents, beginning of year	26,655,283	19,731,406
Cash and cash equivalents, end of year	$ 26,411,216	$ 26,655,283
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 27,774,279	$ 26,721,397
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	18,210,554	17,622,542
Changes in operating assets and liabilities:		
Accounts receivable	(471,206)	(1,430,147)
Lease receivable	(174,636)	128,301
Inventories	237,541	(112,012)
Prepaid expenses and gas storage	(2,051,415)	(260,443)
Other assets	(68,244)	17,855
Sales tax collections payable	12,071	27,299
Accounts payable, other accrued expenses, and deferrals	4,362,583	2,446,804
Underrecovered gas costs	(617,735)	(1,694,194)
Customer deposits	748,867	306,844
Other liabilities	(6,930)	(1,047)
Net cash provided by operating activities	$ 47,955,729	$ 43,773,199
Noncash capital activities:		
Acquisition of plant assets through developer contributions	$ 262,578	$ 56,342

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

1. Description of Business

Knoxville Utilities Board (KUB), comprised of Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Gas Division (Division) provides services to certain customers in Knox County and portions of Anderson and Loudon counties. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Gas Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2026, and 2025, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. Significant Accounting Policies

Basis of Accounting

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

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

Recently Adopted New Accounting Pronouncements

In 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. 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.

Gas Plant

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

The provision for depreciation of gas plant in service is based on the estimated useful lives of the assets, which range from three to thirty-three years, and is computed using the straight-line method. Pursuant to FERC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment. Depreciation for transportation equipment of $655,486 in fiscal year 2026 and $609,496 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 the KUB Gas Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of $214,224 in fiscal year 2026 and $202,150 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 net assets available, it is KUB's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

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

These classifications are defined as follows:

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

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

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

Contributions in Aid of Construction and Capital Contributions

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

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

Inventories

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

OPEB Trust

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

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability (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 (Division's share $577,148 as of June 30, 2026, and the net OPEB liability is $5,315,804 (Division's share $800,879) 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 10). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability (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 pension asset is $14,831,176 (Division's share $2,224,320) as of June 30, 2026, and the pension liability is $3,054,172 (Division's share $456,015) 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 12). 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 (Division's share $8,210) as of June 30, 2026, and $21,226 (Division's share $3,396) 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 $2,224,320 as of June 30, 2026 and the QEBA total pension liability is disclosed in the Statement of Net Position as Net pension liability of $8,210 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 $459,411 as of June 30, 2025. The Pension Plan deferred outflows and QEBA deferred outflows are disclosed as Pension outflow of $645,155 as of June 30, 2026 and $2,805,178 as of June 30, 2025. The Pension Plan deferred inflows and QEBA deferred inflows are disclosed as Pension inflow of $1,931,414 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 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.

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.

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 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.

Classification of deposits and investments per Statement of Net Position:

	2026	2025
Current assets		
Cash and cash equivalents	$ 26,411,216	$ 26,655,283
Short-term contingency fund investments	16,148,682	16,980,190
Other assets		
Long-term contingency fund investments	10,188,932	-
Restricted assets		
Gas bond fund	2,922,481	3,011,563
Other funds	260	259
	$ 55,671,571	$ 46,647,295

The above amounts do not include accrued interest of $213,947 in fiscal year 2026 and $99,305 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	$ 27,209,334	$ 27,209,334	$ -
State Treasurer's Investment Pool	19,071,063	19,071,063	-
Agency Bonds	10,188,932	-	10,188,932
	$ 56,469,329	$ 46,280,397	$ 10,188,932

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Division has the following recurring fair value measurements as of June 30, 2026:

- U.S. Agency bonds of $10,188,932, 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	$ 7,090,451	$ 6,651,184
Unbilled services	1,767,931	1,680,669
Other	235,471	288,015
Allowance for uncollectible accounts	(66,674)	(63,895)
	$ 9,027,179	$ 8,555,973

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2026	2025
Trade accounts	$ 8,646,396	$ 5,924,498
Current portion of accrued compensated absences	1,373,147	1,218,159
Salaries and wages	456,619	377,946
Self-insurance liabilities	531,322	486,970
Other current liabilities	609,973	606,158
	$ 11,617,457	$ 8,613,731

6. Long-Term Obligations

Long-term debt consists of the following:

	Balance June 30, 2025	Additions	Payments	Defeased	Balance June 30, 2026	Amounts Due Within One Year
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

	Balance June 30, 2024	Additions	Payments	Defeased	Balance June 30, 2025	Amounts Due Within One Year
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

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

Fiscal Year	TOTAL Principal	Interest	Grand Total
2027	$ 6,630,000	$ 2,137,143	$ 8,767,143
2028	6,290,000	1,840,467	8,130,467
2029	6,160,000	1,562,463	7,722,463
2030	5,975,000	1,329,681	7,304,681
2031	5,335,000	1,113,162	6,448,162
2032 - 2036	12,720,000	3,292,061	16,012,061
2037 - 2041	6,325,000	2,015,757	8,340,757
2042 - 2046	7,365,000	969,027	8,334,027
2047 - 2048	1,420,000	64,250	1,484,250
Total	$ 58,220,000	$ 14,324,011	$ 72,544,011

The Division has pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet bond principal and interest payments when due. The requirements for the bonds are being met through monthly deposits to the Gas Bond Fund, as required by the bond covenants. As of June 30, 2026, these bond covenant requirements had been satisfied.

The Division's 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.

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Other liabilities consist of the following:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Customer advances for construction	$ 1,370,261	$ 269,580	$ (424,813)	$ 1,215,028
Other	30,796	-	(6,931)	23,865
	$ 1,401,057	$ 269,580	$ (431,744)	$ 1,238,893

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Customer advances for construction	$ 1,484,084	318,881	(432,704)	1,370,261
Other	31,841	32,175	(33,220)	30,796
	$ 1,515,925	$ 351,056	$ (465,924)	$ 1,401,057

7. Lease Receivables

KUB, as lessor, leases office space 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 $154,597 in 2026 and $152,579 in 2025. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $51,512 in 2026 and $48,509 in 2025. Total lease receivables were $1,518,298 ($139,181 current) and $1,343,662 ($121,213 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 Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Total lease liabilities	$ 191,570	$ 2,149	$ (119,070)	$ 74,649
Less current portion	(80,495)			(30,284)
Long-term portion	$ 111,075			$ 44,365

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total lease liabilities	$ 268,871	$ -	$ (77,301)	$ 191,570
Less current portion	(77,302)			(80,495)
Long-term portion	$ 191,569			$ 111,075

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	$ 30,284	$ 3,512
2028	8,467	2,014
2029	1,471	1,598
2030	1,575	1,585
2031	1,687	1,569
2032-2036	10,407	7,396
2037-2041	14,658	5,981
2042-2043	6,100	1,470
	$ 74,649	$ 25,125

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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	$ 542,591	$ -	$ (156,693)	$ 385,898
Less current portion	(172,219)			(183,905)
Long-term portion	$ 370,372			$ 201,993

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total SBITA liabilities	$ 707,537	$ -	$ (164,946)	$ 542,591
Less current portion	(164,947)			(172,219)
Long-term portion	$ 542,590			$ 370,372

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	$ 183,905	$ 11,479
2028	193,921	4,140
2029	3,956	258
2030	4,116	97
	$ 385,898	$ 15,974

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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	$ 14,640	$ -	$ -	$ 14,640
Distribution plant				
Mains	354,833,780	17,885,806	(1,168,135)	371,551,451
Services and meters/regulators	131,038,610	6,681,980	-	137,720,590
Other accounts	1,930,571	4,240,098	-	6,170,669
Total distribution plant	$ 487,802,961	$ 28,807,884	$ (1,168,135)	$ 515,442,710
Total general plant	44,276,959	3,699,026	(2,725,557)	45,250,428
Total gas plant in service	$ 532,094,560	$ 32,506,910	$ (3,893,692)	$ 560,707,778
Less accumulated depreciation	(216,382,233)	(17,987,499)	4,101,782	(230,267,950)
Net plant assets in service	$ 315,712,327	$ 14,519,411	$ 208,090	$ 330,439,828
Intangible right of use assets				
Office space	$ 285,451	$ -	$ (234,069)	$ 51,382
Equipment	14,087	2,149	(14,087)	2,149
Other	126,339	-	-	126,339
Total intangible right of use assets	$ 425,877	$ 2,149	$ (248,156)	$ 179,870
Less accumulated amortization	(253,353)	(77,322)	218,350	(112,325)
Net intangible right of use assets	$ 172,524	$ (75,173)	$ (29,806)	$ 67,545
Intangible subscription assets				
Intangible subscription assets	$ 1,157,480	$ 19,420	$ (14,847)	$ 1,162,053
Less accumulated amortization	(628,564)	(158,540)	14,847	(772,257)
Net intangible subscription assets	528,916	(139,120)	-	389,796
Net intangible assets	$ 701,440	$ (214,293)	$ (29,806)	$ 457,341
Work in progress	37,359,778	24,927,119	(32,453,366)	29,833,531
Net capital and intangible assets	$ 353,773,545	$ 39,232,237	$ (32,275,082)	$ 360,730,700

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	Beginning June 30, 2024	Increase	Decrease	Ending June 30, 2025
Production plant	$ 14,640	$ -	$ -	$ 14,640
Distribution plant				
Mains	343,233,063	12,352,980	(752,263)	354,833,780
Services and meters/regulators	126,685,483	4,461,515	(108,388)	131,038,610
Other accounts	1,818,069	112,502	-	1,930,571
Total distribution plant	$ 471,736,615	$ 16,926,997	$ (860,651)	$ 487,802,961
Total general plant	44,892,148	2,591,305	(3,206,494)	44,276,959
Total gas plant in service	$ 516,643,403	$ 19,518,302	$ (4,067,145)	$ 532,094,560
Less accumulated depreciation	(203,284,001)	(17,386,864)	4,288,632	(216,382,233)
Net plant assets in service	$ 313,359,402	$ 2,131,438	$ 221,487	$ 315,712,327
Intangible right of use assets				
Office space	$ 285,451	$ -	$ -	$ 285,451
Equipment	14,087	-	-	14,087
Other	126,339	-	-	126,339
Total intangible right of use assets	$ 425,877	$ -	$ -	$ 425,877
Less accumulated amortization	(176,961)	(76,392)	-	(253,353)
Net intangible right of use assets	$ 248,916	$ (76,392)	$ -	$ 172,524
Intangible subscription assets				
Intangible subscription assets	$ 1,190,979	$ -	$ (33,499)	$ 1,157,480
Less accumulated amortization	(502,778)	(159,285)	33,499	(628,564)
Net intangible subscription assets	688,201	(159,285)	-	528,916
Net intangible assets	$ 937,117	$ (235,677)	$ -	$ 701,440
Work in progress	34,245,762	22,892,054	(19,778,038)	37,359,778
Net capital and intangible assets	$ 348,542,281	$ 24,787,815	$ (19,556,551)	$ 353,773,545

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 $1,907,148 and $1,818,148, respectively, resulting from the following changes:

	2026	2025
Balance, beginning of year	$ 1,818,148	$ 1,631,715
Net increase (decrease)	89,000	186,433
Balance, end of year	$ 1,907,148	$ 1,818,148
Due Within One Year	$ 1,373,147	$ 1,218,159

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. As of June 30, 2026, and June 30, 2025, the amount of these liabilities was $531,322 and $486,970, respectively, resulting from the following changes:

	2026	2025
Balance, beginning of year	$ 486,970	$ 437,867
Current year claims and changes in estimates	3,581,885	3,182,379
Claims payments	(3,537,533)	(3,133,276)
Balance, end of year	$ 531,322	$ 486,970

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. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

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

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

	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 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. Of these amounts, $418,930 and $330,008 are attributable to the Gas Division. 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. The net pension asset is $14,831,176 (Division's share $2,224,320) as of June 30, 2026, and the net pension liability is $3,054,172 (Division's share $456,015) as of June 30, 2025.

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%

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)

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, and the Gas Division's share was $1,538,123.

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 (Division's share $33,347). 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 (Division's share $195,777).

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 (Division's share $71,256).

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 (Division's share $1,892,489).

The impact of the change in proportionate share for the Gas Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is three years. This change resulted in a deferred inflow of $7,687, with $2,562 of that recognized in the current year and the remaining amount recognized over the next two years, resulting in a deferred inflow of resources of $5,125. Net proportionate share changes of deferred outflows from the prior period were $461,148, of which $296,926 was recognized in the current year, resulting in a deferred outflow of resources of $164,222. In addition, KUB's Gas Division recorded a deferred outflow of resources of $209,465 for employer contributions made between December 31, 2025 and June 30, 2026.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 195,777	$ 33,347
Changes in assumptions	71,256	-
Net difference between projected and actual earnings on pension plan investments	-	1,892,489
Change in proportionate share	164,222	5,125
Contributions subsequent to measurement date	209,465	-
Total	$ 640,720	$ 1,930,961

$209,465 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	$ 1,473,544
2028	(1,516,731)
2029	(894,610)
2030	(561,909)
2031	-
Thereafter	-

For the year ended June 30, 2025, KUB recognized pension expense of $10,401,958, and the Gas Division's share was $1,763,029.

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 (Division's share $400,339).

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 (Division's share $338,543).

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 (Division's share $1,437,880).

The impact of the change in proportionate share for the Gas Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is three years. This change resulted in a deferred outflow of $175,497, with $58,499 of that recognized in the current year and the remaining amount recognized over the next two years, resulting in a deferred outflow of resources of $116,998. Net proportionate share changes from the prior period were $582,577, of which $238,427 was recognized in the current year, resulting in a deferred outflow of resources of $344,150. Unrecognized proportionate share changes from prior periods of $87,013, of which $87,013 was recognized in the current year, resulted in a deferred

inflow of $0. In addition, KUB's Gas Division recorded a deferred outflow of resources of $165,004 for employer contributions made between December 31, 2024 and June 30, 2025.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 400,339	$ -
Changes in assumptions	338,543	-
Net difference between projected and actual earnings on pension plan investments	1,437,880	-
Change in proportionate share	461,148	-
Contributions subsequent to measurement date	165,004	-
Total	$ 2,802,914	$ -

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 (Division's share $8,210) as of June 30, 2026, and $21,226 (Division's share $3,396) 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 (Division's share $4,296) 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 (Division's share $4,435).

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 (Division's share $453).

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
Division's share	$ 4,435	$ 453

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 (Division's share $1,191) 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 (Division's share $2,264) 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	$ -
Division's share	$ 2,264	$ -

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 (Division's share $777,335) and $4,799,996 (Division's share $767,999), 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.

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. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

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

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

	HRA		Retiree Medical Benefit	
	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 for the Gas Division of $182,468 and $192,843 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. The Division's share of the total net OPEB asset was $577,148 as of June 30, 2026. The Division's share of the total net OPEB liability was $800,879 as of June 30, 2025.

The components of the 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 (asset)	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 Trend	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's Gas Division recognized OPEB expense of $14,648.

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 (Division's share $231,557). 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 (Division's share $57,863).

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 (Division's share $377,019). 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 (Division's share $162,399).

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 (Division's share $1,194,774).

The impact of the change in proportionate share for the Gas Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred inflow of $5,699, with $814 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred inflow of resources of $4,885. Net proportionate share of deferred inflow changes from prior periods were $225,291, with $43,511 of that recognized in the current year resulting in a deferred inflow of resources of $181,780. Net proportionate share of deferred outflow changes from prior periods were $2,398, with $599 of that recognized in the current year resulting in a deferred outflow of resources of $1,799. The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Gas Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 57,863	$ 231,557
Changes in assumptions	162,399	377,019
Net difference between projected and actual earnings on OPEB plan investments	-	1,194,774
Change in proportionate share	1,799	186,665
Total	$ 222,061	$ 1,990,015

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

Year ending June 30:	
2027	$ (471,662)
2028	(441,462)
2029	(371,318)
2030	(352,104)
2031	(85,168)
Thereafter	(46,240)

For the year ended June 30, 2025, KUB's Gas Division recognized OPEB expense of $37,324.

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 (Division's share $19,952). 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 (Division's share $73,327).

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 (Division's share $394,364). 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 (Division's share $217,624).

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 (Division's share $211,488).

The impact of the change in proportionate share for the Gas Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred inflow of $54,173, with $7,739 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred inflow of resources of $46,434. Net proportionate share changes from prior periods were $214,629, with $35,772 of that recognized in the current year resulting in a deferred inflow of resources of $178,857. Net proportionate share changes from prior periods were $2,997, with $599 of that recognized in the current year resulting in a deferred outflow of resources of $2,398. The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Gas Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 73,327	$ 19,952
Changes in assumptions	217,624	394,364
Net difference between projected and actual earnings on OPEB plan investments	-	211,488
Change in proportionate share	2,398	225,291
Total	$ 293,349	$ 851,095

17. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with the City of Knoxville and with other divisions of KUB. Such transactions for the years ended June 30, 2026, and 2025, are summarized as follows:

	2026	2025
City of Knoxville		
Amounts billed by the Division for utilities and related services	$ 963,695	$ 786,601
Payments by the Division in lieu of property tax	4,020,572	3,904,990
Payments by the Division for services provided	81,767	2,219
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	721,034	647,367
Interdivisional rental expense	1,071,625	1,106,221
Interdivisional rental income	129,766	131,276
Amounts billed to the Division by other divisions for utilities services provided	535,867	471,585

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	$ 17,132	$ 9,688

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.

Knoxville Utilities Board Gas Division
Required Supplemental 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 Gas Division
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.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Gas Division
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 Gas Division
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.

Knoxville Utilities Board Gas Division
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 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 Gas Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2026

	U-2015		V-2016		W-2017		X-2017		Y-2018		Z-2020		AA-2021		Totals		Grand Total (P + I)
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
26-27	$ 895,000	$ 154,900	$ 350,000	$ 253,844	$ 995,000	$ 49,750	$ 340,000	$ 286,268	$ 210,000	$ 220,631	$ 710,000	$ 145,000	$ 3,130,000	$ 1,026,750	$ 6,630,000	$ 2,137,143	$ 8,767,143
27-28	985,000	123,573	375,000	243,344			345,000	279,469	215,000	214,331	745,000	109,500	3,625,000	870,250	6,290,000	1,840,467	8,130,467
28-29	975,000	89,100	375,000	232,094			355,000	272,138	220,000	207,881	785,000	72,250	3,450,000	689,000	6,160,000	1,562,463	7,722,463
29-30	955,000	59,850	375,000	220,844			360,000	263,706	230,000	201,281	825,000	33,000	3,230,000	551,000	5,975,000	1,329,681	7,304,681
30-31	1,040,000	31,200	400,000	212,875			375,000	252,906	235,000	194,381			3,285,000	421,800	5,335,000	1,113,162	6,448,162
31-32			400,000	203,875			385,000	241,656	240,000	187,331			3,865,000	290,400	4,890,000	923,262	5,813,262
32-33			425,000	194,375			395,000	230,106	250,000	180,131			3,395,000	135,800	4,465,000	740,412	5,205,412
33-34			425,000	183,750			410,000	218,256	260,000	172,319					1,095,000	574,325	1,669,325
34-35			425,000	173,125			420,000	205,956	265,000	163,869					1,110,000	542,950	1,652,950
35-36			450,000	162,500			435,000	193,356	275,000	155,256					1,160,000	511,112	1,671,112
36-37			450,000	150,686			445,000	180,306	285,000	146,319					1,180,000	477,311	1,657,311
37-38			475,000	138,312			460,000	166,956	295,000	136,700					1,230,000	441,968	1,671,968
38-39			475,000	125,250			475,000	152,582	305,000	126,744					1,255,000	404,576	1,659,576
39-40			500,000	112,188			490,000	137,738	315,000	116,069					1,305,000	365,995	1,670,995
40-41			525,000	98,438			505,000	122,425	325,000	105,044					1,355,000	325,907	1,680,907
41-42			525,000	84,000			520,000	106,644	335,000	93,669					1,380,000	284,313	1,664,313
42-43			550,000	68,250			535,000	90,394	350,000	81,944					1,435,000	240,588	1,675,588
43-44			550,000	51,750			550,000	73,675	360,000	69,694					1,460,000	195,119	1,655,119
44-45			575,000	35,250			570,000	56,488	375,000	57,094					1,520,000	148,832	1,668,832
45-46			600,000	18,000			585,000	38,675	385,000	43,500					1,570,000	100,175	1,670,175
46-47							605,000	19,662	400,000	29,544					1,005,000	49,206	1,054,206
47-48									415,000	15,044					415,000	15,044	430,044
Total	$ 4,850,000	$ 458,623	$ 9,225,000	$ 2,962,750	$ 995,000	$ 49,750	$ 9,560,000	$ 3,589,362	$ 6,545,000	$ 2,918,776	$ 3,065,000	$ 359,750	$ 23,980,000	$ 3,985,000	$ 58,220,000	$ 14,324,011	$ 72,544,011

See accompanying Independent Auditor's Report

Knoxville Utilities Board Gas Division
Supplemental Information - Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2026

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2025	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2026
Business-Type Activities									
BONDS PAYABLE									
Payable through Gas Fund									
Revenue Bond Refunding, Series U-2015	$ 11,780,000	2.0-5.0	05/01/15	03/01/31	$ 5,730,000	$ -	$ 880,000	$ -	$ 4,850,000
Revenue Bond, Series V-2016	12,000,000	2.125-5.0	08/05/16	03/01/46	9,575,000	-	350,000	-	9,225,000
Revenue Bond Refunding, Series W-2017	8,065,000	5.0	04/07/17	03/01/27	1,935,000	-	940,000	-	995,000
Revenue Bond, Series X-2017	12,000,000	2.0-5.0	09/15/17	03/01/47	9,890,000	-	330,000	-	9,560,000
Revenue Bond, Series Y-2018	8,000,000	3.0-5.0	09/14/18	03/01/48	6,745,000	-	200,000	-	6,545,000
Revenue Bond Refunding, Series Z-2020	6,755,000	4.0-5.0	05/22/20	03/01/30	3,740,000	-	675,000	-	3,065,000
Revenue Bond Refunding, Series AA-2021	41,920,000	4.0-5.0	04/19/21	03/01/33	27,200,000	-	3,220,000	-	23,980,000
					$ 64,815,000	$ -	$ 6,595,000	$ -	$ 58,220,000

See accompanying Independent Auditor's Report

Knoxville Utilities Board Gas Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2026

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2025	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2026
Lease Liabilities									
Payable through Natural Gas Fund									
American Towers - Rocky Hill	$ 34,545	3.90%	11/1/2022	10/31/2027	$ 17,680	$ -	$ (7,243)	$ -	$ 10,437
American Towers - Tillery/Bluegrass	34,759	3.90%	11/1/2022	10/31/2027	17,680	-	(7,243)	-	10,437
Crown Castle	42,250	3.90%	3/1/2023	2/1/2043	39,752	-	(1,199)	-	38,553
Manki 1 Investments	48,360	3.88%	7/1/2020	5/31/2027	19,652	-	(10,701)	1,231	10,182
R&S Logistics (Sublease)	234,260	3.88%	7/1/2020	3/31/2026	88,357	-	(36,589)	(51,768)	-
Ricoh Americas	5,969	3.88%	7/1/2020	7/31/2025	350	-	(350)	-	-
RJ Young Company	2,149	3.88%	7/1/2025	6/30/2026	-	2,149	(2,149)	-	-
SBA Properties	14,786	3.90%	1/1/2023	12/31/2027	8,099	-	(3,059)	-	5,040
Total Lease Liabilities					$ 191,570	$ 2,149	$ (68,533)	$ (50,537)	$ 74,649

See accompanying Independent Auditor's Report

Knoxville Utilities Board Gas Division
Statistical Information - Schedule of Insurance in Force
June 30, 2026
(Unaudited)

Insurance coverage is for KUB as a consolidated entity.

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

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

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

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

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

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

Knoxville Utilities Board Gas Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class	Base Charge	Number of Customers
Residential (G-2)	For the regular monthly billing period for the months of November to March, inclusive: Customer charge per month $10.90 First 30 therms per month at $1.3351 per therm Excess over 30 therms per month at $1.1073 per therm For the regular monthly billing periods for the months of April to October, inclusive: Customer charge per month $10.90 First 50 therms per month $1.1432 per therm Excess over 50 therms per month at $1.0159 per therm	102,082
Commercial (G-4)	Available to any commercial or industrial customer: Customer charge per month $41.00 First 250 therms per month at $1.2517 per therm Excess over 250 therms per month at $1.1296 per therm	9,804
Commercial (G-6)	Available to any commercial or industrial customer incurring a demand of twenty-seven therms or more during the current monthly billing period or during any of the eleven net preceding monthly billing periods. The net rate is the sum of the following demand and commodity charges: Customer charge: $245.00 per month Demand charge: $2.15 per therm of demand Commodity charge: First 30,000 therms per month at $0.8957 per therm Excess over 30,000 therms per month at $0.7933 per therm	188
Industrial (G-7)	Service under Rate Schedule G-7 shall be available to any customer who meets the following conditions: (a) Customer's annual Interruptible Gas use, on an actual or projected basis, shall not be less than 25,000 dekatherms; (b) Customer shall be permitted to purchase only one (1) dekatherm of Firm Gas under Rate Schedule G-7 for each two (2) dekatherms of Interruptible Gas which are purchased; (c) Customer must have standby equipment of sufficient capacity capable of providing the customer's normal gas service requirements for a period of five (5) working days without replenishment when Interruptible Gas is completely interrupted. Customer shall maintain such equipment ready for operation at any time and shall utilize a fuel other than gas furnished by KUB and shall be subject to periodic inspections by KUB to ensure compliance with this provision; and (d) KUB must determine that its existing distribution system facilities are adequate and available for the requested service.	6

See accompanying Independent Auditor's Report

Knoxville Utilities Board Gas Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class	Base Charge	Number of Customers
	The net rate is the sum of the following demand and commodity charges:	
	Customer charge: $975.00 per month	
	Demand charge: $21.50 per month per dekatherm of demand	
	Commodity charge: (a) Firm Gas - $7.933 per dekatherm	
	(b) Interruptible Gas - (i) First 3,000 dekatherms per month at $6.460 per dekatherm; excess of 3,000 to 20,000 dekatherms per month at $5.801 per dekatherm; plus excess over 20,000 to 50,000 dekatherms per month at $4.923 per dekatherm; excess over 50,000 dekatherms per month at $4.446 per dekatherm	
	(c) Supplemental Gas - The Commodity Charge for Supplemental Gas shall be the total of: (a) the cost per dekatherm to KUB for the applicable Day of acquiring Supplemental Gas on the open market, subject to the approval of the Customer to purchase Supplemental Gas at or above such price and (b) the costs incurred by KUB in transporting such Supplemental Gas via connecting pipelines to one or more of KUB's delivery points.	
	Transportation charge: $2.828 per dekatherm for the first 3,000 dekatherms of gas Redelivered plus Unauthorized Gas; plus $2.169 per dekatherm for each dekatherm from 3,000 to and including 20,000 dekatherms of gas Redelivered plus Unauthorized Gas; plus $1.291 per dekatherm for each dekatherm from 20,000 to and including 50,000 dekatherms of gas Redelivered plus Unauthorized Gas; plus $0.814 per dekatherm for the excess over 50,000 dekatherms of gas Redelivered plus Unauthorized Gas.	
	Unauthorized Gas charge: $25.00 per dekatherm of Unauthorized Gas as a penalty, plus the total of the cost per dekatherm of obtaining such gas on the open market as determined by the applicable Gulf Coast Price Index for the applicable day as published in Gas Daily, Natural Gas Intelligence, Intercontinental Exchange, or other index as deemed reasonable for use by the gas industry. KUB will select an industry recognized index at its sole discretion.	

See accompanying Independent Auditor's Report

Knoxville Utilities Board Gas Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class	Base Charge	Number of Customers
G-11	Service under Rate Schedule G-11 shall be available to any customer who meets the following conditions: (a) Customer's annual gas usage (excluding Firm Gas), on an actual or projected basis, shall not be less than 25,000 dekatherms; (b) Customer shall be permitted to purchase only one (1) dekatherm of Firm Gas under Rate Schedule G-11 for each two (2) dekatherms of Transport Gas delivered by KUB to the Customer; (c) Customer must have standby equipment of sufficient capacity capable of providing the customer's normal gas service requirements for a period of five (5) working days without replenishment when Transport Gas is completely interrupted. Customer shall maintain such equipment ready for operation at any time and shall utilize a fuel other than gas furnished by KUB and shall be subject to periodic inspections by KUB to ensure compliance with this provision; (d) Customer's use under this rate shall not work a hardship on any other customers of KUB, nor adversely affect any other class of KUB's customers and further provided the Customer's use under this rate shall not adversely affect KUB's gas purchase plans and/or effective utilization of the daily demands under KUB's gas purchase contracts with its suppliers, as solely determined by KUB. (e) KUB must determine that its existing distribution system facilities are adequate and available for the requested service; and (f) Customer must execute a Transportation Service Agreement for interruptible transportation gas service. The net rate is the sum of the following charges: Customer charge: $1,350.00 Demand charge: $21.50 per dekatherm of demand Firm Gas charge: $7.933 per dekatherm Transportation charge: $2.828 per dekatherm for the first 3,000 dekatherms of non-Firm gas delivered to Customer; plus $2.169 per dekatherm for each dekatherm from 3,000 to and including 20,000 dekatherms of non-Firm gas delivered to Customer; plus $1.291 per dekatherm for each dekatherm from 20,000 to and including 50,000 dekatherms of non-Firm gas delivered to Customer; plus $0.814 per dekatherm for the excess over 50,000 dekatherms of non-Firm gas delivered to Customer.	12

Unauthorized Gas charge:	$25.00 per dekatherm of Unauthorized Gas as a penalty, plus (a), the total cost per dekatherm of obtaining such gas on the open market, as defined below, plus (b), the costs incurred by KUB in transporting such Unauthorized Gas via connecting pipelines to one or more of KUB's delivery points. The cost per dekatherm of obtaining such gas on the open market, (a) above, is defined as an index price based on the High Common price for "Transco zone 5 delivered" or "Tennessee 500 Leg," whichever is higher for the applicable Day as published in Gas Daily, Natural Gas Intelligence, Intercontinental Exchange, or other index as deemed reasonable for use by the gas industry. KUB will select an industry recognized index at its sole discretion.
Other charges:	Imbalance Charges, and any pipeline scheduling, balancing, transportation, or other similar charges incurred by KUB in connection with the transportation of gas on behalf of the Customer, as applicable.

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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
Gas Division of the 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 of the Gas Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated October 15, 2026, which references, that the financial statements, are only that portion of Knoxville Utilities Board that resulted from the transactions of the Gas Division.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 the Division's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 15, 2026



Water Division

Financial Statements and Supplemental Information
June 30, 2026 and 2025

KUB Board of Commissioners

Cynthia Gibson, Chair
Kathy Hamilton, Vice Chair
Claudia Caballero
Ron Feinbaum
Phyllis Nichols
Pete Pearson
Dr. Craig Pickett, Jr.

Management

Gabriel Bolas II
President and Chief Executive Officer

Mark Walker
Senior Vice President and Chief Financial Officer

Kurt Stafford
Vice President Engineering and Operations

John Williams
Senior Vice President and Chief Infrastructure and Compliance Officer

Jamie Davis
Senior Vice President Fiber and Chief Technology Officer

Tiffany Martin
Senior Vice President and Chief Customer and Talent Officer

Erin Gill
Vice President Communications and External Relations

Knoxville Utilities Board Water Division
Index
June 30, 2026 and 2025

Page(s)

Independent Auditor's Report 1-5

Management's Discussion and Analysis 6-20

Financial Statements

Statements of Net Position 21-22

Statements of Revenues, Expenses and Changes in Net Position 23

Statements of Cash Flows 24

Notes to Financial Statements 25-60

Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios 61

Schedule of Employer Pension Contributions 62

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios 63

Schedule of Employer OPEB Contributions 64

Qualified Governmental Excess Benefit Arrangement 65

Supplemental Information

Schedule of Debt Maturities by Fiscal Year 66-67

Schedule of Changes in Long-term Debt by Individual Issue 68

Schedule of Changes in Lease Liabilities 69

Statistical Information

Schedule of Insurance in Force 70

Schedule of Current Rates in Force 71-72

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* 73-74

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Water Division of the Knoxville Utilities Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Water Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Division'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 of the Division 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 the Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the Division's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 the Division's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-20, 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 61-65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Division's basic financial statements. The schedule of debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and the schedule of changes in lease liabilities 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 debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and schedule of changes in lease liabilities 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

As discussed in Note 1, the financial statements present only the Water Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2026 and 2025, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter – GASB 103

As discussed in Note 2 to the financial statements, during the year ended June 30, 2026, the Water Division 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 the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division'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 the Division'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. The Water Division (Division) provides services to certain customers in Knox County and in two surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Water Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2026, and 2025, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis

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

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2026, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 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 Water Division - Financial Statements

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

Statement of Net Position

The Division reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, 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 the Division 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 are assets that have been limited to specific uses by the Division's bond covenants or through resolutions passed by the KUB Board.

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

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

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

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

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

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

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

- Operating revenues are largely determined by the volumes of water sold during the fiscal year. Any change (increase/decrease) in retail water rates would also be a cause of change in operating revenue.

- Operating expenses (treatment, distribution, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor cost (staffing, wage rates), active employee and retiree medical costs, chemicals, and water system maintenance.

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

- Taxes 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 and changes in property tax rates.

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

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

- 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

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

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

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

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Financial Summary

Statement of Net Position

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

Statements of Net Position
As of June 30

(in thousands of dollars)	2026	2025	2024
Current, restricted, and other assets	$ 60,529	$ 60,539	$ 64,128
Capital and intangible assets, net	482,246	448,332	408,411
Total assets	542,775	508,871	472,539
Deferred outflows of resources	2,356	4,903	7,509
Total assets and deferred outflows of resources	545,131	513,774	480,048
Current and other liabilities	24,534	24,209	21,102
Long-term debt outstanding	221,967	213,576	202,411
Total liabilities	246,501	237,785	223,513
Deferred inflows of resources	5,479	1,958	1,784
Total liabilities and deferred inflows of resources	251,980	239,743	225,297
Net position			
Net investment in capital assets	254,678	229,559	201,448
Restricted	3,410	2,917	2,707
Unrestricted	35,063	41,555	50,596
Total net position	$ 293,151	$ 274,031	$ 254,751

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Statement of Revenues, Expenses and Changes in Net Position

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

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

(in thousands of dollars)	2026	2025 as restated	2024 as restated
Operating revenues			
Charges for services	$ 80,069	$ 75,235	$ 70,789
Other	2,328	2,227	2,108
Total operating revenues	82,397	77,462	72,896
Operating expenses			
Treatment	5,941	6,248	5,744
Distribution	23,498	18,840	18,772
Customer service	1,063	1,073	1,018
Administrative and general	10,922	11,035	11,279
Depreciation and amortization	12,923	13,028	12,268
Taxes	1,257	1,173	1,115
Total operating expenses	55,604	51,397	50,196
Operating income	26,793	26,065	22,700
Non-capital subsidies			
Subsidies received	-	9	204
Subsidies provided	(2,968)	(2,777)	(3,630)
Total non-capital subsidies	(2,968)	(2,768)	(3,426)
Operating income and non-capital subsidies	23,825	23,297	19,274
Other non-operating revenues (expenses)			
Interest income	1,939	2,829	1,905
Interest expense	(7,725)	(7,599)	(6,808)
Capital contributions	757	163	747
Other income/(expense)	324	590	938
Total other non-operating revenues (expenses)	(4,705)	(4,017)	(3,218)
Increase in net position	$ 19,120	$ 19,280	$ 16,056

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Detailed Analyses

Fiscal Year 2026 Compared to Fiscal Year 2025

Net position increased $19.1 million in fiscal year 2026. Net investment in capital assets increased $25.1 million, primarily as a result of $33.9 million in net capital and intangible asset additions offset by an increase in current and long-term portions of revenue bonds of $9.3 million. Restricted net position increased $0.5 million, partially due to an increase in required bond fund reserves. Funds restricted for pensions increased $0.3 million. Unrestricted net position decreased $6.5 million, due in part to a $2.4 million decrease in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) and a $0.8 million decrease in accounts receivable.

Current, restricted, and other assets remained the same, primarily due to a $2.6 million increase in net pension asset and a $0.6 million increase in net OPEB asset offset by a $2.4 million decrease in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments), and a $0.8 million decrease in accounts receivable.

Total capital and intangible assets (net) increased $33.9 million or 7.6 percent, due to water main replacements, treatment plant improvements, and system improvements. Capital assets are discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred outflows of resources decreased $2.5 million compared to the prior fiscal year, due to a $2.2 million decrease in pension outflow, a $0.2 million decrease in unamortized bond refunding costs, and a $0.1 million decrease in OPEB outflow.

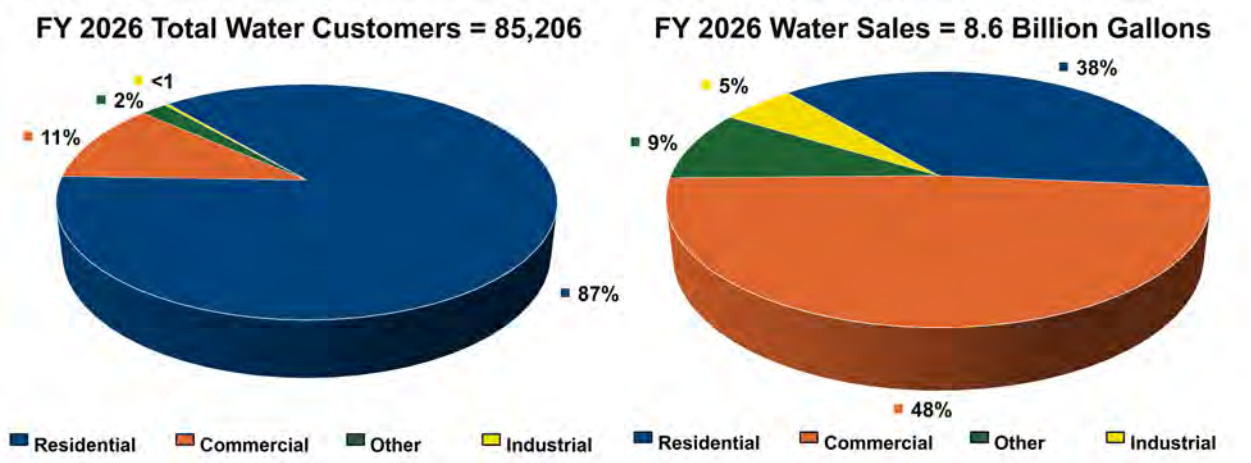
Current and other liabilities increased $0.3 million compared to the prior fiscal year. This increase reflects a $0.8 million increase in accounts payable, a $0.5 million increase in the current portion of revenue bonds, and a $0.2 million increase in accrued interest on revenue bonds offset by a $0.9 million decrease in the actuarially determined net OPEB liability, and a $0.5 million decrease in the actuarially determined net pension liability.

Long-term debt increased $8.4 million or 3.9 percent. This increase is the net impact of the issuance of $18 million in water system revenue bonds in February 2026 for the purpose of funding water system capital improvements offset by the scheduled repayment of debt. Long-term financing activity is discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred inflows increased $3.5 million compared to the prior fiscal year, due to a $2.2 million increase in pension inflow and a $1.3 million increase in OPEB inflow.

Operating revenues increased $4.9 million or 6.4 percent. This reflects an increase in charges for services of $4.8 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.

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Residential customers represented 87 percent of water customers and accounted for 38 percent of water sales volumes for the year. Commercial and industrial customers accounted for the largest portion (53 percent) of total sales volumes during the year. KUB's ten largest water customers accounted for 29 percent of KUB's billed water volumes. Those ten customers represent two industrial, six commercial, and two water utility districts. Within the top ten, seven governmental customers are represented. KUB has added 2,407 water customers over the past three years, representing annual growth of less than one percent. Water system growth is up slightly due to new housing construction. Residential water sales volumes decreased 0.7 percent compared to the prior fiscal year. Commercial water sales volumes increased 2 percent compared to the prior year. A multi-year credit to a customer partially offset industrial sales volumes, resulting in a decrease of 18.9 percent compared to the prior year. Other water sales volumes (i.e., utility districts) were 2.8 percent higher than the prior year.

Operating expenses increased $4.2 million or 8.2 percent. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes. O&M expenses can be further classified as treatment, distribution, customer service, and administrative and general.

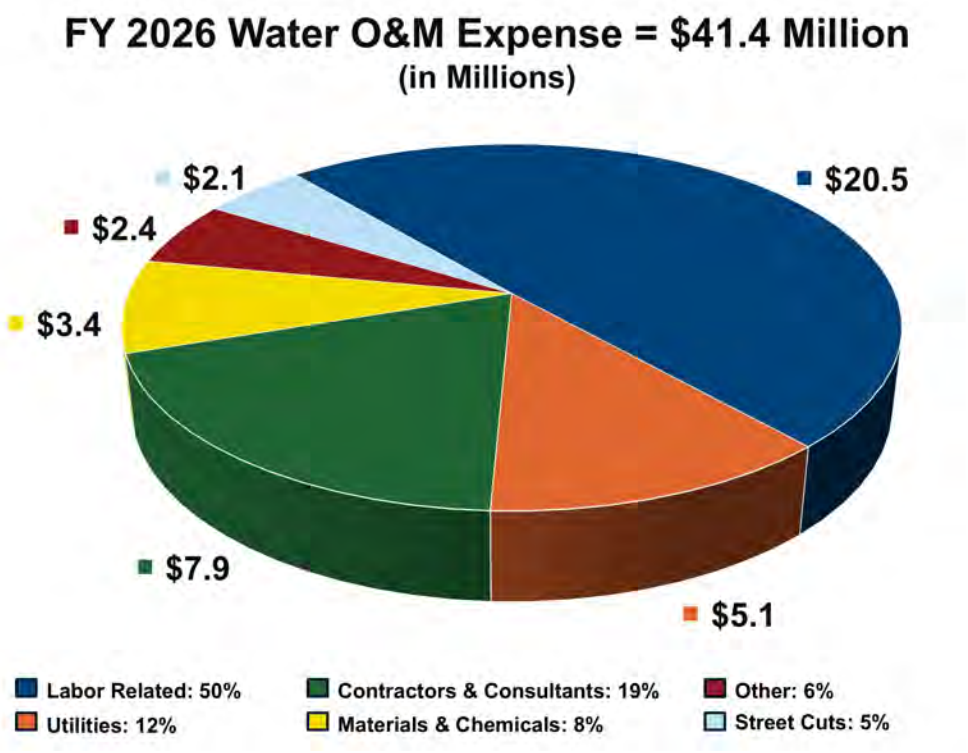
- Treatment expenses were $0.3 million or 4.9 percent lower than the prior fiscal year, due to a decrease in chemicals costs.

- Distribution expenses were $4.7 million or 24.7 percent higher than the prior fiscal year, due to an increase in contractor and outside consultant expenses, labor-related expenses, street cut expenses, and utility service.

- Customer service expenses were consistent with the prior fiscal year.

- Administrative and general expenses were $0.1 million lower than the prior fiscal year, primarily due to a decrease in contractor and outside consultant expenses.

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- Depreciation and amortization expense decreased $0.1 million. KUB added $22.2 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 $18.2 million in assets placed in service during fiscal year 2025. In addition, $2.6 million of assets were retired in fiscal year 2026.

- Taxes were $0.1 million more than the prior fiscal year, due to an increase in payroll taxes.

Non-capital subsidies provided increased $0.2 million compared to the prior year due to an increase in tax equivalents based on increased plant values.

Interest income was $0.9 million lower than in the prior fiscal year due to a decline in market interest rates.

Interest expense increased $0.1 million compared to the previous fiscal year, reflecting additional interest expense from revenue bonds sold during the fiscal year.

Capital contributions were $0.6 million higher than the prior fiscal year, the result of an increase in assets contributed by developers. Developer contributions of $0.8 million were recorded this fiscal year.

Other income (net) was $0.3 million lower than the prior fiscal year, due to mark-to-market adjustments on investments.

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Fiscal Year 2025 Compared to Fiscal Year 2024

Net position increased $19.3 million in fiscal year 2025. Net investment in capital assets increased $28.1 million, primarily as a result of $39.9 million in net capital and intangible asset additions offset by an increase in the current and long-term portions of revenue bonds of $11.9 million. Restricted net position increased $0.2 million, due to an increase in required bond fund reserves. Unrestricted net position decreased $9 million, primarily due to a $5.2 million decrease in accounts receivable and a $3.5 million increase in accounts payable.

Current, restricted, and other assets decreased $3.6 million or 5.6 percent. The decrease is due to a $5.2 million decrease in accounts receivable offset by a $0.9 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments), and a $0.3 million increase in inventories.

Total capital and intangible assets (net) increased $39.9 million or 9.8 percent, due to water main replacements, treatment plant improvements, and system improvements. Capital assets are discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred outflows of resources decreased $2.6 million compared to the prior fiscal year, primarily due to a $2.2 million decrease in pension outflow.

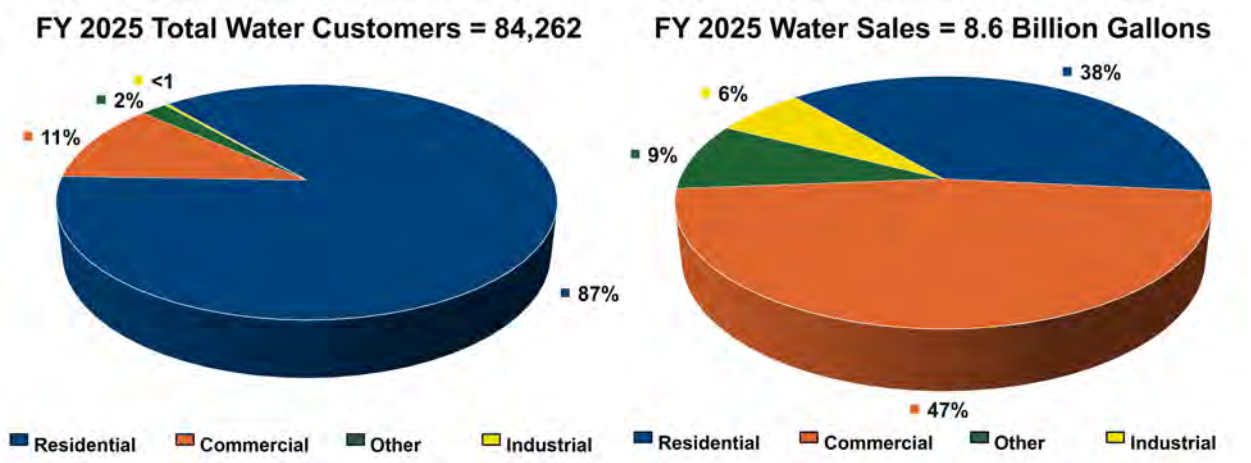
Current and other liabilities increased $3.1 million compared to the prior fiscal year. This increase reflects a $3.5 million increase in accounts payable, a $0.6 million increase in the current portion of revenue bonds, offset by a $0.8 million decrease in the actuarially determined net pension liability, and a $0.7 million decrease in the actuarially determined net OPEB liability

Long-term debt increased $11.2 million or 5.5 percent. This increase is the net impact of the issuance of $20 million in water system revenue bonds sold in July 2024 for the purpose of funding water system capital improvements and the scheduled repayment of debt. Long-term financing activity is discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred inflows increased $0.2 million compared to fiscal year 2024, due to a $0.4 million increase in OPEB inflow offset by a $0.2 million decrease in pension inflow.

Operating revenues increased $4.6 million or 6.3 percent. This reflects an increase in charges for services of $4.4 million, due to an increase in billed water sales volumes of 0.4 percent and additional revenue from a 5 percent rate increase effective in July 2024.

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Residential customers represented 87 percent of water customers and accounted for 38 percent of water sales volumes for the year. Commercial and industrial customers accounted for the largest portion (53 percent) of total sales volumes during the year. KUB's ten largest water customers accounted for 25 percent of KUB's billed water volumes. Those ten customers represent one industrial, seven commercial, and two water utility districts. Within the top ten, eight governmental customers are represented. KUB has added 2,152 water customers over the past three years, representing annual growth of less than one percent. Water system growth is up slightly due to new housing construction. Residential water sales volumes increased 0.4 percent compared to the prior fiscal year. Commercial water sales volumes decreased 0.3 percent compared to the prior year. Industrial sales volumes decreased 3.8 percent compared to the prior year. Other water sales volumes (i.e., utility districts) were 7.7 percent higher than the prior year.

Operating expenses increased $1.2 million or 2.4 percent. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes. O&M expenses can be further classified as treatment, distribution, customer service, and administrative and general.

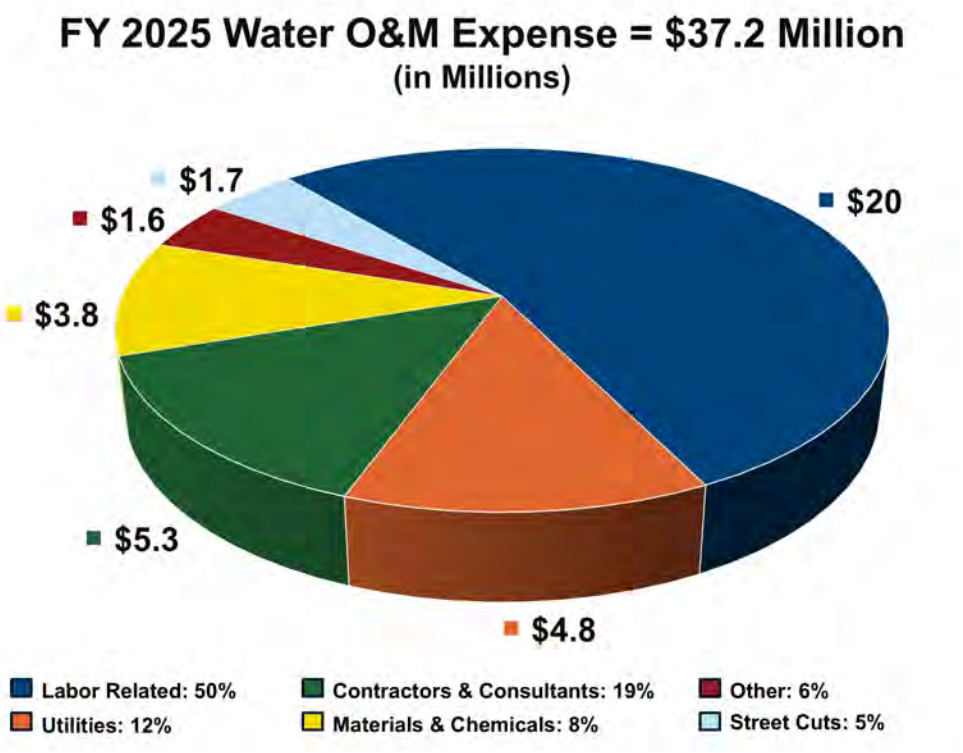
- Treatment expenses were $0.5 million or 8.8 percent higher than the prior fiscal year, due to an increase in labor-related expenses, chemicals costs, and contractor expenses. Chemical costs increased $0.3 million due to Hurricane Helene clean up costs.

- Distribution expenses were less than $0.1 million higher than the prior fiscal year.

- Customer service expenses were less than $0.1 million higher than the prior fiscal year.

- Administrative and general expenses were $0.2 million or 2.2 percent lower than the prior fiscal year, primarily due to a decrease in insurance costs and consultant expenses offset by an increase in labor-related expenses.

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- Depreciation and amortization expense increased $0.8 million. KUB added $18.2 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 $21.4 million in assets placed in service during fiscal year 2024. In addition, $3.8 million of assets were retired in fiscal year 2025.

- Taxes were $0.1 million more than fiscal year 2024 due to an increase in payroll taxes.

Non-capital subsidies received decreased $0.2 million, due to a decrease in FEMA grants received. Non-capital subsidies provided decreased $0.9 million due to a decrease in tax equivalents paid due to the reduction in equalization rates.

Interest income was $0.9 million higher than in fiscal year 2024, 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 $0.8 million compared to fiscal year 2024, reflecting additional interest expense from revenue bonds sold during the fiscal year.

Capital contributions were $0.6 million lower than fiscal year 2024, the result of a decrease in assets contributed by developers. Developer contributions of $0.2 million were recorded in fiscal year 2025.

Other income (net) was $0.3 million lower than fiscal year 2024, due to mark-to-market adjustments on investments.

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Significant Capital Asset and Long-Term Financing Activity

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

(in thousands of dollars)	2026	2025	2024
Production plant	$ 6	$ 6	$ 6
Pumping & Treatment plant	61,655	64,402	67,056
Distribution plant			
Distribution mains	214,506	204,915	196,956
Transmission mains	39,105	37,798	38,382
Services & meters	34,321	34,514	35,647
Other accounts	13,505	13,601	13,760
Total distribution plant	301,437	290,828	284,745
Total general plant	16,101	15,114	13,809
Net plant assets in service	$ 379,199	$ 370,350	$ 365,616
Intangible right of use assets			
Office space	$ 7	$ 16	$ 25
Equipment	-	-	3
Other	15	16	17
Net intangible right of use assets	$ 22	$ 32	$ 45
Intangible subscription assets			
Intangible subscription assets	$ 221	$ 333	$ 460
Net intangible subscription assets	$ 221	$ 333	$ 460
Net intangible assets	$ 243	$ 365	$ 505
Work in progress	102,804	77,617	42,290
Net capital and intangible assets	$ 482,246	$ 448,332	$ 408,411

Fiscal Year 2026 Compared to Fiscal Year 2025

As of June 30, 2026, the Division had $482.2 million invested in a variety of capital and intangible assets, as reflected in the schedule of capital and intangible assets, which represented a net increase (including additions, retirements, and depreciation) of $33.9 million, or 7.6 percent, over the end of the last fiscal year.

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.

Major capital asset expenditures during the year were as follows:

- $26.4 million for galvanized and cast-iron water main replacement
- $10.5 million for water plant redundancy
- $2.2 million for system improvements
- $1.9 million for services and extensions
- $1.6 million for auto and truck purchases
- $0.1 million for plant improvements

During fiscal year 2026, $2.6 million water system assets were retired.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had $448.3 million invested in a variety of capital and intangible assets, as reflected in the schedule of capital and intangible assets, which represented a net increase (including additions, retirements, and depreciation) of $39.9 million, or 9.8 percent, over the end of the last fiscal year.

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 to support the Mark B. Whitaker Water Treatment Plant filters project.

Major capital asset expenditures during the year were as follows:

- $23.4 million for water plant redundancy
- $15 million for galvanized and cast-iron water main replacement
- $3.2 million for system improvements
- $2 million for services and extensions
- $1.6 million for plant improvements
- $1.1 million for auto and truck purchases

During fiscal year 2025, $3.8 million water system assets were retired.

Debt Administration

As of June 30, 2026, the Water Division had $217.7 million in outstanding water system bonds. The bonds are secured solely by revenues of the Water Division. Debt as a percentage of the Division's capital structure was 42.6 percent in 2026, 43.2 percent in 2025, and 43.6 percent in 2024. KUB's Debt Management Policy limits the Division's debt ratio to 50 percent or less.

Outstanding Debt
As of June 30

(in thousands of dollars)	2026	2025	2024
Revenue bonds	$ 217,660	$ 208,410	$ 196,535
Total outstanding debt	$ 217,660	$ 208,410	$ 196,535

The Division will pay $98.7 million in principal payments over the next ten years, representing 45.3 percent of the outstanding bonds. KUB's Debt Management Policy requires a minimum of 30 percent of water debt principal be repaid over the next ten years.

Fiscal Year 2026 Compared to Fiscal Year 2025

As of June 30, 2026, the Division had $217.7 million in outstanding debt (including the current portion of revenue bonds), representing an increase of $9.3 million, or 4.4 percent. As of June 30, 2026, the Division's weighted average cost of debt was 3.65 percent.

Long-term debt represented 42.6 percent of the Division's capital structure as of June 30, 2026, compared to 43.2 percent last fiscal year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

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.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 2.56. Maximum debt service coverage for future fiscal years is 2.41.

The Division's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2026, the Division's revenue bonds were rated AAA by S&P Global Ratings and Aa1 by Moody's Investors Service. The S&P Global Ratings water rating represents the highest credit rating available from S&P Global Ratings.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had $208.4 million in outstanding debt (including the current portion of revenue bonds), representing an increase of $11.9 million or 6 percent. As of June 30, 2025, the Division's weighted average cost of debt was 3.6 percent.

Long-term debt represented 43.2 percent of the Division's capital structure as of June 30, 2025, compared to 43.6 percent in fiscal year 2024. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

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.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for fiscal year 2025 was 2.70. Maximum debt service coverage for future fiscal years is 2.57.

The Division's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2025, the Division's revenue bonds were rated AAA by S&P Global Ratings and Aa1 by Moody's Investors Service. The S&P Global Ratings water rating represents the highest credit rating available from S&P Global Ratings.

Currently Known Facts, Decisions, or Conditions

In June 2024, as part of KUB's Inflation Response Plan, the Board approved the next phase of water rate increases to support the Century II program. 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.

In May 2026, the Board approved the issuance of up to $19 million of Water System Revenue Bonds in order to fund capital improvements to the water system.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2026.

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

	2026	2025
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 15,698,349	$ 20,556,604
Short-term contingency fund investments	2,167,585	17,951,582
Other current assets	-	218,704
Accrued interest receivable	18,366	19,924
Accounts receivable, less allowance of uncollectible accounts of $65,284 in 2026 and $68,308 in 2025	8,598,480	9,413,592
Current portion of lease receivable	113,085	106,061
Inventories	2,705,029	3,256,632
Prepaid expenses	68,658	77,146
Total current assets	29,369,552	51,600,245
Restricted assets:		
Water bond fund	5,793,566	5,420,352
Other funds	199	198
Total restricted assets	5,793,765	5,420,550
Capital assets:		
Water plant in service	561,931,074	542,316,450
Less accumulated depreciation	(182,732,375)	(171,966,760)
Net capital assets	379,198,699	370,349,690
Intangible assets:		
Intangible right of use asset	58,913	72,515
Intangible subscription asset	841,252	838,465
Less accumulated amortization	(657,481)	(546,260)
Net intangible assets	242,684	364,720
Retirement in progress	15,988	18,954
Construction in progress	102,788,861	77,598,248
Net capital and intangible assets	482,246,232	448,331,612
Other assets:		
Net pension asset	2,636,612	-
Net OPEB asset	626,418	-
Long-term contingency fund investments	18,279,605	-
Long-term lease receivable	1,120,532	1,069,643
Other	2,702,592	2,448,534
Total other assets	25,365,759	3,518,177
Total assets	542,775,308	508,870,584
Deferred outflows of resources:		
Pension outflow	582,575	2,819,099
OPEB outflow	275,162	369,129
Unamortized bond refunding costs	1,497,934	1,715,108
Total deferred outflows of resources	2,355,671	4,903,336
Total assets and deferred outflows of resources	$ 545,130,979	$ 513,773,920

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

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

	2026	2025
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 9,265,000	$ 8,750,000
Current portion of accrued compensated absences	1,571,213	1,438,424
Current portion of lease liability	8,327	10,455
Current portion of subscription liability	79,229	147,328
Sales tax collections payable	473,092	426,464
Accounts payable	7,019,512	6,180,819
Accrued expenses	880,438	812,068
Customer deposits plus accrued interest	1,517,685	1,379,875
Accrued interest on revenue bonds	2,705,133	2,503,586
Total current liabilities	23,519,629	21,649,019
Other liabilities:		
Accrued compensated absences	611,027	708,477
Customer advances for construction	233,109	183,956
Lease liability	15,768	22,814
Subscription liability	90,083	156,696
Net pension liability	6,671	551,553
Net OPEB liability	-	891,811
Other	57,717	44,826
Total other liabilities	1,014,375	2,560,133
Long-term debt:		
Water revenue bonds	208,395,000	199,660,000
Unamortized premiums/discounts	13,572,476	13,915,532
Total long-term debt	221,967,476	213,575,532
Total liabilities	246,501,480	237,784,684
Deferred inflows of resources:		
Pension inflow	2,314,919	128,269
OPEB inflow	2,018,737	731,311
Lease inflow	1,145,050	1,098,771
Total deferred inflows of resources	5,478,706	1,958,351
Total liabilities and deferred inflows of resources	251,980,186	239,743,035
Net position:		
Net investment in capital assets	254,677,433	229,558,746
Restricted for:		
Debt service	3,088,433	2,916,766
Pensions	321,693	-
Other	199	198
Unrestricted	35,063,035	41,555,175
Total net position	293,150,793	274,030,885
Total liabilities, deferred inflows, and net position	$ 545,130,979	$ 513,773,920

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

Knoxville Utilities Board Water Division
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025 as restated
Operating revenues		
Charges for services	$ 80,069,312	$ 75,235,062
Other	2,327,746	2,226,871
Total operating revenues	82,397,058	77,461,933
Operating expenses		
Treatment	5,940,638	6,248,177
Distribution	23,498,357	18,840,349
Customer service	1,062,716	1,072,682
Administrative and general	10,921,795	11,034,467
Depreciation and amortization	12,922,859	13,027,773
Taxes	1,257,283	1,173,373
Total operating expenses	55,603,648	51,396,821
Operating income	26,793,410	26,065,112
Non-capital subsidies		
Subsidies received	-	9,276
Subsidies provided	(2,968,141)	(2,777,013)
Total non-capital subsidies	(2,968,141)	(2,767,737)
Operating income and non-capital subsidies	23,825,269	23,297,375
Other non-operating revenues (expenses)		
Capital subsidies	2,771,278	5,753,777
Interest income	1,938,829	2,828,950
Interest expense	(7,725,401)	(7,599,497)
Amortization of debt costs	478,332	473,596
Write-down of plant for costs recovered through contributions	(2,771,278)	(5,753,777)
Capital contributions	756,808	162,776
Investment income (expense)	(153,929)	116,890
Total other non-operating revenues (expenses)	(4,705,361)	(4,017,285)
Increase in net position	19,119,908	19,280,090
Net position, beginning of year	274,030,885	254,750,795
Net position, end of year	$ 293,150,793	$ 274,030,885

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

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

	2026	2025 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 80,326,803	$ 76,018,470
Cash receipts from other operations	3,116,207	2,755,993
Cash payments to suppliers of goods or services	(24,612,400)	(19,339,139)
Cash payments to employees for services	(16,205,414)	(15,140,446)
Net cash provided by operating activities	42,625,196	44,294,878
Cash flows from non-capital financing activities:		
Non-capital subsidies received	-	9,276
Non-capital subsidies provided	(2,968,141)	(2,777,013)
Net cash used in non-capital financing activites	(2,968,141)	(2,767,737)
Cash flows from capital and related financing activities:		
Net proceeds from bond issuance	18,118,998	20,524,639
Principal paid on revenue bonds	(8,750,000)	(8,120,000)
Interest paid on revenue bonds	(7,547,258)	(7,384,250)
Acquisition and construction of water plant	(49,512,777)	(59,200,039)
Changes in water bond fund, restricted	(373,214)	(401,937)
Customer advances for construction	49,153	33,835
Proceeds received on disposal of plant	7,256	1,889
Principal paid on lease liabilities	(10,920)	(13,395)
Principal paid on subscription liabilities	(134,712)	(141,958)
Interest paid on lease and subscription liabilities	(11,645)	(17,414)
Cash received from developers and individuals for capital purposes	4,350,054	11,118,001
Net cash used in capital and related financing activities	(43,815,065)	(43,600,629)
Cash flows from investing activities:		
Purchase of investment securities	(20,387,987)	(4,034,047)
Maturities of investment securities	17,700,000	4,100,000
Interest received	1,992,599	2,728,074
Other property and investments	(4,857)	32,478
Net cash (used in) provided by investing activities	(700,245)	2,826,505
Net (decrease) increase in cash and cash equivalents	(4,858,255)	753,017
Cash and cash equivalents, beginning of year	20,556,604	19,803,587
Cash and cash equivalents, end of year	$ 15,698,349	$ 20,556,604
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 26,793,410	$ 26,065,112
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	13,592,617	13,687,331
Changes in operating assets and liabilities:		
Accounts receivable	(763,664)	(127,796)
Lease receivable	(57,913)	20,266
Inventories	551,603	(308,180)
Prepaid expenses	8,488	(5,219)
Other assets	198,096	(4,006)
Sales tax collections payable	46,628	15,413
Accounts payable, other accrued expenses, and deferrals	2,079,084	4,808,725
Customer deposits	163,954	134,587
Other liabilities	12,893	8,645
Net cash provided by operating activities	$ 42,625,196	$ 44,294,878
Noncash capital activities:		
Acquisition of plant assets through developer contributions	$ 756,808	$ 162,776

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

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Water Division (Division) provides services to certain customers in Knox County and in two surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Water Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2026, and 2025, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. Significant Accounting Policies

Basis of Accounting

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

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

Recently Adopted New Accounting Pronouncements

In 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 is 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.

Water Plant

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

The provision for depreciation of water plant in service is based on the estimated useful lives of the assets, which range from three to sixty-seven years, and is computed using the straight-line method. Pursuant to NARUC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment. Depreciation for transportation equipment of $669,758 in fiscal year 2026 and $659,559 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 the KUB Water Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of $179,770 in fiscal year 2026 and $179,231 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 net assets available, it is KUB's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

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

These classifications are defined as follows:

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

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

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

Contributions in Aid of Construction and Capital Contributions

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

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

Inventories

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

OPEB Trust

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

"Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability (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 (Division's share $626,418) as of June 30, 2026, and the net OPEB liability is $5,315,804 (Division's share $891,811) 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 (Division's share $2,636,612) as of June 30, 2026, and the net pension liability is $3,054,172 (Division's share $548,581) 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 (Division's share $6,671) as of June 30, 2026, and $21,226 (Division's share $2,972) 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 $2,636,612 as of June 30, 2026 and the QEBA total pension liability is disclosed in the Statement of Net Position as Net pension liability of $6,671 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 $551,553 as of June 30, 2025. The Pension Plan deferred outflows and QEBA deferred outflows are disclosed as Pension outflow of $582,575 as of June 30, 2026 and $2,819,099 as of June 30, 2025. The Pension Plan deferred inflows and QEBA deferred inflows are disclosed as Pension inflow of $2,314,919 as of June 30, 2026 and $128,269 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, 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.

Cash Equivalents

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

Leases

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

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

Subscription-Based Information Technology Arrangements

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

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

Deferred Outflows and Inflows of Resources

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

Debt Premium/Discount

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

Debt Issuance Costs

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

Deferred Gain/Loss on Refunding of Debt

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

Compensated Absences

KUB accrues a liability for earned 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.

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.

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	$ 15,698,349	$ 20,556,604
Short-term contingency fund investments	2,005,783	17,763,490
Other assets		
Long-term contingency fund investments	18,279,605	-
Restricted assets		
Water bond fund	5,793,566	5,420,352
Other funds	199	198
	$ 41,777,502	$ 43,740,644

The above amounts do not include accrued interest of $161,802 in fiscal year 2026 and $188,092 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	$ 16,227,281	$ 16,227,281	$ -
State Treasurer's Investment Pool	7,799,249	7,799,249	-
Agency Bonds	18,279,605	-	18,279,605
	$ 42,306,135	$ 24,026,530	$ 18,279,605

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Division has the following recurring fair value measurements as of June 30, 2026:

- U.S. Agency bonds of $18,279,605, 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	$ 5,716,868	$ 4,896,166
Unbilled services	2,537,859	2,538,608
Other	409,037	2,047,126
Allowance for uncollectible accounts	(65,284)	(68,308)
	$ 8,598,480	$ 9,413,592

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2026	2025
Trade accounts	$ 7,019,512	$ 6,180,819
Current portion of accrued compensated absences	1,571,213	1,438,424
Salaries and wages	450,242	387,151
Self-insurance liabilities	430,196	424,917
	$ 9,471,163	$ 8,431,311

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6. Long-Term Obligations

Long-term debt consists of the following:

	Balance June 30, 2025	Additions	Payments	Defeased	Balance June 30, 2026	Amounts Due Within One Year
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

	Balance June 30, 2024	Additions	Payments	Defeased	Balance June 30, 2025	Amounts Due Within One Year
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

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

Fiscal Year	TOTAL Principal	Interest	Grand Total
2027	$ 9,265,000	$ 8,007,495	$ 17,272,495
2028	9,695,000	7,580,818	17,275,818
2029	10,075,000	7,204,000	17,279,000
2030	10,450,000	6,810,348	17,260,348
2031	10,795,000	6,399,133	17,194,133
2032 - 2036	48,395,000	26,518,313	74,913,313
2037 - 2041	46,015,000	18,464,087	64,479,087
2042 - 2046	41,170,000	10,482,265	51,652,265
2047 - 2051	21,400,000	4,387,826	25,787,826
2052 - 2056	10,400,000	1,045,817	11,445,817
Total	$ 217,660,000	$ 96,900,102	$ 314,560,102

The Division has pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet bond principal and interest payments when due. The requirements for the bonds are being met through monthly deposits to the Water Bond Fund, as required by the bond covenants. As of June 30, 2026, these bond covenants had been satisfied.

The Division's 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 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.

Other liabilities consist of the following:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Customer advances for construction	$ 183,956	$ 689,879	$ (640,726)	$ 233,109
Other	44,826	50,353	(37,462)	57,717
	$ 228,782	$ 740,232	$ (678,188)	$ 290,826

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	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Customer advances for construction	$ 150,121	33,835	-	183,956
Other	36,179	79,790	(71,143)	44,826
	$ 186,300	$ 113,625	$ (71,143)	$ 228,782

7. Lease Receivables

KUB, as lessor, leases office space 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 $125,610 in 2026 and $133,507 in 2025. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $41,854 in 2026 and $42,446 in 2025. Total lease receivables were $1,233,617 ($113,085 current) and $1,175,704 ($106,061 current) as of June 30, 2026, and 2025, respectively, and are included in other assets on the Statement of Net Position.

8. Lease Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Total lease liabilities	$ 33,269	$ 1,746	$ (10,920)	$ 24,095
Less current portion	(10,455)			(8,327)
Long-term portion	$ 22,814			$ 15,768

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total lease liabilities	$ 46,664	$ -	$ (13,395)	$ 33,269
Less current portion	(12,365)			(10,455)
Long-term portion	$ 34,299			$ 22,814

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.

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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	$ 8,327	$ 833
2028	581	679
2029	622	676
2030	666	671
2031	714	664
2032-2036	4,403	3,129
2037-2041	6,201	2,530
2042-2043	2,581	622
	$ 24,095	$ 9,804

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	$ 304,024	$ -	$ (134,712)	$ 169,312
Less current portion	(147,328)			(79,229)
Long-term portion	$ 156,696			$ 90,083

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total SBITA liabilities	$ 445,982	$ -	$ (141,958)	$ 304,024
Less current portion	(142,047)			(147,328)
Long-term portion	$ 303,935			$ 156,696

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	$ 79,229	$ 5,075
2028	83,524	1,912
2029	3,214	209
2030	3,345	79
	$ 169,312	$ 7,275

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	$ 727,863	$ -	$ -	$ 727,863
Pumping & Treatment plant	114,419,476	447,702	(35,945)	114,831,233
Distribution plant				
Distribution mains	253,337,695	13,614,332	(18,304)	266,933,723
Transmission mains	51,216,499	2,242,771	-	53,459,270
Services & meters	52,256,694	2,319,811	-	54,576,505
Other accounts	30,361,079	716,473	(70,864)	31,006,688
Total distribution plant	$ 387,171,967	$ 18,893,387	$ (89,168)	$ 405,976,186
Total general plant	39,997,144	2,848,208	(2,449,560)	40,395,792
Total water plant in service	$ 542,316,450	$ 22,189,297	$ (2,574,673)	$ 561,931,074
Less accumulated depreciation	(171,966,760)	(13,454,499)	2,688,884	(182,732,375)
Net plant assets in service	$ 370,349,690	$ 8,734,798	$ 114,211	$ 379,198,699
Intangible right of use assets				
Office space	$ 42,315	$ -	$ (3,023)	$ 39,292
Equipment	12,325	1,746	(12,325)	1,746
Other	17,875	-	-	17,875
Total intangible right of use assets	$ 72,515	$ 1,746	$ (15,348)	$ 58,913
Less accumulated amortization	(40,215)	(10,768)	14,169	(36,814)
Net intangible right of use assets	$ 32,300	$ (9,022)	$ (1,179)	$ 22,099
Intangible subscription assets				
Intangible subscription assets	$ 838,465	$ 15,779	$ (12,992)	$ 841,252
Less accumulated amortization	(506,045)	(127,455)	12,833	(620,667)
Net intangible subscription assets	332,420	(111,676)	(159)	220,585
Net intangible assets	$ 364,720	$ (120,698)	$ (1,338)	$ 242,684
Work in progress	77,617,202	46,666,111	(21,478,464)	102,804,849
Net capital and intangible assets	$ 448,331,612	$ 55,280,211	$ (21,365,591)	$ 482,246,232

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	Beginning June 30, 2024	Increase	Decrease	Ending June 30, 2025
Production plant	$ 727,863	$ -	$ -	$ 727,863
Pumping & Treatment plant	113,779,421	748,784	(108,729)	114,419,476
Distribution plant				
Distribution mains	241,632,248	11,787,978	(82,531)	253,337,695
Transmission mains	50,935,372	281,127	-	51,216,499
Services & meters	52,206,924	1,340,473	(1,290,703)	52,256,694
Other accounts	29,758,627	643,905	(41,453)	30,361,079
Total distribution plant	$ 374,533,171	$ 14,053,483	$ (1,414,687)	$ 387,171,967
Total general plant	38,909,783	3,370,095	(2,282,734)	39,997,144
Total water plant in service	$ 527,950,238	$ 18,172,362	$ (3,806,150)	$ 542,316,450
Less accumulated depreciation	(162,334,691)	(13,546,070)	3,914,001	(171,966,760)
Net plant assets in service	$ 365,615,547	$ 4,626,292	$ 107,851	$ 370,349,690
Intangible right of use assets				
Office space	$ 42,315	$ -	$ -	$ 42,315
Equipment	11,445	880	-	12,325
Other	17,875	-	-	17,875
Total intangible right of use assets	$ 71,635	$ 880	$ -	$ 72,515
Less accumulated amortization	(26,733)	(13,482)	-	(40,215)
Net intangible right of use assets	$ 44,902	$ (12,602)	$ -	$ 32,300
Intangible subscription assets				
Intangible subscription assets	$ 864,755	$ -	$ (26,290)	$ 838,465
Less accumulated amortization	(404,433)	(127,902)	26,290	(506,045)
Net intangible subscription assets	460,322	(127,902)	-	332,420
Net intangible assets	$ 505,224	$ (140,504)	$ -	$ 364,720
Work in progress	42,290,267	53,479,051	(18,152,116)	77,617,202
Net capital and intangible assets	$ 408,411,038	$ 57,964,839	$ (18,044,265)	$ 448,331,612

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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 $2,182,240 and $2,146,901, respectively, resulting from the following changes:

	2026	2025
Balance, beginning of year	$ 2,146,901	$ 1,949,361
Net increase (decrease)	35,339	197,540
Balance, end of year	$ 2,182,240	$ 2,146,901
Due Within One Year	$ 1,571,213	$ 1,438,424

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. As of June 30, 2026, and June 30, 2025, the amount of these liabilities was $430,197 and $424,917, respectively, resulting from the following changes:

	2026	2025
Balance, beginning of year	$ 424,917	$ 356,893
Current year claims and changes in estimates	2,849,053	2,810,878
Claims payments	(2,843,773)	(2,742,854)
Balance, end of year	$ 430,197	$ 424,917

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. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

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

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

	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 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. Of these amounts, $496,581 and $396,996 are attributable to the Water Division. 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. The net pension asset is $14,831,176 (Division's share $2,636,612) as of June 30, 2026, and the net pension liability is $3,054,172 (Division's share $548,581) as of June 30, 2025.

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%

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)

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, and the Water Division's share was $1,823,223.

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 (Division's share $39,528). 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 (Division's share $232,065).

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 (Division's share $84,464).

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 (Division's share $2,243,274).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is three years. This change resulted in a deferred outflow of $21,228, with $7,076 of that recognized in the current year and the remaining amount recognized over the next two years, resulting in a deferred outflow of resources of $14,152. Net proportionate share of deferred inflow of resources changes from prior periods were $128,269, of which $96,520 was recognized in the current year, resulting in a deferred inflow of resources of $31,749. In addition, KUB's Water Division recorded a deferred outflow of resources of $248,291 for employer contributions made between December 31, 2025 and June 30, 2026.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 232,065	$ 39,528
Changes in assumptions	84,464	-
Net difference between projected and actual earnings on pension plan investments	-	2,243,274
Change in proportionate share	14,152	31,749
Contributions subsequent to measurement date	248,291	-
Total	$ 578,972	$ 2,314,551

$248,291 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	$ 1,530,376
2028	(1,787,752)
2029	(1,060,431)
2030	(666,063)
2031	-
Thereafter	-

For the year ended June 30, 2025, KUB recognized pension expense of $10,401,958, and the Water Division's share was $1,630,916.

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 (Division's share $481,604).

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 (Division's share $407,263).

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 (Division's share $1,729,753).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is three years. This change resulted in a deferred inflow of $39,116, with $13,039 of that recognized in the current year and the remaining amount recognized over the next two years, resulting in a deferred inflow of resources of $26,077. Net proportionate share changes from prior periods were $326,605, of which $224,413 was recognized in the current year, resulting in a deferred inflow of resources of $102,192. In addition, KUB's Water Division recorded a deferred outflow of resources of $198,498 for employer contributions made between December 31, 2024 and June 30, 2025.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 481,604	$ -
Changes in assumptions	407,263	-
Net difference between projected and actual earnings on pension plan investments	1,729,753	-
Change in proportionate share	-	128,269
Contributions subsequent to measurement date	198,498	-
Total	$ 2,817,118	$ 128,269

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 (Division's share $6,671) as of June 30, 2026, and $21,226 (Division's share $2,972) 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 (Division's share $3,491) 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 (Division's share $3,603).

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 (Division's share $368).

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
Division's share	$ 3,603	$ 368

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 (Division's share $1,036) 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 (Division's share $1,981) 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	$ -
Division's share	$ 1,981	$ -

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 (Division's share $631,585) and $4,799,996 (Division's share $672,000), 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.

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. For purposes of this disclosure, presentation is on a consolidated basis unless division’s share is specified.

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

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

	HRA		Retiree Medical Benefit	
	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 for the Water Division of $198,045 and $214,738 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. The Division's share of the total net OPEB asset was $626,418 as of June 30, 2026. The Division's share of the total net OPEB liability was $891,811 as of June 30, 2025.

The components of the 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 (asset)	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 Trend	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's Water Division recognized OPEB expense of $61,207.

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 (Division's share $251,324). 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 (Division's share $62,802).

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 (Division's share $409,204). 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 (Division's share $176,262).

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 (Division's share $1,296,770).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred inflow of $38,183, with $5,455 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred inflow of resources of $32,728. Net proportionate share of deferred inflow of resources changes from prior periods were $34,453, with $5,742 of that recognized in the current year resulting in a deferred inflow of resources of $28,711. Net proportionate share of deferred outflow of resources changes from prior periods were $45,144, with $9,046 of that recognized in the current year resulting in a deferred outflow of resources of $36,098. The following table summarizes the current balances of deferred outflows and deferred inflows of resources for the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 62,802	$ 251,324
Changes in assumptions	176,262	409,204
Net difference between projected and actual earnings on OPEB plan investments	-	1,296,770
Change in proportionate share	36,098	61,439
Total	$ 275,162	$ 2,018,737

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

Year ending June 30:	
2027	$ (466,619)
2028	(433,841)
2029	(357,714)
2030	(336,291)
2031	(94,354)
Thereafter	(54,756)

For the year ended June 30, 2025, KUB's Water Division recognized OPEB expense of $92,651.

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 (Division's share $22,217). 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 (Division's share $81,652).

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 (Division's share $439,141). 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 (Division's share $242,333).

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 (Division's share $235,500).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred inflow of $40,195, with $5,742 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred inflow of resources of $34,453. Net proportionate share changes from prior periods were $54,190, with $9,046 of that recognized in the current year resulting in a deferred outflow of resources of $45,144. The table below summarizes the current balances of deferred outflows and deferred inflows of resources for the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 81,652	$ 22,217
Changes in assumptions	242,333	439,141
Net difference between projected and actual earnings on OPEB plan investments	-	235,500
Change in proportionate share	45,144	34,453
Total	$ 369,129	$ 731,311

17. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with the City of Knoxville and with other divisions of KUB. Such transactions for the years ended June 30, 2026, and 2025, are summarized as follows:

	2026	2025
City of Knoxville		
Amounts billed by the Division for utilities and related services	$ 6,468,605	$ 6,102,680
Payments by the Division in lieu of property tax	2,968,141	2,777,013
Payments by the Division for services provided	11,303	12,853
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	503,988	583,337
Interdivisional rental expense	466,601	460,382
Interdivisional rental income	216,032	240,269
Amounts billed to the Division by other divisions for utilities services provided	4,615,039	4,180,334

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	$ 574,137	$ 475,454

18. Other Commitments and Contingencies

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

Knoxville Utilities Board Water Division
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 Water Division
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.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
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 Water Division
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.

Knoxville Utilities Board Water Division
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 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 Water Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2026

Continued on Next Page

	BB-2015		DD-2016		EE-2016		FF-2017		GG-2017		HH-2018		II-2019		JJ-2020	
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
26-27	$ 1,245,000	$ 428,575	$ 725,000	$ 583,500	$ 1,515,000	$ 249,394	$ 635,000	$ 25,400	$ 555,000	$ 512,356	$ 510,000	$ 580,562	$ 485,000	$ 561,550	$ 465,000	$ 535,350
27-28	1,260,000	385,000	750,000	561,750	1,560,000	219,094			575,000	490,156	535,000	555,063	510,000	537,300	465,000	512,100
28-29	1,275,000	340,900	775,000	539,250	1,605,000	187,894			590,000	477,938	555,000	539,013	535,000	511,800	470,000	488,850
29-30	1,315,000	296,275	800,000	516,000	1,645,000	155,794			600,000	464,662	570,000	522,362	565,000	485,050	475,000	465,350
30-31	2,740,000	256,825	825,000	492,000	1,710,000	120,838			625,000	440,663	590,000	504,550	590,000	456,800	480,000	441,600
31-32	2,800,000	174,625	825,000	467,250	1,750,000	82,362			650,000	415,662	605,000	485,375	615,000	433,200	475,000	427,200
32-33	2,900,000	90,625	850,000	442,500	1,810,000	42,988			675,000	389,662	625,000	464,956	635,000	414,750	470,000	412,950
33-34			900,000	417,000					695,000	369,413	645,000	444,644	655,000	395,700	1,965,000	398,850
34-35			925,000	390,000					715,000	348,563	670,000	423,681	675,000	376,050	1,945,000	339,900
35-36			950,000	362,250					740,000	327,112	690,000	401,906	695,000	355,800	1,925,000	281,550
36-37			975,000	333,750					760,000	304,913	710,000	379,481	715,000	334,950	1,900,000	223,800
37-38			1,000,000	304,500					785,000	282,112	735,000	356,406	735,000	313,500	1,880,000	166,800
38-39			1,025,000	274,500					805,000	258,562	760,000	331,600	760,000	291,450	1,855,000	110,400
39-40			1,050,000	243,750					830,000	234,413	785,000	305,950	780,000	268,650	1,825,000	54,750
40-41			1,100,000	212,250					855,000	208,475	815,000	274,550	805,000	245,250		
41-42			1,125,000	179,250					885,000	181,756	850,000	241,950	830,000	221,100		
42-43			1,150,000	145,500					910,000	154,100	885,000	207,950	855,000	196,200		
43-44			1,200,000	111,000					940,000	125,662	920,000	172,550	880,000	170,550		
44-45			1,225,000	75,000					970,000	96,288	950,000	140,350	905,000	144,150		
45-46			1,275,000	38,250					1,000,000	65,976	985,000	107,100	930,000	117,000		
46-47									1,030,000	33,476	1,020,000	72,625	960,000	89,100		
47-48											1,055,000	36,925	990,000	60,300		
48-49													1,020,000	30,600		
49-50																
50-51																
51-52																
52-53																
53-54																
54-55																
55-56																
	$ 13,535,000	$ 1,972,825	$ 19,450,000	$ 6,689,250	$ 11,595,000	$ 1,058,364	$ 635,000	$ 25,400	$ 16,190,000	$ 6,181,920	$ 16,465,000	$ 7,549,549	$ 17,125,000	$ 7,010,800	$ 16,595,000	$ 4,859,450

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2026

Continued from Previous Page

	KK-2020		LL-2021		MM-2022		NN-2023		OO-2024		PP-2026		TOTAL		Grand Total
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	(P + I)
26-27	$ 215,000	$ 250,550	$ 1,450,000	$ 1,171,650	$ 505,000	$ 562,744	$ 370,000	$ 842,775	$ 350,000	$ 872,238	$ 240,000	$ 830,851	$ 9,265,000	$ 8,007,495	$ 17,272,495
27-28	230,000	239,800	2,210,000	1,099,150	540,000	537,494	390,000	824,275	365,000	854,736	305,000	764,900	9,695,000	7,580,818	17,275,818
28-29	240,000	228,300	2,340,000	988,650	575,000	510,494	405,000	804,775	385,000	836,486	325,000	749,650	10,075,000	7,204,000	17,279,000
29-30	250,000	216,300	2,450,000	871,650	610,000	481,744	430,000	784,525	400,000	817,236	340,000	733,400	10,450,000	6,810,348	17,260,348
30-31	260,000	208,800	1,105,000	749,150	645,000	451,244	450,000	763,025	420,000	797,238	355,000	716,400	10,795,000	6,399,133	17,194,133
31-32	265,000	201,000	1,070,000	693,900	680,000	418,994	470,000	740,525	445,000	776,238	375,000	698,650	11,025,000	6,014,981	17,039,981
32-33	275,000	193,050	1,000,000	640,400	720,000	384,994	495,000	717,025	465,000	753,988	390,000	679,900	11,310,000	5,627,788	16,937,788
33-34	285,000	184,800	1,175,000	600,400	740,000	363,394	520,000	692,275	490,000	730,738	410,000	660,400	8,480,000	5,257,614	13,737,614
34-35	290,000	176,250	1,215,000	553,400	755,000	341,194	545,000	666,275	515,000	706,238	430,000	639,900	8,680,000	4,961,451	13,641,451
35-36	300,000	167,550	1,255,000	504,800	775,000	317,600	575,000	639,025	540,000	680,486	455,000	618,400	8,900,000	4,656,479	13,556,479
36-37	310,000	158,550	1,285,000	454,600	795,000	292,412	600,000	610,275	565,000	653,488	475,000	595,650	9,090,000	4,341,869	13,431,869
37-38	320,000	149,250	1,335,000	403,200	820,000	265,582	625,000	586,275	595,000	625,238	500,000	571,900	9,330,000	4,024,763	13,354,763
38-39	330,000	139,650	1,370,000	349,800	870,000	237,904	650,000	561,275	625,000	595,488	520,000	551,900	9,570,000	3,702,529	13,272,529
39-40	335,000	129,750	1,405,000	295,000	890,000	207,456	675,000	535,275	655,000	564,238	540,000	531,100	9,770,000	3,370,332	13,140,332
40-41	350,000	119,700	1,460,000	238,800	910,000	176,306	705,000	508,275	690,000	531,488	565,000	509,500	8,255,000	3,024,594	11,279,594
41-42	360,000	109,200	1,470,000	180,400	955,000	144,456	730,000	480,075	725,000	496,988	585,000	486,900	8,515,000	2,722,075	11,237,075
42-43	370,000	98,400	1,520,000	121,600	975,000	109,838	760,000	449,963	760,000	460,738	610,000	463,500	8,795,000	2,407,789	11,202,789
43-44	380,000	87,300	1,520,000	60,800	1,020,000	74,494	795,000	418,612	790,000	430,338	635,000	439,100	9,080,000	2,090,406	11,170,406
44-45	390,000	75,900			1,035,000	37,518	825,000	384,825	820,000	398,738	660,000	413,700	7,780,000	1,766,469	9,546,469
45-46	405,000	64,200					865,000	349,762	855,000	365,938	685,000	387,300	7,000,000	1,495,526	8,495,526
46-47	415,000	52,050					900,000	313,000	890,000	330,668	715,000	359,900	5,930,000	1,250,819	7,180,819
47-48	425,000	39,600					940,000	274,750	925,000	293,956	740,000	331,300	5,075,000	1,036,831	6,111,831
48-49	440,000	26,850					980,000	233,625	965,000	255,800	770,000	301,700	4,175,000	848,575	5,023,575
49-50	455,000	13,650					1,020,000	190,750	1,005,000	217,200	800,000	269,938	3,280,000	691,538	3,971,538
50-51							1,065,000	146,125	1,040,000	177,000	835,000	236,938	2,940,000	560,063	3,500,063
51-52							1,115,000	99,532	1,085,000	135,400	870,000	201,449	3,070,000	436,381	3,506,381
52-53							1,160,000	50,750	1,125,000	92,000	910,000	164,475	3,195,000	307,225	3,502,225
53-54									1,175,000	47,000	945,000	125,799	2,120,000	172,799	2,292,799
54-55											985,000	85,637	985,000	85,637	1,070,637
55-56											1,030,000	43,775	1,030,000	43,775	1,073,775
	$ 7,895,000	$ 3,330,450	$ 26,635,000	$ 9,977,350	$ 14,815,000	$ 5,915,862	$ 19,060,000	$ 13,667,644	$ 19,665,000	$ 14,497,326	$ 18,000,000	$ 14,163,912	$ 217,660,000	$ 96,900,102	$ 314,560,102

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2026

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2025	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2026
Business-Type Activities									
BONDS PAYABLE									
Payable through Water Fund									
Revenue Bond Refunding, Series BB-2015	$ 23,005,000	2.0-5.0	05/01/15	03/01/33	$ 14,745,000	$ -	$ 1,210,000	$ -	$ 13,535,000
Revenue Bond, Series CC-2015	20,000,000	2.0-4.0	05/20/15	03/01/26	550,000	-	550,000	-	-
Revenue Bond, Series DD-2016	25,000,000	3.0-5.0	08/05/16	03/01/46	20,150,000	-	700,000	-	19,450,000
Revenue Bond Refunding, Series EE-2016	20,875,000	2.0-5.0	08/05/16	03/01/33	13,055,000	-	1,460,000	-	11,595,000
Revenue Bond Refunding, Series FF-2017	5,310,000	3.0-5.0	04/07/17	03/01/27	1,240,000	-	605,000	-	635,000
Revenue Bond, Series GG-2017	20,000,000	2.125-5.0	09/15/17	03/01/47	16,720,000	-	530,000	-	16,190,000
Revenue Bond, Series HH-2018	19,995,000	3.0-5.0	09/14/18	03/01/48	16,950,000	-	485,000	-	16,465,000
Revenue Bond, Series II-2019	19,995,000	3.0-5.0	08/20/19	03/01/49	17,590,000	-	465,000	-	17,125,000
Revenue Bond Refunding, Series JJ-2020	19,520,000	3.0-5.0	05/22/20	03/01/40	17,055,000	-	460,000	-	16,595,000
Revenue Bond, Series KK-2020	9,045,000	3.0-5.0	10/30/20	03/01/50	8,100,000	-	205,000	-	7,895,000
Revenue Bond Refunding, Series LL-2021	33,180,000	4.0-5.0	04/19/21	03/01/44	28,035,000	-	1,400,000	-	26,635,000
Revenue Bond Refunding, Series MM-2022	14,915,000	3.0-5.0	05/13/22	03/01/45	14,815,000	-	-	-	14,815,000
Revenue Bond, Series NN-2023	19,995,000	4.0-5.0	12/08/23	03/01/53	19,410,000	-	350,000	-	19,060,000
Revenue Bond, Series OO-2024	19,995,000	4.0-5.0	08/29/24	03/01/54	19,995,000	-	330,000	-	19,665,000
Revenue Bond, Series PP-2026	18,000,000	4.0-5.0	02/06/26	03/01/56	-	18,000,000	-	-	18,000,000
					$ 208,410,000	$ 18,000,000	$ 8,750,000	$ -	$ 217,660,000

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2026

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2025	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2026
Lease Liabilities									
Payable through Water Fund									
Crown Castle	$ 17,875	3.90%	3/1/2023	2/1/2043	$ 16,818	$ -	$ (508)	$ -	$ 16,310
Manki 1 Investments	42,315	3.88%	7/1/2020	5/31/2027	16,166	-	(8,183)	(198)	7,785
Ricoh Americas	4,850	3.88%	7/1/2020	7/31/2025	285	-	(285)	-	-
RJ Young Company	1,746	3.88%	7/1/2025	6/30/2026	-	1,746	(1,746)	-	-
Total Lease Liabilities					$ 33,269	$ 1,746	$ (10,722)	$ (198)	$ 24,095

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Statistical Information - Schedule of Insurance in Force
June 30, 2026
(Unaudited)

Insurance coverage is for KUB as a consolidated entity.

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

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

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

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

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

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

Knoxville Utilities Board Water Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class	Base Charge	Number of Customers
Residential Inside City rate	For water furnished to premises entirely within the corporate limits of the City of Knoxville:	58,402
	Commodity Charge	
	First 2 CCF Per Month at $2.40 Per CCF	
	Over 2 CCF Per Month at $4.10 Per CCF	
	Additional Monthly Customer Charge	
	For 5/8" meter $ 18.00	
Residential Outside City rate	For water furnished to premises upon which any water faucet or other outlet is outside the corporate limits of the City of Knoxville:	15,416
	Commodity Charge	
	First 2 CCF Per Month at $2.60 Per CCF	
	Over 2 CCF Per Month at $4.90 Per CCF	
	Additional Monthly Customer Charge	
	For 5/8" meter $ 19.40	

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class	Base Charge	Number of Customers
Non-Residential Inside City rate/ Industrial Park rate	For water furnished to premises entirely within the corporate limits of the City of Knoxville or within the boundaries of an area recognized as an industrial park by the Tennessee Department of Economic and Community Development:	10,574

Commodity Charge

First	2	CCF Per Month at $3.60 Per CCF
Next	8	CCF Per Month at $5.85 Per CCF
Next	90	CCF Per Month at $6.15 Per CCF
Next	300	CCF Per Month at $5.85 Per CCF
Next	4,600	CCF Per Month at $3.30 Per CCF
Next	5,000	CCF Per Month at $1.50 Per CCF

Additional Monthly Customer Charge

For	5/8" meter	$ 23.25
For	1" meter	$ 38.00
For	1 1/2" meter	$ 88.00
For	2" meter	$ 126.00
For	3" meter	$ 244.00
For	4" meter	$ 368.00
For	6" meter	$ 680.00
For	8" meter	$1,089.00
For	10" meter	$1,623.00
For	12" meter	$2,590.00

Non-Residential Outside City rate	For water furnished to premises upon which any water faucet or other outlet is outside the corporate limits of the City of Knoxville, excluding premises within the boundaries of an area recognized as an industrial park by the Tennessee Department of Economic and Community Development:	814

Commodity Charge

First	2	CCF Per Month at $4.00 Per CCF
Next	8	CCF Per Month at $6.55 Per CCF
Next	90	CCF Per Month at $7.05 Per CCF
Next	300	CCF Per Month at $6.55 Per CCF
Next	4,600	CCF Per Month at $3.85 Per CCF
Next	5,000	CCF Per Month at $1.70 Per CCF

Additional Monthly Customer Charge

For	5/8" meter	$ 25.85
For	1" meter	$ 42.00
For	1 1/2" meter	$ 98.00
For	2" meter	$ 139.00
For	3" meter	$ 271.00
For	4" meter	$ 406.00
For	6" meter	$ 768.00
For	8" meter	$1,293.00
For	10" meter	$1,926.00
For	12" meter	$3,020.00

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
Water Division of the 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 of the Water Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated October 15, 2026, which references, that the financial statements, are only that portion of Knoxville Utilities Board that resulted from the transactions of the Water Division.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 the Division's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 15, 2026

Wastewater Division

Financial Statements and Supplemental Information
June 30, 2026 and 2025

KUB Board of Commissioners

Cynthia Gibson, Chair
Kathy Hamilton, Vice Chair
Claudia Caballero
Ron Feinbaum
Phyllis Nichols
Pete Pearson
Dr. Craig Pickett, Jr.

Management

Gabriel Bolas II
President and Chief Executive Officer

Mark Walker
Senior Vice President and Chief Financial Officer

Kurt Stafford
Vice President Engineering and Operations

John Williams
Senior Vice President and Chief Infrastructure and Compliance Officer

Jamie Davis
Senior Vice President Fiber and Chief Technology Officer

Tiffany Martin
Senior Vice President and Chief Customer and Talent Officer

Erin Gill
Vice President Communications and External Relations

Knoxville Utilities Board Wastewater Division
Index
June 30, 2026 and 2025

Page(s)

Independent Auditor's Report 1-5

Management's Discussion and Analysis 6-19

Financial Statements

Statements of Net Positions 20-21

Statements of Revenues, Expenses and Changes in Net Position 22

Statements of Cash Flows 23

Notes to Financial Statements 24-59

Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios 60

Schedule of Employer Pension Contributions 61

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios 62

Schedule of Employer OPEB Contributions 63

Qualified Governmental Excess Benefit Arrangement 64

Supplemental Information

Schedule of Debt Maturities by Fiscal Year 65-66

Schedule of Changes in Long-term Debt by Individual Issue 67

Schedule of Changes in Lease Liabilities 68

Statistical Information

Schedule of Insurance in Force 69

Schedule of Current Rates in Force 70-71

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* 72-73

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Wastewater Division of the Knoxville Utilities Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Wastewater Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Division'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 of the Division 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 the Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the Division's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 the Division's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-19, 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 60-64 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 the Division's basic financial statements. The schedule of debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and the schedule of changes in lease liability 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 debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and schedule of changes in lease liabilities 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

As discussed in Note 1, the financial statements present only the Wastewater Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2026 and 2025, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter – GASB 103

As discussed in Note 2 to the financial statements, during the year ended June 30, 2026, the Wastewater Division 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 the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division'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 the Division'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. The Wastewater Division (Division) provides services to certain customers in Knox County and in two surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Wastewater Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2026, and 2025, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis

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

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2026, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 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 Wastewater Division - Financial Statements

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

Statement of Net Position

The Division reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, 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 the Division 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 are assets that have been limited to specific uses by the Division's bond covenants or through resolutions passed by the KUB Board.

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

Normal Impacts on Statement of Net Position

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

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

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

- Operating revenue is primarily determined by the amount of water usage billed during the fiscal year. KUB has certain commercial and industrial customers whose wastewater usage is metered separately from their water usage. Any change (increase/decrease) in wastewater rates would also cause a change in operating revenue.

- Operating expenses (treatment, collection system expense, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor cost (staffing, wage rates), active employee and retiree health insurance costs, chemicals, and wastewater system maintenance.

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

- Taxes 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 and changes in property tax rates.

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

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

- 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

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

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

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

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Financial Summary

Statement of Net Position

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

Statements of Net Position
As of June 30

(in thousands of dollars)	2026	2025	2024
Current, restricted, and other assets	$ 88,562	$ 82,515	$ 73,653
Capital and intangible assets, net	892,364	870,202	868,456
Total assets	980,926	952,717	942,109
Deferred outflows of resources	10,260	13,138	16,361
Total assets and deferred outflows of resources	991,186	965,855	958,470
Current and other liabilities	28,929	27,086	32,333
Long-term debt outstanding	459,456	477,199	494,494
Total liabilities	488,385	504,285	526,827
Deferred inflows of resources	5,757	2,358	2,244
Total liabilities and deferred inflows of resources	494,142	506,643	529,071
Net position			
Net investment in capital assets	428,859	391,202	372,931
Restricted	4,122	3,700	3,714
Unrestricted	64,063	64,310	52,754
Total net position	$ 497,044	$ 459,212	$ 429,399

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Statement of Revenues, Expenses and Changes in Net Position

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

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

(in thousands of dollars)	2026	2025 as restated	2024 as restated
Operating revenues			
Charges for services	$ 120,175	$ 117,843	$ 112,890
Other	1,394	1,613	1,323
Total operating revenues	121,569	119,456	114,213
Operating expenses			
Treatment	18,468	17,647	16,027
Collection	8,819	7,640	8,173
Customer service	3,352	3,186	3,051
Administrative and general	16,585	16,433	19,249
Depreciation and amortization	25,526	26,142	24,450
Taxes	1,185	1,129	1,095
Total operating expenses	73,935	72,177	72,045
Operating income	47,634	47,279	42,168
Non-capital subsidies			
Subsidies received	408	473	412
Subsidies provided	(6,232)	(5,936)	(5,653)
Total non-capital subsidies	(5,824)	(5,463)	(5,241)
Operating income and non-capital subsidies	41,810	41,816	36,927
Other non-operating revenues (expenses)			
Interest income	2,985	3,055	2,635
Interest expense	(17,356)	(17,922)	(18,486)
Capital contributions	8,923	1,023	1,758
Other income/(expense)	1,469	1,841	2,526
Total other non-operating revenues (expenses)	(3,979)	(12,003)	(11,567)
Increase in net position	$ 37,831	$ 29,813	$ 25,360

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Detailed Analyses

Fiscal Year 2026 Compared to Fiscal Year 2025

Net position increased $37.8 million in fiscal year 2026. Net investment in capital assets increased $37.7 million, the result of $22.2 million in net capital and intangible asset additions and a decrease in current and long-term portions of revenue bonds of $14.8 million. Restricted net position increased $0.4 million compared to the prior year, primarily due to an increase in funds restricted for pensions. Unrestricted net position decreased $0.2 million.

Current, restricted, and other assets increased $6 million, or 7.3 percent, primarily due to a $2.3 million increase in net pension asset, a $1.8 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments), a $1.4 million increase in accounts receivable, and a $0.6 million increase in net OPEB asset.

Total capital and intangible assets (net) increased $22.2 million, or 2.5 percent, since the end of last fiscal year. Capital assets are discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred outflows decreased $2.9 million compared to the prior year, due to a $2.1 million decrease in pension outflow, a $0.7 million decrease in unamortized bond refunding costs, and a $0.1 million decrease in OPEB outflow.

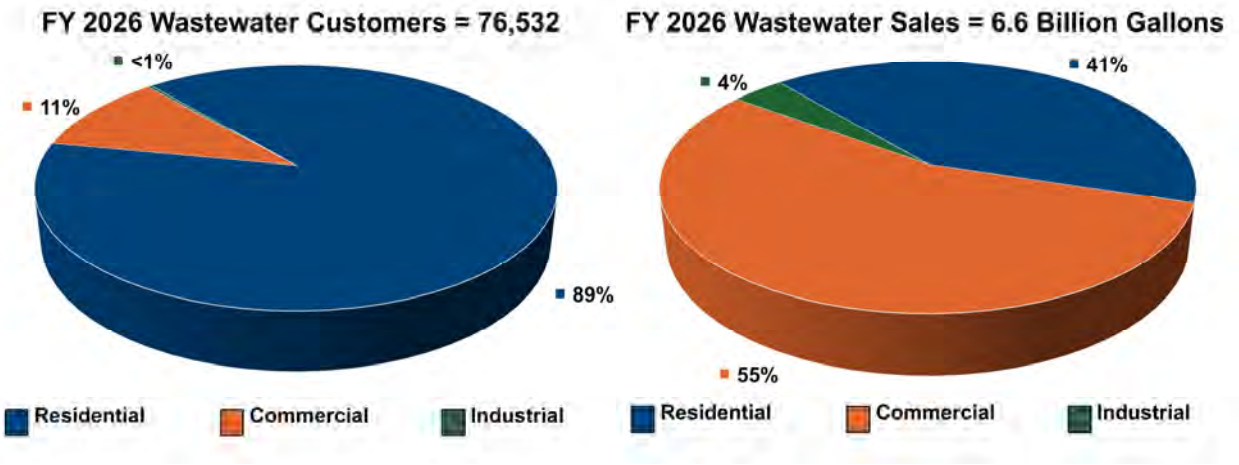
Current and other liabilities were $1.8 million higher than the prior fiscal year, due primarily to increases of $1.5 million in accounts payable, $0.9 million in customer advances for construction, and $0.5 million in the current portion of revenue bonds offset by decreases of $0.9 million in the actuarially determined net OPEB liability and $0.5 million in the actuarially determined net pension liability.

The Division's outstanding long-term debt decreased $17.7 million or 3.7 percent. This decrease is due to the scheduled repayment of debt. Long-term financing activity is discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred inflows of resources were $3.4 million higher than the prior fiscal year, due to increases of $2 million in pension inflow, $1.2 million in OPEB inflow, and $0.2 million in lease inflow.

Operating revenue increased $2.1 million, or 1.8 percent, for the fiscal year ended June 30, 2026. Charges for services increased $2.3 million, primarily due to additional revenue from a two percent rate increase effective in July 2025.

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Residential customers accounted for 89 percent of wastewater customers and 41 percent of total billed sales volumes for the year. Commercial customers accounted for the largest portion of total sales volumes for the year with 55 percent. KUB's ten largest wastewater customers accounted for 22 percent of KUB's billed wastewater volumes. Of the ten customers, seven are commercial, including four governmental customers. Additionally, there are three industrial customers. KUB has added 2,491 wastewater customers over the past three years, representing annual growth of one percent.

Operating expenses increased $1.8 million 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, collection, customer service, and administrative and general.

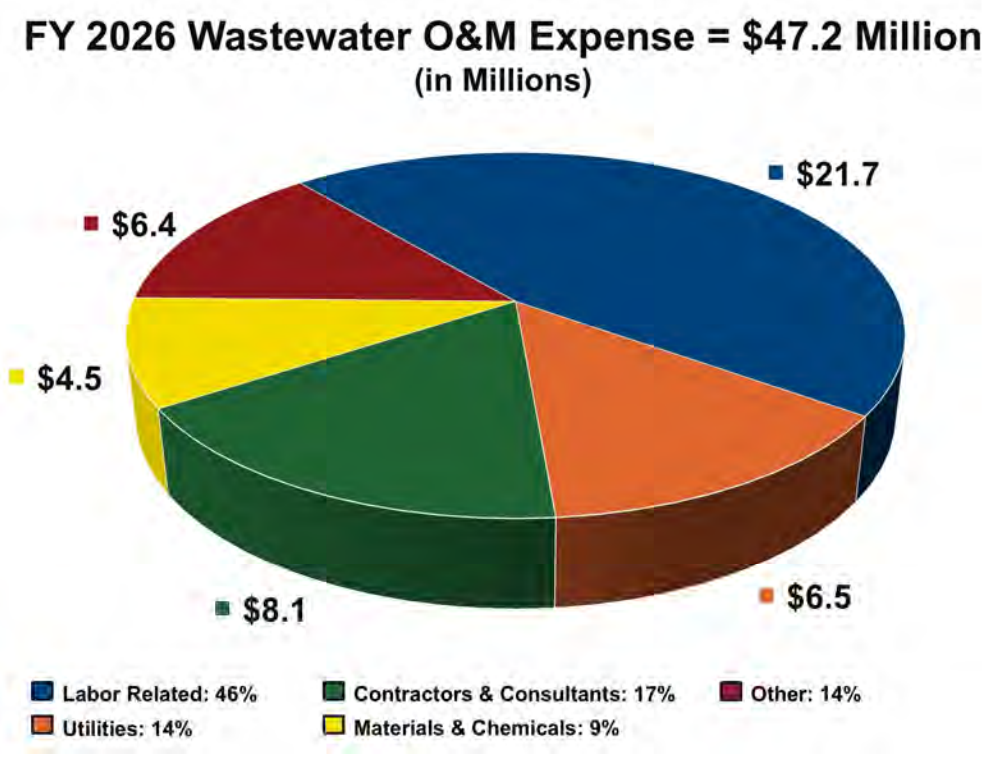
- Treatment expenses increased $0.8 million, primarily due to an increase in contractor and outside consultant expenses, utility service, and labor-related expenses offset by a decrease in chemicals.

- Collection system expenses increased $1.2 million, or 15.4 percent, primarily due to an increase in outside contractor expenses, and labor-related expenses.

- Customer service expenses increased $0.2 million, due in part to an increase in bank and collection fees.

- Administrative and general expenses increased $0.2 million, primarily due to an increase in labor-related expenses.

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- Depreciation and amortization expense decreased $0.6 million or 2.4 percent. KUB added $34.4 million in assets during fiscal year 2026. A partial year of depreciation expense was recorded for these capital investments, and a full year of depreciation expense was incurred on $46.3 million of wastewater system assets placed in service during fiscal year 2025. Wastewater system assets of $2.4 million were retired during the fiscal year.

- Taxes increased $0.1 million compared to the prior fiscal year, due to an increase in payroll taxes.

Rebates on bond interest payments from the federal government for federally taxable Build America Bonds (BABs) are reported as non-capital subsidies received in accordance with GASB 103. KUB recognized $0.4 million in revenue for BABs rebates in fiscal year 2026.

Non-capital subsidies provided increased $0.3 million compared to the prior year. Tax equivalents increased $0.3 million due to increased plant in service levels.

Interest income was $0.1 million lower than the prior fiscal year due to a decline in market interest rates.

Interest expense decreased $0.6 million compared to the prior fiscal year due to the repayment of outstanding debt.

Capital contributions increased $7.9 million compared to the prior fiscal year, the result of an increase in assets received from developers. Higher contributions this year represented residential growth in the eastern section of KUB's service territory.

Other income (net) was $0.4 million lower than the prior fiscal year, primarily due to mark-to-market adjustments on investments.

Fiscal Year 2025 Compared to Fiscal Year 2024

Net position increased $29.8 million in fiscal year 2025. Net investment in capital assets increased $18.3 million, the result of $1.7 million in net capital and intangible asset additions and a decrease in current and long-term portions of revenue bonds of $14.9 million. Restricted net position was consistent with the prior year. Unrestricted net position increased $11.6 million, primarily due to a $9.4 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments).

Current, restricted, and other assets increased $8.9 million, or 12 percent, primarily due to a $9.4 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) offset by a $0.3 million decrease in lease receivable.

Total capital and intangible assets (net) increased $1.7 million, or 0.2 percent, since the end of last fiscal year. Capital assets are discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred outflows decreased $3.2 million compared to the prior year, due to a $2.3 million decrease in pension outflow, a $0.7 million decrease in unamortized bond refunding costs, and a $0.2 million decrease in OPEB outflow.

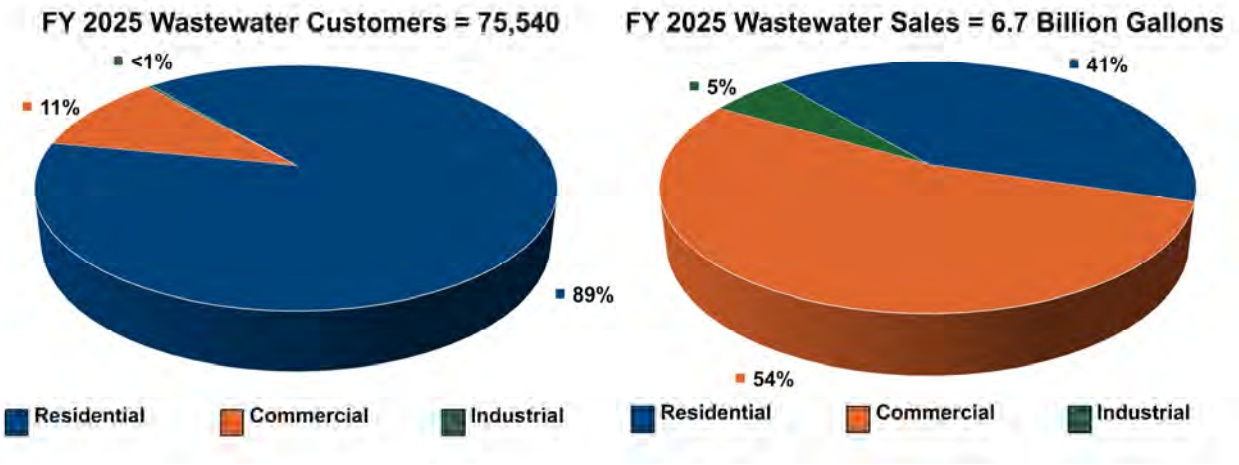
Current and other liabilities were $5.2 million lower than the prior fiscal year, due primarily to decreases of $3.7 million in accounts payable, $0.7 million in the actuarially determined net pension liability, and $0.7 million in net OPEB liability.

The Division's outstanding long-term debt decreased $17.3 million or 3.5 percent. This decrease is due to the scheduled repayment of debt. Long-term financing activity is discussed in greater detail under the significant capital asset and long-term financing activity section below.

Deferred inflows of resources were $0.1 million higher than the prior fiscal year, due to a $0.4 million increase in OPEB inflow offset by $0.3 million decrease in lease inflow.

Operating revenue increased $5.2 million, or 4.6 percent, for the fiscal year ended June 30, 2025. Charges for services increased $5 million, primarily due to additional revenue from a 4 percent rate increase effective in July 2024.

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Residential customers accounted for 89 percent of wastewater customers and 41 percent of total billed sales volumes for the year. Commercial customers accounted for the largest portion of total sales volumes for the year with 54 percent. KUB's ten largest wastewater customers accounted for 18 percent of KUB's billed wastewater volumes. Of the ten customers, six are commercial, including five governmental customers. Additionally, there are four industrial customers. KUB has added 2,163 wastewater customers over the past three years, representing annual growth of less than one percent.

Operating expenses increased $0.1 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, collection, customer service, and administrative and general.

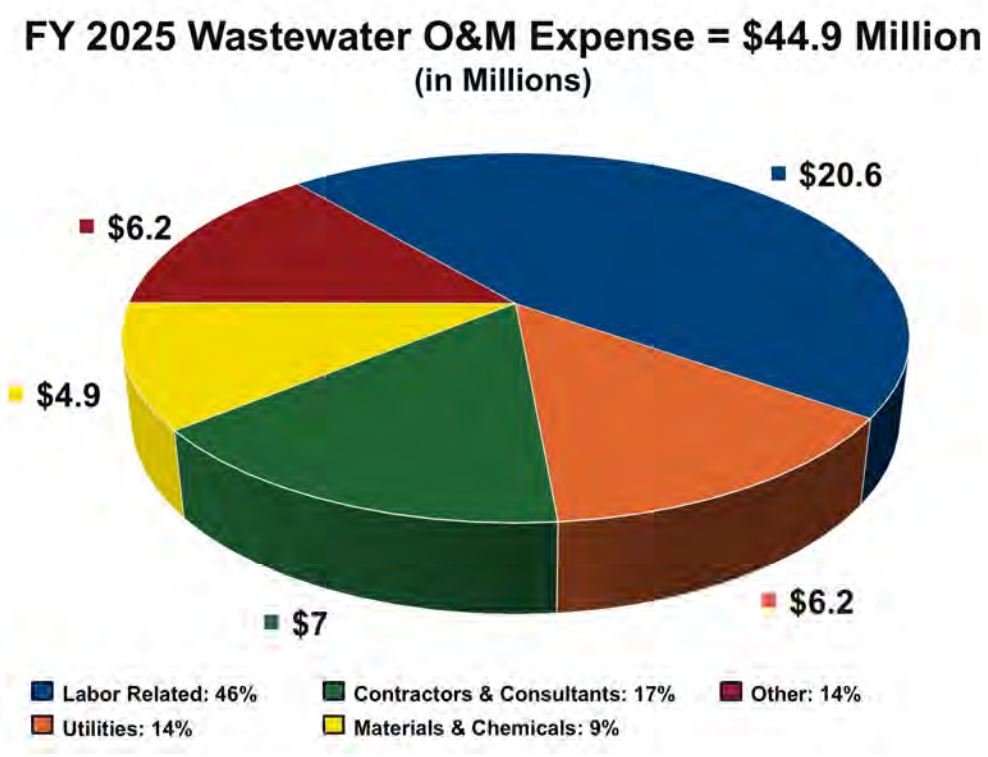
- Treatment expenses increased $1.6 million, primarily due to an increase in chemicals, outside consultant expenses, and labor-related expenses.

- Collection system expenses decreased $0.5 million, primarily due to a decrease in outside contractor expenses.

- Customer service expenses increased $0.1 million.

- Administrative and general expenses decreased $2.8 million, primarily due to a decrease in outside contractor expenses and other expenses offset by an increase in labor-related expenses.

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- Depreciation and amortization expense increased $1.7 million or 6.9 percent. KUB added $46.3 million in assets during fiscal year 2025. A partial year of depreciation expense was recorded for these capital investments, and a full year of depreciation expense was incurred on $62.1 million of wastewater system assets placed in service during fiscal year 2024. Wastewater system assets of $3.5 million were retired during the fiscal year.

- Taxes were consistent with fiscal year 2024.

Rebates on bond interest payments from the federal government for federally taxable Build America Bonds (BABs) are reported as non-capital subsidies received in accordance with GASB 103. KUB recognized $0.4 million in revenue for BABs rebates in fiscal year 2025.

Non-capital subsidies provided increased $0.3 million compared to the prior year. Tax equivalents increased $0.3 million due to increased plant in service levels.

Interest income was $0.4 million higher than the prior fiscal year, driven by higher cash balances and the replacement of maturing low-yield investments with new investments at significantly higher rates, despite a modest decline in overall interest rates.

Interest expense decreased $0.6 million compared to the prior fiscal year due to the repayment of outstanding debt.

Capital contributions decreased $0.7 million compared to the prior fiscal year, the result of a decrease in assets received from developers on residential projects.

Other income (net) was $0.7 million lower than the prior fiscal year, primarily due to mark-to-market adjustments on investments.

Significant Capital Asset and Long-Term Financing Activity

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

(in thousands of dollars)	2026	2025	2024
Pumping & Treatment plant	$ 213,677	$ 217,136	$ 217,696
Collection plant			
Mains and metering	565,985	553,712	531,323
Mains and metering - meters	631	709	788
Other accounts	54,894	56,424	57,953
Total collection plant	621,510	610,845	590,064
Total general plant	15,941	14,513	14,804
Net plant assets in service	$ 851,128	$ 842,494	$ 822,564
Intangible right of use assets			
Office space	$ 12	$ 25	$ 37
Equipment	-	-	7
Other	13	14	15
Net intangible right of use assets	$ 25	$ 39	$ 59
Intangible subscription assets			
Intangible subscription assets	$ 165	$ 206	$ 272
Net intangible subscription assets	$ 165	$ 206	$ 272
Net intangible assets	$ 190	$ 245	$ 331
Work in progress	41,046	27,463	45,560
Net capital and intangible assets	$ 892,364	$ 870,202	$ 868,455

Fiscal Year 2026 Compared to Fiscal Year 2025

As of June 30, 2026, the Division had $892.4 million invested in a variety of capital and intangible assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $22.2 million, or 2.5 percent, over the end of the last fiscal year.

Major capital asset expenditures during the year were as follows:

- $35.6 million related to 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
- $1.4 million for auto and truck purchases
- $0.1 million for trunkline improvements

Wastewater system assets of $2.4 million were retired during the fiscal year.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had $870.2 million invested in a variety of capital and intangible assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $1.7 million, or 0.2 percent, over the end of the last fiscal year.

Major capital asset expenditures during the year were as follows:

- $23.3 million related to 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
- $0.6 million for auto and truck purchases

Wastewater system assets of $3.5 million were retired during the fiscal year.

Debt Administration

As of June 30, 2026, the Wastewater Division had $423.2 million in outstanding wastewater system bonds. The bonds are secured solely by revenues of the Wastewater Division. Debt as a percentage of the Division's capital structure was 46 percent in 2026, 48.8 percent in 2025, and 51.3 percent in 2024. KUB's Debt Management Policy limits the Division's debt ratio to 60 percent or less.

Outstanding Debt
As of June 30

(in thousands of dollars)	**2026**	**2025**	**2024**
Revenue bonds	$ 423,165	$ 437,965	$ 452,820
Total outstanding debt	$ 423,165	$ 437,965	$ 452,820

The Division will pay $186.8 million in principal payments over the next ten years, representing 44.1 percent of the outstanding bonds. KUB's Debt Management Policy requires a minimum of 30 percent of wastewater debt principal be repaid over the next ten years.

Fiscal Year 2026 Compared to Fiscal Year 2025

As of June 30, 2026, the Division had $423.2 million in outstanding debt (including the current portion of revenue bonds), representing a decrease of $14.8 million. As of June 30, 2026, the Division's weighted average cost of debt was 3.99 percent (3.90 percent including the impact of Build America Bonds rebates). Long-term debt represented 46 percent of the Division's capital structure as of June 30, 2026, as compared to 48.8 percent last year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 2.36. Maximum debt service coverage for future fiscal years is 2.22.

The Division's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2026, the Division's revenue bonds were rated AAA by S&P Global Ratings and Aa2 by Moody's Investors Service. The S&P Global Ratings wastewater rating represents the highest credit rating available from S&P Global Ratings.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had $438 million in outstanding debt (including the current portion of revenue bonds), representing a decrease of $14.9 million. As of June 30, 2025, the Division's weighted average cost of debt was 3.99 percent (3.90 percent including the impact of Build America Bonds rebates).

Long-term debt represented 48.8 percent of the Division's capital structure as of June 30, 2025, as compared to 51.3 percent in fiscal year 2024. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for fiscal year 2025 was 2.33. Maximum debt service coverage for future fiscal years is 2.24.

The Division'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, the Division's revenue bonds were rated AAA by S&P Global Ratings and Aa2 by Moody's Investors Service.

Currently Known Facts, Decisions, or Conditions

In June 2024, as part of KUB's Inflation Response Plan, the Board approved the next phase of wastewater rate increases to support the Century II program. 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.

In May 2026, the Board approved the issuance of up to $12 million of Wastewater System Revenue Bonds in order to fund capital improvements to the wastewater system.

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 the Division's financial position or results of operations during fiscal year 2026.

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

	2026	2025
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 22,899,858	$ 22,404,858
Short-term contingency fund investments	17,349,641	22,343,223
Other current assets	-	3,771
Accrued interest receivable	27,558	31,564
Accounts receivable, less allowance of uncollectible accounts of $95,730 in 2026 and $102,007 in 2025	12,752,114	11,315,233
Current portion of lease receivable	173,977	151,516
Inventories	604,026	709,091
Prepaid expenses	105,262	110,241
Total current assets	53,912,436	57,069,497
Restricted assets:		
Wastewater bond fund	8,039,531	8,071,897
Other funds	321	321
Total restricted assets	8,039,852	8,072,218
Capital assets:		
Wastewater plant in service	1,185,630,608	1,153,541,191
Less accumulated depreciation	(334,502,796)	(311,047,142)
Net capital assets	851,127,812	842,494,049
Intangible assets:		
Intangible right of use asset	82,408	97,330
Intangible subscription asset	463,749	458,034
Less accumulated amortization	(355,932)	(310,641)
Net intangible assets	190,225	244,723
Retirement in progress	14,543	67,144
Construction in progress	41,031,293	27,396,375
Net capital and intangible assets	892,363,873	870,202,291
Other assets:		
Net pension asset	2,294,620	-
Net OPEB asset	602,798	-
Long-term contingency fund investments	18,374,537	12,075,070
Long-term lease receivable	1,723,896	1,528,062
Other	3,614,392	3,770,483
Total other assets	26,610,243	17,373,615
Total assets	980,926,404	952,717,621
Deferred outflows of resources:		
Pension outflow	636,844	2,711,811
OPEB outflow	230,050	312,715
Unamortized bond refunding costs	9,393,056	10,113,132
Total deferred outflows of resources	10,259,950	13,137,658
Total assets and deferred outflows of resources	$ 991,186,354	$ 965,855,279

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

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

	2026	2025
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 15,255,000	$ 14,800,000
Current portion of accrued compensated absences	1,453,473	1,313,504
Current portion of lease liability	13,069	20,276
Current portion of subscription liability	73,894	67,468
Accounts payable	3,182,881	1,659,759
Accrued expenses	1,097,580	870,943
Customer deposits plus accrued interest	1,361,478	1,222,380
Accrued interest on revenue bonds	4,225,681	4,371,796
Total current liabilities	26,663,056	24,326,126
Other liabilities:		
Accrued compensated absences	565,240	646,950
Customer advances for construction	1,488,836	541,239
Lease liability	14,335	24,718
Subscription liability	87,965	142,451
Net pension liability	10,263	504,912
Net OPEB liability	-	860,788
Other	99,466	38,624
Total other liabilities	2,266,105	2,759,682
Long-term debt:		
Wastewater revenue bonds	407,910,000	423,165,000
Unamortized premiums/discounts	51,546,206	54,033,511
Total long-term debt	459,456,206	477,198,511
Total liabilities	488,385,367	504,284,319
Deferred inflows of resources:		
Pension inflow	1,987,268	4,753
OPEB inflow	2,008,379	783,864
Lease inflow	1,761,615	1,569,673
Total deferred inflows of resources	5,757,262	2,358,290
Total liabilities and deferred inflows of resources	494,142,629	506,642,609
Net position:		
Net investment in capital assets	428,859,479	391,202,131
Restricted for:		
Debt service	3,813,850	3,700,100
Pensions	307,352	-
Other	321	321
Unrestricted	64,062,723	64,310,118
Total net position	497,043,725	459,212,670
Total liabilities, deferred inflows, and net position	$ 991,186,354	$ 965,855,279

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

Knoxville Utilities Board Wastewater Division
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025 as restated
Operating revenues		
Charges for services	$ 120,174,657	$ 117,843,203
Other	1,393,847	1,612,996
Total operating revenues	121,568,504	119,456,199
Operating expenses		
Treatment	18,467,590	17,647,109
Collection	8,819,156	7,639,782
Customer service	3,351,588	3,185,892
Administrative and general	16,585,126	16,433,313
Depreciation and amortization	25,526,496	26,141,893
Taxes	1,185,293	1,129,778
Total operating expenses	73,935,249	72,177,767
Operating income	47,633,255	47,278,432
Non-capital subsidies		
Subsidies received	407,694	472,503
Subsidies provided	(6,232,287)	(5,935,512)
Total non-capital subsidies	(5,824,593)	(5,463,009)
Operating income and non-capital subsidies	41,808,662	41,815,423
Other non-operating revenues (expenses)		
Capital subsidies	4,538,963	1,579,356
Interest income	2,985,449	3,054,649
Interest expense	(17,355,503)	(17,921,641)
Amortization of debt costs	1,577,713	1,572,770
Write-down of plant for costs recovered through contributions	(4,538,963)	(1,579,356)
Capital contributions	8,923,091	1,023,179
Investment income (expense)	(108,357)	268,779
Total other non-operating revenues (expenses)	(3,977,607)	(12,002,264)
Increase in net position	37,831,055	29,813,159
Net position, beginning of year	459,212,670	429,399,511
Net position, end of year	$ 497,043,725	$ 459,212,670

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

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

	2026	2025 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 119,622,533	$ 118,260,863
Cash payments for other operations	(448,719)	168,787
Cash payments to suppliers of goods or services	(28,362,823)	(32,020,797)
Cash payments to employees for services	(15,398,508)	(14,731,977)
Net cash provided by operating activities	75,412,483	71,676,876
Cash flows from non-capital financing activities:		
Non-capital subsidies received	407,694	472,503
Non-capital subsidies provided	(6,232,287)	(5,935,512)
Net cash used in non-capital financing activites	(5,824,593)	(5,463,009)
Cash flows from capital and related financing activities:		
Principal paid on revenue bonds	(14,800,000)	(14,855,000)
Interest paid on revenue bonds	(17,522,613)	(18,041,538)
Acquisition and construction of wastewater plant	(43,816,459)	(29,116,467)
Changes in wastewater bond fund, restricted	32,366	152,337
Customer advances for construction	1,016,784	198,155
Proceeds received on disposal of plant	16,879	1,132
Principal paid on lease liabilities	(20,276)	(17,045)
Principal paid on subscription liabilities	(48,060)	(66,506)
Interest paid on lease and subscription liabilities	(8,684)	(11,428)
Cash received from developers and individuals for capital purposes	4,538,963	1,579,356
Net cash used in capital and related financing activities	(70,611,100)	(60,177,004)
Cash flows from investing activities:		
Purchase of investment securities	(13,805,947)	(17,750,815)
Maturities of investment securities	12,300,000	17,800,000
Interest received	2,998,429	2,966,267
Other property and investments	25,728	(36,137)
Net cash provided by investing activities	1,518,210	2,979,315
Net increase in cash and cash equivalents	495,000	9,016,178
Cash and cash equivalents, beginning of year	22,404,858	13,388,680
Cash and cash equivalents, end of year	$ 22,899,858	$ 22,404,858
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 47,633,255	$ 47,278,432
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	26,043,421	26,609,528
Changes in operating assets and liabilities:		
Accounts receivable	(1,436,881)	(2,376)
Lease receivable	(218,295)	252,373
Inventories	105,065	(134,240)
Prepaid expenses	4,979	6,040
Other assets	(29,654)	12,799
Accounts payable, other accrued expenses, and deferrals	3,087,492	(2,489,311)
Customer deposits	162,258	113,227
Other liabilities	60,843	30,404
Net cash provided by operating activities	$ 75,412,483	$ 71,676,876
Noncash capital activities:		
Acquisition of plant assets through developer contributions	$ 8,923,091	$ 1,023,179

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

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Wastewater Division (Division) provides services to certain customers in Knox County and in two surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Wastewater Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2026, and 2025, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. Significant Accounting Policies

Basis of Accounting

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

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

Recently Adopted New Accounting Pronouncements

In 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 Bond 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.

Wastewater Plant

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

The provision for depreciation of wastewater plant in service is based on the estimated useful lives of the assets, which range from three to fifty years, and is computed using the straight-line method. Pursuant to NARUC, the caption "Depreciation and amortization" in the Statements of Revenue, Expenses and Change in Net Position does not include depreciation for transportation equipment. Depreciation for transportation equipment of $516,924 in fiscal year 2026 and $467,636 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 the KUB Wastewater Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of $296,191 in fiscal year 2026 and $269,446 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 net assets available, it is KUB's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets, net position-restricted, and net position-unrestricted.
These classifications are defined as follows:

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

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

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

Contributions in Aid of Construction and Capital Contributions

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

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

Inventories

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

OPEB Trust

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

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability (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 (Division's share $602,798) as of June 30, 2026, and the net OPEB liability is $5,315,804 (Division's share $860,788) 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 (Division's share $2,294,620) as of June 30, 2026, and the net pension liability is $3,054,172 (Division's share $500,667) 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 (Division's share $10,263) as of June 30, 2026, and $21,226 (Division's share $4,245) 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 $2,294,620 as of June 30, 2026 and the QEBA total pension liability is disclosed in the Statement of Net Position as Net pension liability of $10,263 as of June 30, 2026, while the net pension liability and the QEBA total pension liability are disclosed in the Statement of Net Position as Net pension liability of $504,912 as of June 30, 2025. The Pension Plan deferred outflows and QEBA deferred outflows are disclosed as Pension outflow of $636,844 as of June 30, 2026 and $2,711,811 as of June 30, 2025. The Pension Plan deferred inflows and QEBA deferred inflows are disclosed as Pension inflow of $1,987,268 as of June 30, 2026 and $4,753 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, 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 utility plant construction and debt repayment. Certain additional assets are designated by management for contingency purposes and economic development.

Cash Equivalents

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

Leases

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

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

Subscription-Based Information Technology Arrangements

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

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

Deferred Outflows and Inflows of Resources

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

Debt Premium/Discount

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

Debt Issuance Costs

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

Deferred Gain/Loss on Refunding of Debt

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

Compensated Absences

KUB accrues a liability for earned 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.

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.

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	$ 22,899,858	$ 22,404,858
Short-term contingency fund investments	17,074,704	22,040,104
Other assets		
Long-term contingency fund investments	18,374,537	12,075,070
Restricted assets		
Wastewater bond fund	8,039,531	8,071,897
Other funds	321	321
	$ 66,388,951	$ 64,592,250

The above amounts do not include accrued interest of $274,937 in fiscal year 2026 and $303,119 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	$ 23,681,946	$ 23,681,946	$ -
State Treasurer's Investment Pool	13,094,796	13,094,796	-
Agency Bonds	30,393,877	12,019,340	18,374,537
	$ 67,170,619	$ 48,796,082	$ 18,374,537

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Division has the following recurring fair value measurements as of June 30, 2026:

- U.S. Agency bonds of $18,374,537, 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	$ 7,289,643	$ 6,626,582
Unbilled services	4,488,741	4,459,716
Other	1,069,460	330,942
Allowance for uncollectible accounts	(95,730)	(102,007)
	$ 12,752,114	$ 11,315,233

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2026	2025
Trade accounts	$ 3,182,881	$ 1,659,759
Current portion of accrued compensated absences	1,453,473	1,313,504
Salaries and wages	433,920	364,401
Self-insurance liabilities	663,660	506,542
	$ 5,733,934	$ 3,844,206

6. Long-Term Obligations

Long-term debt consists of the following:

	Balance June 30, 2025	Additions	Payments	Defeased	Balance June 30, 2026	Amounts Due Within One Year
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

	Balance June 30, 2024	Additions	Payments	Defeased	Balance June 30, 2025	Amounts Due Within One Year
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

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

Fiscal Year	TOTAL Principal	Interest	Grand Total
2027	$ 15,255,000	$ 16,902,724	$ 32,157,724
2028	15,910,000	16,221,426	32,131,426
2029	16,640,000	15,499,395	32,139,395
2030	17,390,000	14,748,701	32,138,701
2031	18,165,000	13,968,120	32,133,120
2032 - 2036	103,460,000	57,830,395	161,290,395
2037 - 2041	131,145,000	35,015,165	166,160,165
2042 - 2046	75,490,000	12,623,009	88,113,009
2047 - 2051	29,125,000	2,544,611	31,669,611
2052	585,000	24,863	609,863
Total	$ 423,165,000	$ 185,378,409	$ 608,543,409

The Division has pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet bond principal and interest payments when due. The bond covenants relating to the Wastewater Revenue Bonds require the establishment of a Wastewater Bond Fund for the payment of principal and interest requirements. As of June 30, 2026, those bond covenants had been satisfied.

The Division's 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 2011, KUB’s Wastewater Division issued Series 2010C bonds to fund wastewater system capital improvements. These bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment. These bonds are subject to a reduction in rebate payment amounts which

is subject to change based on Congressional action. As of October 1, 2021, the effective reduction in rebate is 5.7 percent.

Other liabilities consist of the following:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Customer advances for construction	$ 541,239	$ 1,176,195	$ (228,598)	$ 1,488,836
Other	38,624	109,779	(48,937)	99,466
	$ 579,863	$ 1,285,974	$ (277,535)	$ 1,588,302

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Customer advances for construction	$ 553,758	233,272	(245,791)	541,239
Other	8,219	64,205	(33,800)	38,624
	$ 561,977	$ 297,477	$ (279,591)	$ 579,863

7. Lease Receivables

KUB, as lessor, leases office space 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 $193,246 in 2026 and $190,724 in 2025. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $64,390 in 2026 and $60,637 in 2025. Total lease receivables were $1,897,873 ($173,977 current) and $1,679,578 ($151,516 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 Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Total lease liabilities	$ 44,994	$ 2,686	$ (20,276)	$ 27,404
Less current portion	(20,276)			(13,069)
Long-term portion	$ 24,718			$ 14,335

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total lease liabilities	$ 62,039	$ -	$ (17,045)	$ 44,994
Less current portion	(19,268)			(20,276)
Long-term portion	$ 42,771			$ 24,718

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	$ 13,069	$ 864
2028	528	618
2029	566	615
2030	606	610
2031	649	603
2032-2036	4,003	2,845
2037-2041	5,637	2,300
2042-2043	2,346	566
	$ 27,404	$ 9,021

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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	$ 209,919	$ -	$ (48,060)	$ 161,859
Less current portion	(67,468)			(73,894)
Long-term portion	$ 142,451			$ 87,965

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total SBITA liabilities	$ 276,425	$ -	$ (66,506)	$ 209,919
Less current portion	(66,418)			(67,468)
Long-term portion	$ 210,007			$ 142,451

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	73,894	$ 4,900
2028	77,874	1,949
2029	4,945	322
2030	5,146	121
	$ 161,859	$ 7,292

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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
Pumping & Treatment plant	$ 341,006,181	$ 4,857,522	$ (122,872)	$ 345,740,831
Collection plant				
Mains and metering	689,395,349	26,208,194	-	715,603,543
Mains and metering - meters	1,176,766	-	-	1,176,766
Other accounts	79,805,163	-	-	79,805,163
Total collection plant	$ 770,377,278	$ 26,208,194	$ -	$ 796,585,472
Total general plant	42,157,732	3,382,697	(2,236,124)	43,304,305
Total wastewater plant in service	$ 1,153,541,191	$ 34,448,413	$ (2,358,996)	$ 1,185,630,608
Less accumulated depreciation	(311,047,142)	(25,963,789)	2,508,135	(334,502,796)
Net plant assets in service	$ 842,494,049	$ 8,484,624	$ 149,139	$ 851,127,812
Intangible right of use assets				
Office space	$ 63,471	$ -	$ -	$ 63,471
Equipment	17,609	2,686	(17,608)	2,687
Other	16,250	-	-	16,250
Total intangible right of use assets	$ 97,330	$ 2,686	$ (17,608)	$ 82,408
Less accumulated amortization	(58,231)	(16,607)	17,608	(57,230)
Net intangible right of use assets	$ 39,099	$ (13,921)	$ -	$ 25,178
Intangible subscription assets				
Intangible subscription assets	$ 458,034	$ 24,274	$ (18,559)	$ 463,749
Less accumulated amortization	(252,410)	(64,851)	18,559	(298,702)
Net intangible subscription assets	205,624	(40,577)	-	165,047
Net intangible assets	$ 244,723	$ (54,498)	$ -	$ 190,225
Work in progress	27,463,519	39,297,078	(25,714,761)	41,045,836
Net capital and intangible assets	$ 870,202,291	$ 47,727,204	$ (25,565,622)	$ 892,363,873

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	Beginning June 30, 2024	Increase	Decrease	Ending June 30, 2025
Pumping & Treatment plant	$ 333,008,588	$ 8,580,966	$ (583,373)	$ 341,006,181
Collection plant				
Mains and metering	653,722,654	35,672,695	-	689,395,349
Mains and metering - meters	1,176,766	-	-	1,176,766
Other accounts	79,805,163	-	-	79,805,163
Total collection plant	$ 734,704,583	$ 35,672,695	$ -	$ 770,377,278
Total general plant	42,966,269	2,083,761	(2,892,298)	42,157,732
Total wastewater plant in service	$ 1,110,679,440	$ 46,337,422	$ (3,475,671)	$ 1,153,541,191
Less accumulated depreciation	(288,115,652)	(26,526,103)	3,594,613	(311,047,142)
Net plant assets in service	$ 822,563,788	$ 19,811,319	$ 118,942	$ 842,494,049
Intangible right of use assets				
Office space	$ 66,494	$ -	$ (3,023)	$ 63,471
Equipment	18,489	-	(880)	17,609
Other	16,250	-	-	16,250
Total intangible right of use assets	$ 101,233	$ -	$ (3,903)	$ 97,330
Less accumulated amortization	(41,568)	(16,663)	-	(58,231)
Net intangible right of use assets	$ 59,665	$ (16,663)	$ (3,903)	$ 39,099
Intangible subscription assets				
Intangible subscription assets	$ 502,929	$ -	$ (44,895)	$ 458,034
Less accumulated amortization	(231,038)	(66,267)	44,895	(252,410)
Net intangible subscription assets	271,891	(66,267)	-	205,624
Net intangible assets	$ 331,556	$ (82,930)	$ (3,903)	$ 244,723
Work in progress	45,559,993	27,370,897	(45,467,371)	27,463,519
Net capital and intangible assets	$ 868,455,337	$ 47,099,286	$ (45,352,332)	$ 870,202,291

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 $2,018,713 and $1,960,454, respectively, resulting from the following changes:

	2026	2025
Balance, beginning of year	$ 1,960,454	$ 1,878,664
Net increase (decrease)	58,259	81,790
Balance, end of year	$ 2,018,713	$ 1,960,454
Due Within One Year	$ 1,453,473	$ 1,313,504

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. As of June 30, 2026, and June 30, 2025, the amount of these liabilities was $663,659 and $506,542 respectively, resulting from the following changes:

	2026	2025
Balance, beginning of year	$ 506,542	$ 574,718
Current year claims and changes in estimates	4,569,656	3,881,509
Claims payments	(4,412,539)	(3,949,685)
Balance, end of year	$ 663,659	$ 506,542

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. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

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

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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 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. Of these amounts, $432,169 and $362,320 are attributable to the Wastewater Division. 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 dates, respectively. The net pension asset is $14,831,176 (Division's share $2,294,620) as of June 30, 2026, and the net pension liability is $3,054,172 (Division's share $500,667) as of June 30, 2025.

GASB 68 requires certain disclosures related to the net pension liability 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%

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, and the Wastewater Division's share was $1,586,735.

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 (Division's share $34,401). 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 (Division's share $201,965).

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 (Division's share $73,508).

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 (Division's share $1,952,301).

The impact of the change in proportionate share for the Wastewater Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is three years. This change resulted in a deferred outflow of $106,177, with $35,392 of that recognized in the current year and the remaining amount recognized over the next two years, resulting in a deferred outflow of resources of $70,785. Net proportionate share changes of deferred outflows from prior periods were $137,914 of which $68,957 was recognized in the current year, resulting in a deferred outflow of resources of $68,957. Unrecognized proportionate share changes of deferred inflows from prior periods of $4,753, of which $4,753 was recognized in the current year, resulted in a deferred inflow of $0. In addition, KUB's Wastewater Division recorded a deferred outflow of resources of $216,085 for employer contributions made between December 31, 2025 and June 30, 2026.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 201,965	$ 34,401
Changes in assumptions	73,508	-
Net difference between projected and actual earnings on pension plan investments	-	1,952,301
Change in proportionate share	139,742	-
Contributions subsequent to measurement date	216,085	-
Total	$ 631,300	$ 1,986,702

$216,085 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	$ 1,457,695
2028	(1,526,630)
2029	(922,884)
2030	(579,668)
2031	-
Thereafter	-

For the year ended June 30, 2025, KUB recognized pension expense of $10,401,958, and the Wastewater Division's share was $1,947,326.

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 (Division's share $439,540).

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 (Division's share $371,692).

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 (Division's share $1,578,674).

The impact of the change in proportionate share for the Wastewater Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is three years. This change resulted in a deferred outflow of $33,644, with $11,214 of that recognized in the current year and the remaining amount recognized over the next two years, resulting in a deferred outflow of resources of $22,430. Net proportionate share changes from prior periods were $351,167 of which $235,683 was recognized in the current year, resulting in a deferred outflow of resources of $115,484. Unrecognized proportionate share changes from prior periods of $9,507, of which $4,754 was recognized in the current year, resulted in a deferred inflow of $4,753. In addition, KUB's Wastewater Division recorded a deferred outflow of resources of $181,161 for employer contributions made between December 31, 2024 and June 30, 2025.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 439,540	$ -
Changes in assumptions	371,692	-
Net difference between projected and actual earnings on pension plan investments	1,578,674	-
Change in proportionate share	137,914	4,753
Contributions subsequent to measurement date	181,161	-
Total	$ 2,708,981	$ 4,753

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 (Division's share $10,263) as of June 30, 2026, and $21,226 (Division's share $4,245) 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 (Division's share $5,370) 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 (Division's share $5,544).

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 (Division's share $566).

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
Division's share	$ 5,544	$ 566

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 (Division's share $1,491) 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 (Division's share $2,830) 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	$ -
Division's share	$ 2,830	$ -

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 (Division's share $971,669) and $4,799,996 (Division's share $959,999), 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.

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. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

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

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

	HRA		Retiree Medical Benefit	
	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 for the Wastewater Division of $190,577 and $207,268 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. The Division's share of the total net OPEB asset was $602,798 as of June 30, 2026. The Division's share of the total net OPEB liability was $860,788 as of June 30, 2025.

The components of the 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 (asset)	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 Trend	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's Wastewater Division recognized OPEB expense of $34,172.

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 (Division's share $241,847). 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 (Division's share $60,434).

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 (Division's share $393,774). 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 (Division's share $169,616).

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 (Division's share $1,247,872).

The impact of the change in proportionate share for the Wastewater Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred inflow of $40,436, with $5,777 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred inflow of resources of $34,659. Net proportionate share of deferred inflow changes from prior periods were $111,247, with $21,020 of that recognized in the current year resulting in a deferred inflow of resources of $90,227. The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Wastewater Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 60,434	$ 241,847
Changes in assumptions	169,616	393,774
Net difference between projected and actual earnings on OPEB plan investments	-	1,247,872
Change in proportionate share	-	124,886
Total	$ 230,050	$ 2,008,379

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

Year ending June 30:	
2027	$ (473,751)
2028	(442,209)
2029	(368,950)
2030	(346,715)
2031	(93,486)
Thereafter	(53,218)

For the year ended June 30, 2025, KUB's Wastewater Division recognized OPEB expense of $65,218.

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 (Division's share $21,444). 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 (Division's share $78,812).

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 (Division's share $423,864). 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 (Division's share $233,903).

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 (Division's share $227,309).

The impact of the change in proportionate share for the Wastewater Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred inflow of $53,841, with $7,692 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred inflow of resources of $46,149. Net proportionate share changes from prior periods were $78,426, with $13,328 of that recognized in the current year resulting in a deferred inflow of resources of $65,098. The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Wastewater Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 78,812	$ 21,444
Changes in assumptions	233,903	423,864
Net difference between projected and actual earnings on OPEB plan investments	-	227,309
Change in proportionate share	-	111,247
Total	$ 312,715	$ 783,864

17. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with the City of Knoxville and with other divisions of KUB. Such transactions for the years ended June 30, 2026, and 2025, are summarized as follows:

	2026	2025
City of Knoxville		
Amounts billed by the Division for utilities and related services	$ 1,275,259	$ 1,219,869
Payments by the Division in lieu of property tax	6,232,287	5,935,511
Payments by the Division for services provided	934,967	1,107,174
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	401,616	386,645
Interdivisional rental expense	588,645	564,330
Interdivisional rental income	205,015	230,985
Amounts billed to the Division by other divisions for utilities services provided	5,442,891	5,219,581

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	$ 87,184	$ 51,658

18. Other Commitments and Contingencies

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

Knoxville Utilities Board Wastewater Division
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 Wastewater Division
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.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Wastewater Division
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 Wastewater Division
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 Wastewater Division
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 Wastewater Division
Supplemental Information – Schedule of Debt Maturities by Fiscal Year
June 30, 2026

Continued on Next Page

	2010C			2015A		2016		2017A		2017B		2018		2019	
FY	Principal	Interest	Rebate*	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
26-27	$	$ 1,235,250	$ 432,338	$ 1,490,000	$ 3,323,550	$ 600,000	$ 398,031	$ 660,000	$ 26,400	$ 715,000	$ 600,512	$ 315,000	$ 330,956	$ 400,000	$ 450,950
27-28		1,235,250	432,338	1,405,000	3,271,400	600,000	386,032			725,000	586,213	325,000	321,506	420,000	430,950
28-29		1,235,250	432,338	1,450,000	3,222,226	625,000	374,032			745,000	570,806	335,000	311,756	435,000	409,950
29-30		1,235,250	432,338	1,455,000	3,178,726	625,000	361,532			760,000	553,112	345,000	301,706	455,000	388,200
30-31		1,235,250	432,338	1,515,000	3,135,076	650,000	348,250			785,000	530,313	355,000	291,356	475,000	370,000
31-32		1,235,250	432,338	1,520,000	3,089,626	675,000	333,625			805,000	506,762	365,000	280,706	495,000	351,000
32-33		1,235,250	432,338	1,580,000	3,042,125	675,000	318,438			830,000	482,613	375,000	269,756	515,000	331,200
33-34		1,235,250	432,338	1,635,000	2,992,750	700,000	302,406			855,000	457,712	390,000	258,038	530,000	315,750
34-35		1,235,250	432,338	1,690,000	2,939,612	700,000	284,906			880,000	432,063	400,000	245,362	545,000	299,850
35-36	3,700,000	1,235,250	432,338	1,750,000	2,884,688	725,000	267,406			910,000	405,662	415,000	232,364	560,000	283,500
36-37	3,875,000	1,009,550	353,343	1,825,000	2,827,812	750,000	249,282			935,000	378,363	425,000	218,874	580,000	266,700
37-38	4,050,000	773,175	270,611	13,420,000	2,768,500	775,000	229,594			965,000	350,312	440,000	204,532	595,000	249,300
38-39	4,225,000	526,125	184,144	13,895,000	2,298,800	775,000	209,250			995,000	320,156	455,000	189,682	615,000	231,450
39-40	4,400,000	268,400	93,940	14,480,000	1,743,000	800,000	186,000			1,025,000	289,063	475,000	173,756	615,000	213,000
40-41				15,130,000	1,236,200	825,000	162,000			1,055,000	257,032	490,000	157,132	635,000	194,550
41-42				15,775,000	631,000	850,000	137,250			1,090,000	224,062	505,000	139,982	655,000	175,500
42-43						875,000	111,750			1,125,000	190,000	525,000	122,306	675,000	155,850
43-44						900,000	85,500			1,160,000	154,844	540,000	103,932	700,000	135,600
44-45						950,000	58,500			1,195,000	118,594	560,000	85,032	720,000	114,600
45-46						1,000,000	30,000			1,230,000	81,250	580,000	65,432	740,000	93,000
46-47										1,270,000	41,275	600,000	44,406	765,000	70,800
47-48												625,000	22,656	785,000	47,850
48-49														810,000	24,300
49-50															
50-51															
51-52															
Total	$ 20,250,000	$ 14,929,750	$ 5,225,413	$ 90,015,000	$ 42,585,091	$ 15,075,000	$ 4,833,784	$ 660,000	$ 26,400	$ 20,055,000	$ 7,530,719	$ 9,840,000	$ 4,371,228	$ 13,720,000	$ 5,603,850

*Series 2010c bonds were issued as federally taxable Build America Bonds. KUB will receive a 35 percent interest rebate payment from the United States Government for each interest payment. Effective October 1, 2021 these bonds became subject to a 5.7% reduction in rebate payment amounts due to the United States Government sequestration. The sequestration is effective until intervening Congressional action, at which time the sequestration rate is subject to change.

Knoxville Utilities Board Wastewater Division
Supplemental Information – Schedule of Debt Maturities by Fiscal Year
June 30, 2026

Continued from Previous Page

	2020A		2020B		2021A		2022A		2022B		2022C		TOTALS		Grand Total (P + I)	Grand Total (Less Rebates)
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
26-27	$ 865,000	$ 806,900	$ 675,000	$ 738,100	$ 8,535,000	$ 7,172,850	$ 230,000	$ 429,650	$ 575,000	$ 976,050	$ 195,000	$ 413,525	$ 15,255,000	$ 16,902,724	$ 32,157,724	$ 31,725,387
27-28	910,000	763,650	705,000	711,100	9,760,000	6,746,100	245,000	418,150	610,000	947,300	205,000	403,775	15,910,000	16,221,426	32,131,426	31,699,089
28-29	955,000	718,150	730,000	682,900	10,260,000	6,258,100	255,000	405,900	635,000	916,800	215,000	393,525	16,640,000	15,499,395	32,139,395	31,707,058
29-30	1,005,000	670,400	760,000	653,700	10,800,000	5,745,100	270,000	393,150	690,000	885,050	225,000	382,775	17,390,000	14,748,701	32,138,701	31,706,364
30-31	1,055,000	620,150	785,000	630,900	11,315,000	5,205,100	280,000	379,650	715,000	850,550	235,000	371,525	18,165,000	13,968,120	32,133,120	31,700,783
31-32	1,095,000	577,950	805,000	607,350	11,935,000	4,639,350	295,000	365,650	745,000	814,800	250,000	359,775	18,985,000	13,161,844	32,146,844	31,714,507
32-33	1,140,000	534,150	830,000	583,200	12,550,000	4,042,600	310,000	350,900	775,000	777,550	260,000	347,275	19,840,000	12,315,057	32,155,057	31,722,720
33-34	1,175,000	499,950	855,000	558,300	13,015,000	3,540,600	325,000	335,400	835,000	738,800	275,000	334,275	20,590,000	11,569,231	32,159,231	31,726,894
34-35	1,210,000	464,700	880,000	532,650	13,550,000	3,020,000	340,000	322,400	870,000	697,050	290,000	320,525	21,355,000	10,794,368	32,149,368	31,717,031
35-36	1,245,000	428,400	905,000	506,250	10,885,000	2,478,000	355,000	308,800	935,000	653,550	305,000	306,025	22,690,000	9,989,895	32,679,895	32,247,558
36-37	1,285,000	391,050	935,000	479,100	11,430,000	2,042,600	370,000	294,600	965,000	606,800	320,000	290,775	23,695,000	9,055,506	32,750,506	32,397,164
37-38	1,320,000	352,500	965,000	451,050	2,465,000	1,585,400	380,000	279,800	465,000	568,200	335,000	274,775	26,175,000	8,087,138	34,262,138	33,991,527
38-39	1,360,000	312,900	990,000	422,100	2,595,000	1,486,800	395,000	264,600	465,000	549,600	345,000	261,375	27,110,000	7,072,838	34,182,838	33,998,694
39-40	1,400,000	272,100	1,020,000	392,400	2,705,000	1,383,000	415,000	248,800	460,000	531,000	360,000	247,575	28,155,000	5,948,094	34,103,094	34,009,154
40-41	1,445,000	230,100	1,050,000	361,800	3,515,000	1,274,800	430,000	232,200	1,060,000	512,600	375,000	233,175	26,010,000	4,851,589	30,861,589	30,861,589
41-42	1,490,000	186,750	1,085,000	330,300	3,655,000	1,134,200	445,000	215,000	1,110,000	470,200	390,000	218,175	27,050,000	3,862,419	30,912,419	30,912,419
42-43	1,530,000	142,050	1,115,000	297,750	3,920,000	988,000	465,000	197,200	1,155,000	425,800	405,000	202,575	11,790,000	2,833,281	14,623,281	14,623,281
43-44	1,580,000	96,150	1,150,000	264,300	4,110,000	831,200	485,000	178,600	1,205,000	379,600	420,000	186,375	12,250,000	2,416,101	14,666,101	14,666,101
44-45	1,625,000	48,750	1,185,000	229,800	4,335,000	666,800	505,000	159,200	1,255,000	331,400	440,000	169,575	12,770,000	1,982,251	14,752,251	14,752,251
45-46			1,220,000	194,250	4,580,000	493,400	525,000	139,000	1,300,000	281,200	455,000	151,425	11,630,000	1,528,957	13,158,957	13,158,957
46-47			1,255,000	157,650	4,830,000	310,200	545,000	118,000	1,350,000	229,200	475,000	132,656	11,090,000	1,104,187	12,194,187	12,194,187
47-48			1,295,000	120,000	1,425,000	117,000	565,000	96,200	1,395,000	175,200	495,000	113,062	6,585,000	691,968	7,276,968	7,276,968
48-49			1,335,000	81,150	1,500,000	60,000	590,000	73,600	1,470,000	119,400	515,000	92,644	6,220,000	451,094	6,671,094	6,671,094
49-50			1,370,000	41,100			610,000	50,000	1,515,000	60,600	535,000	71,400	4,030,000	223,100	4,253,100	4,253,100
50-51							640,000	25,600			560,000	48,662	1,200,000	74,262	1,274,262	1,274,262
51-52											585,000	24,863	585,000	24,863	609,863	609,863
Total	$ 23,690,000	$ 8,116,750	$ 23,900,000	$ 10,027,200	$ 163,670,000	$ 61,221,200	$ 10,270,000	$ 6,282,050	$ 22,555,000	$ 13,498,300	$ 9,465,000	$ 6,352,087	$ 423,165,000	$ 185,378,409	$ 608,543,409	$ 603,317,997

See accompanying Independent Auditor's Report

Knoxville Utilities Board Wastewater Division
Supplemental Information – Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2026

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2025	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2026
Business-Type Activities									
BONDS PAYABLE									
Payable through Wastewater Fund									
Revenue Bond, Series 2010C	$ 70,000,000	1.18-6.1	12/08/10	04/01/40	$ 20,250,000	$ -	$ -	$ -	$ 20,250,000
Revenue Bond Refunding, Series 2015A	129,825,000	3.0-5.0	05/01/15	04/01/42	91,440,000	-	1,425,000	-	90,015,000
Revenue Bond, Series 2016	20,000,000	2.0-5.0	08/05/16	04/01/46	15,650,000	-	575,000	-	15,075,000
Revenue Bond Refunding, Series 2017A	11,965,000	3.0-5.0	04/07/17	04/01/27	1,300,000	-	640,000	-	660,000
Revenue Bond, Series 2017B	25,000,000	2.0-5.0	09/15/17	04/01/47	20,745,000	-	690,000	-	20,055,000
Revenue Bond, Series 2018	12,000,000	3.0-5.0	09/14/18	04/01/48	10,145,000	-	305,000	-	9,840,000
Revenue Bond, Series 2019	16,000,000	3.0-5.0	08/20/19	04/01/49	14,100,000	-	380,000	-	13,720,000
Revenue Bond Refunding, Series 2020A	28,230,000	3.0-5.0	05/22/20	04/01/45	24,515,000	-	825,000	-	23,690,000
Revenue Bond, Series 2020B	27,460,000	3.0-4.0	10/30/20	04/01/50	24,550,000	-	650,000	-	23,900,000
Revenue Bond Refunding, Series 2021A	190,815,000	4.0-5.0	04/19/21	04/01/49	172,030,000	-	8,360,000	-	163,670,000
Revenue Bond, Series 2022A	11,125,000	4.0-5.0	04/29/22	04/01/51	10,490,000	-	220,000	-	10,270,000
Revenue Bond Refunding, Series 2022B	23,200,000	4.0-5.0	05/13/22	04/01/50	23,100,000	-	545,000	-	22,555,000
Revenue Bond, Series 2022C	9,995,000	4.0-5.0	12/16/22	04/01/52	9,650,000	-	185,000	-	9,465,000
					$ 437,965,000	$ -	$ 14,800,000	$ -	$ 423,165,000

See accompanying Independent Auditor's Report

Knoxville Utilities Board Wastewater Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2026

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2025	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2026
Lease Liabilities									
Payable through Wastewater Fund									
Crown Castle	$ 16,250	3.90%	3/1/2023	2/1/2043	$ 15,289	$ -	$ (461)	$ -	$ 14,828
Manki 1 Investments	66,495	3.88%	7/1/2020	5/31/2027	29,245	-	(13,218)	(3,451)	12,576
Ricoh Americas	7,834	3.88%	7/1/2020	7/31/2025	460	-	(438)	(22)	-
RJ Young Company	2,686	3.88%	7/1/2025	6/30/2026	-	2,686	(2,686)	-	-
Total Lease Liabilities					$ 44,994	$ 2,686	$ (16,803)	$ (3,473)	$ 27,404

See accompanying Independent Auditor's Report

Knoxville Utilities Board Wastewater Division
Statistical Information – Schedule of Insurance in Force
June 30, 2026
(Unaudited)

Insurance coverage is for KUB as a consolidated entity.

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

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

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

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

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

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

Knoxville Utilities Board Wastewater Division
Statistical Information – Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class	Base Charge	Number of Customers
Residential Inside City rate	For wastewater service furnished to premises entirely within the corporate limits of the City of Knoxville:	57,838

Commodity Charge

First	2	CCF Per Month at $2.90 Per CCF
Over	2	CCF Per Month at $11.10 Per CCF

Additional Monthly Customer Charge

5/8" meter	$ 35.90

		Number of Customers
Non-Residential Inside City rate	For wastewater service furnished to premises entirely within the corporate limits of the City of Knoxville:	7,814

Commodity Charge

First	2	CCF Per Month at $4.10 Per CCF
Next	8	CCF Per Month at $13.05 Per CCF
Next	90	CCF Per Month at $12.80 Per CCF
Next	300	CCF Per Month at $11.40 Per CCF
Next	4,600	CCF Per Month at $9.25 Per CCF
Next	5,000	CCF Per Month at $5.45 Per CCF

Additional Monthly Customer Charge

5/8" meter	$ 36.00
1" meter	$ 56.00
1 1/2" meter	$ 75.00
2" meter	$ 107.00
3" meter	$ 200.00
4" meter	$ 326.00
6" meter	$ 679.00
8" meter	$ 1,180.00
10" meter	$ 1,795.00
12" meter	$ 2,975.00

See accompanying Independent Auditor's Report

Knoxville Utilities Board Wastewater Division
Statistical Information – Schedule of Current Rates in Force
June 30, 2026
(Unaudited)

Rate Class	Base Charge	Number of Customers
Residential Outside City rate	For wastewater service furnished to premises entirely or partly outside the corporate limits of the City of Knoxville:	10,391

Commodity Charge

First	2	CCF Per Month at $3.20 Per CCF
Over	2	CCF Per Month at $12.20 Per CCF

Additional Monthly Customer Charge

5/8" meter	$ 39.90

Rate Class	Base Charge	Number of Customers
Non-Residential Outside City rate	For wastewater service furnished to premises entirely or partly outside the corporate limits of the City of Knoxville:	489

Commodity Charge

First	2	CCF Per Month at $4.50 Per CCF
Next	8	CCF Per Month at $14.35 Per CCF
Next	90	CCF Per Month at $14.25 Per CCF
Next	300	CCF Per Month at $12.60 Per CCF
Next	4,600	CCF Per Month at $10.15 Per CCF
Next	5,000	CCF Per Month at $6.00 Per CCF

Additional Monthly Customer Charge

5/8" meter	$ 40.00
1" meter	$ 63.00
1 1/2" meter	$ 82.00
2" meter	$ 118.00
3" meter	$ 220.00
4" meter	$ 356.00
6" meter	$ 749.00
8" meter	$ 1,295.00
10" meter	$ 1,980.00
12" meter	$ 3,260.00

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
Wastewater Division of the 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 of the Wastewater Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated October 15, 2026, which references, that the financial statements, are only that portion of Knoxville Utilities Board that resulted from the transactions of the Wastewater Division.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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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MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
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