Consolidated

Financial Statements and Supplemental Information
June 30, 2022 and 2021

Knoxville Utilities Board
Index
June 30, 2022 and 2021

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Independent Auditor's Report

Board of Commissioners
Knoxville Utilities Board
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Knoxville Utilities Board (KUB), a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise KUB's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KUB as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2020, KUB adopted new accounting guidance Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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.

Board of Commissioners
Knoxville Utilities Board
Knoxville, Tennessee

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KUB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KUB's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 28 and the required supplementary information on pages 75 through 79 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Commissioners
Knoxville Utilities Board
Knoxville, Tennessee

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of KUB’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KUB’s internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 25, 2022

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

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

The Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2022, activities, resulting changes and current known facts, and should be read in conjunction with KUB's consolidated financial statements.

Consolidated Highlights

System Highlights

As KUB returned to normal operations this fiscal year, supply chain issues and workforce shortages continued to impact capital projects. While some projects were delayed, others were held until supplies were more readily available. However, KUB's ability to serve its customers has remained strong throughout.

As of June 30, 2022, KUB served 478,140 customers. KUB added 4,786 new customers in fiscal year 2022, representing growth of one percent.

KUB's electric system had a strong year for reliability with only 1.89 hours of service interruption for the average customer in fiscal year 2022 compared to 1.83 hours in fiscal year 2021. Favorable weather conditions and the deployment of automated technologies, including Fault Location, Isolation, and Service Restoration (FLISR) devices, were both integral to the year's performance.

KUB's electric system's record peak in demand remains 1,328 megawatt hours, set in February 2015. The natural gas system's record peak demand remains 140,204 dekatherms, set in January 2018.

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

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

During fiscal year 2022, KUB sold $56.8 million in revenue bonds for the purpose of funding system expenditures and sold $65.3 million in revenue refunding bonds for the purpose of refinancing existing revenue bonds at lower interest rates. KUB will realize a total debt service savings of $4 million over the life of the bonds ($2.4 million on a net present value basis).

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

KUB's natural gas system was named to the American Public Gas Association's (APGA) System Operational Achievement Recognition (SOAR) Program in 2018, reflecting KUB's focus on system integrity, continuous improvement, safety, and employee development. KUB is a Gold level winner and remains a member of the program through 2023. KUB was recognized as a Safety Contest Winner for calendar year 2021 by APGA. The 2022 Excellence in Environmental Stewardship Award by APGA was also awarded to KUB.

KUB's treatment plants continue to meet high standards of operation. KUB was awarded the National Association of Clean Water Agencies (NACWA) Peak Performance recognition for all Wastewater Treatment Plants in calendar year 2021. Fourth Creek, Loves Creek, and Eastbridge Wastewater Treatment Plants won silver awards, while Kuwahee won gold.

KUB continued to maintain Platinum certification with the National Biosolids Partnership following a rigorous review process and independent audit that was conducted in December 2021. Biosolids are nutrient-rich organic matter produced by wastewater treatment and is a registered fertilizer with the Tennessee Department of Agriculture.

Century II Infrastructure Program

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

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

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

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

In June 2022, the Board approved the next phase of water and wastewater rate increases to support the Century II program. The three approved 5 percent water rate increases are effective July 2022, July 2023, and July 2024, and will generate $3 million, $3.2 million, and $3.4 million in additional annual Water Division revenue, respectively. The three approved 4 percent wastewater rate increases are effective July 2022, July 2023, and July 2024, and will generate $3.9 million, $4 million, and $4.2 million in additional annual Wastewater Division revenue, respectively.

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

For the fiscal year, KUB stayed on track with its overall Century II capital budget and production goals. The electric system replaced 1,360 poles and 6.6 miles of transmission lines. In the natural gas system, 9.1 miles of gas steel main were replaced. In the water system, 4.2 miles of galvanized water main and 5.7 miles of cast iron water main were replaced. In the wastewater system, 8.9 miles of main were rehabilitated or replaced.

Fiber Network

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

After gaining the required approvals from TVA, the State of Tennessee, KUB's Board and City Council, KUB launched its new Fiber Division. Broadband services will be provided by a high-speed fiber optic network that will be owned and maintained by the Electric Division. The Fiber Division will share in the cost to build and operate the Fiber network by paying the Electric Division an annual access fee based on the year end value of those assets and the related expenses. The Fiber Division will also pay the Electric Division an annual utilization fee based on attachments to the network. In addition to providing broadband services, the fiber network will allow KUB to implement new advanced technologies to improve the reliability of its electric system. In August 2021, the Board authorized the first $10 million loan of a proposed $35 million loan from the Electric Division to the Fiber Division. The interdivisional loan was approved by TVA and was initiated in October 2021. 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 will begin receiving service in fiscal year 2023.

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

Consent Decree

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

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

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

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

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

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

Financial Highlights

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

Fiscal Year 2022 Compared to Fiscal Year 2021

KUB's consolidated Change in Net Position increased $77.8 million in fiscal year 2022. Comparatively, net position increased by $75.5 million in fiscal year 2021.

Operating revenue increased $83.5 million as a result of the flow through of higher energy costs in KUB's rates and increased sales volumes across all divisions. Purchased energy expense (power and natural gas) increased $70 million or 15.8 percent, the combined effect of a $44.1 million increase in purchased power cost and a $25.9 million increase in purchased gas cost. Margin from sales (operating revenue less purchased energy expense) increased $13.4 million or 3.5 percent compared with the prior fiscal year.

Operating expenses (excluding purchased power and purchased gas expense) increased $14.6 million. Operating and maintenance (O&M) expenses were $17.3 million higher than the previous year due to higher labor related expenses and vegetation management expenses. Depreciation and amortization expense decreased $3.2 million or 3.5 percent. Taxes and tax equivalents increased $0.5 million or 1.4 percent.

Interest income was $0.3 million higher than the prior fiscal year. Interest expense decreased $1.8 million or 4.2 percent, reflecting the net impact of interest expense from new revenue bonds sold during fiscal year 2022 and savings on refunding of outstanding bonds.

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

Total plant assets (net) increased $64.1 million or 2.9 percent over the last fiscal year.

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

Fiscal Year 2021 Compared to Fiscal Year 2020

KUB's consolidated Change in Net Position increased $75.5 million in fiscal year 2021. Comparatively, net position increased by $78 million in fiscal year 2020.

Operating revenue increased $18.5 million as a result of increased sales volumes for electric, gas, and wastewater. Purchased energy expense (power and natural gas) increased $6.1 million or 1.4 percent, the net effect of a $3 million decrease in purchased power cost and a $9.1 million increase in purchased gas cost. Margin from sales (operating revenue less purchased energy expense) increased $12.5 million or 3.4 percent compared with the prior fiscal year.

Operating expenses (excluding purchased power and purchased gas expense) increased $8 million. Operating and maintenance (O&M) expenses were $11.2 million lower than the previous year due to lower pension expenses. Depreciation and amortization expense increased $17.7 million or 24.3 percent, reflecting the completion of several large capital projects. Due to the adoption of GASB No. 87 in fiscal year 2022 and the required prior year restatement, amortization of leased assets increased $0.4 million. Taxes and tax equivalents increased $1.6 million or 4.4 percent.

Interest income was $3.9 million less than the prior fiscal year. Interest expense decreased $1.3 million or 3 percent, reflecting the net impact of interest expense from new revenue bonds sold during fiscal year 2021 and savings on refunding of outstanding bonds.

Capital contributions increased $0.6 million, the result of a higher level of assets contributed by developers.

Total plant assets (net) increased $53.4 million or 2.4 percent over the last fiscal year.

Long-term debt represented 44.8 percent of KUB's consolidated capital structure, compared to 48.3 percent last fiscal year. Capital structure equals long-term debt (including the current and long-term portion of revenue bonds), plus net position.

Knoxville Utilities Board Consolidated Financial Statements

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

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, plant in service, intangible, or other assets.

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

Statement of Cash Flows

KUB reports cash flows from operating activities, capital and related financing activities, noncapital 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.

Condensed Financial Statements

Statement of Net Position

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

Statements of Net Position
As of June 30

(in thousands of dollars)	2022	2021 as restated	2020
Current, restricted, intangible, and other assets	$ 502,268	$ 435,426	$ 395,224
Capital assets, net	2,253,225	2,189,154	2,135,780
Deferred outflows of resources	27,740	24,006	33,237
Total assets and deferred outflows of resources	2,783,233	2,648,586	2,564,241
Current and other liabilities	249,376	202,775	207,464
Long-term debt outstanding	1,124,918	1,112,346	1,126,089
Deferred inflows of resources	45,474	47,820	20,569
Total liabilities and deferred inflows of resources	1,419,768	1,362,941	1,354,122
Net position			
Net investment in capital assets	1,098,927	1,049,324	990,228
Restricted	22,343	21,755	22,186
Unrestricted	242,195	214,566	197,705
Total net position	$ 1,363,465	$ 1,285,645	$ 1,210,119

Normal Impacts on Statement of Net Position

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

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

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2022 Compared to Fiscal Year 2021

Current, restricted, intangible, and other assets increased $66.8 million or 15.4 percent, due to an increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of $27.4 million, an increase in the actuarially determined net pension asset of $19 million, an increase in accounts receivable of $9.2 million, an increase of $3.8 million in inventories, a $3.4 million increase in net intangible right of use assets, and a $3.4 million increase in gas storage. KUB under recovered $2.4 million in wholesale power costs from its customers in fiscal year 2022. This under recovery of costs will be charged to KUB’s electric customers during the next fiscal year through adjustments to rates via the Purchased Power Adjustment.

Fiscal Year 2021 Compared to Fiscal Year 2020

Current, restricted, intangible, and other assets increased $40.2 million or 10.2 percent, due to an increase in the actuarially determined net pension asset of $26 million, an increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of $7.4 million, an increase in the actuarially determined net OPEB asset of $5.9 million, and an increase in accounts receivable of $3.1 million. KUB under recovered $1.4 million in wholesale gas costs from its customers in fiscal year 2021. This under recovery of costs will be charged to KUB’s gas customers during the next fiscal year through adjustments to rates via the Purchased Gas Adjustment.

Capital Assets

Fiscal Year 2022 Compared to Fiscal Year 2021

Capital assets (net) increased $64.1 million or 2.9 percent. Major capital expenditures (reflected in both plant additions and work in progress) in fiscal year 2022 included $37.7 million related to wastewater Century II projects, $25.4 million for various electric distribution system improvements, $17.2 million for Grid Modernization and advanced metering including Supervisory Control and Data Acquisition (SCADA) system upgrades, $8.7 million for the construction of gas mains, $6.9 million for pole replacements for the electric system, $6.8 million for water main replacements, and $6.5 million for building improvements. System assets of $32.6 million were retired during fiscal year 2022.

Fiscal Year 2021 Compared to Fiscal Year 2020

Capital assets (net) increased $53.4 million or 2.4 percent. Spending was slowed this year to allow for better financial liquidity in response to the pandemic. Major capital expenditures (reflected in both plant additions and work in progress) in fiscal year 2021 included $35.2 million related to wastewater Century II projects, $23.9 million for various electric distribution system improvements, $10.3 million for water main replacements, $6.9 million for building improvements, $6.5 million for the construction of gas mains, $6.1 million for Grid Modernization and advanced metering including Supervisory Control and Data Acquisition (SCADA) system upgrades, and $5.6 million for pole replacements for the electric system. System assets of $42.5 million were retired during fiscal year 2021.

Deferred Outflows of Resources

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Deferred outflows of resources decreased $9.2 million compared to the prior year, reflecting a decrease in unamortized bond refunding costs of $5.2 million and a $4.2 million decrease in OPEB outflow when compared to the prior fiscal year.

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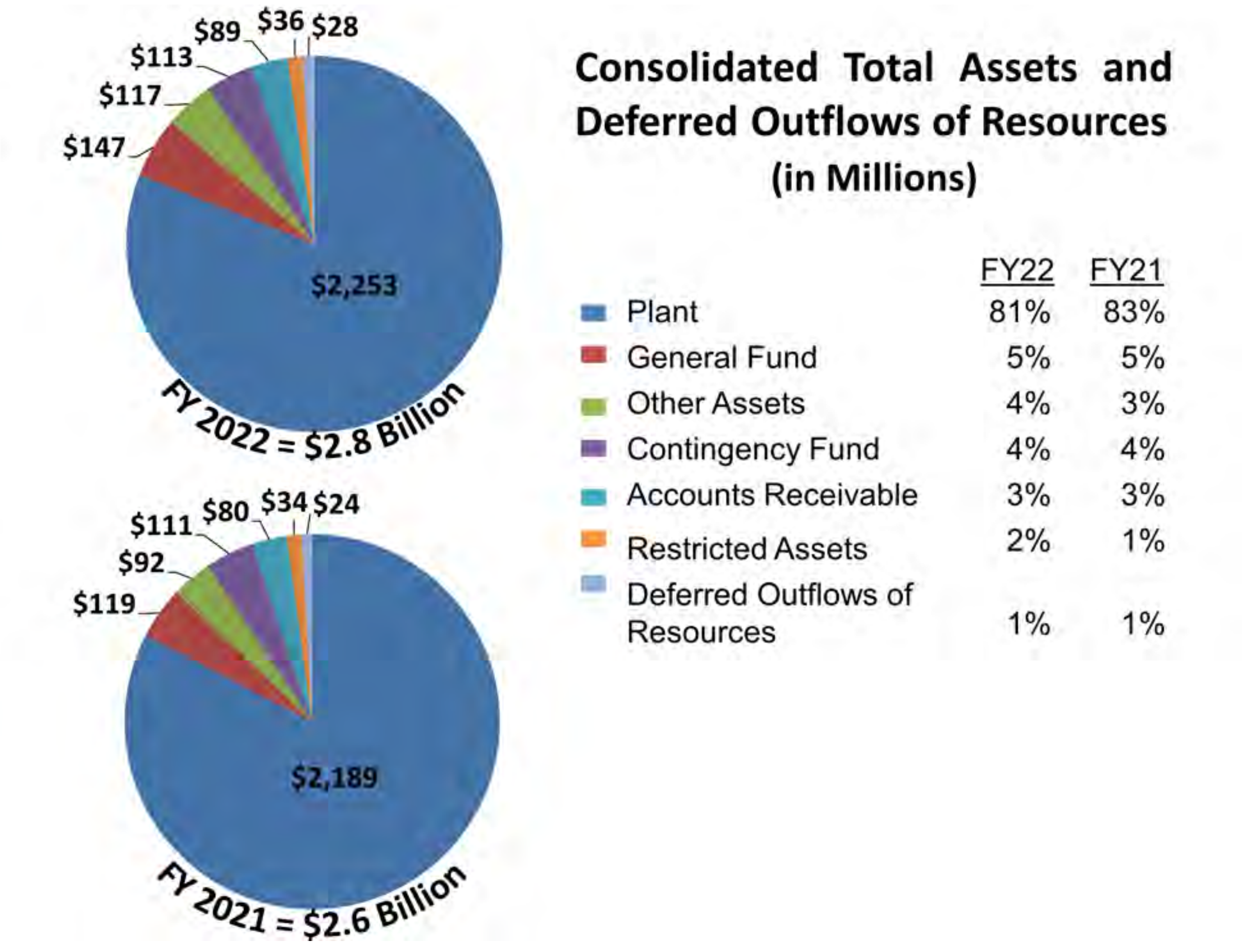

Current and Other Liabilities

Fiscal Year 2022 Compared to Fiscal Year 2021

Current and other liabilities increased $46.6 million or 23 percent compared to the prior fiscal year. This reflects an increase of $18.2 million in payables, an increase of $11.2 million in the net OPEB liability, an increase of $6.5 million in accrued expenses, an increase of $3.6 million in current and long-term lease liability, and an increase of $2.1 million in customer deposits. KUB over recovered $4.2 million in wholesale gas costs from its customers in fiscal year 2022, as compared to a $1.4 million under recovery in fiscal year 2021. This over recovery of costs will be flowed back to KUB's gas customers during the next fiscal year through adjustments to rates via the Purchased Gas Adjustment.

Fiscal Year 2021 Compared to Fiscal Year 2020

Current and other liabilities decreased $4.7 million or 2.3 percent compared to the prior fiscal year. This reflects a decrease of $7.6 million in the net OPEB liability, a decrease of $2 million in accrued interest on revenue bonds, and a decrease of $1.4 million in over recovered purchased power cost offset by an increase of $4.3 million in accounts payable. KUB over recovered $0.4 million in wholesale power costs from its customers in fiscal year 2021, as compared to a $1.8 million over recovery in fiscal year 2020. This over recovery of costs will be flowed back to KUB's electric customers during the next fiscal year through adjustments to rates via the Purchased Power Adjustment.

The outstanding balance on TVA conservation loans declined by $0.9 million, as KUB ceased issuance of any new loans in fiscal year 2016.

Long-term Debt

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Long-term debt decreased $13.7 million or 1.2 percent. The decrease is due in part to the net impact of the scheduled repayment of debt and $36.5 million in water and wastewater system revenue bonds sold in October 2020. KUB also sold $336.1 million of revenue refunding bonds in March 2021 with a premium of $80.2 million to refund $415.2 million in outstanding debt, resulting in a reduction of principal of $79.1 million.

Deferred Inflows of Resources

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Deferred inflows increased $27.3 million compared to the prior fiscal year due to a $15.6 million increase in pension inflow, an $8 million increase in OPEB inflow, and a $3.5 million increase in lease inflow.

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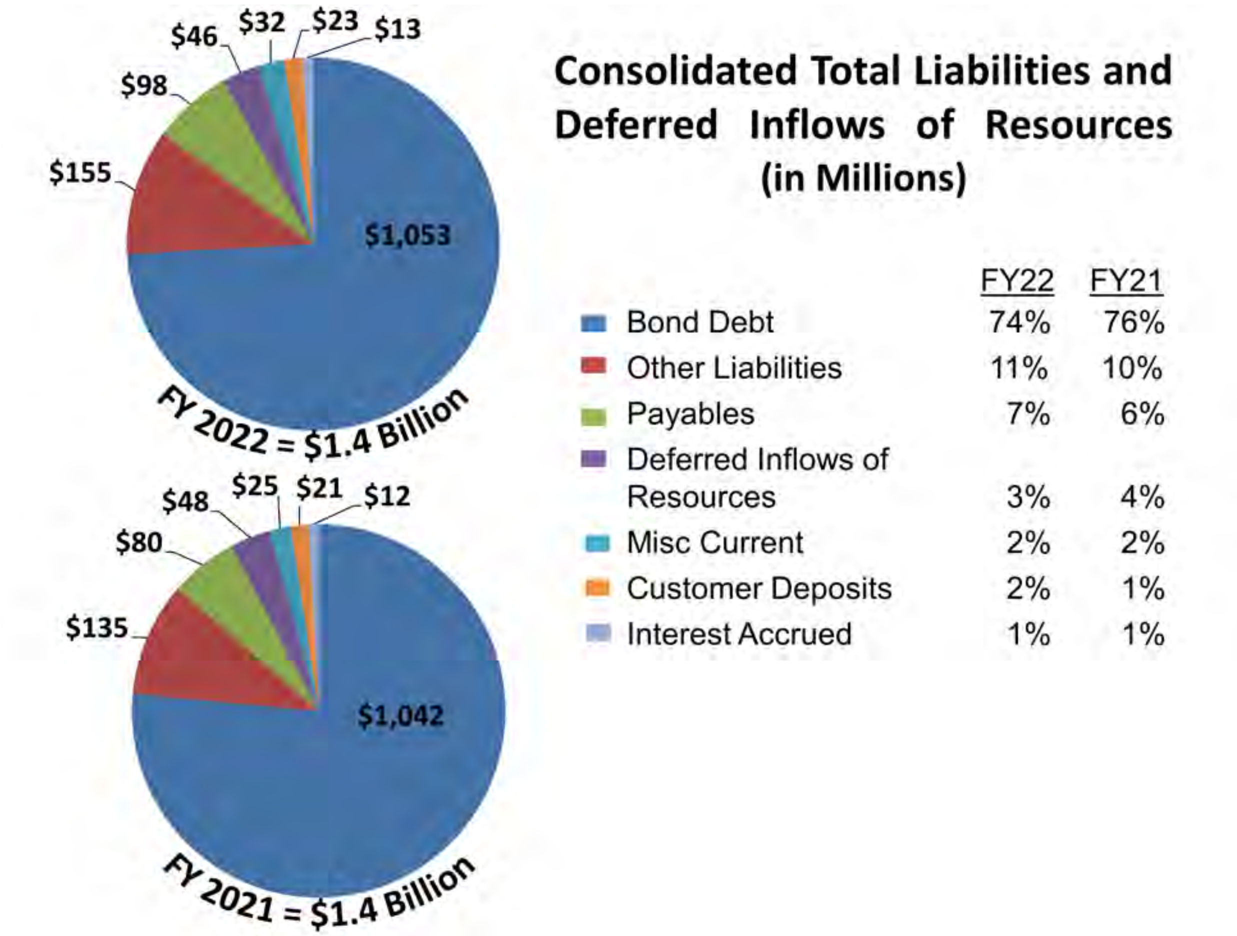

Net Position

Fiscal Year 2022 Compared to Fiscal Year 2021

Total net position increased $77.8 million or 6.1 percent. Unrestricted net position increased $27.6 million or 12.9 percent compared to the previous fiscal year, primarily due to a $27.4 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments). Net investment in capital assets increased $49.6 million or 4.7 percent, the result of an increase of $64.1 million in net plant additions and an increase of $3.4 million in net intangible right of use assets offset by an $11 million increase in the current portion of revenue bonds and total long-term debt and a $3.6 million increase in lease liabilities. Restricted net position increased $0.6 million compared to the prior year.

Fiscal Year 2021 Compared to Fiscal Year 2020

Total net position increased $75.5 million or 6.2 percent. Unrestricted net position increased $16.9 million or 8.5 percent compared to the previous fiscal year, due to a $7.4 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) and changes in pension and OPEB accruals for the fiscal year. Net investment in capital assets increased $59.1 million or 6 percent, primarily the result of net capital assets increasing $53.4 million. Restricted net position decreased $0.4 million compared to the prior year.

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)	2022	2021 as restated	2020
Operating revenues	$ 905,770	$ 822,290	$ 803,751
Less: Purchased energy expense	512,342	442,299	436,236
Margin from sales	393,428	379,991	367,515
Operating expenses			
Treatment	18,999	17,098	16,306
Fiber products and promotions	910	-	-
Distribution and collection	77,355	69,388	70,822
Customer service	15,200	14,033	14,007
Administrative and general	36,438	31,086	41,668
Depreciation and amortization	87,288	90,488	72,826
Taxes and tax equivalents	37,964	37,448	35,863
Total operating expenses	274,154	259,541	251,492
Operating income	119,274	120,450	116,023
Interest income	1,107	837	4,740
Interest expense	(40,058)	(41,827)	(43,127)
Other income/(expense)	(4,141)	(4,917)	(52)
Change in net position before capital contributions	76,182	74,543	77,584
Capital contributions	1,638	983	417
Change in net position	$ 77,820	$ 75,526	$ 78,001

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

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

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

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

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

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

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

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

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

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

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

Impacts and Analysis

Change in Net Position

Fiscal Year 2022 Compared to Fiscal Year 2021

KUB's consolidated Change in Net Position increased $77.8 million in fiscal year 2022. Comparatively, net position increased $75.5 million in fiscal year 2021.

Fiscal Year 2021 Compared to Fiscal Year 2020

KUB's consolidated Change in Net Position increased $75.5 million in fiscal year 2021. Comparatively, net position increased $78 million in fiscal year 2020.

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Margin from Sales

Fiscal Year 2022 Compared to Fiscal Year 2021

Operating revenue was $83.5 million higher than the previous fiscal year. Both electric and natural gas experienced significant increases in wholesale energy prices. Electric Division operating revenue increased $51.9 million due to the net result of a 3 percent increase in sales volumes, additional revenue from the April 2022 rate increase, higher wholesale energy costs, and the flow through of prior year over recovered purchased power costs to electric customers. Gas Division revenue increased $26.5 million for the fiscal year, the result of a 2.2 percent increase in billed sales and higher natural gas prices. Water Division revenue increased $2.6 million, reflecting a 2.3 percent increase in billed sales volumes. Wastewater Division revenue was $2.4 million higher than the previous year, reflecting a 2.2 percent increase in billable wastewater flows.

Wholesale energy expense increased $70 million or 15.8 percent. Purchased power expense increased $44.1 million compared to last year, reflecting the combined effect of 3 percent higher customer demand and flow through of higher wholesale power costs. KUB received $9.3 million in wholesale power rate credits during the fiscal year as part of KUB's long-term Partnership Agreement with TVA, which decreased power expenses in the current fiscal year. Purchased gas expense was $25.9 million higher, reflecting significantly higher natural gas prices and slightly higher customer demand for the fiscal year.

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Operating revenue was $18.5 million higher than the previous fiscal year. Both electric and natural gas sales benefited from colder winter temperatures than the previous fiscal year. Electric Division operating revenue increased $6.2 million due to the net result of a 6.8 percent increase in sales volumes and the flow through of prior year over recovered purchased power costs to electric customers. Gas Division revenue increased $12.8 million for the fiscal year, the result of an 8.7 percent increase in billed sales. Water Division revenue decreased $0.7 million, reflecting an increase in billed sales of $0.2 million and a decrease in other operating revenue of $0.4 million. Wastewater Division revenue was $1 million lower than the previous year, reflecting an increase in billed sales of $0.8 million and a decrease in other operating revenue of $1.2 million. Billable wastewater flows increased 1.2 percent.

Wholesale energy expense increased $6.1 million or 1.4 percent. Purchased power expense decreased $3 million compared to last year, reflecting the net effect of higher customer demand and flow through of lower wholesale power costs. KUB received $9.2 million in wholesale power rate credits during the fiscal year as part of KUB's long-term Partnership Agreement with TVA, which decreased power expenses in the current fiscal year. Purchased gas expense was $9.1 million higher, reflecting higher customer demand for the fiscal year and higher natural gas prices.

Margin from sales (operating revenue less purchased energy expense) increased $12.5 million compared to the previous year.

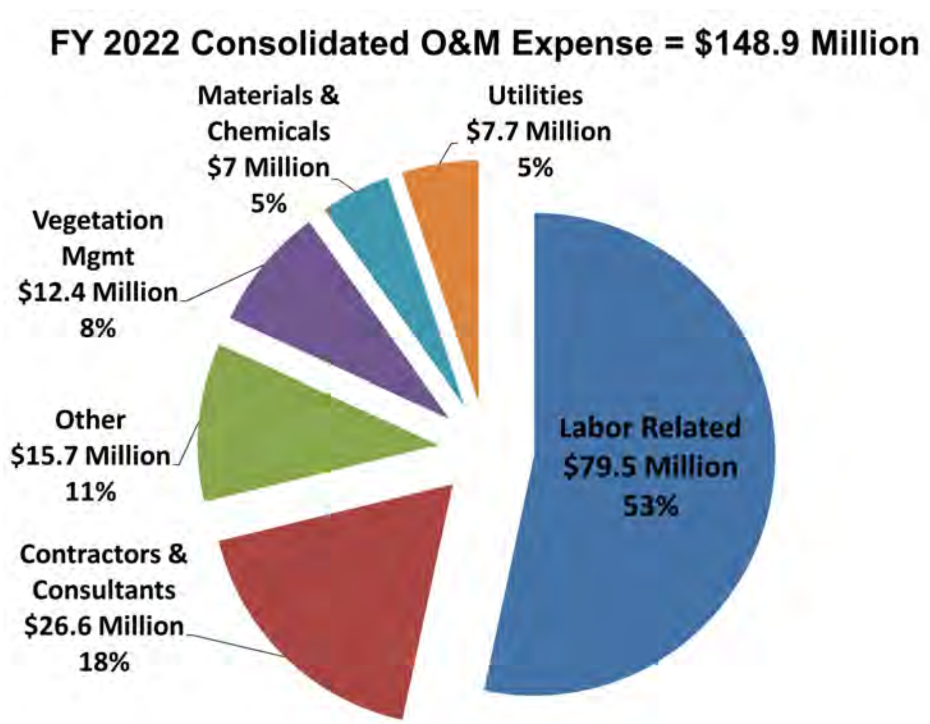
Overall, other operating revenues declined $3.5 million as a result of KUB's waiver and suspension of late fees on customer payments for several months during the Pandemic.

Operating Expenses

Fiscal Year 2022 Compared to Fiscal Year 2021

Operating expenses (excluding wholesale purchased energy expense) increased $14.6 million compared to fiscal year 2021. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, fiber products and promotions, distribution and collection, customer service, and administrative and general.

- Treatment expenses increased $1.9 million, primarily due to higher labor related expenses.
- Fiber products and promotions increased $0.9 million, primarily due to corporate advertising expense as well as telephone and television programming expenses.
- Distribution and collection expenses increased $8 million or 11.5 percent, primarily due to the catch up from the pandemic related timing delay on vegetation management circuit work and labor related expenses.
- Customer service expenses increased $1.2 million, primarily due to payment processing fees and labor related expenses.
- Administrative and general expenses increased $5.4 million, primarily due to an increase in labor related expenses, including higher OPEB expenses related to the introduction of the Health Reimbursement Arrangement.



- Depreciation and amortization expense decreased $3.2 million or 3.5 percent. KUB added $182.8 million in assets during fiscal year 2022. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on $207.1 million in assets placed in service during fiscal year 2021. In addition, $32.6 million of assets were retired during fiscal year 2022.

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Operating expenses (excluding wholesale purchased energy expense) increased $8 million compared to fiscal year 2020. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, distribution and collection, customer service, and administrative and general.

- Treatment expenses increased $0.8 million, primarily due to higher outside contractor and consultant costs.

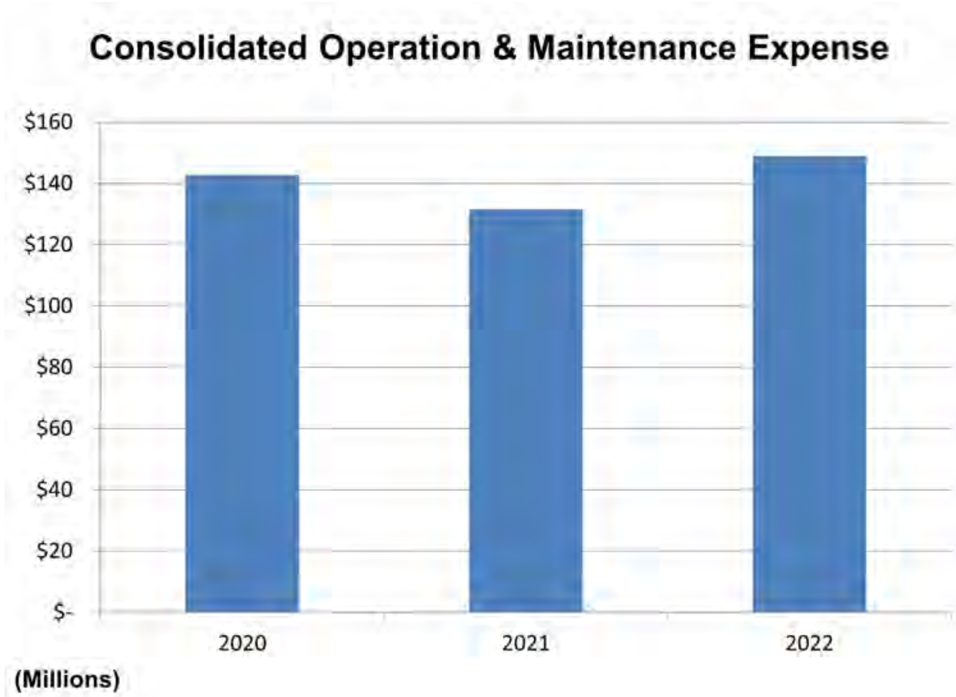
- Distribution and collection expenses decreased $1.4 million or 2 percent, primarily due to timing delay in vegetation management circuit work due to the pandemic.

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

- Administrative and general expenses decreased $10.6 million, primarily due to a decrease in labor related expenses, including lower pension and OPEB expenses.

- Depreciation and amortization expense increased $17.7 million or 24.3 percent. KUB added $207.1 million in assets during fiscal year 2021, including $27.4 million of multi-year projects being held in Construction Work in Progress. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on $161.1 million in assets placed in service during fiscal year 2020. In addition, $42.5 million of assets were retired during fiscal year 2021.

- Taxes and tax equivalents increased $1.6 million or 4.4 percent. Tax equivalent payments to taxing jurisdictions in which KUB's utility systems are located are based on a combination of net plant values and margin from energy sales.



Other Income and Expense

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Interest expense decreased $1.8 million or 4.2 percent, reflecting the net impact of interest expense from new revenue bonds sold during the fiscal year and savings on refunding of outstanding bonds.

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

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Interest income decreased $3.9 million compared to the prior fiscal year, reflecting lower short-term interest rates over the prior fiscal year.

Interest expense decreased $1.3 million or 3 percent, reflecting the net impact of interest expense from new revenue bonds sold during the fiscal year and savings on refunding of outstanding bonds.

Other expense (net) increased $4.9 million, primarily due to loss on disposal of property.

Capital contributions by developers were $0.6 million higher due to an increase in donated utility assets compared to the prior fiscal year.

Capital Assets

Capital Assets
As of June 30
(Net of Depreciation)

(in thousands of dollars)	2022	2021	2020
Production Plant (Intakes)	$ 6	$ 7	$ 7
Pumping and Treatment Plant	271,764	220,317	216,136
Distribution and Collection Plant			
Mains and metering	$ 926,287	$ 904,584	$ 865,744
Services and meters	163,738	164,537	168,800
Electric station equipment	61,180	62,704	57,564
Poles, towers and fixtures	161,519	157,575	140,424
Overhead conductors	143,776	133,419	110,865
Line transformers	61,351	61,575	61,725
Other accounts	190,393	194,011	191,009
Total Distribution & Collection Plant	$ 1,708,244	$ 1,678,405	$ 1,596,131
General Plant	111,458	100,917	75,934
Total Plant Assets	$ 2,091,472	$ 1,999,646	$ 1,888,208
Work In Progress	161,753	189,508	247,572
Total Net Plant	$ 2,253,225	$ 2,189,154	$ 2,135,780

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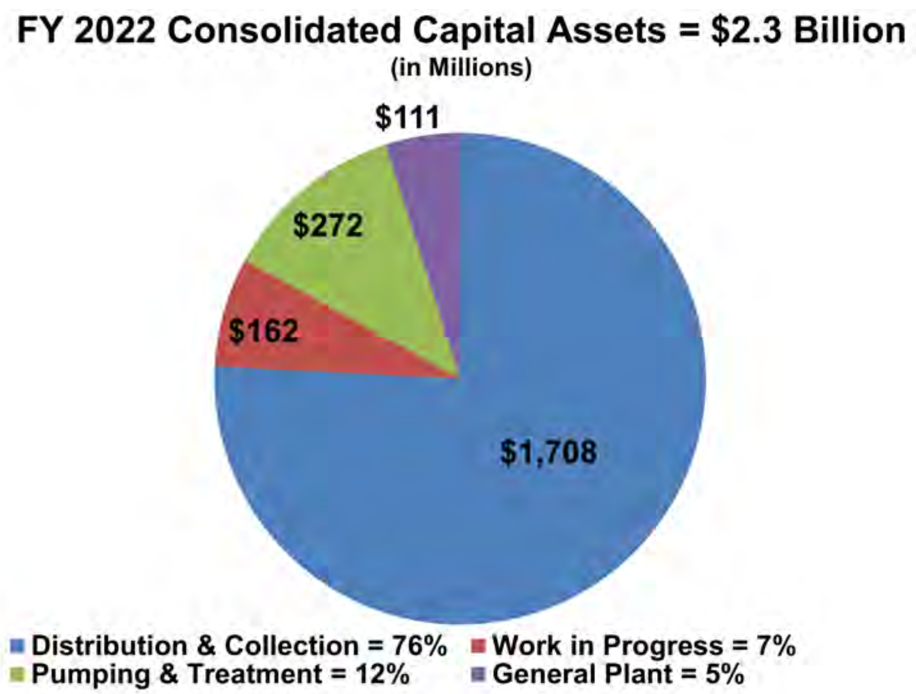
Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, KUB had $2.3 billion invested in capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $64.1 million or 2.9 percent over the end of the last fiscal year.

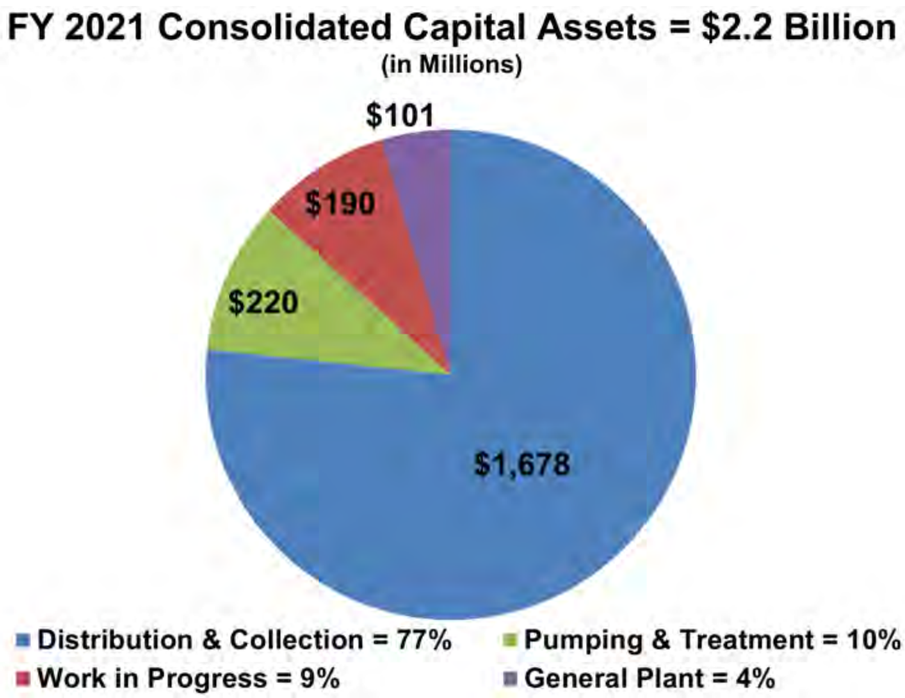


Major capital asset additions during the year were as follows:

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

Fiscal Year 2021 Compared to Fiscal Year 2020

As of June 30, 2021, KUB had $2.2 billion invested in capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $53.4 million or 2.4 percent over the end of the last fiscal year. Spending on capital assets was slowed this year to allow for better financial liquidity in response to the pandemic.



Major capital asset additions during the year were as follows:

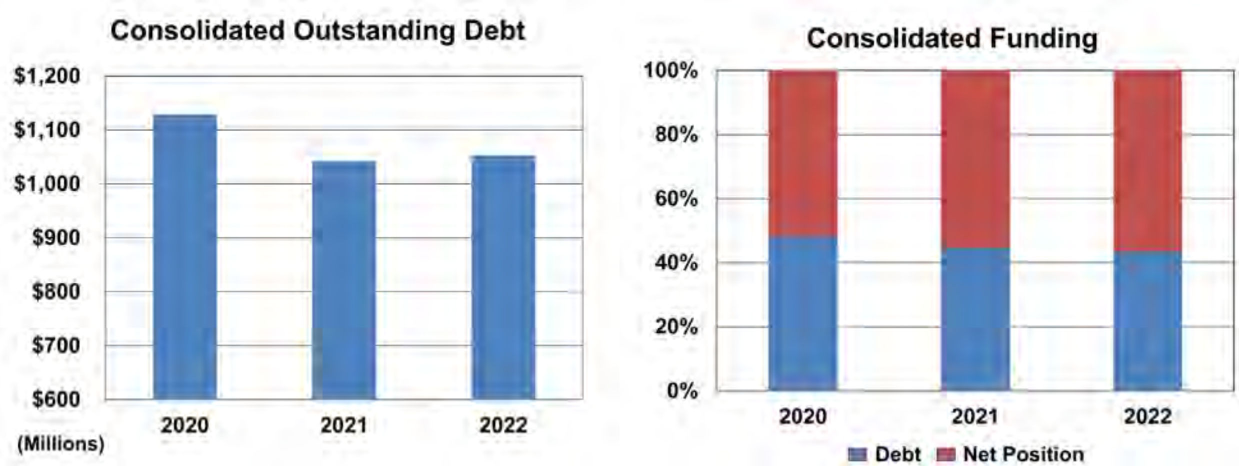
- $35.2 million related to wastewater Century II projects
  - $18.7 million for wastewater treatment plant upgrades
  - $8.6 million for sewer mini-basin rehabilitation and replacement
  - $5.1 million for pump station construction and improvements
  - $1.5 million for short line projects
  - $1.3 million for sewer trunk line rehabilitation and replacement
- $23.9 million for various electric distribution system improvements
- $10.3 million for water main replacements
- $6.9 million for building improvements, including a new Engineering Building
- $6.5 million for the construction of gas mains
- $6.1 million for Grid Modernization and advanced metering, including SCADA system upgrades, for the electric system
- $5.6 million for pole replacements for the electric system

Debt Administration

KUB's outstanding debt was $1.05 billion as of June 30, 2022. Debt as a percentage of capital structure was 43.6 percent in 2022, 44.8 percent in 2021, and 48.3 percent at the end of fiscal year 2020.

Outstanding Debt
As of June 30

(in thousands of dollars)	2022	2021	2020
Revenue bonds	$ 1,053,280	$ 1,042,270	$ 1,128,795
Total outstanding debt	$ 1,053,280	$ 1,042,270	$ 1,128,795



KUB will pay $442.9 million in principal payments over the next ten years, representing 42 percent of outstanding bonds.

Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, KUB had $1.05 billion in outstanding debt (including the current portion of revenue bonds) compared to $1.04 billion last fiscal year, an increase of $11 million. As of June 30, 2022, KUB's weighted average cost of debt was 3.89 percent (3.85 percent including the impact of Build America Bonds rebates).

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

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

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

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

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

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

Fiscal Year 2021 Compared to Fiscal Year 2020

As of June 30, 2021, KUB had $1.04 billion in outstanding debt (including the current portion of revenue bonds) compared to $1.13 billion last year, a decrease of $86.5 million. As of June 30, 2021, KUB's weighted average cost of debt was 3.88 percent (3.84 percent including the impact of Build America Bonds rebates).

KUB sold $70.2 million in electric system revenue refunding bonds in March 2021 for the purpose of refinancing existing electric system revenue bonds. KUB will realize a total debt service savings of $14.3 million over the life of the bonds ($11.9 million on a net present value basis), with $16.2 million of the savings as a reduction of outstanding principal. The true interest cost of the bonds, which were sold through a competitive bidding process, was 1.91 percent. The bonds have a final maturity in fiscal year 2045.

KUB sold $41.9 million in gas system revenue refunding bonds in March 2021 for the purpose of refinancing existing gas system revenue bonds. KUB will realize a total debt service savings of $7.9 million over the life of the bonds ($7.2 million on a net present value basis), with $7.2 million of the savings as a reduction of outstanding principal. The true interest cost of the bonds, which were sold through a competitive bidding process, was 1.47 percent. The bonds have a final maturity in fiscal year 2033.

KUB sold $9 million in water system revenue bonds in October 2020 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 2.36 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2050.

KUB sold $33.2 million in water system revenue refunding bonds in March 2021 for the purpose of refinancing existing water system revenue bonds. KUB will realize a total debt service savings of $10.2 million over the life of the bonds ($9.1 million on a net present value basis), with $8 million of the savings as a reduction of outstanding principal. The true interest cost of the bonds, which were sold through a competitive bidding process, was 1.92 percent. The bonds have a final maturity in fiscal year 2044.

KUB sold $27.5 million in wastewater system revenue bonds in October 2020 for the purpose of funding wastewater system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 2.41 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2050.

KUB sold $190.8 million in wastewater system revenue refunding bonds in March 2021 for the purpose of refinancing existing wastewater system revenue bonds. KUB will realize a total debt service savings of $47.2 million over the life of the bonds ($41.8 million on a net present value basis), with $47.8 million of the savings as a reduction of outstanding principal. The true interest cost of the bonds, which were sold through a competitive bidding process, was 1.91 percent. The bonds have a final maturity in fiscal year 2049.

KUB's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2021, Standard & Poor's rated the revenue bonds of the Water Division AAA, the Wastewater Division AA+, and the revenue bonds of the Electric Division and the Gas Division AA. Moody's Investors Service rated the bonds of the Water Division Aa1 and the Electric, Gas, and Wastewater Divisions Aa2.

Impacts on Future Financial Position

KUB anticipates an increase of 14,325 customers, including 10,500 fiber system customers, during fiscal year 2023.

In May 2022, the Board approved the issuance of electric system revenue bonds to not exceed $79 million, water system revenue bonds to not exceed $11 million, and wastewater system revenue bonds to not exceed $13 million, for the purpose of funding electric, water, and wastewater system capital improvements, respectively. The bonds will be sold through a competitive bidding process during fiscal year 2023.

In March 2020, KUB executed a new Long-Term Partnership Agreement with TVA, extending the term of its five-year evergreen power supply contract with TVA to a 20-year evergreen contract. In return for signing the longer-term agreement with TVA, KUB will receive an annual partnership credit of 3.1% on TVA's wholesale base rates, estimated to be around $9.3 million per year. Among other things, the new partnership agreement also provides KUB with the flexibility to self-generate up to five percent of its annual power supply through renewable sources.

During the period of October 2021 to September 2022, TVA is providing a Pandemic Recovery Credit to local power companies. KUB has excluded the Standard Service portion of this credit from the Purchased Power Adjustment in order to provide $6.3 million of emergency utility bill assistance for residential and small business customers and $1 million for home weatherization programs.

As a component of the Fiber Division's start up financing plan, the Electric Division will provide $35 million of interdivisional loans. The first $10 million was provided in October 2021.

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.

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

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

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of $2,624,373 for the fiscal year ending June 30, 2023, based on the Plan's current funding policy. Subsequent to June 30, 2022, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,108,147 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. For the Plan year beginning January 1, 2022, the Plan's actuarial funded ratio is 112.01 percent, and the market value funded ratio is 128.08 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of $1,413,392 for the fiscal year ending June 30, 2023, based on the Plan's current funding policy. Subsequent to June 30, 2022, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,187,768 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Plan's actuarial funded ratio is 94.75 percent, and the market value funded ratio is 103.07 percent.

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for fiscal years beginning after December 15, 2021. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 99, *Omnibus 2022*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB No. 62,* is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 101, *Compensated Absences,* is effective for fiscal years beginning after December 15, 2023. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on KUB's financial position or results of operations during fiscal year 2022.

Financial Contact

KUB's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of KUB's financial position and results of operations for the fiscal years ended June 30, 2022, and 2021. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board
Consolidated Statements of Net Position
June 30, 2022 and 2021

	2022	2021 as restated
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 146,776,546	$ 119,377,875
Short-term contingency fund investments	20,236,852	75,997,614
Other current assets	1,593,637	1,299,611
Accrued interest receivable	33,990	6,782
Accounts receivable, less allowance of uncollectible accounts of $773,791 in 2022 and $684,529 in 2021	89,053,689	79,806,900
Current portion of lease receivable	516,649	341,368
Inventories	19,032,578	15,194,524
Prepaid expenses	1,085,686	919,217
Gas storage	9,867,611	6,459,730
Total current assets	288,197,238	299,403,621
Restricted assets:		
Bond funds	35,073,534	33,585,649
Other funds	1,515	1,515
Unused bond proceeds	1,298,143	-
Total restricted assets	36,373,192	33,587,164
Plant in service	3,149,275,765	2,999,084,673
Less accumulated depreciation	(1,057,804,184)	(999,438,900)
	2,091,471,581	1,999,645,773
Retirement in progress	2,363,210	3,370,207
Construction in progress	159,390,109	186,137,702
Net plant in service	2,253,224,900	2,189,153,682
Intangible assets:		
Intangible right of use asset	4,587,687	891,905
Less accumulated amortization	(689,074)	(421,047)
Net intangible assets	3,898,613	470,858
Other assets:		
Net pension asset	64,137,714	45,099,288
Net OPEB asset	-	5,931,828
Long-term contingency fund investments	92,549,625	35,024,905
Long-term lease receivable	3,972,652	3,183,336
TVA conservation program receivable	575,535	1,103,185
Under recovered purchased power cost	2,382,423	-
Under recovered purchased gas cost	-	1,371,776
Other	10,181,850	10,250,096
Total other assets	173,799,799	101,964,414
Total assets	2,755,493,742	2,624,579,740
Deferred outflows of resources:		
Pension outflow	7,842,910	8,251,618
OPEB outflow	5,209,694	21,401
Unamortized bond refunding costs	14,687,019	15,733,160
Total deferred outflows of resources	27,739,623	24,006,179
Total assets and deferred outflows of resources	$ 2,783,233,365	$ 2,648,585,919

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

Knoxville Utilities Board
Consolidated Statements of Net Position
June 30, 2022 and 2021

	2022	2021 as restated
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 42,765,000	$ 42,545,000
Current portion of lease liability	844,904	377,192
Sales tax collections payable	1,552,467	1,393,779
Accounts payable	96,628,151	78,611,167
Accrued expenses	30,689,445	24,220,522
Customer deposits plus accrued interest	23,259,401	21,157,409
Accrued interest on revenue bonds	12,731,785	11,831,762
Total current liabilities	208,471,153	180,136,831
Other liabilities:		
TVA conservation program	613,757	1,158,556
Accrued compensated absences	10,759,104	10,341,485
Customer advances for construction	10,681,887	10,373,106
Lease liability	3,215,556	93,666
Net pension liability	-	18,714
Net OPEB liability	11,202,507	-
Over recovered purchased power cost	-	427,351
Over recovered purchased gas cost	4,188,264	-
Other	244,656	225,278
Total other liabilities	40,905,731	22,638,156
Long-term debt:		
Revenue bonds	1,010,515,000	999,725,000
Unamortized premiums/discounts	114,402,894	112,620,811
Total long-term debt	1,124,917,894	1,112,345,811
Total liabilities	1,374,294,778	1,315,120,798
Deferred inflows of resources:		
Pension inflow	39,528,961	36,182,182
Unamortized bond refunding costs	1,531,357	154,540
OPEB inflow	-	7,958,606
Lease inflow	4,413,743	3,524,704
Total deferred inflows of resources	45,474,061	47,820,032
Total liabilities and deferred inflows of resources	1,419,768,839	1,362,940,831
Net position		
Net investment in capital assets	1,098,926,697	1,049,323,580
Restricted for:		
Debt service	22,341,750	21,753,887
Other	1,515	1,515
Unrestricted	242,194,564	214,566,106
Total net position	1,363,464,526	1,285,645,088
Total liabilities, deferred inflows, and net position	$ 2,783,233,365	$ 2,648,585,919

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

Knoxville Utilities Board
Consolidated Statements of Revenues, Expenses and Changes in Net Position
June 30, 2022 and 2021

	2022	2021 as restated
Operating revenues		
Electric	$ 598,122,439	$ 546,203,686
Gas	141,525,161	115,048,002
Water	63,819,881	61,180,163
Wastewater	102,302,391	99,858,521
Total operating revenues	905,769,872	822,290,371
Operating expenses		
Purchased power	434,366,317	390,194,970
Purchased gas	77,975,231	52,104,072
Treatment	18,999,493	17,097,542
Fiber products and promotions	909,955	-
Distribution and collection	77,354,703	69,388,270
Customer service	15,200,264	14,033,361
Administrative and general	36,438,188	31,085,812
Depreciation and amortization	87,288,047	90,487,696
Taxes and tax equivalents	37,964,437	37,447,961
Total operating expenses	786,496,635	701,839,684
Operating income	119,273,237	120,450,687
Non-operating revenues (expenses)		
Contributions in aid of construction	5,753,345	5,092,513
Interest income	1,107,621	837,185
Interest expense	(40,058,015)	(41,826,881)
Amortization of debt costs	4,183,347	1,346,562
Write-down of plant for costs recovered through contributions	(5,753,345)	(5,092,513)
Other	(8,324,453)	(6,264,127)
Total non-operating revenues (expenses)	(43,091,500)	(45,907,262)
Change in net position before capital contributions	76,181,737	74,543,426
Capital contributions	1,637,701	982,990
Change in net position	77,819,438	75,526,416
Net position, beginning of year	1,285,645,088	1,210,118,672
Net position, end of year	$ 1,363,464,526	$ 1,285,645,088

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

Knoxville Utilities Board
Consolidated Statements of Cash Flows
June 30, 2022 and 2021

	2022	2021 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 894,545,730	$ 815,275,412
Cash receipts from other operations	11,513,747	14,289,365
Cash payments to suppliers of goods or services	(596,545,327)	(527,450,829)
Cash payments to employees for services	(65,895,305)	(65,242,719)
Payment in lieu of taxes	(32,447,067)	(32,469,103)
Cash receipts from collections of TVA conservation loan program participants	581,728	917,979
Cash payments for TVA Conservation loan program	(598,877)	(952,757)
Net cash provided by operating activities	211,154,629	204,367,348
Cash flows from capital and related financing activities:		
Net proceeds from bond issuance	62,023,967	39,682,480
Principal paid on revenue bonds	(42,545,000)	(43,885,000)
Increase in unused bond proceeds	(1,298,143)	-
Interest paid on revenue bonds and lease liabilities	(39,157,992)	(44,690,800)
Acquisition and construction of plant	(163,237,990)	(157,774,379)
Changes in bond funds, restricted	(1,487,885)	2,405,906
Customer advances for construction	843,152	957,757
Proceeds received on disposal of plant	388,899	519,515
Principal paid on lease liabilities	(604,425)	(421,047)
Cash received from developers and individuals for capital purposes	5,753,345	5,092,513
Net cash used in capital and related financing activities	(179,322,072)	(198,113,055)
Cash flows from investing activities:		
Purchase of investment securities	(81,164,257)	(50,151,769)
Maturities of investment securities	75,680,769	62,155,073
Interest received	1,047,141	1,099,825
Other property and investments	2,461	574,933
Net cash (used in) provided by investing activities	(4,433,886)	13,678,062
Net increase in cash and cash equivalents	27,398,671	19,932,355
Cash and cash equivalents, beginning of year	119,377,875	99,445,520
Cash and cash equivalents, end of year	$ 146,776,546	$ 119,377,875
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 119,273,237	$ 120,450,687
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	90,320,015	93,650,430
Changes in operating assets and liabilities:		
Accounts receivable	(9,246,789)	(3,111,967)
Lease receivable	(964,597)	(3,524,705)
Inventories	(3,838,054)	155,432
Prepaid expenses	(3,574,350)	(215,202)
TVA conservation program receivable	527,650	830,613
Other assets	(306,358)	92,796
Sales tax collections payable	158,688	18,455
Accounts payable and accrued expenses	14,478,351	(1,263,020)
TVA conservation program payable	(544,799)	(865,392)
Unrecovered purchased power cost	(2,809,774)	(1,421,279)
Underrecovered gas costs	5,560,040	141,658
Customer deposits plus accrued interest	2,101,992	(533,047)
Other liabilities	19,377	(38,111)
Net cash provided by operating activities	$ 211,154,629	$ 204,367,348
Noncash capital activities:		
Acquisition of plant assets through developer contributions	$ 1,637,701	$ 982,990
Record intangible right of use asset and lease liability	$ 4,194,029	$ 891,905

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.

Recently Adopted New Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87 (Statement No. 87), *Leases*. This Statement requires recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize an intangible right of use asset and a lease liability. Statement No. 87 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement is reflected on KUB's financial statements.

In June 2018, the GASB issued GASB Statement No. 89 (Statement No. 89), *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. Statement No. 89 is effective for fiscal years beginning after December 15, 2020. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In January 2020, the GASB issued GASB Statement No. 92 (Statement No. 92), *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain provisions of Statement No. 92 were effective immediately. Paragraphs 6, 7, 8, 9, and 12 are effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In March 2020, the GASB issued GASB Statement No. 93 (Statement No. 93), *Replacement of Interbank Offered Rates.* This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. Statement No. 93 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In June 2020, the GASB issued GASB Statement No. 97 (Statement No. 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on KUB's financial statements.

In October 2021, the GASB issued GASB Statement No. 98 (Statement No.98), *The Annual Comprehensive Financial Report.* This Statement replaces the term *comprehensive annual financial report* with *annual comprehensive financial report.* Statement No. 98 is effective for fiscal years ending after December 15, 2021. 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 of $3,031,968 in fiscal year 2022 and $3,162,734 in fiscal year 2021.

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 $2,529,796 in fiscal year 2022 and $2,814,225 in fiscal year 2021.

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

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

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

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes, lease 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 or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

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

Inventories

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

OPEB Trust

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

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a June 30, 2022, and 2021, measurement date, respectively. The net OPEB liability is $11,202,507 as of June 30, 2022, and the net OPEB asset was $5,931,828 as of June 30, 2021.

Pension Plan and Qualified Excess Benefit Arrangement

KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 10). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. The net pension asset is $64,137,714 as of June 30, 2022, and $45,099,288 as of June 30, 2021.

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 11). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2022. The total pension liability of the QEBA was $18,714 as of June 30, 2021.

Investments

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

Self-Insurance

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

Estimates

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

Restricted and Designated Assets

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

Cash Equivalents

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

Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the noncancelable 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.

Deferred Outflows and Inflows of Resources

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

Debt Premium/Discount

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

Debt Issuance Costs

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

Deferred Gain/Loss on Refunding of Debt

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

Compensated Absences

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

TVA Conservation Program

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

Restatement for GASB 87

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

As lessee and as a result of adopting GASB 87, as of June 30, 2021, KUB recorded total intangible right of use assets of $891,905 with accumulated amortization of $421,047 and recognized total lease liabilities of $470,858 ($377,192 current). KUB also reclassified $64,902 from rent expense shown in customer service expense and $366,895 from rent expense shown in administrative and general expense to $421,047 as amortization expense and $10,750 as interest expense.

Related to lease agreements where KUB is the lessor, as a result of adopting GASB 87, as of June 30, 2021, KUB recognized lease receivables of $3,524,704 ($341,368 current) with a corresponding deferred inflow of resources of $3,524,704. KUB also reclassified $8,398 from rent revenue shown in other operating revenues to interest income.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 87.

Subsequent Events

As a component of the 2023 fiscal year budget, a $7 million loan was initiated from the Electric Division to the Fiber Division as the second installment of the proposed $35 million total loan. The interdivisional loan was approved by TVA and was recorded in August 2022.

Purchased Power Adjustment

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

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

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

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

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

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 ($2,382,423) as of June 30, 2022, and $427,351 as of June 30, 2021.

Purchased Gas Adjustment

In November 1990, the Board implemented a deferred Purchased Gas (Cost) Adjustment (PGA) mechanism, which allows KUB to flow changes in purchased gas costs through to its customers. These changes in gas costs are reflected as adjustments to the base gas rates established by the

Board. The rate-setting authority vested in the Board by the City Charter meets the “self-regulated” provisions of GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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

Under the PGA mechanism, KUB tracks the actual over/(under) recovered amount in the Over/(Under) Recovered Purchased Gas Cost accounts. These accounts are rolled into the PGA rate adjustment on June 30 of each year thereby ensuring that any over/(under) recovered amounts are passed on to KUB’s gas system customers. The amount of over/(under) recovered cost was $4,188,264 as of June 30, 2022, and ($1,371,776) as of June 30, 2021.

Recently Issued Accounting Pronouncements

In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022.

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

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

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

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

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

3. Deposits and Investments

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

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

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

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

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

Classification of deposits and investments per Statement of Net Position:

	2022	2021
Current assets		
Cash and cash equivalents	$ 146,776,546	$ 119,377,875
Short-term investments	-	-
Short-term contingency fund investments	20,236,708	75,997,124
Other current assets	-	-
Other assets		
Long-term investments	-	-
Long-term contingency fund investments	92,390,868	34,899,420
Restricted assets		
Unused bond proceeds	1,298,143	-
Bond fund	35,073,534	33,585,649
Other funds	1,515	1,515
	$ 295,777,314	$ 263,861,583

The above amounts do not include accrued interest of $158,901 in fiscal year 2022 and $125,975 in fiscal year 2021. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's deposits and investments as held by financial institutions as of June 30, 2022:

	Deposit and Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-5
Supersweep NOW and Other Deposits	$ 172,586,663	$ 172,586,663	$ -
State Treasurer's Investment Pool	17,584,151	17,584,151	-
Agency Bonds	112,446,760	20,055,892	92,390,868
	$ 302,617,574	$ 210,226,706	$ 92,390,868

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, 2022:

- U.S. Agency bonds of $92,390,868, 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:

	2022	2021
Wholesale and retail customers		
Billed services	$ 51,992,050	$ 48,400,501
Unbilled services	35,838,200	29,315,698
Other	1,997,230	2,775,230
Allowance for uncollectible accounts	(773,791)	(684,529)
	$ 89,053,689	$ 79,806,900

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2022	2021
Trade accounts	$ 96,628,151	$ 78,611,167
Salaries and wages	1,296,808	3,960,533
Advances on pole rental	1,393,933	1,379,998
Self-insurance liabilities	2,252,221	1,936,244
Other current liabilities	25,746,483	16,943,747
	$ 127,317,596	$ 102,831,689

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6. Long-Term Obligations

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

	Balance June 30, 2020	Additions	Payments	Defeased	Balance June 30, 2021	Amounts Due Within One Year
Electric						
Z-2010 - 1.45 - 6.35%	$ 1,425,000	$ -	$ 1,425,000	$ -	$ -	$ -
AA-2012 - 3.0 - 5.0%	22,880,000	-	3,100,000	16,510,000	3,270,000	3,270,000
BB-2012 - 3.0 - 4.0%	30,375,000	-	800,000	28,750,000	825,000	825,000
CC-2013 - 3.0 - 4.0%	7,585,000	-	515,000	6,530,000	540,000	540,000
DD-2014 - 2.0 - 4.0%	36,325,000	-	825,000	34,625,000	875,000	875,000
EE-2015 - 2.0 - 5.0%	25,900,000	-	2,135,000	-	23,765,000	2,235,000
FF-2015 - 2.0 - 5.0%	32,150,000	-	775,000	-	31,375,000	800,000
GG-2016 - 2.0 - 5.0%	37,550,000	-	900,000	-	36,650,000	950,000
HH-2017 - 2.5 - 5.0%	19,510,000	-	2,090,000	-	17,420,000	2,195,000
II-2017 - 3.0 - 5.0%	38,535,000	-	805,000	-	37,730,000	845,000
JJ-2018 - 3.0 - 5.0%	39,220,000	-	815,000	-	38,405,000	855,000
KK-2020 - 5.0%	14,380,000	-	-	-	14,380,000	1,155,000
LL-2021 - 4.0 - 5.0%	-	70,180,000	-	-	70,180,000	-
Total Bonds	$ 305,835,000	$ 70,180,000	$ 14,185,000	$ 86,415,000	$ 275,415,000	$ 14,545,000
Unamortized Premium	13,668,174	16,772,021	1,301,355	3,420,420	25,718,420	-
Total long term debt	$ 319,503,174	$ 86,952,021	$ 15,486,355	$ 89,835,420	$ 301,133,420	$ 14,545,000
Gas						
Q-2012 - 2.0 - 4.0%	$ 14,005,000	$ -	$ 2,350,000	$ 11,655,000	$ -	$ -
R-2012 - 2.0 - 4.0%	7,700,000	-	475,000	7,225,000	-	-
S-2013 - 2.0 - 4.0%	9,005,000	-	695,000	8,310,000	-	-
T-2013 - 2.0 - 4.6%	22,400,000	-	500,000	21,900,000	-	-
U-2015 - 2.0 - 5.0%	9,625,000	-	710,000	-	8,915,000	740,000
V-2016 - 2.125 - 5.0%	11,050,000	-	250,000	-	10,800,000	275,000
W-2017 - 5.0%	6,015,000	-	735,000	-	5,280,000	780,000
X-2017 - 2.0 - 5.0%	11,320,000	-	260,000	-	11,060,000	270,000
Y-2018 - 3.0 - 5.0%	7,635,000	-	160,000	-	7,475,000	170,000
Z-2020 - 4.0 - 5.0%	6,755,000	-	610,000	-	6,145,000	560,000
AA-2021 - 4.0 - 5.0%	-	41,920,000	-		41,920,000	4,005,000
Total Bonds	$ 105,510,000	$ 41,920,000	$ 6,745,000	$ 49,090,000	$ 91,595,000	$ 6,800,000
Unamortized Premium	4,893,568	7,207,533	571,736	1,705,698	9,823,667	-
Total long term debt	$ 110,403,568	$ 49,127,533	$ 7,316,736	$ 50,795,698	$ 101,418,667	$ 6,800,000
Water						
X-2012 - 3.0 - 5.0%	$ 6,460,000	$ -	$ 625,000	$ 5,835,000	$ -	$ -
Y-2013 - 3.0 - 4.0%	7,730,000	-	350,000	7,380,000	-	-
Z-2013 - 2.0 - 5.0%	21,600,000	-	575,000	21,025,000	-	-
AA-2014 - 2.0 - 4.0%	7,100,000	-	175,000	6,925,000	-	-
BB-2015 - 2.0 - 5.0%	20,035,000	-	960,000	-	19,075,000	1,000,000
CC-2015 - 2.0 - 4.0%	18,025,000	-	450,000	-	17,575,000	475,000
DD-2016 - 3.0 - 5.0%	23,225,000	-	550,000	-	22,675,000	575,000
EE-2016 - 2.0 - 5.0%	19,585,000	-	1,155,000	-	18,430,000	1,245,000
FF-2017 - 3.0 - 5.0%	3,900,000	-	495,000	-	3,405,000	510,000
GG-2017 - 2.125 - 5.0%	19,025,000	-	415,000	-	18,610,000	440,000
HH-2018 - 3.0 - 5.0%	19,090,000	-	395,000	-	18,695,000	410,000
II-2019 - 3.0 - 5.0%	19,595,000	-	365,000	-	19,230,000	380,000
JJ-2020 - 3.0 - 5.0%	19,520,000	-	630,000	-	18,890,000	495,000
KK-2020 - 3.0 - 5.0%	-	9,045,000	210,000	-	8,835,000	170,000
LL-2021 - 4.0 - 5.0%	-	33,180,000	-	-	33,180,000	1,225,000
Total Bonds	$ 204,890,000	$ 42,225,000	$ 7,350,000	$ 41,165,000	$ 198,600,000	$ 6,925,000
Unamortized Premium	7,909,293	9,021,325	537,209	595,038	15,798,371	-
Total long term debt	$ 212,799,293	$ 51,246,325	$ 7,887,209	$ 41,760,038	$ 214,398,371	$ 6,925,000
Wastewater						
2010C - 1.18 - 6.1%	$ 58,450,000	$ -	$ 1,650,000	$ 36,550,000	$ 20,250,000	$ -
2012A - 2.0 - 4.0%	10,850,000	-	1,085,000	9,765,000	-	-
2012B - 1.25 - 5.0%	58,225,000	-	1,150,000	57,075,000	-	-
2013A - 2.0 - 4.0%	109,115,000	-	710,000	108,405,000	-	-
2014A - 2.0 - 4.0%	27,300,000	-	525,000	26,775,000	-	-
2015A - 3.0 - 5.0%	116,085,000	-	5,460,000	-	110,625,000	5,675,000
2015B - 3.0 - 5.0%	27,475,000	-	525,000	-	26,950,000	550,000
2016 - 2.0 - 5.0%	18,275,000	-	475,000	-	17,800,000	500,000
2017A - 3.0 - 5.0%	7,575,000	-	1,605,000	-	5,970,000	1,685,000
2017B - 2.0 - 5.0%	23,745,000	-	540,000	-	23,205,000	570,000
2018 - 3.0 - 5.0%	11,485,000	-	245,000	-	11,240,000	255,000
2019 - 3.0 - 5.0%	15,750,000	-	300,000	-	15,450,000	315,000
2020A - 3.0 - 5.0%	28,230,000	-	785,000	-	27,445,000	680,000
2020B - 3.0 - 4.0%	-	27,460,000	550,000	-	26,910,000	555,000
2021A - 4.0 - 5.0%	-	190,815,000	-	-	190,815,000	3,490,000
Total Bonds	$ 512,560,000	$ 218,275,000	$ 15,605,000	$ 238,570,000	$ 476,660,000	$ 14,275,000
Unamortized Premium	13,948,164	50,727,997	1,051,517	2,344,292	61,280,352	-
Total long term debt	$ 526,508,164	$ 269,002,997	$ 16,656,517	$ 240,914,292	$ 537,940,352	$ 14,275,000
Consolidated						
Total Bonds	$ 1,128,795,000	$ 372,600,000	$ 43,885,000	$ 415,240,000	$ 1,042,270,000	$ 42,545,000
Total unamortized premium	40,419,199	83,728,876	3,461,817	8,065,448	112,620,811	-
Total long term debt	$ 1,169,214,199	$ 456,328,876	$ 47,346,817	$ 423,305,448	$ 1,154,890,811	$ 42,545,000

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

Fiscal Year	Principal	Interest	Total
2023	$ 42,765,000	$ 39,238,043	$ 82,003,043
2024	43,970,000	38,538,198	82,508,198
2025	45,130,000	36,670,449	81,800,449
2026	43,515,000	34,870,526	78,385,526
2027	44,815,000	33,065,497	77,880,497
2028-2032	222,685,000	137,471,761	360,156,761
2033-2037	202,315,000	96,000,639	298,315,639
2038-2042	228,930,000	56,142,930	285,072,930
2043-2047	141,985,000	20,152,276	162,137,276
2048-2052	37,170,000	2,673,419	39,843,419
Total	$ 1,053,280,000	$ 494,823,738	$ 1,548,103,738

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, 2022, these requirements have been satisfied.

During fiscal year 2021, KUB's Electric Division issued Series LL 2021 bonds to retire a portion of outstanding Series AA 2012, BB 2012, CC 2013, and DD 2014 bonds. On April 19, 2021, $70.2 million in revenue refunding bonds with an average interest rate of 4.4 percent were issued to advance refund $86.4 million of outstanding bonds with an average interest rate of 3.5 percent. The net proceeds of $87.8 million (after payment of $0.5 million in issuance costs plus premium of $16.7 million and an additional issuer equity contribution of $1.4 million) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the bonds, with the exception of the July 1, 2021, debt service payment. As a result, the remaining bonds are considered to be refunded and the liability of $86.4 million for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the life of the debt by $14.3 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $11.9 million.

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

During fiscal year 2021, KUB's Gas Division issued Series AA 2021 bonds to retire outstanding Series Q 2012, R 2012, S 2013, and T 2013 bonds. On April 19, 2021, $41.9 million in revenue refunding bonds with an average interest rate of 4.4 percent were issued to currently refund $49.1 million of outstanding bonds with an average interest rate of 3.9 percent. The net proceeds of $49.3 million (after payment of $0.3 million in issuance costs plus premium of $7.2 million and an additional issuer equity contribution of $0.5 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the life of the debt by $7.9 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $7.2 million.

During fiscal year 2021, KUB's Water Division issued Series KK 2020 bonds to fund water system capital improvements. KUB's Water Division also issued Series LL 2021 bonds to retire outstanding Series X 2012, Y 2013, Z 2013, and AA 2014 bonds. On April 19, 2021, $33.2 million in revenue refunding bonds with an average interest rate of 4.3 percent were issued to currently refund $41.2 million of outstanding bonds with an average interest rate of 4.3 percent. The net proceeds of $41.4 million (after payment of $0.3 million in issuance costs plus premium of $8.1 million and an additional issuer equity contribution of $0.4 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the life of the debt by $10.2 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $9.1 million.

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

During fiscal year 2011, KUB's Wastewater Division issued Series 2010C bonds to fund capital improvements. These bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment. These bonds are subject to a reduction in rebate payment amounts which is subject to change based on Congressional action. As of October 1, 2021, the effective reduction in rebate is 5.7 percent.

During fiscal year 2021, KUB's Wastewater Division issued Series 2020B bonds to fund wastewater system capital improvements. KUB's Wastewater Division also issued Series 2021A bonds to retire Series 2012A, 2012B, 2013A, 2014A, and $36.6 million of outstanding Series 2010C bonds. On April 19, 2021, $190.8 million in revenue refunding bonds with an average interest rate of 4.2 percent were issued to currently refund $238.6 million of outstanding bonds with an average interest rate of 3.6 percent. The net proceeds of $239 million (after payment of $0.8 million in issuance costs plus premium of $48.1 million and an additional issuer equity contribution of $0.9 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the life of the debt by $47.2 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $41.8 million.

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

Other liabilities consist of the following:

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

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
TVA conservation program	$ 2,023,948	$ 113,417	$ (978,809)	$ 1,158,556
Accrued compensated absences	10,280,214	16,389,835	(16,328,564)	10,341,485
Customer advances for construction	9,658,968	3,444,365	(2,730,227)	10,373,106
Other	263,388	519,256	(557,366)	225,278
	$ 22,226,518	$ 20,466,873	$ (20,594,966)	$ 22,098,425

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 two to fifteen 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 $451,074 in 2022 and $429,151 in 2021. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $127,593 in 2022 and $8,398 in 2021. Total lease receivables were $4,489,301 ($516,649 current) and $3,524,704 ($341,368 current) as of June 30, 2022, and 2021, respectively, and are included in other assets on the Statement of Net Position.

8. Lease Liability

Changes in lease liabilities are summarized as follows:

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

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Total lease liabilities	$ -	$ 891,905	$ (421,047)	$ 470,858
Less current portion	-			(377,192)
Long-term portion	$ -			$ 93,666

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to fourteen 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, 2022, are summarized as follows:

	Lease Maturities	Interest Requirements
2023	$ 844,904	$ 135,482
2024	786,131	105,194
2025	832,194	76,468
2026	874,612	45,124
2027	704,021	11,660
2028-2032	10,266	235
2033-2037	8,332	67
	$ 4,060,460	$ 374,230

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9. Capital and Intangible Right of Use Assets

Capital and intangible right of use asset activity was as follows:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Production Plant (Intakes)	$ 742,503	$ -	$ -	$ 742,503
Pumping and Treatment Plant	354,812,995	60,466,147	(2,176,972)	413,102,170
Distribution and Collection Plant				
Mains and metering	1,152,024,908	47,031,973	(7,821,651)	1,191,235,230
Services and meters	235,855,917	9,064,223	(1,209,248)	243,710,892
Electric station equipment	182,343,725	6,005,230	(378,781)	187,970,174
Poles, towers and fixtures	219,670,116	10,399,090	(750,586)	229,318,620
Overhead conductors	180,227,318	14,958,175	(5,294,990)	189,890,503
Line transformers	106,735,123	2,395,194	(667,606)	108,462,711
Other accounts	308,765,680	7,007,574	(10,000,392)	305,772,862
Total Distribution & Collection Plant	$ 2,385,622,787	$ 96,861,459	$ (26,123,254)	$ 2,456,360,992
	-	-	-	
General Plant	257,906,388	25,486,584	(4,322,872)	279,070,100
Total Plant Assets	$ 2,999,084,673	$ 182,814,190	$ (32,623,098)	$ 3,149,275,765
Less Accumulated Depreciation	(999,438,900)	(89,664,008)	31,298,724	(1,057,804,184)
Net Plant Assets	$ 1,999,645,773	$ 93,150,182	$ (1,324,374)	$ 2,091,471,581
Work In Progress	189,507,909	156,312,285	(184,066,875)	161,753,319
Total Net Plant	$ 2,189,153,682	$ 249,462,467	$ (185,391,249)	$ 2,253,224,900
Intangible Right of Use Assets				
Office space	$ 645,078	$ 4,239,246	$ (522,827)	$ 4,361,497
Equipment	92,684	27,415	(37,692)	82,407
Other	154,143	52,204	(62,564)	143,783
Total Intangible Right of Use Assets	$ 891,905	$ 4,318,865	$ (623,083)	$ 4,587,687
Less Accumulated Amortization	(421,047)	(689,074)	421,047	(689,074)
Net Intangible Right of Use Assets	$ 470,858	$ 3,629,791	$ (202,036)	$ 3,898,613

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Production Plant (Intakes)	$ 742,503	$ -	$ -	$ 742,503
Pumping and Treatment Plant	344,536,047	13,417,677	(3,140,729)	354,812,995
Distribution and Collection Plant				
Mains and metering	1,101,692,451	62,950,741	(12,618,284)	1,152,024,908
Services and meters	234,493,396	10,360,509	(8,997,988)	235,855,917
Electric station equipment	172,157,527	11,953,246	(1,767,048)	182,343,725
Poles, towers and fixtures	197,063,098	23,383,197	(776,179)	219,670,116
Overhead conductors	161,568,836	26,461,659	(7,803,177)	180,227,318
Line transformers	105,096,527	2,378,696	(740,100)	106,735,123
Other accounts	302,760,815	11,561,607	(5,556,742)	308,765,680
Total Distribution & Collection Plant	$ 2,274,832,650	$ 149,049,655	$ (38,259,518)	$ 2,385,622,787
General Plant	214,312,804	44,653,415	(1,059,831)	257,906,388
Total Plant Assets	$ 2,834,424,004	$ 207,120,747	$ (42,460,078)	$ 2,999,084,673
Less Accumulated Depreciation	(946,215,640)	(97,786,338)	44,563,078	(999,438,900)
Net Plant Assets	$ 1,888,208,364	$ 109,334,409	$ 2,103,000	$ 1,999,645,773
Work In Progress	247,571,881	151,176,442	(209,240,414)	189,507,909
Total Net Plant	$ 2,135,780,245	$ 260,510,851	$ (207,137,414)	$ 2,189,153,682
Intangible Right of Use Assets				
Office space	$ -	$ 645,078	$ -	$ 645,078
Equipment	-	149,799	(57,115)	92,684
Other	-	154,143	-	154,143
Total Intangible Right of Use Assets	$ -	$ 949,020	$ (57,115)	$ 891,905
Less Accumulated Amortization	-	(421,047)	-	(421,047)
Net Intangible Right of Use Assets	$ -	$ 527,973	$ (57,115)	$ 470,858

10. 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, 2022, and June 30, 2021, the amount of these liabilities was $2,252,221 and $1,936,245, respectively, resulting from the following changes:

		2022		2021
Balance, beginning of year	$	1,936,245	$	1,720,620
Current year claims and changes in estimates		18,435,604		15,519,699
Claims payments		(18,119,629)		(15,304,074)
Balance, end of year	$	2,252,221	$	1,936,245

11. 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:

	2021	2020
Inactive plan members:		
Terminated vested participants	12	11
Retirees and beneficiaries	600	593
Active plan members	478	518
Total	1,090	1,122

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 3% of the first $4,800 of annual earnings and 5% 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, 2021:

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

Contributions of $3,665,168 and $3,167,680 for 2020 and 2019, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2022, and 2021, respectively. The fiscal year 2022 contribution was determined as part of the January 1, 2020, 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, 2022, and 2021, will be based on the December 31, 2021, and 2020, measurement date, respectively.

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

	2021	2020
Total pension liability	$ 242,201,780	$ 234,363,021
Plan fiduciary net position	(306,339,494)	(279,462,309)
Plan's net pension liability (asset)	$ (64,137,714)	$ (45,099,288)
Plan fiduciary net position as a percentage of the total pension liability	126.48%	119.24%

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, 2020	$ 234,363,021	$ 279,462,309	$ (45,099,288)
Changes for the year:			
Service cost	6,647,220	-	6,647,220
Interest	16,982,226	-	16,982,226
Differences between Expected and Actual Experience	1,935,276	-	1,935,276
Changes of Assumptions	-	-	-
Contributions - employer	-	3,416,428	(3,416,428)
Contributions - rollovers	-	3,936,711	(3,936,711)
Contributions - member	-	2,976	(2,976)
Net investment income	-	37,688,050	(37,688,050)
Benefit payments	(17,725,963)	(17,725,963)	-
Administrative expense	-	(441,017)	441,017
Net changes	7,838,759	26,877,185	(19,038,426)
Balances at December 31, 2021	$ 242,201,780	$ 306,339,494	$ (64,137,714)

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, 2021, rolled forward to December 31, 2021; January 1, 2020, rolled forward to December 31, 2020
Discount rate	7.25% as of December 31, 2021, and 2020
Salary increases	From 2.50% to 5.65%, based on years of service as of December 31, 2021, and 2020
Mortality	115% and 110% of the PubG-2010 table, for males and females respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of December 31, 2021, and 2020
Inflation	2.5% as of December 31, 2021, and 2020

The actuarial assumptions used in the January 1, 2021, and 2020, valuations were based on an actuarial experience study covering the period January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2021, and 2020, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. The Plan has both aggregate and long duration fixed income.

Asset Class	Long Term Expected Real Rate of Return 2021	Long Term Expected Real Rate of Return 2020
Domestic equity	5.1%	5.1%
Non-U.S. equity	6.0%	6.4%
Real estate equity	5.4%	5.6%
Debt securities	0.2%	0.9%
Cash and deposits	(0.3)%	0.2%

Discount rate
The discount rate used to measure the total pension liability was 7.25 percent as of December 31, 2021, and 2020. 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, 2021, calculated using the discount rate of 7.25 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 (6.25 percent) or one percent higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Plan's net pension liability (asset)	$ (42,465,742)	$ (64,137,714)	$ (82,832,869)

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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, 2022, KUB recognized pension expense of ($11,639,307).

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was 4.00 years. During the measurement year, there was a liability experience loss of $1,935,276, with approximately $483,819 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $1,451,457. Unrecognized liability experience losses from prior periods were $1,544,136, of which $386,034 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,158,102. The combination of unrecognized liability experience losses this year along with unrecognized liability experience losses from prior periods results in a deferred outflow of $2,609,559. Unrecognized liability gains from prior periods were $1,092,163, of which $549,386 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $542,777.

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

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

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

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

$1,832,582 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:		
2023	$	(8,113,823)
2024		(13,665,516)
2025		(8,171,458)
2026		(3,562,414)
Thereafter		-

For the year ended June 30, 2021, KUB recognized pension expense of ($7,325,254).

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, 2019, this average was 5.00 years. During the measurement year, there was a liability experience loss of $1,930,170, with $386,034 of that recognized in the current year and in each of the next four years, resulting in a deferred outflow of $1,544,136. Unrecognized liability experience gains from prior periods were $2,088,302, of which $996,139 was recognized as a reduction in pension expense in the current year and resulted in a deferred inflow of $1,092,163.

During the measurement year, there were no benefit changes or assumption changes. Unrecognized assumption change losses from prior periods were $6,778,528, of which $1,694,632 was recognized as an increase in pension expense in the current year and resulted in a deferred outflow of $5,083,896. Unrecognized assumption change decreases from prior periods were $729,629, of which $658,104 was recognized as a reduction in pension expense in the current year and resulted in a deferred inflow of $71,525.

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 $27,394,477, of which $5,478,895 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $17,715,210, of which $4,635,928 was recognized as a decrease in pension expense in the current year. The combination of unrecognized investment gains this year along with the net unrecognized investment gains from prior periods results in a net difference between projected and actual earnings on pension plan investments as of December 31, 2020, of $34,994,864. The following table summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over future years. In addition, KUB recorded a deferred outflow of resources of $1,583,842 as of June 30, 2021, for employer contributions made between December 31, 2020, and June 30, 2021.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,544,136	$ 1,092,163
Changes in assumptions	5,083,896	71,525
Net difference between projected and actual earnings on pension plan investments	-	34,994,864
Contributions subsequent to measurement date	1,583,842	-
Total	$ 8,211,874	$ 36,158,552

12. 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, 2022, there are 446 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2022.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. There is no Total Pension Liability as of June 30, 2022. The total pension liability was $18,714 as of June 30, 2021.

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

	2021	**2020**
Total pension liability	$0	$18,714
Deferred outflows	(11,505)	(33,660)
Deferred inflows	16,927	23,630
Net impact on Statement of Net Position	$5,422	$8,684
Covered payroll	$38,074,863	$41,524,273
Total pension liability as a % of covered payroll	0.00%	0.05%

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

	Increase (Decrease)	
	Total Pension Liability	
Balances at December 31, 2020	$	18,714
Changes for the year:		
Service cost		-
Interest		268
Changes of Benefits		-
Differences between Expected and Actual Experience		(6,816)
Changes of Assumptions		-
Benefit payments		(12,166)
Net changes		(18,714)
Balances at December 31, 2021	$	-

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

Valuation dates	January 1, 2022 and January 1, 2021
Actuarial cost method	Individual entry age
Salary increase	From 2.50% to 5.65%, based on years of service as of January 1, 2022, and 2021
Mortality	115% and 110% of the Public Sector General Healthy Annuitant Mortality Table (PubG-2010), for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of January 1, 2022, and 2021
Inflation	2.5% as of January 1, 2022, and 2021

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

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 2.06% on January 1, 2022, and 2.12% on January 1, 2021.

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

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

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was 4 years. During the measurement year, there was an experience gain of $6,816, with $1,704 recognized in the current year and each of the next three years, resulting in a deferred inflow of $5,112. There was a deferred inflow at the end of the measurement year of $7,225 from experience gains in prior years and a deferred outflow of $6,112 from experience losses in prior years.

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

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

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

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

Year ended June 30:	
2023	$ (8,793)
2024	3,023
2025	348
2026	-
2027	-
Thereafter	-

For the year ended June 30, 2021, KUB recognized pension expense of $21,436 for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($22,874), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$8,684 - $10,122 + $22,874].

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, 2019, this average was 5 years. During the measurement year, there was an experience loss of $10,165, with $2,033 recognized in the current year and each of the next four years, resulting in a deferred outflow of $8,132. There was a deferred inflow at the end of the measurement year of $14,450 from experience gains in prior years and a deferred outflow of $2,756 from experience losses in prior years.

During the measurement year, there was an assumption change loss of $91, with $18 recognized in the current year and each of the next four years, resulting in a deferred outflow of $73. There was a deferred inflow at the end of the measurement year of $9,180 and a deferred outflow of $22,699 from assumption changes in prior years. In addition, KUB recorded a deferred outflow of resources of $6,084 as of June 30, 2021, for contributions between December 31, 2020, and June 30, 2021.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,888	$ 14,450
Changes in assumptions	22,772	9,180
Contributions subsequent to measurement date	6,084	-
Total	$ 39,744	$ 23,630

13. 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 3 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 3 percent. They also receive a nonelective KUB contribution of 3 percent to 6 percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and nonelective contributions of $3,125,903 and $2,984,314, respectively, for the years ended June 30, 2022, and 2021.

14. 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	
	2022	**2021**	**2022**	**2021**
Retirees	4	0	549	538
Dependents of retirees	2	0	612	579
Eligible active employees	15	0	145	160
Total	21	0	1,306	1,277

Benefits

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

Contributions and Funding

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

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

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

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

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

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203. The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2022:

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%

For the fiscal year ended June 30, 2022, an actuarially determined contribution of $1,989,066 was made to the OPEB Trust along with an additional $1,500,000 contribution to help fund the HRA.

Actuarially determined contributions for the fiscal year ended June 30, 2021, were $757,226. These were based on the OPEB actuarial valuations as of January 1, 2020, and 2019.

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 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, 2022, and 2021, and the Total OPEB Liability as of the valuation date January 1, 2021, updated to June 30, 2022, and January 1, 2020, updated to June 30, 2021, respectively. KUB's total net OPEB liability (asset) was $11,202,507 as of June 30, 2022, and ($5,931,828) as of June 30, 2021.

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

	2022	2021
Total OPEB liability	$ 58,536,280	$ 51,515,118
Plan fiduciary net position	47,333,773	57,446,946
Net OPEB (asset) liability	$ 11,202,507	$ (5,931,828)
Plan fiduciary net position as a percentage of the total OPEB liability	80.86%	111.51%

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, 2021	$ 51,515,118	$ 57,446,946	$ (5,931,828)
Changes for the year:			
Service cost	416,277	-	416,277
Interest	3,858,276	-	3,858,276
Changes of Benefits	6,594,293	-	6,594,293
Differences between Expected and Actual Experience	60,951	-	60,951
Changes of Assumptions	-	-	-
Contributions - employer	-	1,989,066	(1,989,066)
Contributions - member	-	-	-
Net investment income	-	(8,122,417)	8,122,417
Benefit payments	(3,908,635)	(3,908,635)	-
Administrative expense	-	(71,187)	71,187
Net changes	7,021,162	(10,113,173)	17,134,335
Balances at June 30, 2022	$ 58,536,280	$ 47,333,773	$ 11,202,507

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, 2021, rolled forward to June 30, 2022; January 1, 2020, rolled forward to June 30, 2021
Discount rate:	7.25% as of January 1, 2021, and 2020
Healthcare cost trend rates:	Pre-Medicare: 6.75% grading down to 4.04% over 20 years as of January 1, 2021, and 2020 Medicare: 6.30% grading down to 4.04% over 20 years as of January 1, 2021, and 2020 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service as of January 1, 2021, and 2020
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP2018 fully generational as of January 1, 2021, and 2020
Inflation:	2.50% as of January 1, 2021, and 2020

The actuarial assumptions used in the January 1, 2021, and January 1, 2020, valuations were based on the results of actuarial experience studies for the periods January 1, 2014, through December 31, 2018.

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

	Long Term Expected Real Rate of Return	
Asset Class	**2022**	**2021**
Domestic equity	5.5%	4.9%
International equity	6.5%	5.9%
Emerging Market equity	8.6%	8.4%
Real estate equity	5.7%	5.4%
Debt securities	1.2%	0.5%
Cash and deposits	0.2%	(0.1%)

Discount rate

The discount rate used to measure the total OPEB liability was 7.25 percent as of June 30, 2022, and 2021. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the 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, 2022, calculated using the discount rate of 7.25 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 (6.25 percent) or one percent higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	**Current Discount Rate (7.25%)**	**1% Increase (8.25%)**
Net OPEB liability (asset)	$16,978,277	$11,202,507	$6,333,693

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, 2022, 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)	$6,338,599	$11,202,507	$16,846,266

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

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

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was 2.0 years. During the measurement year, there was an experience loss of $60,951, with $30,476 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $30,475. Unrecognized experience losses from prior periods were $21,401, of which the entire amount is recognized as an increase in OPEB expense in the current year.

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

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

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

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

Year ended June 30:	
2023	$ 1,192,746
2024	1,044,744
2025	528,922
2026	2,443,282
2027	-
Thereafter	-

For the year ended June 30, 2021, KUB recognized OPEB expense of ($648,134).

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 2.0 years. During the measurement year, there was an experience loss of $42,802, with $21,401 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $21,401. Unrecognized experience losses from prior periods were $21,951, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there was a decrease in the Total OPEB Liability due to assumption changes of $4,105,835, with $2,052,918 of that recognized in the current year and in the next year, resulting in a deferred inflow of $2,052,917. Unrecognized assumption changes from prior periods were $1,802,421, of which the entire amount is recognized as an increase in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $9,571,802, of which $1,914,360 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 $2,354,338, of which $602,585 was recognized as an increase in OPEB expense in the current year. The combination of unrecognized gains this year, along with the net unrecognized investment losses from prior periods, results in a net difference between projected and actual earnings on OPEB plan investments as of June 30, 2021, of $5,905,689. The table below summarizes the current balances of deferred outflows and deferred inflows of resources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,401	$ -
Changes in assumptions	-	2,052,917
Net difference between projected and actual earnings on OPEB plan investments	-	5,905,689
Total	$ 21,401	$ 7,958,606

15. 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, 2022, and 2021, are summarized as follows:

	2022	**2021**
City of Knoxville		
Amounts billed by KUB for utilities and related services	$ 13,087,853	$ 12,420,849
Payments by KUB in lieu of property tax	21,305,955	21,003,825
Payments by KUB for services provided	2,209,682	3,354,318

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

	2022	**2021**
Accounts receivable	$ 838,238	$ 914,091

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16. Natural Gas Supply Contract Commitments

For fiscal year 2022, the Gas Division hedged 27 percent of its total gas purchases via gas supply contracts. As of June 30, 2022, the Gas Division had hedged the price on approximately 5 percent of its anticipated gas purchases for fiscal year 2023.

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

Firm obligations related to purchased gas – demand

	2023	2024	2025	2026	2027	2028
Transportation						
Tennessee Gas Pipeline	$ 3,406,776	$ 3,406,776	$ 3,406,776	$ 1,135,592	$ -	$ -
East Tennessee Natural Gas	12,582,997	12,582,997	12,582,997	3,435,624	-	-
Texas Eastern	328,500	328,500	328,500	109,500	-	-
Storage						
Tennessee Gas Pipeline	1,530,684	1,530,684	1,530,684	510,228	-	-
East Tennessee Natural Gas	1,081,500	1,081,500	1,081,500	-	-	-
Saltville Natural Gas	2,000,160	2,000,160	1,845,150	1,380,120	1,380,120	1,035,090
Bobcat	54,000	-	-	-	-	-
Demand Total	$ 20,984,617	$ 20,930,617	$ 20,775,607	$ 6,571,064	$ 1,380,120	$ 1,035,090

Firm obligations related to purchased gas – commodity

	2023	2024	2025	2026	2027	2028-2052
Baseload						
Shell Energy	$ 2,153,180	$ -	$ -	$ -	$ -	$ -
Conoco	$ 2,200,920	$ 23,985	$ -	$ -	$ -	$ -
BP	$ 276,520	$ -	$ -	$ -	$ -	$ -
CNX	$ 7,536,936	$ 4,738,107	$ -	$ -	$ -	$ -
Enervest	$ 5,134,304	$ 4,043,490	$ 3,001,698	$ -	$ -	$ -
PrePay Gas	$ 5,873,688	$ 4,514,946	$ 4,313,608	$ 4,433,183	$ 4,345,174	$ 112,935,089
Commodity Total	$ 23,175,548	$ 13,320,528	$ 7,315,306	$ 4,433,183	$ 4,345,174	$ 112,935,089

The total commodity values presented here are based upon firm supply obligations with each individual natural gas supplier. The firm obligations value for BP Energy Company, ConocoPhillips, and Shell Energy North America are based upon firm supply obligations and locked prices with those suppliers. The firm obligations value for CNX and Enervest Operating LLC are based upon firm supply obligations and the applicable NYMEX strip prices on June 30, 2022. The firm obligations value for Tennergy Corporation is based upon a 30 year prepay gas contract valued at the applicable Tennessee Zone 0 strip prices on June 30, 2022.

17. Other Commitments and Contingencies

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

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

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

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

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

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

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

18. 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

	2022				
	Electric	Fiber	Gas	Water	Wastewater
Assets and Deferred Outflows of Resources					
Current assets	$ 158,820,919	$ 3,508,355	$ 48,281,211	$ 40,660,318	$ 37,333,853
Restricted assets	20,266,914	-	3,354,168	4,534,404	8,217,706
Net capital assets	712,994,298	4,342,483	329,129,124	375,152,303	831,606,692
Net intangible assets	1,836,297	1,609,984	286,147	61,727	104,460
Other assets	84,355,546	2,761	30,073,394	24,586,111	44,406,984
Total assets	$ 978,273,974	$ 9,463,583	$ 411,124,044	$ 444,994,863	$ 921,669,695
Deferred outflows of resources	6,233,902	-	2,518,890	4,558,876	15,166,134
Total assets and deferred outflows of resources	$ 984,507,876	$ 9,463,583	$ 413,642,934	$ 449,553,739	$ 936,835,829
Liabilities and Deferred Inflows of Resources					
Current liabilities	$ 149,360,945	$ 783,314	$ 22,885,222	$ 13,234,512	$ 22,614,577
Other liabilities	20,582,956	1,483,695	10,609,689	3,692,833	4,536,558
Long-term debt	319,887,437	9,625,000	87,006,291	199,505,672	518,518,494
Total liabilities	$ 489,831,338	$ 11,892,009	$ 120,501,202	$ 216,433,017	$ 545,669,629
Deferred inflows of resources	22,151,109	-	8,674,041	7,536,771	7,850,319
Total liabilities and deferred inflows of resources	$ 511,982,447	$ 11,892,009	$ 129,175,243	$ 223,969,788	$ 553,519,948
Net position					
Net investment in capital assets	$ 373,317,161	$ (70,525)	$ 234,171,043	$ 172,829,853	$ 314,336,681
Restricted	14,040,851	-	2,230,358	2,411,963	3,660,092
Unrestricted	85,167,417	(2,357,901)	48,066,290	50,342,135	65,319,108
Total net position	$ 472,525,429	$ (2,428,426)	$ 284,467,691	$ 225,583,951	$ 383,315,881

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Condensed Statement of Net Position

	2021 as restated				
	Electric	Fiber	Gas	Water	Wastewater
Assets and Deferred Outflows of Resources					
Current assets	$ 137,583,934	$ -	$ 51,027,309	$ 40,303,791	$ 70,488,587
Restricted assets	18,921,704	-	2,711,802	4,287,800	7,665,859
Net capital assets	691,360,855	-	316,892,582	370,925,234	809,975,010
Net intangible assets	226,011	-	80,046	61,212	103,589
Other assets	39,892,255	-	20,658,213	20,293,906	21,120,043
Total assets	$ 887,984,759	$ -	$ 391,369,951	$ 435,871,943	$ 909,353,088
Deferred outflows of resources	3,971,049	-	1,406,413	3,601,619	15,027,097
Total assets and deferred outflows of resources	$ 891,955,808	$ -	$ 392,776,364	$ 439,473,562	$ 924,380,185
Liabilities and Deferred Inflows of Resources					
Current liabilities	$ 124,734,612	$ -	$ 18,412,603	$ 12,797,633	$ 24,191,982
Other liabilities	14,222,051	-	4,220,744	1,815,393	2,379,968
Long-term debt	286,588,420	-	94,618,667	207,473,371	523,665,353
Total liabilities	$ 425,545,083	$ -	$ 117,252,014	$ 222,086,397	$ 550,237,303
Deferred inflows of resources	23,076,437	-	8,152,256	6,162,498	10,428,841
Total liabilities and deferred inflows of resources	$ 448,621,520	$ -	$ 125,404,270	$ 228,248,895	$ 560,666,144
Net position					
Net investment in capital assets	$ 384,825,723	$ -	$ 214,218,766	$ 161,247,461	$ 289,031,630
Restricted	14,545,852	-	1,733,025	2,145,297	3,331,229
Unrestricted	43,962,713	-	51,420,303	47,831,909	71,351,182
Total net position	$ 443,334,288	$ -	$ 267,372,094	$ 211,224,667	$ 363,714,041

Restated per GASB 87, see Footnote 2 for further disclosure.

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Condensed Statement of Revenues, Expenses and Changes in Net Position

	2022				
	Electric	Fiber	Gas	Water	Wastewater
Operating revenues	$ 606,335,419	$ -	$ 141,949,970	$ 64,558,346	$ 102,936,574
Operating expenses	524,550,587	1,968,636	106,481,701	32,604,913	43,613,190
Depreciation and amortization	38,481,239	153,604	15,166,029	11,671,918	21,815,257
Total operating expenses	563,031,826	2,122,240	121,647,730	44,276,831	65,428,447
Operating income (loss)	43,303,593	(2,122,240)	20,302,240	20,281,515	37,508,127
Non-operating expense	(14,112,452)	(306,186)	(3,293,078)	(6,965,888)	(18,413,896)
Change in net position before capital contributions	29,191,141	(2,428,426)	17,009,162	13,315,627	19,094,231
Capital contributions	-	-	86,435	1,043,657	507,609
Change in net position	29,191,141	(2,428,426)	17,095,597	14,359,284	19,601,840
Net position					
Beginning of year	443,334,288	-	267,372,094	211,224,667	363,714,041
End of year	$ 472,525,429	$ (2,428,426)	$ 284,467,691	$ 225,583,951	$ 383,315,881

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2021 as restated				
	Electric	Fiber	Gas	Water	Wastewater
Operating revenues	$ 553,897,585	$ -	$ 115,414,180	$ 61,799,439	$ 100,360,933
Operating expenses	470,296,392	-	79,299,883	30,969,276	39,968,202
Depreciation and amortization	40,385,025	-	15,465,869	11,602,283	23,034,519
Total operating expenses	510,681,417	-	94,765,752	42,571,559	63,002,721
Operating income (loss)	43,216,168	-	20,648,428	19,227,880	37,358,212
Non-operating expense	(11,626,398)	-	(3,434,296)	(10,661,774)	(20,184,792)
Change in net position before capital contributions	31,589,770	-	17,214,132	8,566,106	17,173,420
Capital contributions	-	-	18,582	321,408	643,000
Change in net position	31,589,770	-	17,232,714	8,887,514	17,816,420
Net position					
Beginning of year	411,744,518	-	250,139,380	202,337,153	345,897,621
End of year	$ 443,334,288	$ -	$ 267,372,094	$ 211,224,667	$ 363,714,041

Restated per GASB 87, see Footnote 2 for further disclosure.

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Condensed Statement of Cash Flows

2022

	Electric	Fiber	Gas	Water	Wastewater
Net cash provided by (used in) operating activities	$ 89,822,159	$ (2,026,526)	$ 37,376,663	$ 30,252,330	$ 55,730,001
Net cash used in capital and related financing activities	(41,573,698)	(4,425,562)	(38,871,206)	(29,584,468)	(64,841,976)
Net cash provided by noncapital and related financing activities	-	9,715,502	-	-	-
Net cash provided by (used in) investing activities	(14,884,130)	10,729	220,510	175,533	302,808
Net increase (decrease) in cash and cash equivalents	33,364,331	3,274,143	(1,274,033)	843,395	(8,809,167)
Cash and cash equivalents, beginning of year	39,974,435	-	23,998,681	25,024,961	30,379,799
Cash and cash equivalents, end of year	$ 73,338,766	$ 3,274,143	$ 22,724,648	$ 25,868,356	$ 21,570,632

Condensed Statement of Cash Flows

2021
as restated

	Electric	Fiber	Gas	Water	Wastewater
Net cash provided by operating activities	$ 78,968,171	$ -	$ 34,698,690	$ 30,117,495	$ 60,582,992
Net cash used in capital and related financing activities	(83,054,540)	-	(34,498,578)	(28,060,369)	(52,499,567)
Net cash provided by (used in) investing activities	733,633	-	(356,229)	2,732,667	10,567,991
Net increase (decrease) in cash and cash equivalents	(3,352,736)	-	(156,117)	4,789,793	18,651,416
Cash and cash equivalents, beginning of year	43,327,171	-	24,154,798	20,235,168	11,728,383
Cash and cash equivalents, end of year	$ 39,974,435	$ -	$ 23,998,681	$ 25,024,961	$ 30,379,799

Restated per GASB 87, see Footnote 2 for further disclosure.

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Knoxville Utilities Board
Required Supplementary Information - Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2022

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

Notes to Schedule:

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

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

See accompanying Independent Auditor's Report

Knoxville Utilities Board
Required Supplementary Information - Schedule of Employer Pension Contributions
June 30, 2022

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

Notes to Schedule:

Timing:	Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.
Valuation Dates:	January 1, 2020 and January 1, 2019

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual entry age
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 21 years remaining (22 years as of January 1, 2019), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2020 and 2019, the unfunded liability was negative.
Discount rate:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Salary increases:	2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational
Inflation:	2.5%

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

Knoxville Utilities Board
Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2022

	*Year ended June 30				
	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	$ 416,277	$ 283,786	$ 256,270	$ 270,515	$ 202,603
Interest	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	$ 58,536,280	$ 51,515,118	$ 54,544,240	$ 50,197,938	$ 45,604,431
Plan fiduciary net position					
Contributions - employer	$ 1,989,066	$ 757,226	$ 311,324	$ -	$ -
Net investment income	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	$ 47,333,773	$ 57,446,946	$ 46,954,793	$ 48,750,196	$ 49,355,499
Net OPEB liability (asset) - ending (a) - (b)	$ 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	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	$ 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	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, 2022

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

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

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

Notes to Schedule:

Valuation Date:	January 1, 2020 and January 1, 2019
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 16 years remaining as of January 1, 2020 (17 years as of January 1, 2019), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2019 and 2020, the unfunded liability was positive
Discount rate:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Healthcare cost trend rate:	Pre-Medicare: 6.75% grading down to 4.04% over 20 years as of January 1, 2020; 7.83% grading down to 4.50% over 19 years as of January 1, 2019 Medicare: 6.30% grading down to 4.04% over 20 years as of January 1, 2020; 6.88% grading down to 4.50% over 19 years as of January 1, 2019 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.5%
Investment rate of return:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Retirement age:	2% at ages 50-57, grading up to 100% at age 70

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

See accompanying Independent Auditor's Report

Knoxville Utilities Board
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 2022

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

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.

Pollution Legal Liability
New conditions coverage for losses exceeding specified amount per occurrence ($1,000,000). Limits of coverage - $15,000,000.

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

Travel Accident
Covers losses related to employees' business travel. Limits of coverage - $3,000,000 aggregate.

Excess Insurance for General Liability
As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). KUB is self-insured for the first $700,000 of any accident and has insurance of $4,300,000 above this retention.

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

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

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

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Knoxville Utilities Board
Knoxville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Knoxville Utilities Board (KUB), a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise KUB's basic financial statements, and have issued our report thereon dated October 25, 2022.

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 procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KUB's internal control. Accordingly, we do not express an opinion on the effectiveness of KUB's internal control.

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

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

Board of Commissioners
Knoxville Utilities Board
Knoxville, Tennessee

Report on Compliance and Other Matters

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

Purpose of this Report

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

Coulter & Justus, P.C.

Knoxville, Tennessee
October 25, 2022

Knoxville Utilities Board
Schedule of Findings and Questioned Costs
June 30, 2022

Section I -- Summary of Auditor's Results

Financial Statements

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

Section II -- Financial Statement Findings
None reported.

Section III – Findings Required by the State of Tennessee Audit Manual
None reported.

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

Electric Division

Financial Statements and Supplemental Information
June 30, 2022 and 2021

Knoxville Utilities Board Electric Division
Index
June 30, 2022 and 2021

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Electric Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Division as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2020, the Division adopted new accounting guidance Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 26 and the required supplementary information on pages 65 through 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplemental Information

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

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Electric Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 25, 2022

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, 2022, and 2021, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2022, activities, resulting changes and current known facts, and should be read in conjunction with the Division's financial statements.

Electric Division Highlights

System Highlights

As KUB returned to normal operations this fiscal year, supply chain issues and workforce shortages continued to impact capital projects. While some projects were delayed, others were held until supplies were more readily available. However, KUB's ability to serve its electric customers has remained strong throughout.

KUB serves 215,264 electric customers over a 688 square mile service area and maintains 5,480 miles of service lines and 63 electric substations to provide 6 million megawatt hours to its customers annually.

KUB's electric system had a strong year for reliability with only 1.89 hours of service interruption for the average customer in fiscal year 2022, compared to 1.83 hours in fiscal year 2021. Favorable weather conditions and the deployment of automated technologies, including Fault Location, Isolation, and Service Restoration (FLISR) devices, were both integral to the year's performance.

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

KUB has added 6,282 electric system customers over the past three years, representing annual growth of one percent. In fiscal year 2022, 2,256 customers were added.

The typical residential customer's average monthly electric bill was $114.73 as of June 30, 2022, representing an increase of $6.49 compared to June 30, 2021. Bill levels are based on 1,000 kwh of monthly power use. The increase in the monthly bill during fiscal year 2022 was the net result of the flow through of TVA wholesale rate adjustments, the April 2022 rate increase, and prior year over recovered wholesale power costs.

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

Century II Infrastructure Program

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

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

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

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

During the fiscal year, KUB replaced 1,360 poles and replaced 6.6 miles of transmission lines while staying on track with Century II goals and within the Electric Division's total capital budget.

Fiber Network

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

After gaining the required approvals from TVA, the State of Tennessee, KUB's Board and City Council, KUB launched its new Fiber Division. Broadband services will be provided by a high-speed fiber optic network that will be owned and maintained by the Electric Division. The Fiber Division will share in the cost to build and operate the Fiber network by paying the Electric Division an annual access fee based on the year end value of those assets and the related expenses. The Fiber Division will also pay the Electric Division an annual utilization fee based on attachments to the network. In addition to providing broadband services, the fiber network will allow KUB to implement new advanced technologies to improve the reliability of its electric system. In August 2021, the Board authorized the first $10 million loan of a proposed $35 million loan from the Electric Division to the Fiber Division. The interdivisional loan was approved by TVA and was initiated in October 2021. 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 will begin receiving service in fiscal year 2023.

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

Financial Highlights

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

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Operating revenue increased $52.4 million or 9.5 percent over the prior fiscal year. The increase in operating revenue was the net result of additional revenue from a 3 percent increase in billed sales, additional revenue from the April 2022 rate increase, and the flow through of $0.4 million of over recovered purchased power from the prior year. KUB flows changes to wholesale power rates directly through to its retail electric rates via its Purchased Power Adjustment.

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

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

Operating expenses (excluding purchased power expense) increased $7.8 million. Operating and maintenance (O&M) expenditures increased $9.5 million. Depreciation and amortization expense decreased $1.9 million or 4.7 percent. Taxes and tax equivalents were $0.1 million higher than the prior fiscal year.

Interest income was $0.5 million higher than the prior fiscal year, due to additional interest earnings on more cash on hand combined with rising short-term interest rates throughout the year. Interest expense decreased $0.6 million or 5.2 percent.

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

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

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

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

Fiscal Year 2021 Compared to Fiscal Year 2020

The Division's Change in Net Position increased $31.6 million in fiscal year 2021. Comparatively, net position increased by $26.7 million in fiscal year 2020.

Operating revenue increased $6.2 million or 1.1 percent over the prior fiscal year. The increase in operating revenue was the net result of additional revenue from a 6.8 percent increase in billed sales and the flow through of $1.8 million of over recovered purchased power from the prior year. KUB flows changes to wholesale power rates directly through to its retail electric rates via its Purchased Power Adjustment.

Seventy-three percent of Electric Division sales revenue was used to purchase electric power from TVA for the fiscal year ended June 30, 2021. Purchased power expense decreased $3.7 million compared to last fiscal year due to lower wholesale power costs. Billed power sales were up 6.8 percent compared to the prior fiscal year, reflecting colder winter temperatures.

Margin on electric sales (operating revenue less purchased power expense) increased $9.9 million or 6.6 percent.

Operating expenses (excluding purchased power expense) increased $2.9 million. Operating and maintenance (O&M) expenditures decreased $8.3 million. Depreciation and amortization expense increased $10.4 million or 34.6 percent, as $14.8 million of multi-year projects were capitalized this fiscal year. Taxes and tax equivalents were $0.8 million or 4.4 percent higher than the prior fiscal year.

Interest income was $1.3 million less than the prior fiscal year due to lower short-term interest rates. Interest expense decreased $0.4 million or 3.7 percent.

Capital contributions were $0.2 million lower than the prior fiscal year, reflecting a decrease in electric system assets provided to KUB during the fiscal year.

Total capital assets (net) increased $14.2 million or 2.1 percent over the end of the last fiscal year, reflecting electric grid moderation and other distribution system improvements as part of KUB's Century II electric program.

During fiscal year 2021, KUB refinanced outstanding debt, selling $70.2 million in electric system revenue refunding bonds in March 2021. KUB will realize a total debt service savings of $14.3 million over the life of the bonds ($11.9 million on a net present value basis).

Long-term debt represented 38.3 percent of the Division's capital structure as of June 30, 2021, compared to 42.6 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. Current year debt coverage for the fiscal year was 3.80. Maximum debt service coverage was 4.20.

Knoxville Utilities Board Electric Division - Financial Statements

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

Statement of Net Position

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

Statement of Cash Flows

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

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

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

Condensed Financial Statements

Statement of Net Position

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

Statements of Net Position
As of June 30

(in thousands of dollars)	2022	2021 as restated	2020
Current, restricted, intangible, and other assets	$ 265,280	$ 196,624	$ 181,494
Capital assets, net	712,994	691,361	677,193
Deferred outflows of resources	6,234	3,971	8,535
Total assets and deferred outflows of resources	984,508	891,956	867,222
Current and other liabilities	169,944	138,958	140,286
Long-term debt outstanding	319,888	286,588	305,318
Deferred inflows of resources	22,151	23,076	9,873
Total liabilities and deferred inflows of resources	511,983	448,622	455,477
Net position			
Net investment in capital assets	373,317	384,826	356,245
Restricted	14,041	14,546	14,186
Unrestricted	85,167	43,962	41,314
Total net position	$ 472,525	$ 443,334	$ 411,745

Normal Impacts on Statement of Net Position

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

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

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2022 Compared to Fiscal Year 2021

Current, restricted, intangible, and other assets increased $68.7 million or 34.9 percent. The change reflects an increase in general fund cash (consisting of cash and cash equivalents, short-term investments, and long-term investments) of $33.4 million, an increase in notes receivable of $10 million, an increase in the actuarially determined net pension asset of $8.3 million, an increase in accounts receivable of $6.9 million, an increase in contingency fund investments of $4.3 million, an increase in inventories of $3.2 million, an increase in net intangible right of use assets of $1.6 million, and an increase in unused bond proceeds of $1.3 million. These increases were offset by a decrease in the actuarially determined net OPEB asset of $2.8 million.

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Current, restricted, intangible, and other assets increased $15.1 million or 8.3 percent. The change reflects an increase in the actuarially determined net pension asset of $12.5 million, an increase in accounts receivable of $3.8 million, and an increase in the actuarially determined net OPEB asset of $2.8 million. These increases were offset by a decrease in general fund cash (consisting of cash and cash equivalents, short-term investments, and long-term investments) of $3.4 million.

Capital Assets

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Capital assets, net of depreciation, increased $14.2 million or 2.1 percent. Spending was slowed this year to allow for better financial liquidity in response to the pandemic. Major capital expenditures included $23.9 million for distribution system improvements, $6.1 million for Grid Modernization including Supervisory Control and Data Acquisition (SCADA) system upgrades, $5.8 million for building improvements, $5.6 million for pole replacements, and $5.4 million for installation or replacement of electric services. Electric system assets of $19.7 million were retired in fiscal year 2021.

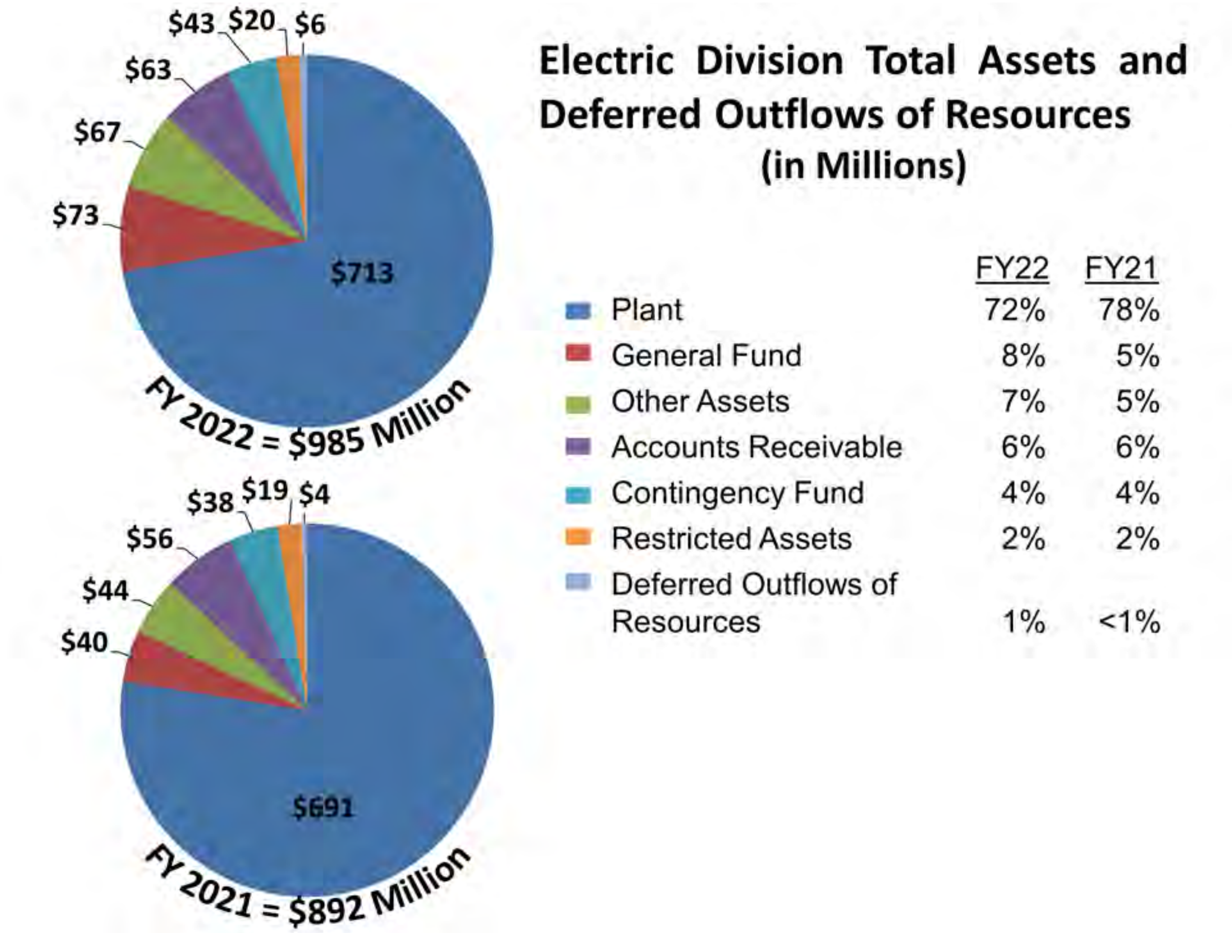
Deferred Outflows of Resources

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Deferred outflows of resources decreased $4.6 million compared to the prior fiscal year due to a decrease in unamortized bond refunding costs of $2.6 million and a decrease in OPEB outflow of $2 million.



Current and Other Liabilities

Fiscal Year 2022 Compared to Fiscal Year 2021

Current and other liabilities increased $31 million. Accounts payable increased $16 million, accrued expenses increased $6.9 million, and net OPEB liability increased $5.2 million. The outstanding balance on TVA conservation loans declined by $0.5 million, as KUB ceased issuance of any new loans in fiscal year 2016.

Fiscal Year 2021 Compared to Fiscal Year 2020

Current and other liabilities decreased $1.3 million. Net OPEB liability decreased $3.6 million, over recovered purchased power cost decreased $1.4 million, and accrued interest on revenue bonds decreased $1.3 million. These decreases were offset by a $3.1 million increase in accounts payable and a $2.2 million increase in accrued expenses. The outstanding balance on TVA conservation loans declined by $0.9 million, as KUB ceased issuance of any new loans in fiscal year 2016.

KUB over recovered $0.4 million in wholesale power costs from its customers in fiscal year 2021, as compared to a $1.8 million over recovery in fiscal year 2020. This over recovery of costs will be flowed back to KUB's electric customers during the next fiscal year through adjustments to rates via the Purchased Power Adjustment.

Long-Term Debt

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Long-term debt decreased $18.7 million or 6.1 percent. The decrease is due in part to the scheduled repayment of debt. KUB also sold $70.2 million of electric system revenue refunding bonds in March 2021 with a premium of $16.7 million to refund $86.4 million in outstanding debt, resulting in a reduction of principal of $16.2 million.

Deferred Inflows of Resources

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Deferred inflows increased $13.2 million compared to the prior fiscal year due to a $7.5 million increase in pension inflow, a $3.8 million increase in OPEB inflow, and a $1.8 million increase in lease inflow.

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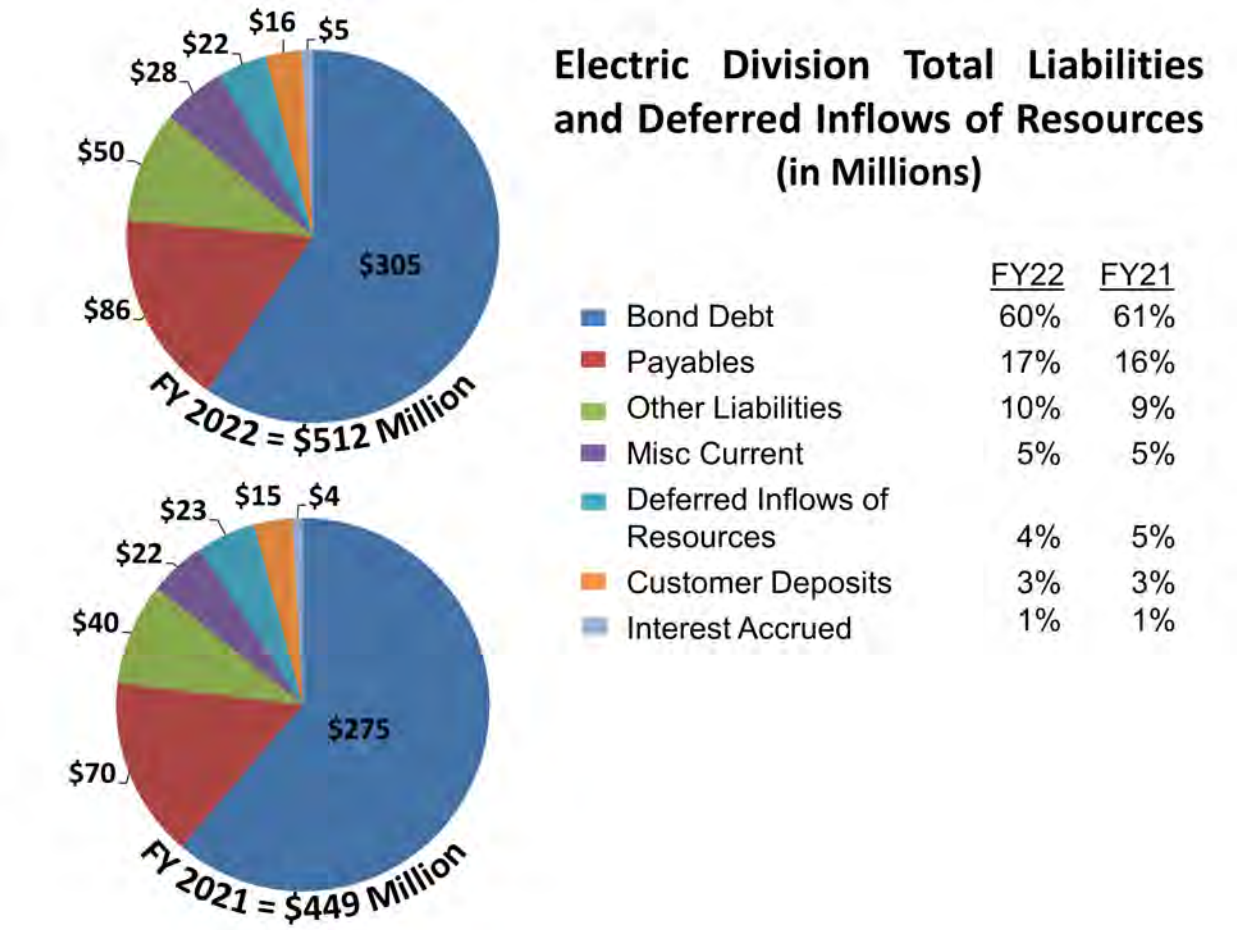

Net Position

Fiscal Year 2022 Compared to Fiscal Year 2021

Total net position increased $29.2 million or 6.6 percent. Unrestricted net position increased $41.2 million, primarily due to an increase in general fund cash of $33.4 million. Net investment in capital assets decreased by $11.5 million or 3 percent. The change was primarily the result of an increase of $21.6 million in net electric plant additions offset by an increase in the electric revenue bonds outstanding of $29.4 million. Restricted net position decreased $0.5 million due to the net decrease of the electric bond fund and the associated interest payable.

Fiscal Year 2021 Compared to Fiscal Year 2020

Total net position increased $31.6 million or 7.7 percent. Unrestricted net position increased $2.6 million, primarily due to changes in the pension and OPEB accruals for the fiscal year. Net investment in capital assets increased by $28.6 million or 8 percent. The change was primarily the result of an increase of $14.2 million in net electric plant additions and a decrease in the current portion of revenue bonds and total long-term debt of $18.4 million. Restricted net position increased $0.4 million due to the net increase of the electric bond fund and the associated interest payable.

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)	2022	2021 as restated	2020
Operating revenues	$ 606,335	$ 553,898	$ 547,687
Less: Purchased power expense	439,115	394,542	398,230
Margin from sales	167,220	159,356	149,457
Operating expenses			
Distribution	43,441	37,118	39,929
Customer service	6,651	6,204	6,186
Administrative and general	16,050	13,285	18,764
Depreciation and amortization	38,481	40,385	29,994
Taxes and tax equivalents	19,294	19,147	18,333
Total operating expenses	123,917	116,139	113,206
Operating income	43,303	43,217	36,251
Interest income	716	237	1,579
Interest expense	(10,640)	(11,218)	(11,648)
Other income/(expense)	(4,188)	(646)	346
Change in net position before capital contributions	29,191	31,590	26,528
Capital contributions	-	-	169
Change in net position	$ 29,191	$ 31,590	$ 26,697

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

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

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

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

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

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

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

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

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

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

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

Impacts and Analysis

Change in Net Position

Fiscal Year 2022 Compared to Fiscal Year 2021

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

The lower earnings were attributable to the net effect of a $7.9 million increase in margin on sales offset by a $7.8 million increase in operating expenses and a $2.5 million increase in nonoperating expenses.

Fiscal Year 2021 Compared to Fiscal Year 2020

The Division's Change in Net Position increased $31.6 million in fiscal year 2021. Comparatively, net position increased $26.7 million in fiscal year 2020.

The higher earnings were attributable to the net effect of a $9.9 million increase in margin on sales offset by a $2.9 million increase in operating expenses, a $1 million increase in other expenses, and a $1.3 million decrease in interest income.

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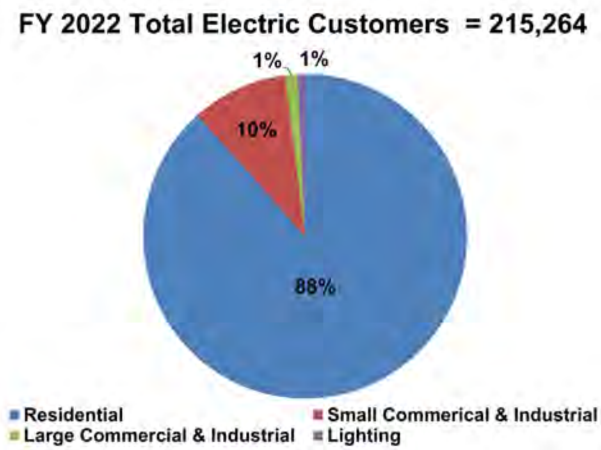
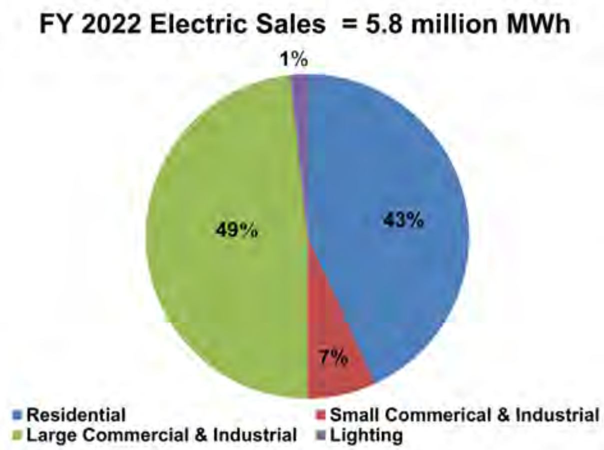
Margin from Sales

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Operating revenue increased $52.4 million or 9.5 percent. Billed power sales increased 3 percent compared to fiscal year 2021. Purchased power expense increased $44.6 million from last year due to higher wholesale power costs. KUB received $9.3 million as a result of TVA's Long-Term Partnership Credit, which decreased power expenses in the current fiscal year.





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

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

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

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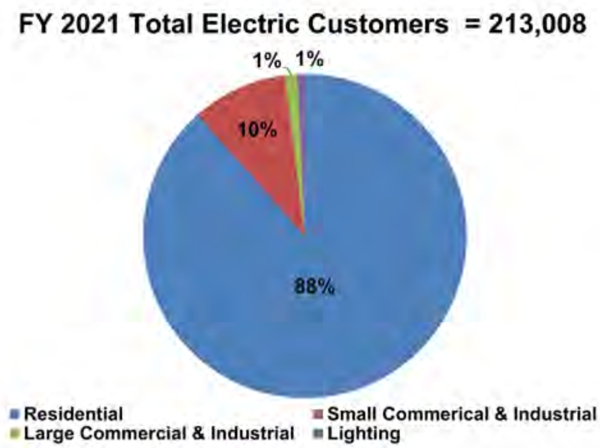
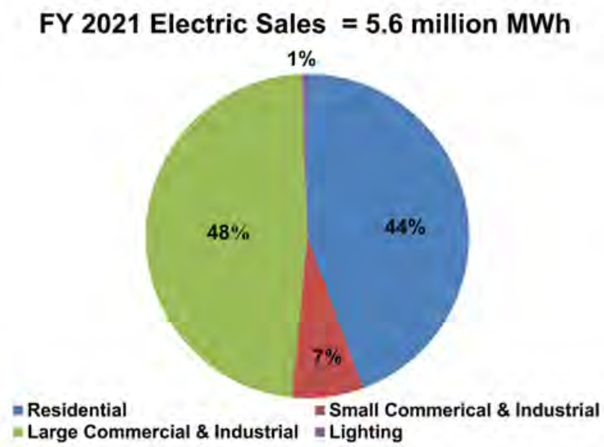
Fiscal Year 2021 Compared to Fiscal Year 2020

Margin on electric sales grew $9.9 million, reflecting increased sales volumes and a full year of wholesale power rate credits associated with the long-term Partnership Agreement with TVA.

Operating revenue increased $6.2 million or 1.1 percent. Billed power sales increased 6.8 percent compared to fiscal year 2020. Purchased power expense decreased $3.7 million from last year. KUB received $9.2 million as a result of TVA's Long-Term Partnership Credit, which decreased power expenses in the current fiscal year.





Residential customers represented 88 percent of total electric system customers and accounted for 44 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 22 percent of KUB's billed volumes. Those ten customers represent four industrial and six commercial customers, including three governmental customers. Sales to Carpenter Creek LLC, KUB's largest industrial customer, accounted for 6.5 percent of total electric system sales.

KUB has added 6,575 electric system customers over the past three years, representing annual growth of one percent. Electric billed sales volumes have increased 1.2 percent over the past three years. Fiscal year 2021 customer growth was 2,615.

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Operating Expenses

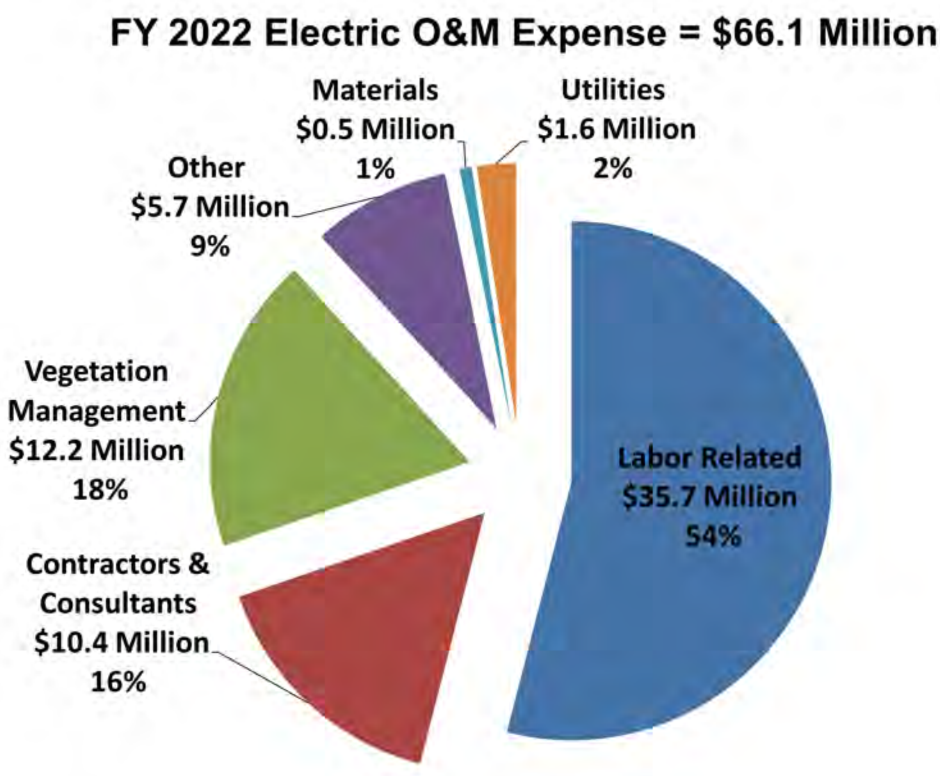
Fiscal Year 2022 Compared to Fiscal Year 2021

Operating expenses (excluding purchased power expense) increased $7.8 million compared to fiscal year 2021. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as distribution, customer service, and administrative and general.

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

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

- Administrative and general expenses increased $2.8 million, primarily due to an increase in labor related expenses, including higher OPEB costs related to the introduction of the Health Reimbursement Arrangement.



- Depreciation and amortization expense decreased $1.9 million or 4.7 percent. KUB added $55.8 million in assets during fiscal year 2022. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on $96.4 million in assets placed in service during fiscal year 2021. In addition, $19.3 million of assets were retired in fiscal year 2022.

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

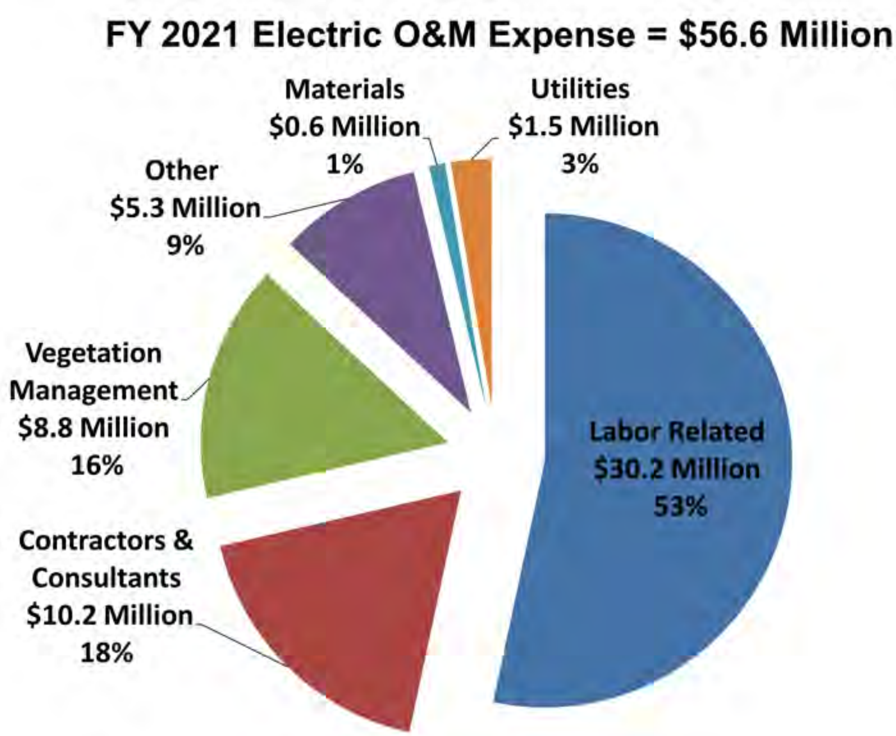
Fiscal Year 2021 Compared to Fiscal Year 2020

Operating expenses (excluding purchased power expense) increased $2.9 million compared to fiscal year 2020. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as distribution, customer service, and administrative and general.

- Distribution expenses decreased $2.8 million or 7 percent, primarily due to a timing delay in vegetation management circuit work costs due to the pandemic.

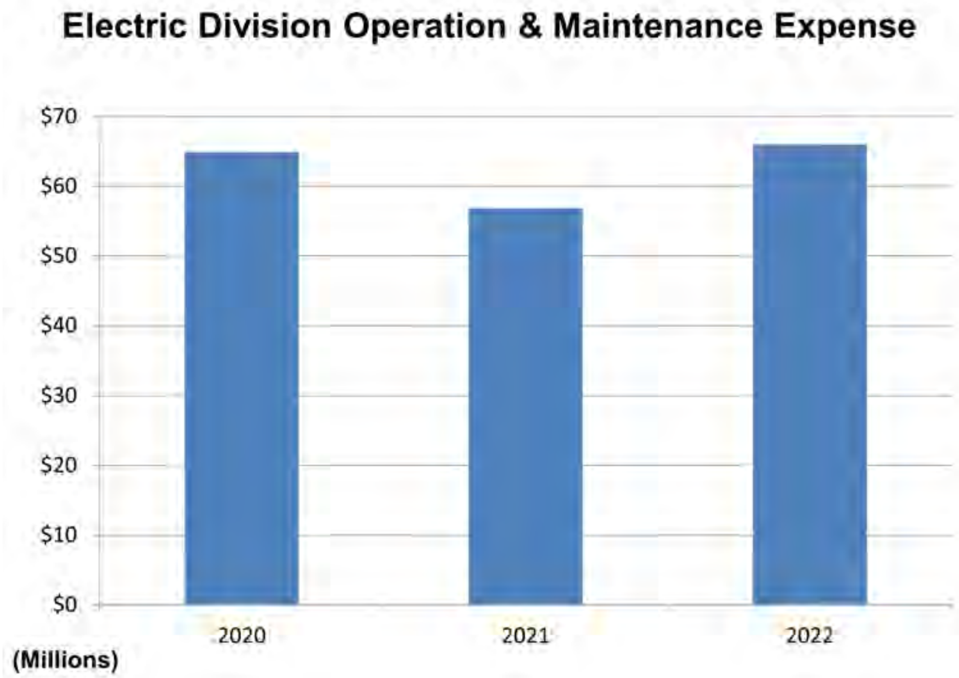
- Customer service expenses were consistent with the prior fiscal year.

- Administrative and general expenses decreased $5.5 million, primarily due to a decrease in labor related expenses, including lower pension and OPEB costs.



- Depreciation and amortization expense increased $10.4 million or 34.6 percent. KUB added $96.4 million in assets during fiscal year 2021, including $14.8 million of multi-year projects being held in Construction Work in Progress. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on $73.6 million in assets placed in service during fiscal year 2020. In addition, $19.7 million of assets were retired in fiscal year 2021.

- Taxes and tax equivalents were $0.8 million higher than the prior fiscal year.



Other Income and Expense

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Interest expense decreased $0.6 million or 5.2 percent.

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Interest income decreased $1.3 million compared to the prior fiscal year, primarily due to decreased short-term interest rates over the prior fiscal year.

Interest expense decreased $0.4 million or 3.7 percent.

Other expense (net) increased $1 million, primarily due to losses on disposal of property.

The Division's capital contributions decreased $0.2 million, reflecting a decline in developer donated utility assets compared to the prior fiscal year.

Capital Assets

Capital Assets
As of June 30
(Net of Depreciation)

(in thousands of dollars)		2022		2021		2020
Distribution Plant						
Services and Meters	$	43,038	$	46,748	$	50,485
Electric Station Equipment		61,180		62,704		57,564
Poles, Towers and Fixtures		161,519		157,575		140,424
Overhead Conductors		143,776		133,419		110,865
Line Transformers		61,351		61,575		61,725
Other Accounts		114,399		117,350		112,004
Total Distribution Plant	$	585,263	$	579,371	$	533,067
General Plant		65,544		57,524		48,484
Total Plant Assets	$	650,807	$	636,895	$	581,551
Work In Progress		62,187		54,466		95,642
Total Net Plant	$	712,994	$	691,361	$	677,193

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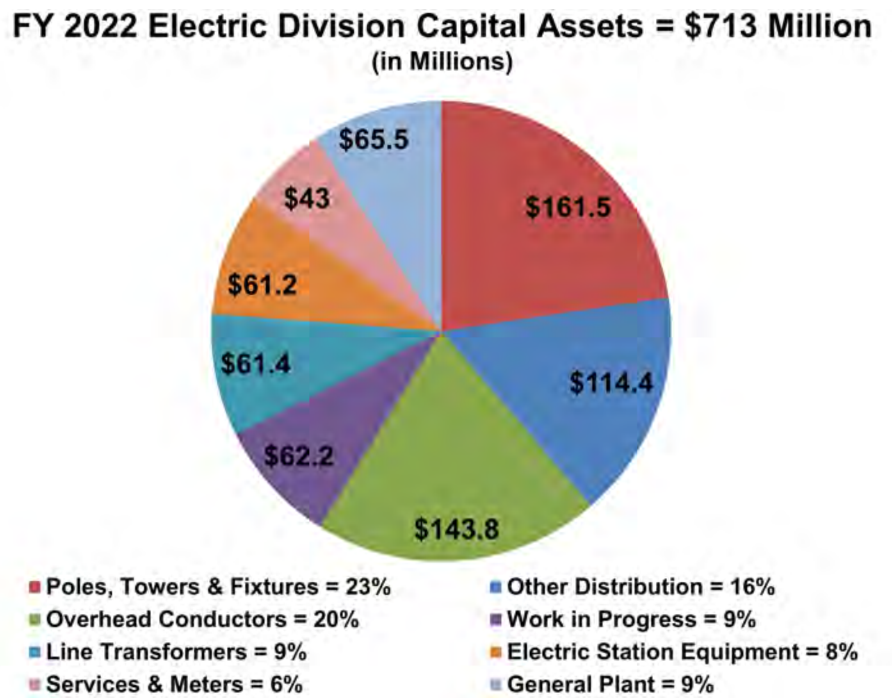
Fiscal Year 2022 Compared to Fiscal Year 2021

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



Major capital asset expenditures during the year were as follows:

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

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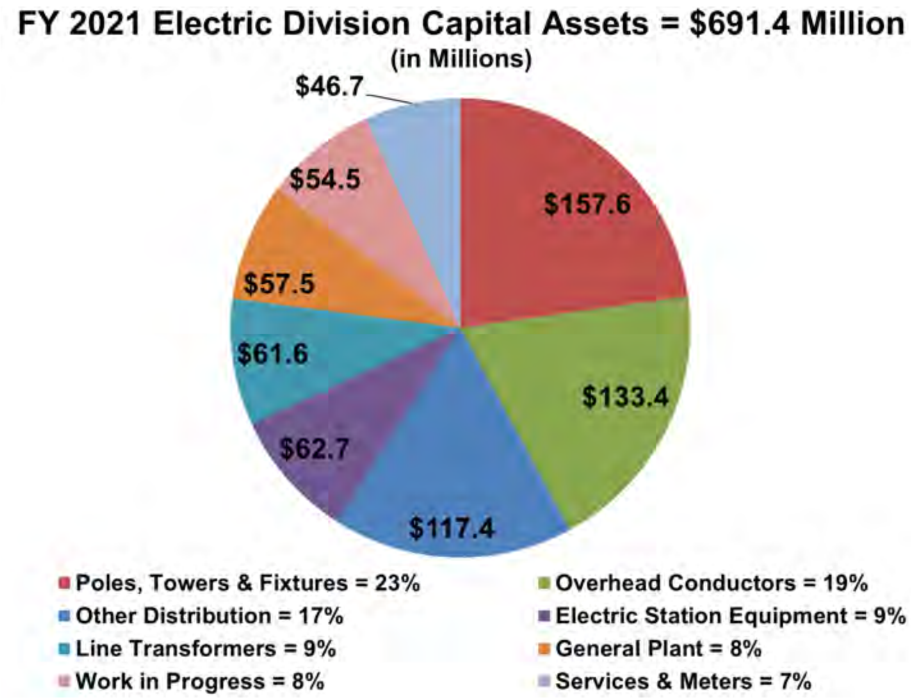
Fiscal Year 2021 Compared to Fiscal Year 2020

As of June 30, 2021, the Division had $691.4 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $14.2 million or 2.1 percent over the end of the last fiscal year. Spending on capital assets was slowed this year to allow for better financial liquidity in response to the pandemic.



Major capital asset expenditures during the year were as follows:

- $23.9 million for electric distribution system improvements
- $6.1 million for Grid Modernization, including SCADA system upgrades
- $5.8 million for building improvements, including a new Engineering Building
- $5.6 million for pole replacements
- $5.4 million for installation of new electric services and the upgrade or replacement of existing services

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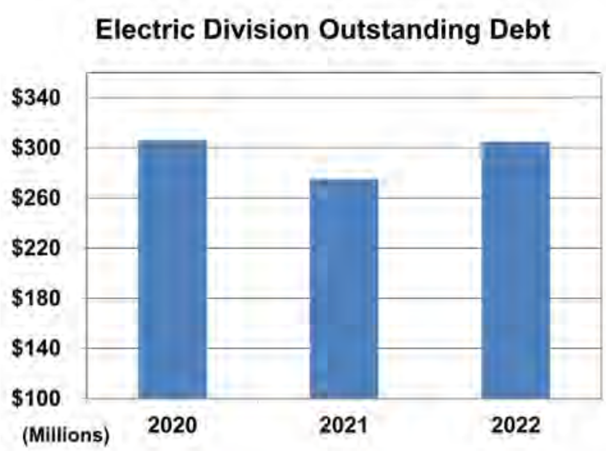
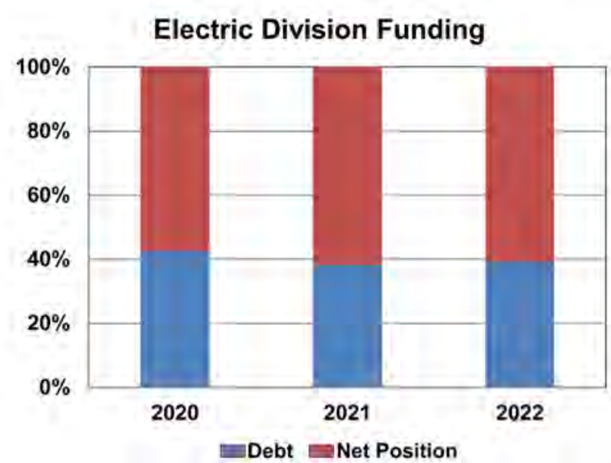
Debt Administration

The Division's outstanding debt was $304.8 million as of June 30, 2022. The bonds are secured solely by revenues of the Electric Division. Debt as a percentage of the Division's capital structure was 39.2 percent in 2022, 38.3 percent in 2021, and 42.6 percent at the end of fiscal year 2020. 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)	2022	2021	2020
Revenue bonds	$ 304,835	$ 275,415	$ 305,835
Total outstanding debt	$ 304,835	$ 275,415	$ 305,835





The Division will pay $136.5 million in principal payments over the next ten years, representing 44.8 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 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $304.8 million in outstanding debt (including the current portion of revenue bonds) compared to $275.4 million last year, an increase of $29.4 million or 10.7 percent. As of June 30, 2022, the Division's weighted average cost of debt was 3.93 percent.

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

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

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

Fiscal Year 2021 Compared to Fiscal Year 2020

As of June 30, 2021, the Division had $275.4 million in outstanding debt (including the current portion of revenue bonds) compared to $305.8 million last year, a decrease of $30.4 million or 9.9 percent. As of June 30, 2021, the Division's weighted average cost of debt was 3.89 percent.

KUB sold $70.2 million in electric system revenue refunding bonds in March 2021 for the purpose of refinancing existing electric system revenue bonds. KUB will realize a total debt service savings of $14.3 million over the life of the bonds ($11.9 million on a net present value basis), with $16.2 million of savings as a reduction of outstanding principal. The true interest cost of the bonds, which were sold through a competitive bidding process, was 1.91 percent. The bonds have a final maturity in fiscal year 2045.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2021, the Division's revenue bonds were rated AA by Standard & Poor's and Aa2 by Moody's Investors Service.

Impacts on Future Financial Position

KUB anticipates adding 1,750 additional electric customers in fiscal year 2023.

In May 2022, the Board approved the issuance of electric system revenue bonds not to exceed $79 million for the purpose of funding electric system capital improvements. The bonds will be sold through a competitive bidding process during fiscal year 2023.

In March 2020, KUB executed a new Long-Term Partnership Agreement with TVA, extending the term of its five-year evergreen power supply contract with TVA to a 20-year evergreen contract. In return for signing the longer-term agreement with TVA, KUB will receive an annual partnership credit of 3.1% on TVA's wholesale base rates, estimated to be around $9.3 million per year. Among other things, the new partnership agreement also provides KUB with the flexibility to self-generate up to five percent of its annual power supply through renewable sources.

During the period of October 2021 to September 2022, TVA is providing a Pandemic Recovery Credit to local power companies. KUB has excluded the Standard Service portion of this credit from the Purchased Power Adjustment in order to provide $6.3 million of emergency utility bill assistance for residential and small business customers and $1 million for home weatherization programs.

As a component of the Fiber Division's start up financing plan, the Electric Division will provide $35 million of interdivisional loans. The first $10 million was provided in October 2021.

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

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of $2,624,373 for the fiscal year ending June 30, 2023, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2022, measurement date. Subsequent to June 30, 2022, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,108,147 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2023, measurement date. For the Plan year beginning

January 1, 2022, the Plan's actuarial funded ratio is 112.01 percent, and the market value funded ratio is 128.08 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of $1,413,392 for the fiscal year ending June 30, 2023, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2023, measurement date. Subsequent to June 30, 2022, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,187,768 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2024, measurement date. The Plan's actuarial funded ratio is 94.75 percent, and the market value funded ratio is 103.07 percent.

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for fiscal years beginning after December 15, 2021. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 99, *Omnibus 2022*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB No. 62,* is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 101, *Compensated Absences,* is effective for fiscal years beginning after December 15, 2023. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2022.

Financial Contact

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 2022, and 2021. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board Electric Division
Statements of Net Position
June 30, 2022 and 2021

		2022		2021 as restated
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and cash equivalents	$	73,338,766	$	39,974,435
Short-term contingency fund investments		5,593,407		28,323,053
Accrued interest receivable		48,330		1,426
Accounts receivable, less allowance of uncollectible accounts of $569,961 in 2022 and $491,743 in 2021		63,145,224		56,269,230
Current portion of lease receivable		266,032		180,788
Current portion of notes receivable		375,000		-
Inventories		15,238,237		12,079,500
Prepaid expenses		815,923		755,502
Total current assets		158,820,919		137,583,934
Restricted assets:				
Electric bond fund		18,968,044		18,920,977
Other funds		727		727
Unused bond proceeds		1,298,143		-
Total restricted assets		20,266,914		18,921,704
Electric plant in service		1,136,436,118		1,099,995,066
Less accumulated depreciation		(485,629,439)		(463,099,778)
		650,806,679		636,895,288
Retirement in progress		1,805,146		2,471,610
Construction in progress		60,382,473		51,993,957
Net plant in service		712,994,298		691,360,855
Intangible assets:				
Intangible right of use asset		2,161,609		428,114
Less accumulated amortization		(325,312)		(202,103)
Net intangible assets		1,836,297		226,011
Other assets:				
Net pension asset		29,962,099		21,647,658
Net OPEB asset		-		2,847,277
Long-term contingency fund investments		36,977,855		9,993,813
Long-term lease receivable		2,007,968		1,647,136
Notes receivable		9,625,000		-
TVA conservation program receivable		575,535		1,103,185
Under recovered purchased power cost		2,382,423		-
Other		2,824,666		2,653,186
Total other assets		84,355,546		39,892,255
Total assets		978,273,974		887,984,759
Deferred outflows of resources:				
Pension outflow		3,813,999		3,960,777
OPEB outflow		2,419,903		10,272
Total deferred outflows of resources		6,233,902		3,971,049
Total assets and deferred outflows of resources	$	984,507,876	$	891,955,808

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

Knoxville Utilities Board Electric Division
Statements of Net Position
June 30, 2022 and 2021

	2022	2021 as restated
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 14,040,000	$ 14,545,000
Current portion of lease liability	403,643	181,052
Sales tax collections payable	1,037,881	921,214
Accounts payable	85,126,362	69,175,449
Accrued expenses	27,424,262	20,538,897
Customer deposits plus accrued interest	16,400,877	14,997,148
Accrued interest on revenue bonds	4,927,920	4,375,852
Total current liabilities	149,360,945	124,734,612
Other liabilities:		
TVA conservation program	613,757	1,158,556
Accrued compensated absences	5,029,077	4,654,095
Customer advances for construction	8,170,574	7,866,759
Lease liability	1,514,058	44,960
Net pension liability	-	8,983
Net OPEB liability	5,203,565	-
Over recovered purchased power cost	-	427,351
Other	51,925	61,347
Total other liabilities	20,582,956	14,222,051
Long-term debt:		
Electric revenue bonds	290,795,000	260,870,000
Unamortized premiums/discounts	29,092,437	25,718,420
Total long-term debt	319,887,437	286,588,420
Total liabilities	489,831,338	425,545,083
Deferred inflows of resources:		
Pension inflow	18,466,274	17,367,447
Unamortized bond refunding costs	1,433,692	60,935
OPEB inflow	15,541	3,820,131
Lease inflow	2,235,602	1,827,924
Total deferred inflows of resources	22,151,109	23,076,437
Total liabilities and deferred inflows of resources	511,982,447	448,621,520
Net position		
Net investment in capital assets	373,317,161	384,825,723
Restricted for:		
Debt service	14,040,124	14,545,125
Other	727	727
Unrestricted	85,167,417	43,962,713
Total net position	472,525,429	443,334,288
Total liabilities, deferred inflows, and net position	$ 984,507,876	$ 891,955,808

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, 2022 and 2021

	2022	2021 as restated
Operating revenues	$ 606,335,419	$ 553,897,585
Operating expenses		
Purchased power	439,114,687	394,541,982
Distribution	43,441,366	37,118,162
Customer service	6,650,825	6,204,319
Administrative and general	16,050,054	13,284,502
Depreciation and amortization	38,481,239	40,385,025
Taxes and tax equivalents	19,293,655	19,147,427
Total operating expenses	563,031,826	510,681,417
Operating income	43,303,593	43,216,168
Non-operating revenues (expenses)		
Contributions in aid of construction	3,019,363	2,563,006
Interest income	716,419	236,934
Interest expense	(10,639,504)	(11,218,425)
Amortization of debt costs	1,416,669	810,435
Write-down of plant for costs recovered through contributions	(3,019,363)	(2,563,006)
Other	(5,606,036)	(1,455,342)
Total non-operating revenues (expenses)	(14,112,452)	(11,626,398)
Change in net position	29,191,141	31,589,770
Net position, beginning of year	443,334,288	411,744,518
Net position, end of year	$ 472,525,429	$ 443,334,288

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

Knoxville Utilities Board Electric Division
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 589,479,000	$ 540,683,390
Cash receipts from other operations	9,028,574	10,079,239
Cash payments to suppliers of goods or services	(464,184,472)	(425,530,701)
Cash payments to employees for services	(27,692,446)	(29,337,790)
Payment in lieu of taxes	(16,791,348)	(16,891,189)
Cash receipts from collections of TVA conservation loan program participants	581,728	917,979
Cash payments for TVA conservation loan program	(598,877)	(952,757)
Net cash provided by operating activities	89,822,159	78,968,171
Cash flows from capital and related financing activities:		
Net proceeds from bond issuance	50,016,599	-
Principal paid on revenue bonds	(14,545,000)	(14,185,000)
(Increase) decrease in unused bond proceeds	(1,298,143)	-
Interest paid on revenue bonds and lease liabilities	(10,087,436)	(12,530,582)
Acquisition and construction of electric plant	(69,377,420)	(60,816,728)
Changes in electric bond fund, restricted	(47,067)	952,157
Customer advances for construction	649,006	715,286
Proceeds received on disposal of plant	378,922	449,423
Principal paid on lease liabilities	(282,522)	(202,102)
Cash received from developers and individuals for capital purposes	3,019,363	2,563,006
Net cash used in capital and related financing activities	(41,573,698)	(83,054,540)
Cash flows from investing activities:		
Purchase of investment securities	(33,780,832)	(15,204,772)
Maturities of investment securities	28,235,589	15,205,382
Issuance of notes receivable from Fiber	(10,000,000)	-
Interest received	659,942	313,496
Other property and investments	1,171	419,527
Net cash (used in) provided by investing activities	(14,884,130)	733,633
Net increase (decrease) in cash and cash equivalents	33,364,331	(3,352,736)
Cash and cash equivalents, beginning of year	39,974,435	43,327,171
Cash and cash equivalents, end of year	73,338,766	$ 39,974,435
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 43,303,593	$ 43,216,168
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	40,057,639	41,981,538
Changes in operating assets and liabilities:		
Accounts receivable	(6,875,994)	(3,774,439)
Lease receivable	(446,075)	(1,827,925)
Inventories	(3,158,737)	(91,811)
Prepaid expenses	(60,421)	(51,891)
TVA conservation program receivable	527,650	830,613
Other assets	(59,637)	111,187
Sales tax collections payable	116,667	1,420
Accounts payable and accrued expenses	18,377,740	1,355,070
Unrecovered purchased power cost	(2,809,774)	(1,421,279)
TVA conservation program payable	(544,799)	(865,392)
Customer deposits plus accrued interest	1,403,729	(452,791)
Other liabilities	(9,422)	(42,297)
Net cash provided by operating activities	$ 89,822,159	$ 78,968,171
Noncash capital activities:		
Record intangible right of use asset and lease liability	$ 1,974,211	$ 428,114

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

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Electric Division (Division) provides services to certain customers in Knox County and in seven surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform Division of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Electric Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2022, and 2021, 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 June 2017, the GASB issued GASB Statement No. 87 (Statement No. 87), *Leases*. This Statement requires recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize an intangible right of use asset and a lease liability. Statement No. 87 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement is reflected on the Division's financial statements.

In June 2018, the GASB issued GASB Statement No. 89 (Statement No. 89), *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. Statement No. 89 is effective for fiscal years beginning after December 15, 2020. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In January 2020, the GASB issued GASB Statement No. 92 (Statement No. 92), *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain provisions of Statement No. 92 were effective immediately. Paragraphs 6, 7, 8, 9, and 12 are effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In March 2020, the GASB issued GASB Statement No. 93 (Statement No. 93), *Replacement of Interbank Offered Rates.* This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. Statement No. 93 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In June 2020, the GASB issued GASB Statement No. 97 (Statement No. 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In October 2021, the GASB issued GASB Statement No. 98 (Statement No.98), *The Annual Comprehensive Financial Report.* This Statement replaces the term *comprehensive annual financial report* with *annual comprehensive financial report.* Statement No. 98 is effective for fiscal years ending after December 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

Electric Plant

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

The provision for depreciation of electric plant in service is based on the estimated useful lives of the assets, which range from three to forty years, and is computed using the straight-line method. Pursuant to FERC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment of $1,576,400 in fiscal year 2022 and $1,596,513 in fiscal year 2021.

Operating Revenue

Operating revenue consists primarily of charges for services provided by the principal operations of the KUB Electric Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of $1,981,625 in fiscal year 2022 and $1,969,448 in fiscal year 2021.

Non-operating Revenue

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

Expense

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

Net Position

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

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease 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 or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

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

Inventories

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

OPEB Trust

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

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a June 30, 2022, and 2021, measurement date, respectively. The net OPEB liability is $11,202,507 (Division's share $5,203,565) as of June 30, 2022, and the net OPEB asset was $5,931,828 (Division's share $2,847,277) as of June 30, 2021.

Pension Plan and Qualified Excess Benefit Arrangement

KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 10). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. The net pension asset is $64,137,714 (Division's share $29,962,099) as of June 30, 2022, and $45,099,288 (Division's share $21,647,658) as of June 30, 2021.

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 11). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2022. The total pension liability of the QEBA was $18,714 (Division's share $8,983) as of June 30, 2021.

Investments

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

Self-Insurance

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

Estimates

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

Restricted and Designated Assets

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

Cash Equivalents

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

Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the noncancelable 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.

Deferred Outflows and Inflows of Resources

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

Debt Premium/Discount

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

Debt Issuance Costs

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

Deferred Gain/Loss on Refunding of Debt

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

Compensated Absences

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

TVA Conservation Program

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

Restatement for GASB 87

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

As lessee and as a result of adopting GASB 87, as of June 30, 2021, KUB's Electric Division recorded total intangible right of use assets of $428,114 with accumulated amortization of $202,103 and recognized total lease liabilities of $226,012 ($181,052 current). KUB's Electric Division also reclassified $31,153 from rent expense shown in customer service expense and $176,110 from rent expense shown in administrative and general expense to $202,103 as amortization expense and $5,160 as interest expense.

Related to lease agreements where KUB is the lessor, as a result of adopting GASB 87, as of June 30, 2021, KUB's Electric Division recognized lease receivables of $1,827,924 ($180,788 current), with a corresponding deferred inflow of resources of $1,827,924. KUB's Electric Division also reclassified $4,176 from rent revenue shown in other operating revenues to interest income.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 87.

Subsequent Events
As a component of the 2023 fiscal year budget, a $7 million loan was initiated from the Electric Division to the Fiber Division as the second installment of the proposed $35 million total loan. The interdivisional loan was approved by TVA and was recorded in August 2022.

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

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

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

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

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

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 ($2,382,423) as of June 30, 2022, and $427,351 as of June 30, 2021.

Recently Issued Accounting Pronouncements
In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022.

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

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

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

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

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

3. Deposits and Investments

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

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

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

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

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

Classification of deposits and investments per Statement of Net Position:

	2022	**2021**
Current assets		
Cash and cash equivalents	$ 73,338,766	$ 39,974,435
Short-term contingency fund investments	5,593,368	28,322,859
Other assets		
Long-term contingency fund investments	36,931,070	9,956,600
Restricted assets		
Unused bond proceeds	1,298,143	-
Electric bond fund	18,968,044	18,920,977
Other funds	727	727
	$ 136,130,118	$ 97,175,598

The above amounts do not include accrued interest of $46,824 in fiscal year 2022 and $37,407 in fiscal year 2021. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's deposits and investments as held by financial institutions as of June 30, 2022:

	Deposit and Investment Maturities (in Years)		
	Fair Value	**Less Than 1**	**1-5**
Supersweep NOW and Other Deposits	$ 95,697,684	$ 95,697,684	$ -
State Treasurer's Investment Pool	1,346,223	1,346,223	-
Agency Bonds	42,476,358	5,545,288	36,931,070
	$ 139,520,265	$ 102,589,195	$ 36,931,070

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, 2022:

- U.S. Agency bonds of $36,931,070, 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:

	2022	2021
Wholesale and retail customers		
Billed services	$ 36,073,890	$ 33,532,252
Unbilled services	26,407,180	21,168,714
Other	1,234,115	2,060,007
Allowance for uncollectible accounts	(569,961)	(491,743)
	$ 63,145,224	$ 56,269,230

5. Accounts Payable and Accruals

Accounts payable and accruals were composed of the following:

	2022	2021
Trade accounts	$ 85,126,362	$ 69,175,449
Salaries and wages	723,454	2,016,607
Advances on pole rental	1,393,933	1,379,998
Self-insurance liabilities	1,067,781	929,396
Other current liabilities	24,239,094	16,212,896
	$ 112,550,624	$ 89,714,346

6. Long-Term Obligations

Long-term debt consists of the following:

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

	Balance June 30, 2020	Additions	Payments	Defeased	Balance June 30, 2021	Amounts Due Within One Year
Electric						
Z-2010 - 1.45 - 6.35%	$ 1,425,000	$ -	$ 1,425,000	$ -	$ -	$ -
AA-2012 - 3.0 - 5.0%	22,880,000	-	3,100,000	16,510,000	3,270,000	3,270,000
BB-2012 - 3.0 - 4.0%	30,375,000	-	800,000	28,750,000	825,000	825,000
CC-2013 - 3.0 - 4.0%	7,585,000	-	515,000	6,530,000	540,000	540,000
DD-2014 - 2.0 - 4.0%	36,325,000	-	825,000	34,625,000	875,000	875,000
EE-2015 - 2.0 - 5.0%	25,900,000	-	2,135,000	-	23,765,000	2,235,000
FF-2015 - 2.0 - 5.0%	32,150,000	-	775,000	-	31,375,000	800,000
GG-2016 - 2.0 - 5.0%	37,550,000	-	900,000	-	36,650,000	950,000
HH-2017 - 2.5 - 5.0%	19,510,000	-	2,090,000	-	17,420,000	2,195,000
II-2017 - 3.0 - 5.0%	38,535,000	-	805,000	-	37,730,000	845,000
JJ-2018 - 3.0 - 5.0%	39,220,000	-	815,000	-	38,405,000	855,000
KK-2020 - 5.0%	14,380,000	-	-	-	14,380,000	1,155,000
LL-2021 - 4.0 - 5.0%	-	70,180,000	-	-	70,180,000	-
Total bonds	$ 305,835,000	$ 70,180,000	$ 14,185,000	$ 86,415,000	$ 275,415,000	$ 14,545,000
Unamortized Premium	13,668,174	16,772,021	1,301,355	3,420,420	25,718,420	-
Total long term debt	$ 319,503,174	$ 86,952,021	$ 15,486,355	$ 89,835,420	$ 301,133,420	$ 14,545,000

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

Fiscal Year		Principal		Total Interest		Grand Total
2023	$	14,040,000	$	10,578,607	$	24,618,607
2024		15,470,000		10,946,274		26,416,274
2025		16,045,000		10,254,224		26,299,224
2026		14,235,000		9,604,974		23,839,974
2027		14,820,000		8,977,524		23,797,524
2028-2032		61,895,000		36,667,394		98,562,394
2033-2037		47,595,000		26,228,209		73,823,209
2038-2042		53,655,000		17,024,790		70,679,790
2043-2047		50,640,000		7,351,258		57,991,258
2048-2052		16,440,000		1,335,794		17,775,794
Total	$	304,835,000	$	138,969,048	$	443,804,048

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, 2022, these requirements had been satisfied.

During fiscal year 2021, KUB's Electric Division issued Series LL 2021 bonds to retire a portion of outstanding Series AA 2012, BB 2012, CC 2013, and DD 2014 bonds. On April 19, 2021, $70.2 million in revenue refunding bonds with an average interest rate of 4.4 percent were issued to advance refund $86.4 million of outstanding bonds with an average interest rate of 3.5 percent. The net proceeds of $87.8 million (after payment of $0.5 million in issuance costs plus premium of $16.7 million and an additional issuer equity contribution of $1.4 million) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the bonds, with the exception of the July 1, 2021, debt service payment. As a result, the remaining bonds are considered to be refunded and the liability of $86.4 million for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the life of the bonds by $14.3 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $11.9 million.

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

Other liabilities consist of the following:

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

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
TVA conservation program	$ 2,023,948	$ 113,417	$ (978,809)	$ 1,158,556
Accrued compensated absences	4,724,274	7,785,630	(7,855,809)	4,654,095
Customer advances for construction	7,285,510	2,442,397	(1,861,148)	7,866,759
Other	103,644	44,152	(86,449)	61,347
	$ 14,137,376	$ 10,385,596	$ (10,782,215)	$ 13,740,757

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 two to fifteen 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 $235,576 in 2022 and $209,747 in 2021. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $66,221 in 2022 and $4,176 in 2021. Total lease receivables were $2,274,000 ($266,032 current) and $1,827,924 ($180,788 current) as of June 30, 2022, and 2021, 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, 2021	Increase	Decrease	Balance June 30, 2022
Total lease liabilities	$ 226,012	$ 2,029,005	$ (337,316)	$ 1,917,701
Less current portion	(181,052)			(403,643)
Long-term portion	$ 44,960			$ 1,514,058

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Total lease liabilities	$ -	$ 428,114	$ (202,102)	$ 226,012
Less current portion	-			(181,052)
Long-term portion	$ -			$ 44,960

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to fourteen 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, 2022, are summarized as follows:

	Lease Maturities	Interest Requirements
2023	$ 403,643	$ 63,808
2024	370,260	49,534
2025	391,871	36,003
2026	411,697	21,244
2027	331,489	5,492
2028-2032	4,825	110
2033-2037	3,916	32
	$ 1,917,701	$ 176,223

9. Capital and Intangible Right of Use Assets

Capital and intangible right of use asset activity was as follows:

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

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Distribution Plant				
Services and Meters	$ 76,480,353	$ 1,844,232	$ (3,745,148)	$ 74,579,437
Electric Station Equipment	172,157,527	11,953,246	(1,767,048)	182,343,725
Poles, Towers and Fixtures	197,063,098	23,383,197	(776,179)	219,670,116
Overhead Conductors	161,568,836	26,461,659	(7,803,177)	180,227,318
Line Transformers	105,096,527	2,378,696	(740,100)	106,735,123
Other Accounts	193,364,408	10,887,516	(4,051,254)	200,200,670
Total Distribution Plant	$ 905,730,749	$ 76,908,546	$ (18,882,906)	$ 963,756,389
General Plant	117,537,151	19,506,760	(805,234)	136,238,677
Total Plant Assets	$ 1,023,267,900	$ 96,415,306	$ (19,688,140)	$ 1,099,995,066
Less Accumulated Depreciation	(441,716,884)	(43,337,591)	21,954,697	(463,099,778)
Net Plant Assets	$ 581,551,016	$ 53,077,715	$ 2,266,557	$ 636,895,288
Work In Progress	95,642,310	57,561,401	(98,738,144)	54,465,567
Total Net Plant	$ 677,193,326	$ 110,639,116	$ (96,471,587)	$ 691,360,855
Intangible Right of Use Assets				
Office space	$ -	$ 309,638	$ -	$ 309,638
Equipment	-	71,903	(27,415)	44,488
Other	-	73,988	-	73,988
Total Intangible Right of Use Assets	$ -	$ 455,529	$ (27,415)	$ 428,114
Less Accumulated Amortization	-	(202,103)	-	(202,103)
Net Intangible Right of Use Assets	$ -	$ 253,428	$ (27,415)	$ 226,011

10. 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, 2022, and June 30, 2021, the amount of these liabilities was $1,067,781 and $929,396, respectively, resulting from the following changes:

	2022	2021
Balance, beginning of year	$ 929,396	$ 825,898
Current year claims and changes in estimates	8,769,088	7,469,778
Claims payments	(8,630,703)	(7,366,280)
Balance, end of year	$ 1,067,781	$ 929,396

11. 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:

	2021	2020
Inactive plan members:		
Terminated vested participants	12	11
Retirees and beneficiaries	600	593
Active plan members	478	518
Total	1,090	1,122

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 3% of the first $4,800 of annual earnings and 5% 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, 2021:

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

Contributions of $3,665,168 and $3,167,680 for 2020 and 2019, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2022, and 2021, respectively. Of these amounts, $1,712,192 and $1,520,486 are attributable to the Electric Division. The fiscal year 2022 contribution was determined as part of the January 1, 2020, 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, 2022, and 2021, will be based on the December 31, 2021, and 2020, measurement date, respectively. The Division's share of the net pension asset as of June 30, 2022, is $29,962,099 and as of June 30, 2021, is $21,647,658.

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

	2021	2020
Total pension liability	$ 242,201,780	$ 234,363,021
Plan fiduciary net position	(306,339,494)	(279,462,309)
Plan's net pension liability (asset)	$ (64,137,714)	$ (45,099,288)
Plan fiduciary net position as a percentage of the total pension liability	126.48%	119.24%

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, 2020	$ 234,363,021	$ 279,462,309	$ (45,099,288)
Changes for the year:			
Service cost	6,647,220	-	6,647,220
Interest	16,982,226	-	16,982,226
Differences between Expected and Actual Experience	1,935,276	-	1,935,276
Changes of Assumptions	-	-	-
Contributions - employer	-	3,416,428	(3,416,428)
Contributions - rollovers	-	3,936,711	(3,936,711)
Contributions - member	-	2,976	(2,976)
Net investment income	-	37,688,050	(37,688,050)
Benefit payments	(17,725,963)	(17,725,963)	-
Administrative expense	-	(441,017)	441,017
Net changes	7,838,759	26,877,185	(19,038,426)
Balances at December 31, 2021	$ 242,201,780	$ 306,339,494	$ (64,137,714)

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, 2021, rolled forward to December 31, 2021; January 1, 2020, rolled forward to December 31, 2020
Discount rate	7.25% as of December 31, 2021, and 2020
Salary increases	From 2.50% to 5.65%, based on years of service as of December 31, 2021, and 2020
Mortality	115% and 110% of the PubG-2010 table, for males and females respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of December 31, 2021, and 2020
Inflation	2.5% as of December 31, 2021, and 2020

The actuarial assumptions used in the January 1, 2021, and 2020, valuations were based on an actuarial experience study covering the period January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2021, and 2020, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. The Plan has both aggregate and long duration fixed income.

	Long Term Expected Real Rate of Return	
Asset Class	**2021**	**2020**
Domestic equity	5.1%	5.1%
Non-U.S. equity	6.0%	6.4%
Real estate equity	5.4%	5.6%
Debt securities	0.2%	0.9%
Cash and deposits	(0.3)%	0.2%

Discount rate

The discount rate used to measure the total pension liability was 7.25 percent as of December 31, 2021, and 2020. 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 for the Electric Division as of December 31, 2021, calculated using the discount rate of 7.25 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 (6.25 percent) or one percent higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Plan's net pension liability (asset)	$ (19,837,982)	$ (29,962,099)	$ (38,695,590)

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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, 2022, KUB recognized pension expense of ($11,639,307) and the Electric Division's share was ($5,387,327).

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was 4.00 years. During the measurement year, there was a liability experience loss of $1,935,276, with approximately $483,819 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $1,451,457. Unrecognized liability experience losses from prior periods were $1,544,136, of which $386,034 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,158,102. The combination of unrecognized liability experience losses this year along with unrecognized liability experience losses from prior periods results in a deferred outflow of $2,609,559 (Division's share $1,219,063). Unrecognized liability gains from prior periods were $1,092,163, of which $549,386 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $542,777 (Division's share $253,560).

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

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

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

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

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

$856,097 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2023	$ (3,740,389)
2024	(6,333,877)
2025	(3,767,313)
2026	(1,664,191)
Thereafter	-

For the year ended June 30, 2021, KUB recognized pension expense of ($7,325,254) and the Electric Division's share was ($3,516,122).

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, 2019, this average was 5.00 years. During the measurement year, there was a liability experience loss of $1,930,170, with $386,034 of that recognized in the current year and in each of the next four years, resulting in a deferred outflow of $1,544,136 (Division's share $741,185). Unrecognized liability experience gains from prior periods were $2,088,302, of which $996,139 was recognized as a reduction in pension expense in the current year and resulted in a deferred inflow of $1,092,163 (Division's share $524,238).

During the measurement year, there were no benefit changes or assumption changes. Unrecognized assumption change losses from prior periods were $6,778,528, of which $1,694,632 was recognized as an increase in pension expense in the current year and resulted in a deferred outflow of $5,083,896 (Division's share $2,440,270). Unrecognized assumption change decreases from prior periods were $729,629, of which $658,104 was recognized as a reduction in pension expense in the current year and resulted in a deferred inflow of $71,525 (Division's share $34,332).

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 $27,394,477, of which $5,478,895 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $17,715,210, of which $4,635,928 was recognized as a decrease in pension expense in the current year. The combination of unrecognized investment gains this year along with the net unrecognized investment gains from prior periods results in a net difference between projected and actual earnings on pension plan investments as of December 31, 2020, of $34,994,864 (Division's share $16,797,535). The following table summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over future years. In addition, KUB recorded a deferred outflow of resources of $1,583,842 as of June 30, 2021, for employer contributions made between December 31, 2020, and June 30, 2021 (Division's share $760,245).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,544,136	$ 1,092,163
Changes in assumptions	5,083,896	71,525
Net difference between projected and actual earnings on pension plan investments	-	34,994,864
Contributions subsequent to measurement date	1,583,842	-
Total	$ 8,211,874	$ 36,158,552
Division's share	$ 3,941,700	$ 17,356,105

12. 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, 2022, there are 446 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2022.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. There is no Total Pension Liability as of June 30, 2022. The Division's share of the total pension liability was $8,983 as of June 30, 2021.

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

	2021	**2020**
Total pension liability	$0	$18,714
Deferred outflows	(11,505)	(33,660)
Deferred inflows	16,927	23,630
Net impact on Statement of Net Position	$5,422	$8,684
Covered payroll	$38,074,863	$41,524,273
Total pension liability as a % of covered payroll	0.00%	0.05%

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

	Increase (Decrease)	
	Total Pension Liability	
Balances at December 31, 2020	$	18,714
Changes for the year:		
Service cost		-
Interest		268
Changes of Benefits		-
Differences between Expected and Actual Experience		(6,816)
Changes of Assumptions		-
Benefit payments		(12,166)
Net changes		(18,714)
Balances at December 31, 2021	$	-

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

Valuation dates	January 1, 2022, and January 1, 2021
Actuarial cost method	Individual entry age
Salary increase	From 2.50% to 5.65%, based on years of service as of January 1, 2022, and 2021
Mortality	115% and 110% of the Public Sector General Healthy Annuitant Mortality Table (PubG-2010), for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the

	2010 base rates using scale MP2018, fully generational as of January 1, 2022, and 2021
Inflation	2.5% as of January 1, 2022, and 2021

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

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 2.06% as of January 1, 2022, and 2.12% as of January 1, 2021.

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

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

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was 4 years. During the measurement year, there was an experience gain of $6,816, with $1,704 recognized in the current year and each of the next three years, resulting in a deferred inflow of $5,112 (Division's share $2,454). There was a deferred inflow at the end of the measurement year of $7,225 (Division's share $3,468) from experience gains in prior years and a deferred outflow of $6,112 (Division's share $2,933) from experience losses in prior years.

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

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

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

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

Year ended June 30:		
2023	$	(8,793)
2024		3,023
2025		348
2026		-
2027		-
Thereafter		-

For the year ended June 30, 2021, KUB recognized pension expense of $21,436 for the QEBA (Division's share $10,289). This amount is not expected to be the same as KUB's contribution to the QEBA ($22,874), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$8,684 - $10,122 + $22,874].

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, 2019, this average was 5 years. During the measurement year, there was an experience loss of $10,165, with $2,033 recognized in the current year and each of the next four years, resulting in a deferred outflow of $8,132 (Division's share $3,903). There was a deferred inflow at the end of the measurement year of $14,450 (Division's share $6,936) from experience gains in prior years and a deferred outflow of $2,756 (Division's share $1,323) from experience losses in prior years.

During the measurement year, there was an assumption change loss of $91, with $18 recognized in the current year and each of the next four years, resulting in a deferred outflow of $73 (Division's share $35). There was a deferred inflow at the end of the measurement year of $9,180 (Division's share $4,406) and a deferred outflow of $22,699 (Division's share $10,896) from assumption changes in prior years. In addition, KUB recorded a deferred outflow of resources of $6,084 as of June 30, 2021 for contributions between December 31, 2020, and June 30, 2021 (Division's share $2,920).

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

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	10,888	$	14,450
Changes in assumptions		22,772		9,180
Contributions subsequent to measurement date		6,084		-
Total	$	39,744	$	23,630
Division's share	$	19,077	$	11,342

13. 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 3 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 3 percent. They also receive a nonelective KUB contribution of 3 percent to 6 percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and nonelective contributions of $3,125,903 (Division's share $1,500,433) and $2,984,314 (Division's share $1,432,471), respectively, for the years ended June 30, 2022, and 2021.

14. 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	
	2022	2021	2022	2021
Retirees	4	0	549	538
Dependents of retirees	2	0	612	579
Eligible active employees	15	0	145	160
Total	21	0	1,306	1,277

Benefits

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

Contributions and Funding

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

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

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

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

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

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203. The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2022:

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%

For the fiscal year ended June 30, 2022, an actuarially determined contribution for the Electric Division of $923,921 was made to the OPEB Trust along with the division's share ($720,000) of an additional $1,500,000 contribution to help fund the HRA. Actuarially determined contributions for the Electric Division for the fiscal year ended June 30, 2021, were $363,468. These were based on the OPEB actuarial valuations as of January 1, 2020, and 2019.

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 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, 2022, and 2021, and the Total OPEB Liability as of the valuation date, January 1, 2021, updated to June 30, 2022, and January 1, 2020, updated to June 30, 2021, respectively. The Division's share of the total net OPEB liability (asset) was $5,203,565 as of June 30, 2022, and ($2,847,277) as of June 30, 2021.

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

	2022	2021
Total OPEB liability	$ 58,536,280	$ 51,515,118
Plan fiduciary net position	47,333,773	57,446,946
Net OPEB liability (asset)	$ 11,202,507	$ (5,931,828)
Plan fiduciary net position as a percentage of the total OPEB liability	80.86%	111.51%

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, 2021	$ 51,515,118	$ 57,446,946	$ (5,931,828)
Changes for the year:			
Service cost	416,277	-	416,277
Interest	3,858,276	-	3,858,276
Changes of Benefits	6,594,293	-	6,594,293
Differences between Expected and Actual Experience	60,951	-	60,951
Changes of Assumptions	-	-	-
Contributions - employer	-	1,989,066	(1,989,066)
Contributions - member	-	-	-
Net investment income	-	(8,122,417)	8,122,417
Benefit payments	(3,908,635)	(3,908,635)	-
Administrative expense	-	(71,187)	71,187
Net changes	7,021,162	(10,113,173)	17,134,335
Balances at June 30, 2022	$ 58,536,280	$ 47,333,773	$ 11,202,507

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, 2021, rolled forward to June 30, 2022; January 1, 2020, rolled forward to June 30, 2021
Discount rate:	7.25% as of January 1, 2021, and 2020
Healthcare cost trend rates:	Pre-Medicare: 6.75% grading down to 4.04% over 20 years as of January 1, 2021, and 2020 Medicare: 6.30% grading down to 4.04% over 20 years as of January 1, 2021, and 2020 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service as of January 1, 2021, and 2020
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP2018 fully generational as of January 1, 2021, and 2020
Inflation:	2.50% as of January 1, 2021, and 2020

The actuarial assumptions used in the January 1, 2021, and January 1, 2020, valuations were based on the results of actuarial experience studies for the periods January 1, 2014, through December 31, 2018.

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

	Long Term Expected Real Rate of Return	
Asset Class	**2022**	**2021**
Domestic equity	5.5%	4.9%
International equity	6.5%	5.9%
Emerging Market equity	8.6%	8.4%
Real estate equity	5.7%	5.4%
Debt securities	1.2%	0.5%
Cash and deposits	0.2%	(0.1%)

Discount rate
The discount rate used to measure the total OPEB liability was 7.25 percent as of June 30, 2022, and 2021. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the 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 Division's share of the Trust as of June 30, 2022, calculated using the discount rate of 7.25 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 (6.25 percent) or one percent higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	**Current Discount Rate (7.25%)**	**1% Increase (8.25%)**
Net OPEB liability (asset)	$7,886,410	$5,203,565	$2,942,000

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 Division's share of the Trust as of June 30, 2022, 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)	$2,944,279	$5,203,565	$7,825,091

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

For the year ended June 30, 2022, KUB's Electric Division recognized OPEB expense of $2,760,543.

The impact of liability experience gains or losses and assumption changes on the Electric Division's Share of the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was 2.0 years. During the measurement year, there was an experience loss of $60,951, with $30,476 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $30,475 (Division's share $14,156). Unrecognized experience losses from prior periods were $21,401, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were benefit changes that increased the Total OPEB Liability by $6,594,293. This increase is recognized immediately in the June 30, 2022, OPEB expense.

Unrecognized gains due to assumption changes from prior periods were $2,052,917, of which the entire amount is recognized as a decrease in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $12,216,418, of which $2,443,284 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred outflow of resources of $9,773,134. Net unrecognized investment gains from prior periods were $5,905,689, of which $1,311,774 was recognized as a decrease in OPEB expense in the current year, resulting in a net deferred inflow of $4,593,915. The combination of unrecognized losses this year, along with the net unrecognized investment gains from prior periods results in a deferred outflow of resources of $5,179,219 (Division's share $2,405,747). The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is two years. This change resulted in a deferred inflow of $31,083, with $15,542 of that recognized in the current year and the remaining amount recognized in the next year, resulting in a deferred inflow of resources of $15,541. The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Electric Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,156	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	2,405,747	-
Change in proportionate share	-	15,541
Total	$ 2,419,903	$ 15,541

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

Year ended June 30:		
2023	$	538,489
2024		485,284
2025		245,684
2026		1,134,905
2027		-
Thereafter		-

For the year ended June 30, 2021, KUB recognized OPEB expense of ($648,134) (Division's share ($311,104)).

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 2.0 years. During the measurement year, there was an experience loss of $42,802, with $21,401 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $21,401 (Division's share $10,272). Unrecognized experience losses from prior periods were $21,951, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there was a decrease in the Total OPEB Liability due to assumption changes of $4,105,835, with $2,052,918 of that recognized in the current year and in the next year, resulting in a deferred inflow of $2,052,917 (Division's share $985,400). Unrecognized assumption changes from prior periods were $1,802,421, of which the entire amount is recognized as an increase in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $9,571,802, of which $1,914,360 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 $2,354,338, of which $602,585 was recognized as an increase in OPEB expense in the current year. The combination of unrecognized gains this year along with the net unrecognized investment losses from prior periods results in a net difference between projected and actual earnings on OPEB plan investments as of June 30, 2021, of $5,905,689 (Division's share $2,834,731). The table below summarizes the current balances of deferred outflows and deferred inflows of resources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,401	$ -
Changes in assumptions	-	2,052,917
Net difference between projected and actual earnings on OPEB plan investments	-	5,905,689
Total	$ 21,401	$ 7,958,606
Division's share	$ 10,272	$ 3,820,131

15. 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, 2022, and 2021, are summarized as follows:

	2022	2021
City of Knoxville		
Amounts billed by the Division for utilities and related services	$ 6,078,236	$ 5,503,848
Payments by the Division in lieu of property tax	8,702,736	8,594,084
Payments by the Division for services provided	85,061	427,606
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	6,419,319	5,985,971
Interdivisional rental expense	151,362	69,970
Interdivisional rental income	1,793,661	1,707,928
Amounts billed to the Division by other divisions for utilities services provided	235,944	193,109
Interdivisional utilization income	55,503	-

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

	2022	2021
Accounts receivable	$ 371,553	$ 413,157

In October 2021, the Division issued an interdivisional loan of $10 million to the Fiber Division at an interest rate of 3.69%. The Division recognized interest income of $291,750 for the year ended June 30, 2022. Principal payments from the Fiber Division begin in October 2022 through June 2030. KUB’s Board and TVA have approved proposed loans of up to $35 million from the Electric Division to the Fiber Division.

16. Other Commitments and Contingencies

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

Knoxville Utilities Board Electric Division

Required Supplementary Information – Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2022

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

Notes to Schedule:

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

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

Knoxville Utilities Board Electric Division
Required Supplementary Information – Schedule of Employer Pension Contributions
June 30, 2022

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

Notes to Schedule:

Timing:	Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.
Valuation Dates:	January 1, 2020 and January 1, 2019

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual entry age
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 21 years remaining (22 years as of January 1, 2019), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2020 and 2019, the unfunded liability was negative.
Discount rate:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Salary increases:	2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational
Inflation:	2.5%

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

Knoxville Utilities Board Electric Division
Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2022

	*Year ended June 30				
	2022	**2021**	**2020**	**2019**	**2018**
Total OPEB liability					
Service cost	$ 416,277	$ 283,786	$ 256,270	$ 270,515	$ 202,603
Interest	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	$ 58,536,280	$ 51,515,118	$ 54,544,240	$ 50,197,938	$ 45,604,431
Plan fiduciary net position					
Contributions - employer	$ 1,989,066	$ 757,226	$ 311,324	$ -	$ -
Net investment income	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	$ 47,333,773	$ 57,446,946	$ 46,954,793	$ 48,750,196	$ 49,355,499
Net OPEB liability (asset) - ending (a) - (b)	$ 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	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	$ 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	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 Electric Division
Required Supplementary Information – Schedule of Employer OPEB Contributions
June 30, 2022

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

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

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

Notes to Schedule:

Valuation Date:	January 1, 2020 and January 1, 2019
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 16 years remaining as of January 1, 2020 (17 years as of January 1, 2019), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2019 and 2020, the unfunded liability was positive
Discount rate:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Healthcare cost trend rate:	Pre-Medicare: 6.75% grading down to 4.04% over 20 years as of January 1, 2020; 7.83% grading down to 4.50% over 19 years as of January 1, 2019 Medicare: 6.30% grading down to 4.04% over 20 years as of January 1, 2020; 6.88% grading down to 4.50% over 19 years as of January 1, 2019 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.5%
Investment rate of return:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Retirement age:	2% at ages 50-57, grading up to 100% at age 70

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

Knoxville Utilities Board Electric Division

Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement

Schedule of Changes in Total Pension Liability and Related Ratios

June 30, 2022

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

Notes to Schedule:

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

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2022

Continued on Next Page

	EE-2015		FF-2015		GG-2016		HH-2017		II-2017		JJ-2018	
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
22-23	2,300,000	708,250	825,000	63,125	1,000,000	978,938	2,305,000	534,830	890,000	1,178,150	895,000	1,294,281
23-24	2,415,000	590,375	850,000	21,250	1,050,000	927,688	2,400,000	444,205	935,000	1,132,525	930,000	1,257,781
24-25	2,555,000	478,900			1,100,000	884,938	2,460,000	380,455	985,000	1,084,525	965,000	1,224,706
25-26	2,670,000	387,750			1,125,000	857,188	2,560,000	285,705	1,035,000	1,034,025	1,005,000	1,185,106
26-27	2,735,000	306,675			1,150,000	834,438	2,695,000	154,330	1,075,000	992,025	1,055,000	1,133,606
27-28	2,850,000	222,900			1,175,000	811,188	2,805,000	43,478	1,110,000	959,250	1,100,000	1,090,731
28-29	2,955,000	135,825			1,200,000	787,437			1,140,000	925,500	1,130,000	1,057,281
29-30	3,050,000	45,750			1,200,000	762,687			1,175,000	890,775	1,165,000	1,022,856
30-31					1,250,000	731,187			1,215,000	854,925	1,200,000	986,631
31-32					1,275,000	693,312			1,250,000	817,950	1,240,000	947,731
32-33					1,325,000	654,312			1,285,000	779,925	1,285,000	905,897
33-34					1,350,000	614,187			1,325,000	740,775	1,330,000	860,938
34-35					1,400,000	572,937			1,365,000	700,425	1,375,000	813,600
35-36					1,450,000	535,625			1,410,000	658,800	1,420,000	766,463
36-37					1,475,000	500,875			1,450,000	615,900	1,470,000	719,500
37-38					1,525,000	459,563			1,495,000	571,725	1,520,000	669,963
38-39					1,550,000	417,313			1,540,000	526,200	1,570,000	617,819
39-40					1,600,000	377,937			1,590,000	479,250	1,625,000	562,888
40-41					1,650,000	335,250			1,635,000	430,875	1,685,000	504,963
41-42					1,675,000	289,531			1,685,000	381,075	1,745,000	444,938
42-43					1,725,000	242,781			1,740,000	329,700	1,805,000	382,813
43-44					1,775,000	194,656			1,790,000	275,631	1,870,000	318,500
44-45					1,825,000	142,875			1,850,000	218,756	1,935,000	251,913
45-46					1,900,000	87,000			1,910,000	160,006	2,005,000	182,963
46-47					1,950,000	29,250			1,970,000	98,151	2,075,000	111,563
47-48									2,035,000	33,069	2,150,000	37,625
48-49												
49-50												
50-51												
51-52												
Total	$ 21,530,000	$ 2,876,425	$ 1,675,000	$ 84,375	$ 35,700,000	$ 13,723,093	$ 15,225,000	$ 1,843,003	$ 36,885,000	$ 16,869,913	$ 37,550,000	$ 19,353,056

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2022

Continued from Previous Page

	KK-2020		LL-2021		MM-2022		NN-2022		Total		Grand Total (P + I)
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
22-23	1,215,000	630,875	4,610,000	3,136,450	-	1,310,396	-	743,312	14,040,000	10,578,607	24,618,607
23-24	1,270,000	568,750	4,855,000	2,899,825	765,000	1,930,225	-	1,173,650	15,470,000	10,946,274	26,416,274
24-25	1,335,000	503,625	5,015,000	2,653,075	805,000	1,890,975	825,000	1,153,025	16,045,000	10,254,224	26,299,224
25-26	1,400,000	435,250	2,745,000	2,459,075	850,000	1,849,600	845,000	1,111,275	14,235,000	9,604,974	23,839,974
26-27	1,460,000	363,750	2,890,000	2,318,200	895,000	1,805,975	865,000	1,068,525	14,820,000	8,977,524	23,797,524
27-28	1,525,000	289,125	2,995,000	2,171,075	940,000	1,760,100	885,000	1,024,775	15,385,000	8,372,622	23,757,622
28-29	1,595,000	211,125	3,315,000	2,013,325	990,000	1,711,850	935,000	979,275	13,260,000	7,821,618	21,081,618
29-30	1,675,000	129,375	3,465,000	1,843,825	1,040,000	1,661,100	965,000	931,775	13,735,000	7,288,143	21,023,143
30-31	1,750,000	43,750	2,525,000	1,694,075	1,090,000	1,607,850	1,025,000	882,025	10,055,000	6,800,443	16,855,443
31-32			3,495,000	1,543,575	1,150,000	1,551,850	1,050,000	830,150	9,460,000	6,384,568	15,844,568
32-33			2,850,000	1,384,950	1,205,000	1,492,975	1,110,000	776,150	9,060,000	5,994,209	15,054,209
33-34			2,845,000	1,242,575	1,270,000	1,431,100	1,170,000	725,000	9,290,000	5,614,575	14,904,575
34-35			2,845,000	1,100,325	1,335,000	1,365,975	1,190,000	677,800	9,510,000	5,231,062	14,741,062
35-36			2,845,000	972,300	1,395,000	1,304,700	1,240,000	629,200	9,760,000	4,867,088	14,627,088
36-37			2,845,000	858,500	1,450,000	1,247,800	1,285,000	578,700	9,975,000	4,521,275	14,496,275
37-38			2,845,000	744,700	1,510,000	1,188,600	1,335,000	526,300	10,230,000	4,160,851	14,390,851
38-39			2,845,000	630,900	1,575,000	1,126,900	1,380,000	472,000	10,460,000	3,791,132	14,251,132
39-40			2,845,000	517,100	1,640,000	1,062,600	1,425,000	415,900	10,725,000	3,415,675	14,140,675
40-41			2,845,000	403,300	1,705,000	995,700	1,475,000	357,900	10,995,000	3,027,988	14,022,988
41-42			2,845,000	289,500	1,775,000	926,100	1,520,000	298,000	11,245,000	2,629,144	13,874,144
42-43			2,845,000	175,700	1,845,000	853,700	1,590,000	235,800	11,550,000	2,220,494	13,770,494
43-44			1,485,000	89,100	1,920,000	778,400	1,640,000	171,200	10,480,000	1,827,487	12,307,487
44-45			1,485,000	29,700	2,000,000	700,000	1,710,000	104,200	10,805,000	1,447,444	12,252,444
45-46					2,080,000	618,400	1,750,000	35,000	9,645,000	1,083,369	10,728,369
46-47					2,165,000	533,500			8,160,000	772,464	8,932,464
47-48					2,255,000	445,100			6,440,000	515,794	6,955,794
48-49					2,350,000	353,000			2,350,000	353,000	2,703,000
49-50					2,450,000	257,000			2,450,000	257,000	2,707,000
50-51					2,550,000	157,000			2,550,000	157,000	2,707,000
51-52					2,650,000	53,000			2,650,000	53,000	2,703,000
Total	$ 13,225,000	$ 3,175,625	$ 70,180,000	$ 31,171,150	$ 45,650,000	$ 33,971,471	$ 27,215,000	$ 15,900,937	$ 304,835,000	$ 138,969,048	$ 443,804,048

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, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2021	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2022
Business-Type Activities									
BONDS PAYABLE									
Payable through Electric Fund									
Revenue Bond Refunding, Series AA-2012	36,815,000	3.0-5.0	04/20/12	07/01/29	$ 3,270,000	$	$ 3,270,000	$	$ -
Revenue Bond, Series BB-2012	35,000,000	3.0-4.0	12/18/12	07/01/42	825,000		825,000		-
Revenue Bond Refunding, Series CC-2013	9,660,000	3.0-4.0	03/15/13	07/01/31	540,000		540,000		-
Revenue Bond, Series DD-2014	40,000,000	2.0-4.0	09/18/14	07/01/44	875,000		875,000		-
Revenue Bond Refunding, Series EE-2015	28,550,000	2.0-5.0	05/01/15	07/01/29	23,765,000		2,235,000		21,530,000
Revenue Bond, Series FF-2015	35,000,000	2.0-5.0	05/20/15	07/01/45	31,375,000		800,000	28,900,000	1,675,000
Revenue Bond, Series GG-2016	40,000,000	2.0-5.0	08/05/16	07/01/46	36,650,000		950,000		35,700,000
Revenue Bond Refunding, Series HH-2017	23,445,000	2.5-5.0	04/07/17	07/01/27	17,420,000		2,195,000		15,225,000
Revenue Bond, Series II-2017	40,000,000	3.0-5.0	09/15/17	07/01/47	37,730,000		845,000		36,885,000
Revenue Bond, Series JJ-2018	39,995,000	3.0-5.0	09/14/18	07/01/47	38,405,000		855,000		37,550,000
Revenue Bond Refunding, Series KK-2020	14,380,000	5.0	05/22/20	07/01/30	14,380,000		1,155,000		13,225,000
Revenue Bond Refunding, Series LL-2021	70,180,000	4.0-5.0	04/19/21	07/01/44	70,180,000		-		70,180,000
Revenue Bond, Series MM-2022	45,650,000	4.0-5.0	04/29/22	07/01/51	-	45,650,000	-		45,650,000
Revenue Bond Refunding, Series NN-2022	27,215,000	4.0-5.0	05/13/22	07/01/45	-	27,215,000	-		27,215,000
					$ 275,415,000	$ 72,865,000	$ 14,545,000	$ 28,900,000	$ 304,835,000

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2022
Lease Liabilities									
Payable through Electric Division									
Centriworks	$ 21,582	3.88%	11/1/2020	10/31/2023	$ 21,582	$ -	$ (9,011)	$ -	$ 12,571
Coal Creek Ventures	14,736	3.88%	7/1/2020	9/30/2035	14,736	-	(817)	-	13,919
James H. Benson/Manki 1 Investments	145,079	3.88%	7/1/2020	5/31/2027	28,743	145,079	(30,938)	-	142,884
Pinnacle Towers	23,781	3.88%	7/1/2020	6/30/2027	23,781	23,175	(23,286)	-	23,670
R&S Logistics (Sublease)	1,835,035	3.88%	7/1/2020	3/31/2027	83,373	1,835,035	(238,700)	-	1,679,708
Ricoh Americas	7,877	3.88%	7/1/2020	7/31/2022	7,877	-	(7,259)	-	618
RJ Young Company	24,353	3.88%	7/1/2020	6/30/2026	24,353	-	(5,739)	-	18,614
Spectrasite	5,886	3.88%	7/1/2020	1/31/2022	5,886	-	(5,886)	-	-
Volunteer Christian Television	10,036	3.88%	7/1/2020	8/31/2022	-	10,036	-	-	10,036
White Realty	15,681	3.88%	7/1/2020	6/30/2041	15,681	15,681	(15,681)	-	15,681
Total Lease Liabilities					$ 226,012	$ 2,029,006	$ (337,316)	$ -	$ 1,917,701

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Insurance in Force
June 30, 2022
(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.

Pollution Legal Liability
New conditions coverage for losses exceeding specified amount per occurrence ($1,000,000). Limits of coverage - $15,000,000.

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

Travel Accident
Covers losses related to employees' business travel. Limits of coverage - $3,000,000 aggregate.

Excess Insurance for General Liability
As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). KUB is self-insured for the first $700,000 of any accident and has insurance of $4,300,000 above this retention.

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

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

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

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2022
(Unaudited)

Rate Class		Base Charge			Number of Customers
Residential		Customer Charge:	$22.10 per month, less Hydro Allocation Credit: $1.60 per month.		190,269
		Energy Charge:	Summer Period	$0.10392 per kWh per month.	
			Winter Period	$0.10351 per kWh per month.	
			Transition Period	$0.10351 per kWh per month.	
Residential Time of Use Pilot Program		Customer Charge:	$22.10 per month, less Hydro Allocation Credit: $1.60 per month.		35
		Energy Charge:	Onpeak	$0.21071 per kWh per month for all metered onpeak kWh	
			Offpeak	$0.07927 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:			20,487
		Customer Charge:	$30.00 per delivery point per month.		
		Energy Charge:	Summer Period	$0.12400 per kWh per month.	
			Winter Period	$0.12359 per kWh per month.	
			Transition Period	$0.12359 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:			2,514
		Customer Charge:	$98.00 per delivery point per month.		
		Demand Charge:	First 50 kW of billing demand per month, no demand charge.		
			Excess over 50 kW of billing demand per month, at		
			Summer Period	$15.55 per kW.	
			Winter Period	$14.76 per kW.	
			Transition Period	$14.76 per kW.	
		Energy Charge:	Summer Period	First 15,000 kWh per month at $0.15246 per kWh Additional kWh per month at $.07268 per kWh.	
			Winter Period	First 15,000 kWh per month at $0.15205 per kWh Additional kWh per month at $.07268 per kWh.	
			Transition Period	First 15,000 kWh per month at $0.15205 per kWh Additional kWh per month at $.07268 per kWh.	

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2022
(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:			38
	Customer Charge:	$269.00 per delivery point per month.		
	Demand Charge:	Summer Period	First 1,000 kW of billing demand per month, at $16.32 per kW. Excess over 1,000 kW of billing demand per month, at $16.99 per kW, plus an additional $16.99 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.	
		Winter Period	First 1,000 kW of billing demand per month, at $15.56 per kW. Excess over 1,000 kW of billing demand per month, at $16.23 per kW, plus an additional $16.23 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.	
		Transition Period	First 1,000 kW of billing demand per month, at $15.56 per kW. Excess over 1,000 kW of billing demand per month, at $16.23 per kW, plus an additional $16.23 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	$0.08289 per kWh per month.	
		Winter Period	$0.08289 per kWh per month.	
		Transition Period	$0.08289 per kWh per month.	

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Rate Class					Number of Customers
Commercial/ Industrial Time of Use Pilot Program	**A. 1.**	If the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12-month period is not more than 50 kWh:			202
		Customer Charge:	$30.00 per delivery point per month.		
		Demand Charge:	$2.06 per kW of maximum billing demand per month.		
		Energy Charge:	Onpeak	$0.21815 per kWh per month for all metered onpeak kWh	
			Offpeak	$0.08671 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:			26
		Customer Charge:	$98.00 per delivery point per month.		
		Demand Charge:	$4.61 per kW of maximum billing demand per month.		
		Energy Charge:	Onpeak	$0.23090 per kWh per month for all metered onpeak kWh	
			Offpeak	$0.09946 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:			28
		Customer Charge:	$114.00 per delivery point per month.		
		Demand Charge:	$6.79 per kW of maximum billing demand per month.		
		Energy Charge:	Onpeak	$0.20716 per kWh per month for all metered onpeak kWh	
			Offpeak	$0.07572 per kWh per month for all metered offpeak kWh	

See accompanying Independent Auditor’s Report

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Rate Class		Base Charge			Number of Customers
Commercial/ Industrial	**B.**	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW:			3
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.76 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.24 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$17.00 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.80 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.24 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$16.04 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.80 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.24 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$16.04 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	$0.09508 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07040 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	$0.03615 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	$0.03278 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	$0.08383 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07259 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	$0.03615 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	$0.03278 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	$0.07009 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07009 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	$0.03615 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	$0.03278 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 $0.02633 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.

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Rate Class		Base Charge			Number of Customers
Commercial/ Industrial	**C.**	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW:			1
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.76 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.11 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$16.87 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.80 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.11 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$15.91 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.80 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$6.11 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$15.91 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Energy Charge:		
Summer Period	Onpeak	$0.09499 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07031 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	$0.03606 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	$0.03269 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	$0.08374 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07250 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	$0.03606 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	$0.03269 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	$0.07000 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07000 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	$0.03606 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	$0.03269 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 $0.02633 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.

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Rate Class		Base Charge			Number of Customers
Commercial/ Industrial	**D.**	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 25,000 kW:			1
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.76 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$5.98 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$16.74 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.80 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$5.98 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$15.78 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.80 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$5.98 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$15.78 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.	

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Energy Charge:		
Summer Period	Onpeak	$0.09493 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07025 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	$0.03487 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	$0.03263 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	$0.08368 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.07244 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	$0.03487 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	$0.03263 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	$0.06994 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06994 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	$0.03487 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	$0.03263 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 $0.02633 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.

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Rate Class		Base Charge			Number of Customers
Commercial/ Industrial Time of Use	**A.**	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 1,000 kW but not more than 5,000 kW:			8
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.96 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$7.20 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$18.16 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	$10.00 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$7.20 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$17.20 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	$10.00 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$7.20 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$17.20 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.	

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Energy Charge:		
Summer Period	Onpeak	$0.12029 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.08676 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	$0.04424 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	$0.04121 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	$0.10499 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.08973 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to toal energy, plus
	Block 2	$0.04424 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	$0.04121 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	$0.09092 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.09092 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	$0.04424 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	$0.04121 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 $0.02715 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.

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Rate Class		Base Charge			Number of Customers
Manufacturing	**B.**	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.			2
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.14 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.26 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$13.40 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.18 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.26 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$12.44 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.18 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.26 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$12.44 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	$0.08753 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06277 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	$0.03336 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	$0.03084 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	$0.07624 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06499 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	$0.03336 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	$0.03084 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	$0.06584 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06584 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	$0.03336 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	$0.03084 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 $0.02625 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Rate Class		Base Charge			Number of Customers
Manufacturing	**C.**	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.			1
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.14 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.14 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$13.28 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.18 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.14 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$12.32 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.18 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$3.14 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$12.32 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	$0.08647 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06170 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	$0.03481 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	$0.03481 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	$0.07517 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06391 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	$0.03481 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	$0.03481 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	$0.06477 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06477 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	$0.03481 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	$0.03481 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 $0.02625 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.

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Rate Class		Base Charge			Number of Customers
Manufacturing	**D.**	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 25,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.			2
		Customer Charge:	$1,500 per delivery point per month.		
		Administrative Charge:	$700 per delivery point per month.		
		Demand Charge:			
		Summer Period	Onpeak Demand	$10.14 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$2.71 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$12.85 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	$9.18 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$2.71 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$11.89 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.18 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$2.71 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$11.89 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	$0.08304 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.05828 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	$0.03196 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	$0.03137 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	$0.07173 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06047 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	$0.03196 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	$0.03137 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	$0.06134 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	$0.06134 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	$0.03196 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	$0.03137 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 $0.02625 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, 2022
(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	$10.25 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$5.48 per kW per month of the customer's maximum billing demand, plus	
			Excess Demand	$15.73 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.	
		Winter Period	Onpeak Demand	$9.28 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$5.48 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$14.76 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Transition Period	Onpeak Demand	$9.28 per kW per month of the customer's onpeak billing demand, plus	
			Maximum Demand	$5.48 per kW per month of the customer's maximum billing demand plus	
			Excess Demand	$14.76 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2022
(Unaudited)

Energy Charge:		
Summer Period	Onpeak	\$0.09494 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	\$0.06992 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	\$0.04247 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	\$0.03992 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	\$0.08352 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	\$0.07215 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	\$0.04247 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	\$0.03992 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	\$0.07304 per kWh per month for all metered onpeak kWh, plus
	Offpeak: Block 1	\$0.07304 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	\$0.04247 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	\$0.03992 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 \$0.02715 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, 2022
(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	$0.09494 per kWh per month.	
		Winter Period	$0.09494 per kWh per month.	
		Transition Period	$0.09494 per kWh per month.	
	Facility Charge:	The annual facility charge shall be 16.45 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			7,892

Charges Per Fixture Per Month

a. Type of Fixture	(Watts)	(Lumens)	Rated kWh	Facility Charge	Total Lamp Charge
Mercury Vapor or Incandescent*	175	7,650	70	$ 5.14	$ 11.79
	400	19,100	155	7.18	21.90
	1000**	47,500	378	11.49	47.38
High Pressure Sodium	100	8,550	42	5.14	9.13
	250	23,000	105	6.10	16.07
	400	45,000	165	7.18	22.85
	1000**	126,000	385	11.49	48.04
Decorative	100	8,550	42	5.86	9.85

* Mercury Vapor and Incandescent fixtures not offered for new service.
** 1,000 watt fixtures not offered for new service.

b.	Energy Charge:	For each lamp size under **a.** above, $0.09494 per rated kWh per month.
	Additional pole charge:	$5.18 per pole.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2022
(Unaudited)

Rate Class	Base Charge	Number of Customers
LED Outdoor Lighting		17,063

Charges Per Fixture Per Month

	Lamp Size	**Rated kWh**	**Facility Charge**	**Total Lamp Charge**
a.				
	100 WE	21	$ 5.91	$ 7.90
	250 WE	58	7.32	12.83
	400 WE	79	10.05	17.55

b. Energy Charge: For each lamp size under **a.** above, $0.09494 per rated kWh per month.
Additional pole charge: $5.00 per pole.

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2022
(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:	$100.00 per delivery point per month.		
	Energy Charge:	Onpeak	$0.15115 per kWh per month for all metered onpeak kWh, plus	
		Offpeak	$0.15115 per kWh per month for all metered offpeak kWh, plus	
	Distribution Delivery Charge:	$0.08219 per total metered kWh per month.		

See accompanying Independent Auditor's Report

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Electric Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2022, 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 25, 2022.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Coulter & Justus, P.C.

Knoxville, Tennessee
October 25, 2022

Section I -- Summary of Auditor's Results

Financial Statements

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

Section II -- Financial Statement Findings
None reported.

Section III – Findings Required by the State of Tennessee Audit Manual
None reported.

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

Fiber Division

Financial Statements and Supplemental Information
June 30, 2022

Knoxville Utilities Board Fiber Division
Index
June 30, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Coulter & Justus, P.C.

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

Supplemental Information

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

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Emphasis of Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 25, 2022

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, 2022, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2022, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

Fiber Division Highlights

System Highlights

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

After gaining the required approvals from TVA, the State of Tennessee, KUB's Board and City Council, KUB launched its new Fiber Division. Broadband services will be provided by a high-speed fiber optic network that will be owned and maintained by the Electric Division. In addition to providing broadband services, the fiber network will allow KUB to implement new advanced technologies to improve the reliability of its electric system. In August 2021, the Board authorized the first $10 million loan of a proposed $35 million loan from the Electric Division to the Fiber Division. The interdivisional loan was approved by TVA and was initiated in October 2021. 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 will begin receiving service in fiscal year 2023.

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

Financial Highlights

Fiscal Year 2022

The Division's Change in Net Position decreased $2.4 million in fiscal year 2022.

Operating expenses were $2.1 million. Operating and maintenance (O&M) expenditures were $1.9 million. Depreciation and amortization expense was $0.2 million. Taxes and tax equivalents were less than $0.1 million.

Interest income was less than $0.1 million.

Interest expense was $0.3 million.

Total capital assets (net) were $4.3 million, reflecting fiber systems and equipment.

As of June 30, 2022, the Division had a $10 million note payable to the Electric Division in outstanding debt (including the current portion of note payable).

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Knoxville Utilities Board Fiber Division - Financial Statements

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

Statement of Net Position

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

Statement of Cash Flows

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

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

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

Condensed Financial Statements

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the Fiber Division.

Statement of Net Position
As of June 30

(in thousands of dollars)		**2022**
Current, restricted, intangible, and other assets	$	5,122
Capital assets, net		4,342
Deferred outflows of resources		-
Total assets and deferred outflows of resources		9,464
Current and other liabilities		2,267
Long-term debt outstanding		9,625
Deferred inflows of resources		-
Total liabilities and deferred inflows of resources		11,892
Net position		
Net investment in capital assets		(70)
Unrestricted		(2,358)
Total net position	$	(2,428)

Normal Impacts on Statement of Net Position

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

- Change in net position (from Statement of Revenues, Expenses and Changes in Net Position): impacts (increase/decrease) current and other assets and/or capital and intangible assets and unrestricted net position.

- Issuing debt for capital: increases deferred outflows of resources and long-term debt.

- Spending debt proceeds on new capital: reduces current assets and increases capital assets.

- Spending of non-debt related current assets on new capital: (a) reduces current assets and increases capital assets, and (b) reduces unrestricted net position and increases net investment in capital assets.

- Principal payment on debt: (a) reduces current and other assets and reduces long-term debt, and (b) reduces unrestricted net position and increases net investment in capital assets.

- Reduction of capital assets through depreciation: reduces capital assets and net investment in capital assets.

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2022

Current, restricted, intangible, and other assets were $5.1 million. This reflects general fund cash (consisting of cash and cash equivalents) of $3.3 million, net intangible right of use assets of $1.6 million, and inventories of $0.2 million.

Capital Assets

Fiscal Year 2022

Capital assets, net of depreciation, were $4.3 million. Major capital expenditures included $4.3 million for fiber systems and equipment.

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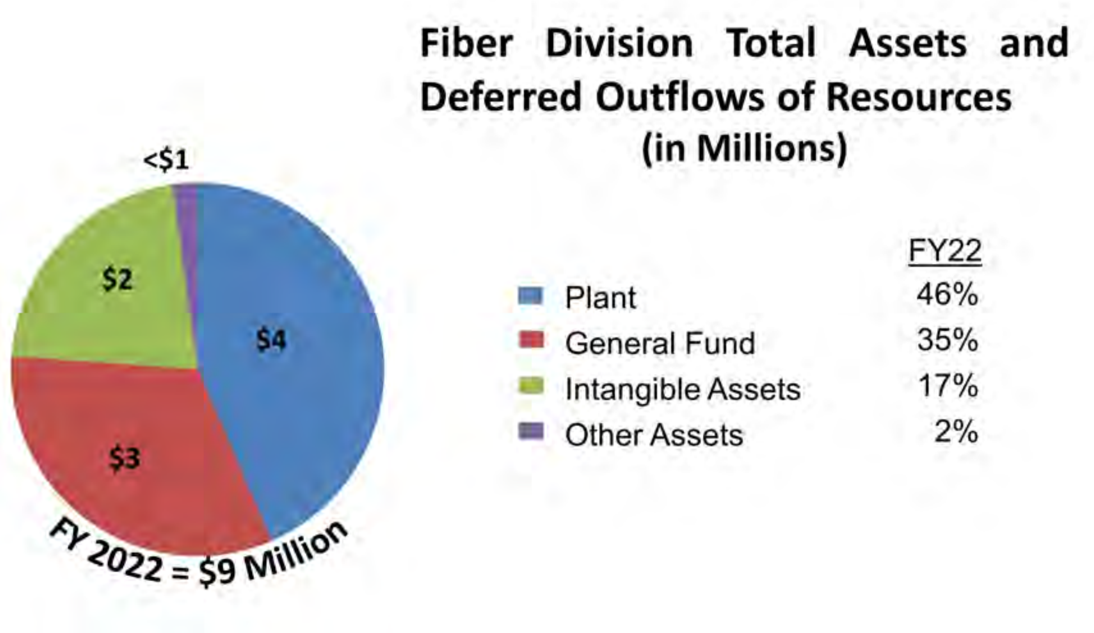


Current and Other Liabilities

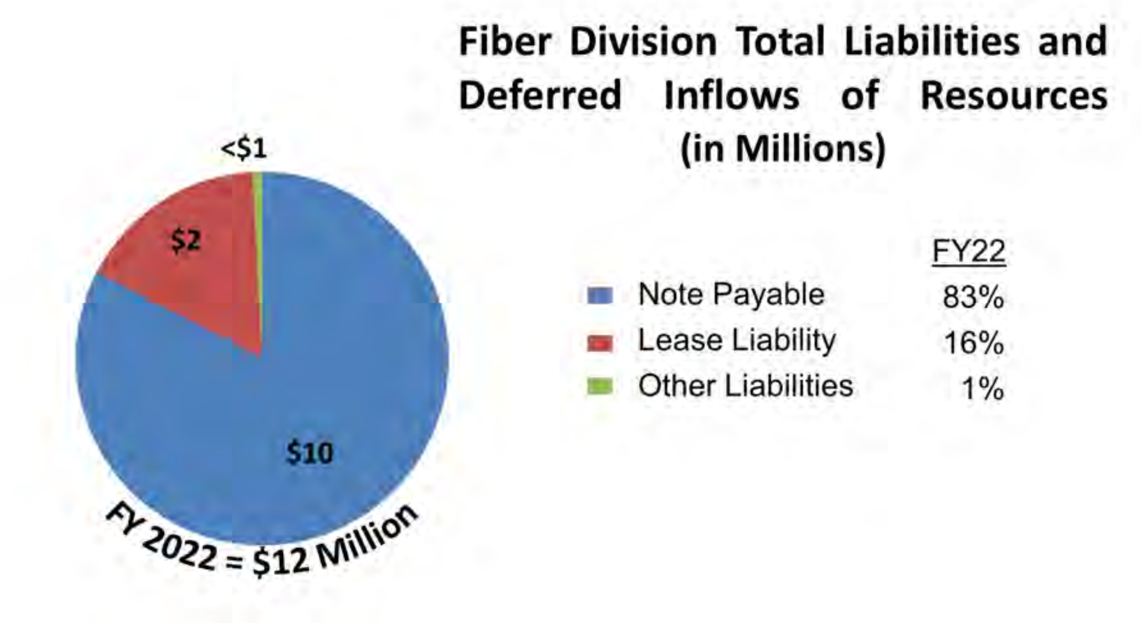
Fiscal Year 2022

Current and other liabilities were $2.3 million. The current and long-term portions of lease liabilities were $1.7 million, the current portion of the note payable was $0.4 million, and accrued compensated absences were $0.1 million.

Long-Term Debt

Fiscal Year 2022

Long-term debt was $9.6 million due to the note payable.



Net Position

Fiscal Year 2022

Total net position was ($2.4 million). Unrestricted net position was ($2.4 million), while net investment in capital assets was less than $0.1 million.

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Statement of Revenues, Expenses and Changes in Net Position

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

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

(in thousands of dollars)		**2022**
Operating revenues	$	-
Operating expenses		
Products and promotions		910
Customer service		228
Administrative and general		791
Depreciation and amortization		154
Taxes and tax equivalents		39
Total operating expenses		2,122
Operating loss		(2,122)
Interest income		11
Interest expense		(317)
Other income/(expense)		-
Change in net position	$	(2,428)

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 (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 system maintenance.

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

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

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

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

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

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

Impacts and Analysis

Change in Net Position

Fiscal Year 2022

The Division's Change in Net Position was ($2.4 million) in fiscal year 2022, due to $2.1 million in operating expenses and $0.3 million in interest expense.

Margin from Sales

Fiscal Year 2022

The Fiber Division had no sales revenue in fiscal year 2022. The first broadband customers will begin service in fiscal year 2023.

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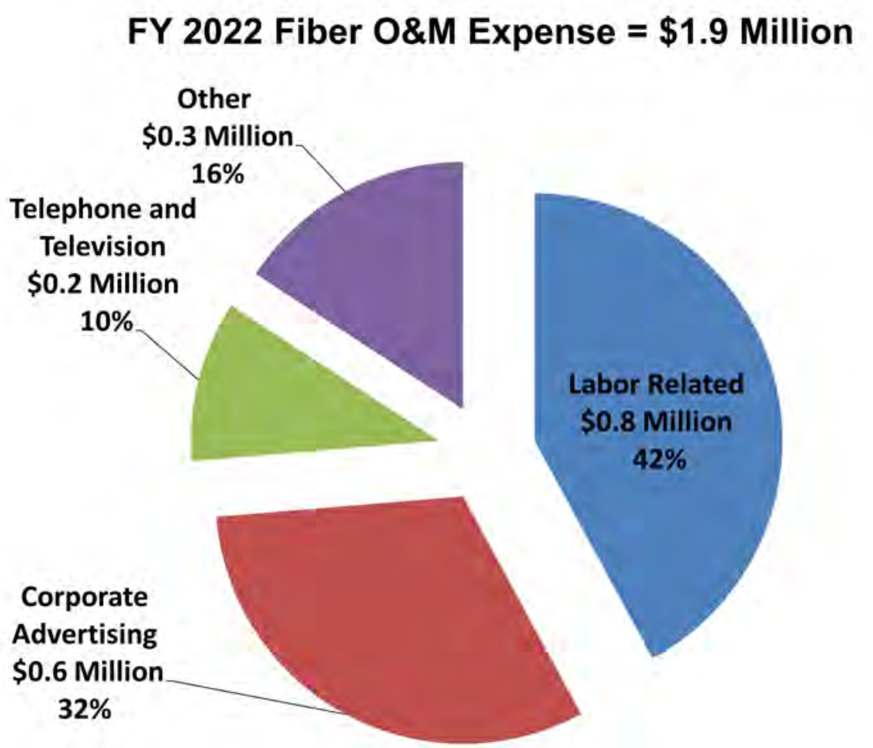
Operating Expenses

Fiscal Year 2022

Operating expenses of $2.1 million include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as products and promotions, customer service, and administrative and general.

- Products and promotions expenses were $0.9 million, primarily due to corporate advertising expenses as well as telephone and television programing expenses.
- Customer service expenses were $0.2 million, primarily due to labor related expenses.
- Administrative and general expenses were $0.8 million, primarily due to labor related expenses.



- Depreciation and amortization expense was $0.2 million. KUB added $4.1 million in assets during fiscal year 2022.
- Taxes and tax equivalents were less than $0.1 million.

Other Income and Expense

Fiscal Year 2022

Interest income was less than $0.1 million.

Interest expense was $0.3 million.

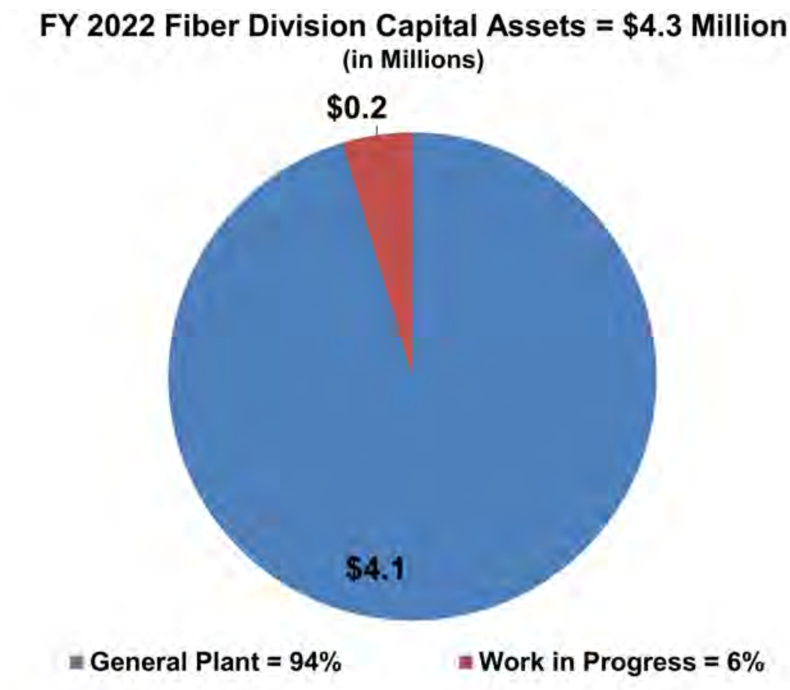
Capital Assets

Capital Assets
As of June 30
(Net of Depreciation)

(in thousands of dollars)		**2022**
General Plant	$	4,071
Total Plant Assets	$	4,071
Work In Progress		271
Total Net Plant	$	4,342

Fiscal Year 2022

As of June 30, 2022, the Division had $4.3 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $4.3 million.



Major capital asset expenditures during the year were as follows:

- $4.3 million in fiber systems and equipment

Debt Administration

The Division's outstanding debt was $10 million as of June 30, 2022. In support of KUB's Fiber Division, the Electric Division issued a $10 million loan to the Fiber Division in October 2021, maturing in June 2030. This investment supports construction of an advanced fiber infrastructure to improve electric system operations and to enable residential and commercial broadband services for KUB customers.

Outstanding Debt
As of June 30

(in thousands of dollars)	**2022**
Note payable	$ 10,000
Total outstanding debt	$ 10,000

Fiscal Year 2022

As of June 30, 2022, the Division had $10 million in outstanding debt (including the current portion of note payable).

In August 2021, the Board authorized the first $10 million loan of a proposed $35 million loan from the Electric Division to the Fiber Division. The interdivisional loan was approved by TVA and was initiated in October 2021.

Impacts on Future Financial Position

KUB anticipates adding 10,500 fiber customers and to begin earning revenue from services in fiscal year 2023.

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

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

As a component of the 2023 fiscal year budget, a $7 million loan was initiated from the Electric Division to the Fiber Division as the second installment of the proposed $35 million total loan. The interdivisional loan was approved by TVA and was recorded in August 2022.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of $2,624,373 for the fiscal year ending June 30, 2023, based on the Plan's current funding policy. The Fiber Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2022, measurement date. Subsequent to June 30, 2022, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,108,147 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Fiber Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2023, measurement date. For the Plan year beginning January 1, 2022, the Plan's actuarial funded ratio is 112.01 percent, and the market value funded ratio is 128.08 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of $1,413,392 for the fiscal year ending June 30, 2023, based on the Plan's current funding policy. The Fiber Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2023, measurement date. Subsequent to June 30, 2022, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,187,768 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Fiber Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2024, measurement date. The Plan's actuarial funded ratio is 94.75 percent, and the market value funded ratio is 103.07 percent.

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for fiscal years beginning after December 15, 2021. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 99, *Omnibus 2022*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB No. 62,* is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 101, *Compensated Absences,* is effective for fiscal years beginning after December 15, 2023. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2022.

Financial Contact

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

Knoxville Utilities Board Fiber Division
Statements of Net Position
June 30, 2022

		2022
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$	3,274,143
Inventories		194,236
Prepaid expenses		39,976
Total current assets		3,508,355
Fiber plant in service		4,071,593
Less accumulated depreciation		-
		4,071,593
Construction in progress		270,890
Net plant in service		4,342,483
Intangible assets:		
Intangible right of use asset		1,836,473
Less accumulated amortization		(226,489)
Net intangible assets		1,609,984
Other assets:		
Other		2,761
Total other assets		2,761
Total assets		9,463,583
Deferred outflows of resources:		
Total deferred outflows of resources		-
Total assets and deferred outflows of resources	$	9,463,583

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

Knoxville Utilities Board Fiber Division
Statements of Net Position
June 30, 2022

		2022
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of lease liability	$	310,566
Current portion of note payable		375,000
Accounts payable		35,248
Accrued expenses		30,083
Accrued interest		32,417
Total current liabilities		783,314
Other liabilities:		
Accrued compensated absences		113,752
Lease liability		1,369,943
Total other liabilities		1,483,695
Long-term debt:		
Long-term note payable		9,625,000
Total long-term debt		9,625,000
Total liabilities		11,892,009
Deferred inflows of resources:		
Total deferred inflows of resources		-
Total liabilities and deferred inflows of resources		11,892,009
Net position		
Net investment in capital assets		(70,525)
Unrestricted		(2,357,901)
Total net position		(2,428,426)
Total liabilities, deferred inflows, and net position	$	9,463,583

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

Knoxville Utilities Board Fiber Division
Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

		2022
Operating revenues	$	-
Operating expenses		
Products and promotions		909,955
Customer service		228,602
Administrative and general		791,236
Depreciation and amortization		153,604
Taxes and tax equivalents		38,843
Total operating expenses		2,122,240
Operating loss		(2,122,240)
Non-operating revenues (expenses)		
Interest income		10,729
Interest expense		(316,915)
Total non-operating revenues (expenses)		(306,186)
Change in net position		(2,428,426)
Net position, beginning of year		-
Net position, end of year	$	(2,428,426)

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

Knoxville Utilities Board Fiber Division
Statements of Cash Flows
Year Ended June 30, 2022

		2022
Cash flows from operating activities:		
Cash payments to suppliers of goods or services	$	(1,569,303)
Cash payments to employees for services		(457,223)
Net cash used in operating activities		(2,026,526)
Cash flows from capital and related financing activities:		
Interest paid on lease liabilities		(25,165)
Acquisition and construction of electric plant		(4,342,483)
Principal paid on lease liabilities		(83,079)
Net cash used in capital and related financing activities		(4,450,727)
Cash flows from noncapital and related financing activites:		
Net proceeds from note payable		10,000,000
Interest paid on note payable		(259,333)
Net cash provided by noncapital and related financing activities		9,740,667
Cash flows from investing activities:		
Interest received		10,729
Net cash provided by investing activities		10,729
Net increase in cash and cash equivalents		3,274,143
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	3,274,143
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$	(2,122,240)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense		153,604
Changes in operating assets and liabilities:		
Inventories		(194,236)
Prepaid expenses		(39,976)
Other assets		(2,761)
Accounts payable and accrued expenses		179,083
Net cash used in operating activities	$	(2,026,526)
Noncash capital activities:		
Record intangible right of use asset and lease liability	$	1,763,588

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, 2022, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

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.

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.

Non-operating Revenue

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

Expense

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

Net Position

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

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease 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 plant materials and operating supplies, are valued at the lower of average cost or replacement value.

OPEB Trust

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

KUB’s policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan’s fiduciary net position. The amounts reported as of June 30, 2022 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB’s measurements as of June 30, 2022, are based on a June 30, 2022, measurement date. The net OPEB liability is $11,202,507 as of June 30, 2022. KUB’s Fiber Division will share in the allocation in future fiscal years after being included in upcoming actuarial valuations.

Pension Plan and Qualified Excess Benefit Arrangement

KUB’s employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 10). KUB’s policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan’s fiduciary net position. The amounts reported as of June 30, 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB’s measurements as of June 30, 2022, are based on a December 31, 2021, measurement date. The net pension asset is $64,137,714 as of June 30, 2022. KUB’s Fiber Division will share in the allocation in future fiscal years after being included in upcoming actuarial valuations.

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 11). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2022, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB’s measurements as of June 30, 2022, are based on a December 31, 2021, measurement date. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2022. KUB’s Fiber Division will share in the allocation in future fiscal years after being included in upcoming actuarial valuations.

Self-Insurance

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

Estimates

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

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. The lease term includes the noncancelable 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.

Deferred Outflows and Inflows of Resources

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

Compensated Absences

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

Subsequent Events

As a component of the 2023 fiscal year budget, a $7 million loan was initiated from the Electric Division to the Fiber Division as the second installment of the proposed $35 million total loan. The interdivisional loan was approved by TVA and was recorded in August 2022.

Recently Issued Accounting Pronouncements

In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022.

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

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

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

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

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

3. Deposits and Investments

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

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

Interest Rate Risk. KUB's primary investment objectives are to place investments in a manner to ensure the preservation of capital, remain sufficiently liquid to meet all operating requirements, and maximize yield of return. KUB minimizes its exposure to interest rate risk by adhering to Tennessee

State law requirements for the investment of public funds. This includes limiting investments to those types described above and limiting maturity horizons. The maximum maturity is four years from the date of investment. KUB also limits its exposure by holding investments to maturity unless cash flow requirements dictate otherwise.

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

Custodial Credit Risk. KUB's investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in KUB's name by a third-party custodian bank(s) acting as KUB's agent(s), or through the State of Tennessee's collateral pool. Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of KUB's investments are 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:

	2022
Current assets	
Cash and cash equivalents	$ 3,274,143
	$ 3,274,143

Investments and maturities of KUB's deposits and investments as held by financial institutions as of June 30, 2022:

	Deposit and Investment Maturities (in Years)		
	Fair Value	**Less Than 1**	**1-5**
Supersweep NOW and Other Deposits	$ 3,424,279	$ 3,424,279	$ -
	$ 3,424,279	$ 3,424,279	$ -

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 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 Payable and Accruals

Accounts payable and accruals were composed of the following:

		2022
Trade accounts	$	35,248
Salaries and wages		16,799
Self-insurance liabilities		13,284
	$	65,331

5. Long-Term Obligations

Long-term debt consists of the following:

		2022
Long-Term Debt	$	9,625,000
Current Portion of Long-Term Debt		375,000
	$	10,000,000

Fiscal Year		Total Principal		Interest		Grand Total
2023	$	375,000	$	385,218	$	760,218
2024		500,000		367,119		867,119
2025		500,000		347,669		847,669
2026		500,000		328,219		828,219
2027		500,000		308,769		808,769
2028-2030		7,625,000		532,317		8,157,317
Total	$	10,000,000	$	2,269,311	$	12,269,311

In support of KUB's Fiber Division, the Electric Division issued a $10 million loan to the Fiber Division in October 2021, maturing in June 2030. The loan supports 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, 2021		Increase		Decrease		Balance June 30, 2022
Accrued compensated absences		-		352,989		(239,237)		113,752
	$	-	$	352,989	$	(239,237)	$	113,752

6. Lease Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Total lease liabilities	$ -	$ 1,836,473	$ (155,964)	$ 1,680,509
Less current portion	-			(310,566)
Long-term portion	-			$ 1,369,943

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to fourteen 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, 2022, are summarized as follows:

	Lease Maturities	Interest Requirements
2023	$ 310,566	$ 56,043
2024	331,967	45,080
2025	355,430	32,928
2026	380,551	19,457
2027	301,809	4,901
2028-2032	103	2
2033-2037	83	1
	$ 1,680,509	$ 158,412

7. Capital and Intangible Right of Use Assets

Capital and intangible right of use asset activity was as follows:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
General Plant	-	4,071,593	-	4,071,593
Total Plant Assets	$ -	$ 4,071,593	$ -	$ 4,071,593
Less Accumulated Depreciation	-	-	-	-
Net Plant Assets	$ -	$ 4,071,593	$ -	$ 4,071,593
Work In Progress	-	4,342,483	(4,071,593)	270,890
Total Net Plant	$ -	$ 8,414,076	$ (4,071,593)	$ 4,342,483
Intangible Right of Use Assets				
Office space	$ -	$ 1,835,035	$ -	$ 1,835,035
Equipment	-	-	-	-
Other	-	1,438	-	1,438
Total Intangible Right of Use Assets	$ -	$ 1,836,473	$ -	$ 1,836,473
Less Accumulated Amortization	-	(226,489)	-	(226,489)
Net Intangible Right of Use Assets	$ -	$ 1,609,984	$ -	$ 1,609,984

8. 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, 2022, the amount of this liability was $13,284, resulting from the following changes:

	2022
Balance, beginning of year	$ -
Current year claims and changes in estimates	92,405
Claims payments	(79,121)
Balance, end of year	$ 13,284

9. 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 3 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 3 percent. They also receive a nonelective KUB contribution of 3 percent to 6 percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and nonelective contributions of $3,125,903 for the year ended June 30, 2022. KUB's Fiber Division will share in the allocation of contributions beginning in fiscal year 2023.

10. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with other divisions of KUB. Such transactions for the year ended June 30, 2022, are summarized as follows:

	2022
Other divisions of KUB	
Amounts billed to the Division by other divisions for utilities services provided	8,497
Interdivisional utilization expense	55,503

Broadband services will be provided by a high-speed fiber optic network that will be owned and maintained by the Electric Division. The Fiber Division will share in the cost to build and operate the

Fiber network by paying the Electric Division an annual access fee based on the year end value of those assets and the related expenses. The Fiber Division will also pay the Electric Division an annual utilization fee based on attachments to the network.

In October 2021, the Division was issued an interdivisional loan of $10 million from the Electric Division at an interest rate of 3.69%. The Division paid interest expense of $291,750 for the year ended June 30, 2022. Principal payments to the Electric Division begin in October 2022 through June 2030. KUB's Board and TVA have approved proposed loans of up to $35 million to the Division from the Electric Division.

11. Other Commitments and Contingencies

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

Knoxville Utilities Board Fiber Division
Supplemental Information – Schedule of Debt Maturities by Fiscal Year
June 30, 2022

	Electric Division Loan 1		Totals		Grand Total (P + I)
FY	Principal	Interest	Principal	Interest	
22-23	$ 375,000	$ 385,218	$ 375,000	$ 385,218	$ 760,218
23-24	500,000	367,119	500,000	367,119	867,119
24-25	500,000	347,669	500,000	347,669	847,669
25-26	500,000	328,219	500,000	328,219	828,219
26-27	500,000	308,769	500,000	308,769	808,769
27-28	2,381,375	289,319	2,381,375	289,319	2,670,694
28-29	4,342,500	202,782	4,342,500	202,782	4,545,282
29-30	901,125	40,216	901,125	40,216	941,341
Total	$ 10,000,000	$ 2,269,311	$ 10,000,000	$ 2,269,311	$ 12,269,311

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, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2021	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2022
Business-Type Activities									
LOAN PAYABLE									
Electric Division Loan 1	10,000,000	3.89	10/01/21	06/01/30	$ -	$ 10,000,000	$ -	$ -	$ 10,000,000
					$ -	$ 10,000,000	$ -	$ -	$ 10,000,000

See accompanying Independent Auditor's Report

Knoxville Utilities Board Fiber Division
Supplemental Information – Schedule of Changes in Lease Liabilities
June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2022
Lease Liabilities									
Payable through Fiber Division									
Coal Creek Ventures	$ 31	3.88%	7/1/2020	9/30/2035	$ -	$ 31	$ (20)	$ -	$ 11
Pinnacle Towers	1,231	3.88%	7/1/2020	6/30/2027	-	1,231	(442)	-	789
R&S Logistics (Sublease)	1,835,035	3.88%	7/1/2020	3/31/2027	-	1,835,035	(155,326)	-	1,679,709
Spectrasite	176	3.88%	7/1/2020	1/31/2022	-	176	(176)	-	-
Total Lease Liabilities					$ -	$ 1,836,473	$ (155,964)	$ -	$ 1,680,509

See accompanying Independent Auditor's Report

Insurance coverage is for KUB as a consolidated entity.

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

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

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

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

Pollution Legal Liability
New conditions coverage for losses exceeding specified amount per occurrence ($1,000,000). Limits of coverage - $15,000,000.

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

Travel Accident
Covers losses related to employees' business travel. Limits of coverage - $3,000,000 aggregate.

Excess Insurance for General Liability
As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). KUB is self-insured for the first $700,000 of any accident and has insurance of $4,300,000 above this retention.

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

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

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

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Fiber Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2022, 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 25, 2022.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Coulter & Justus, P.C.

Knoxville, Tennessee
October 25, 2022

Section I -- Summary of Auditor's Results

Financial Statements

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

Section II -- Financial Statement Findings
None reported.

Section III – Findings Required by the State of Tennessee Audit Manual
None reported.

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

Gas Division

Financial Statements and Supplemental Information
June 30, 2022 and 2021

Knoxville Utilities Board Gas Division
Index
June 30, 2022 and 2021

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Gas Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Division as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2020, the Division adopted new accounting guidance Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 24 and the required supplementary information on pages 63 through 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.

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

Supplemental Information

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

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Gas Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 25, 2022

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, 2022, and 2021, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2022, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

Gas Division Highlights

System Highlights

As KUB returned to normal operations this fiscal year, supply chain issues and workforce shortages continued to impact capital projects. While some projects were delayed, others were held until supplies were more readily available. However, KUB's ability to serve its gas customers has remained strong throughout.

KUB's natural gas system serves 107,389 customers, and its service territory covers 297 square miles. KUB maintains 2,547 miles of service mains to provide 13.5 million dekatherms of natural gas to its customers annually.

KUB's natural gas system service territory experienced warmer than normal temperatures this winter compared to the previous year. Billed natural gas sales increased 2.2 percent when compared to fiscal year 2021 due to an increase in industrial usage. Gas Division margin (operating revenue less purchased gas cost) was $0.6 million higher in fiscal year 2022.

The natural gas system's record peak in demand remains 140,204 dekatherms, set in January 2018.

The natural gas system has added 3,990 customers over the past three years, representing annual growth of one percent. In fiscal year 2022, 1,379 customers were added.

The typical residential gas customer's average monthly gas bill was $68.52 for the twelve months ending June 30, 2022. The average monthly bill increased $11.16 compared to last fiscal year, reflecting higher natural gas prices.

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

2021 by APGA. The 2022 Excellence in Environmental Stewardship Award by APGA was also awarded to KUB.

Century II Infrastructure Program

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

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

In June 2017, the Board approved the next phase of gas rate increases to support the Century II program. The three approved gas rate increases went into effect in October 2017, October 2018, and October 2019, generating $2.2 million, $2.3 million, and $2.3 million in additional annual Gas Division revenue, respectively.

During the fiscal year, KUB replaced 9.1 miles of steel gas main, while staying on track with Century II goals and within the Gas Division's total capital budget.

Financial Highlights

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

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's net position increased $17.1 million in fiscal year 2022 compared to a $17.2 million increase in fiscal year 2021.

Operating revenue increased $26.5 million or 23 percent. The increase is attributable to a 2.2 percent increase in billed volumes and significantly higher natural gas prices compared to the prior year. KUB flows changes to wholesale gas costs directly through to its retail gas rates via the Purchased Gas Adjustment.

Purchased gas expense was $25.9 million or 49.6 percent higher due to higher customer demand and significantly higher natural gas prices. Margin on gas sales (operating revenue less purchased gas expense) increased $0.6 million or 0.9 percent, reflecting the increase in gas sales volumes.

Operating expenses (excluding purchased gas expense) increased $0.9 million or 2.2 percent. Operating and maintenance (O&M) expenses were $1.2 million higher than the prior fiscal year. Depreciation and amortization expense decreased $0.3 million. Taxes and tax equivalents were consistent with the prior year.

Wholesale purchased gas expense represented 56 percent of natural gas sales revenue for the fiscal year ended June 30, 2022.

Interest income increased $0.1 million compared to the prior fiscal year. Interest expense decreased $0.2 million.

Total plant assets (net) increased $12.2 million or 3.9 percent, reflecting capital investment associated with the replacement of key gas system assets and other major system projects.

Long-term debt represented 23 percent of the Division's capital structure as of June 30, 2022, as compared to 25.5 percent last year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Current year debt coverage for the fiscal year was 4.17. Maximum debt service coverage was 4.25.

Fiscal Year 2021 Compared to Fiscal Year 2020

The Division's net position increased $17.2 million in fiscal year 2021 compared to a $15.8 million increase in fiscal year 2020.

Operating revenue increased $12.8 million or 12.5 percent. The increase is attributable to an 8.7 percent increase in billed volumes and higher natural gas prices compared to the prior year, along with the flow through of prior year under recovered purchased gas costs to KUB's gas customers. KUB flows changes to wholesale gas costs directly through to its retail gas rates via the Purchased Gas Adjustment. Purchased gas expense was $9.1 million or 21.2 percent higher due to higher customer demand and higher natural gas prices. Margin on gas sales (operating revenue less purchased gas expense) increased $3.7 million or 6.2 percent, reflecting the increase in gas sales volumes.

Operating expenses (excluding purchased gas expense) increased $1.8 million or 4.5 percent. Operating and maintenance (O&M) expenses were $1 million lower than the prior fiscal year. Depreciation and amortization expense increased $2.6 million. Taxes and tax equivalents were $0.3 million higher than the prior year.

Wholesale purchased gas expense represented 46 percent of natural gas sales revenue for the fiscal year ended June 30, 2021.

Interest income decreased $0.7 million compared to the prior fiscal year. Interest expense decreased $0.4 million.

Total plant assets (net) increased $8.2 million or 2.6 percent, reflecting capital investment associated with the replacement of key gas system assets and other major system projects.

During fiscal year 2021, KUB took advantage of a lower interest environment to refinance outstanding debt, selling $41.9 million in gas system revenue refunding bonds in March 2021. KUB will realize a total debt service savings of $7.9 million over the life of the bonds ($7.2 million on a net present value basis).

Long-term debt represented 25.5 percent of the Division's capital structure as of June 30, 2021, as compared to 29.7 percent last year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Current year debt coverage for the fiscal year was 4.02. Maximum debt service coverage was 4.23.

Knoxville Utilities Board Gas Division - Financial Statements

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

Statement of Net Position

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

Statement of Cash Flows

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

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

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

Condensed Financial Statements

Statement of Net Position

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

Statements of Net Position
As of June 30

(in thousands of dollars)	2022	2021 as restated	2020
Current, restricted, intangible, and other assets	$ 81,995	$ 74,477	$ 68,686
Capital assets, net	329,129	316,893	308,722
Deferred outflows of resources	2,519	1,406	3,060
Total assets and deferred outflows of resources	413,643	392,776	380,468
Current and other liabilities	33,496	22,633	23,173
Long-term debt outstanding	87,006	94,619	103,659
Deferred inflows of resources	8,674	8,152	3,497
Total liabilities and deferred inflows of resources	129,176	125,404	130,329
Net position			
Net investment in capital assets	234,171	214,219	198,777
Restricted	2,230	1,733	2,113
Unrestricted	48,066	51,420	49,249
Total net position	$ 284,467	$ 267,372	$ 250,139

Normal Impacts on Statement of Net Position

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

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

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2022 Compared to Fiscal Year 2021

Current, restricted, intangible, and other assets increased $7.5 million or 10.1 percent, primarily due to a $4.7 million increase in the actuarially determined net pension asset and a $2 million increase in accounts receivable.

Gas storage increased $3.4 million, reflecting 13 percent lower storage volumes compared to the prior fiscal year at a 75.6 percent higher weighted average cost.

Fiscal Year 2021 Compared to Fiscal Year 2020

Current, restricted, intangible, and other assets increased $5.8 million or 8.4 percent, primarily due to a $4.4 million increase in the actuarially determined net pension asset and a $1 million increase in the actuarially determined OPEB asset.

KUB under recovered $1.4 million in wholesale gas costs from its customers in fiscal year 2021, as compared to an under recovery of $1.5 million in fiscal year 2020. This under recovery of costs will be collected from KUB's gas customers during the next fiscal year through adjustments to rates via the Purchased Gas Adjustment.

Gas storage increased $0.2 million, reflecting 11 percent lower storage volumes compared to the prior fiscal year at a 15 percent higher weighted average cost.

Capital Assets

Fiscal Year 2022 Compared to Fiscal Year 2021

Capital assets increased $12.2 million or 3.9 percent. Major capital expenditures during the year included $8.7 million for steel mains and services, $7.9 million for the construction of service extensions, $2.8 million for building improvements, $2.7 million for the replacement and relocation of gas system assets to accommodate Tennessee Department of Transportation (TDOT) highway improvement projects, and $2.1 million for gas main improvements. The Gas Division retired $2.2 million of natural gas system assets during the fiscal year.

Fiscal Year 2021 Compared to Fiscal Year 2020

Capital assets increased $8.2 million or 2.6 percent. Spending was slowed this year to allow for greater financial liquidity in response to the pandemic. Major capital expenditures during the year included $6.5 million for the construction of gas mains, $6.5 million for the construction of service extensions, $3.7 million for steel mains and services, and $2.4 million for the replacement and relocation of gas system assets to accommodate Tennessee Department of Transportation (TDOT) highway improvement projects. The Gas Division retired $4.6 million of natural gas system assets during the fiscal year.

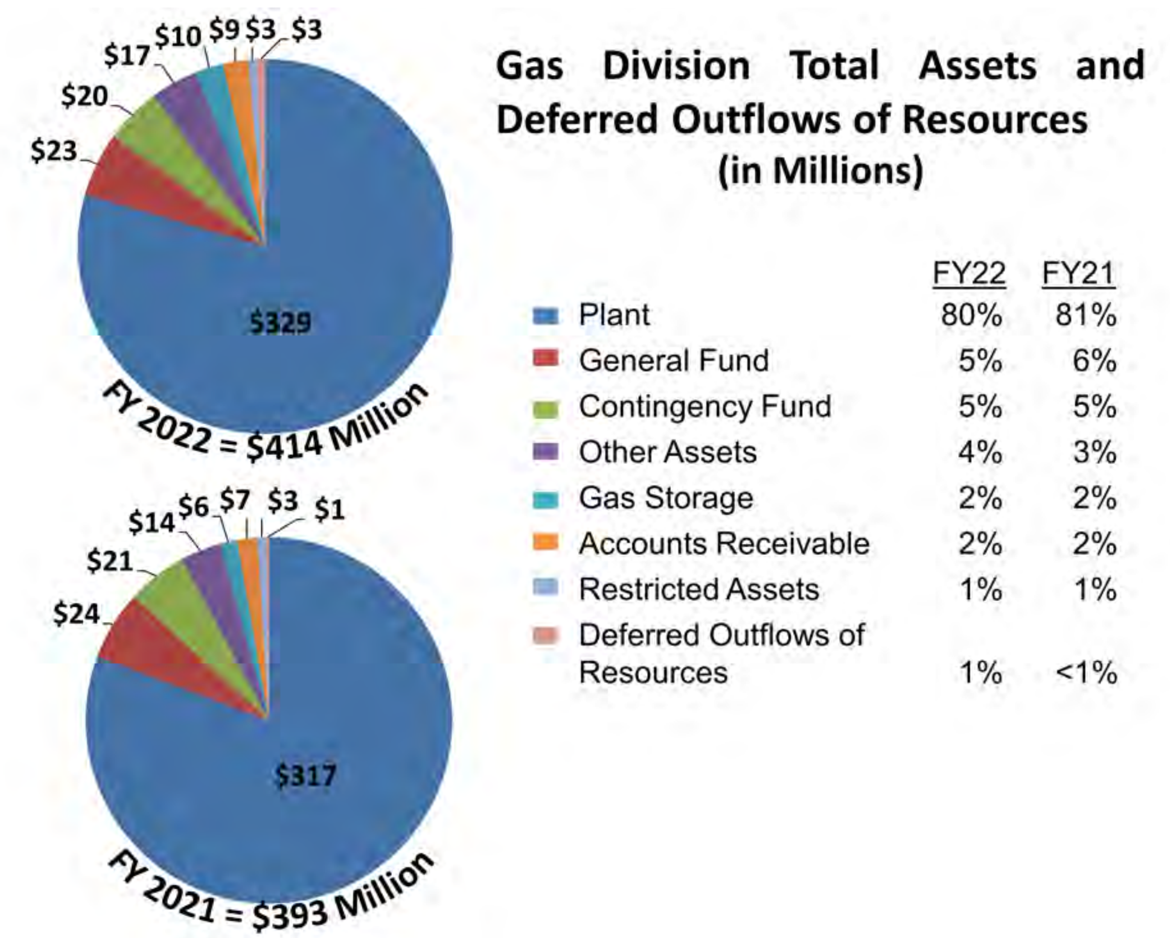
Deferred Outflows of Resources

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred outflows of resources increased $1.1 million compared to the prior fiscal year. The increase is attributable to a $1 million increase in OPEB outflow and a $0.1 million increase in pension outflow.

Fiscal Year 2021 Compared to Fiscal Year 2020

Deferred outflows of resources decreased $1.7 million compared to the prior fiscal year. The decrease is attributable to a $1 million decrease in unamortized bond refunding costs and a $0.7 million decrease in OPEB outflow.



Current and Other Liabilities

Fiscal Year 2022 Compared to Fiscal Year 2021

Current and other liabilities increased $10.9 million compared to the prior fiscal year, the result of a $3.7 million increase in accounts payable and a $2.1 million increase in net OPEB liability.

KUB over recovered $4.2 million in wholesale gas costs from its customers in fiscal year 2022, as compared to an under recovery of $1.4 million in fiscal year 2021. This over recovery of costs will be credited to KUB's gas customers during the next fiscal year through adjustments to rates via the Purchased Gas Adjustment.

Fiscal Year 2021 Compared to Fiscal Year 2020

Current and other liabilities decreased $0.5 million compared to the prior fiscal year, the net result of a $1.3 million decrease in net OPEB liability offset by a $0.4 million increase in accrued expenses and a $0.4 million increase in accounts payable.

Long-Term Debt

Fiscal Year 2022 Compared to Fiscal Year 2021

Long-term debt was $7.6 million lower than the prior year. The decrease is due to the impact of the scheduled repayment of debt.

Fiscal Year 2021 Compared to Fiscal Year 2020

Long-term debt was $9 million lower than the prior year. The decrease is due in part to the impact of the scheduled repayment of debt. KUB also sold $41.9 million of natural gas system revenue refunding bonds in March 2021 with a premium of $7.2 million to refund $49.1 million in outstanding debt, resulting in a reduction of principal of $7.2 million.

Deferred Inflows of Resources

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred inflows of resources increased $0.5 million compared to the prior fiscal year due to a $1.7 million increase in pension inflow and a $0.2 million increase in lease inflow offset by a $1.4 million decrease in OPEB inflow.

Fiscal Year 2021 Compared to Fiscal Year 2020

Deferred inflows of resources increased $4.7 million compared to the prior fiscal year due to a $2.7 million increase in pension inflow, a $1.4 million increase in OPEB inflow, and a $0.6 million increase in lease inflow.

Gas Division Total Liabilities and Deferred Inflows of Resources (in Millions)

	FY22	FY21
Bond Debt	66%	74%
Other Liabilities	15%	11%
Deferred Inflows of Resources	7%	6%
Payables	6%	3%
Customer Deposits	4%	3%
Misc Current	1%	2%
Interest Accrued	1%	1%

Net Position

Fiscal Year 2022 Compared to Fiscal Year 2021

Net position increased $17.1 million in fiscal year 2022. Unrestricted net position decreased $3.4 million, primarily due to the increase in current and other liabilities. Net investment in capital assets increased $20 million, primarily due to an increase in net plant in service of $12.2 million and a decrease in the current portion of revenue bonds and total long-term debt of $6.8 million. Restricted net position was $0.5 million higher than the prior fiscal year, due to an increase in required bond fund reserves.

Fiscal Year 2021 Compared to Fiscal Year 2020

Net position increased $17.2 million in fiscal year 2021. Unrestricted net position increased $2.2 million, primarily due to changes in pension and OPEB accruals for the fiscal year. Net investment in capital assets increased $15.4 million, primarily due to an increase in net plant in service of $8.2 million and a decrease in the current portion of revenue bonds and total long-term debt of $9 million. Restricted net position was $0.4 million lower than the prior fiscal year, primarily due to a decrease in required bond fund reserves.

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)	2022	2021 as restated	2020
Operating revenues	$ 141,950	$ 115,414	$ 102,565
Less: Purchased gas expense	78,194	52,257	43,117
Margin from sales	63,756	63,157	59,448
Operating expenses			
Distribution	11,220	10,806	10,100
Customer service	2,534	2,377	2,469
Administrative and general	6,587	5,898	7,557
Depreciation and amortization	15,166	15,466	12,910
Taxes and tax equivalents	7,946	7,962	7,629
Total operating expenses	43,453	42,509	40,665
Operating income	20,303	20,648	18,783
Interest income	195	144	834
Interest expense	(3,602)	(3,802)	(4,177)
Other income/(expense)	113	224	337
Change in net position before capital contributions	17,009	17,214	15,777
Capital contributions	86	19	-
Change in net position	$ 17,095	$ 17,233	$ 15,777

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

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

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

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

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

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

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

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

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

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

Impacts and Analysis

Change in Net Position

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's Change in Net Position increased $17.1 million in fiscal year 2022. Comparatively, net position increased by $17.2 million in fiscal year 2021.

Fiscal Year 2021 Compared to Fiscal Year 2020

The Division's Change in Net Position increased $17.2 million in fiscal year 2021, reflecting increased operating margin due to an increase in billed sales volumes from a cooler winter. Comparatively, net position increased by $15.8 million in fiscal year 2020.

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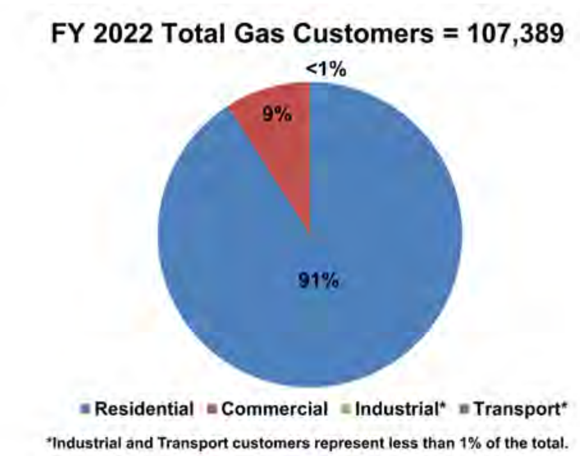
Margin from Sales

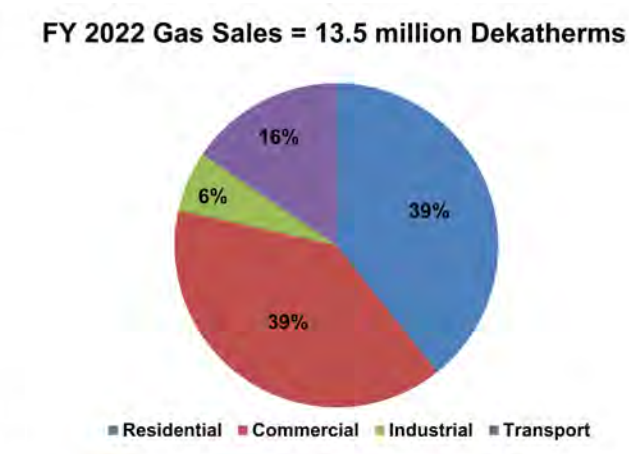
Fiscal Year 2022 Compared to Fiscal Year 2021

Margin on gas sales (operating revenue less purchased gas expense) increased $0.6 million or 0.9 percent, due to increased revenue from a 2.2 percent increase in billed sales volumes generated primarily from industrial customers.

Operating revenue increased $26.5 million or 23 percent for the fiscal year ended June 30, 2022, due to significantly higher natural gas prices. The gas system service territory experienced a warmer than normal winter.

Purchased gas expense increased $25.9 million or 49.6 percent, due to significantly higher natural gas prices and slightly higher customer demand. Total volumes delivered to KUB's gas distribution system increased less than one percent this fiscal year. The Division's weighted average cost of gas purchased for fiscal year 2022 was $5.06 per dekatherm, as compared to $2.68 per dekatherm the prior fiscal year.





Residential customers, whose natural gas is primarily used as a heating source during winter months, accounted for 91 percent of customers billed and 39 percent of total volumes sold during the year.

Residential sales volumes decreased 2.4 percent, commercial sales volumes increased 3.5 percent, industrial sales volumes increased 65.1 percent, and transport sales volumes decreased 3.6 percent. The increase in industrial sales was partially due to the transfer of a large industrial customer from a transport rate class.

KUB's ten largest gas customers accounted for 25 percent of KUB's billed gas volumes. Those ten customers represent six industrial and four commercial customers, including three governmental and one hospital.

KUB has added 3,990 gas customers over the past three years, representing annual growth of one percent. Natural Gas system growth has increased due to increased new housing construction and KUB reaching new customers through its gas growth programs.

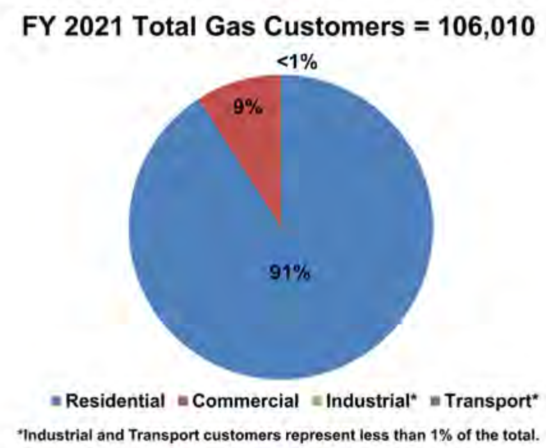
KUB has 13 transport customers who purchase gas directly from a supplier other than KUB. KUB provides transportation service on its gas distribution system to those customers.

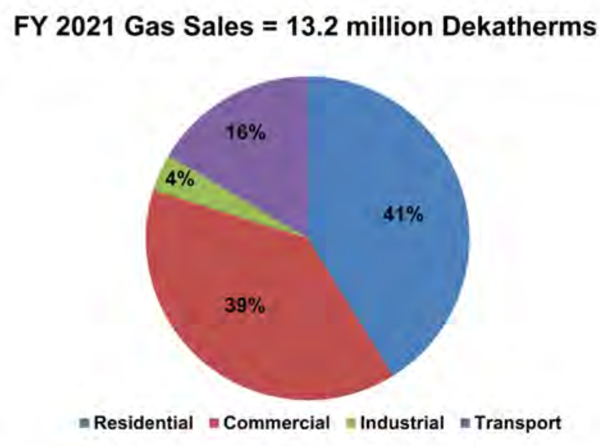
Fiscal Year 2021 Compared to Fiscal Year 2020

Margin on gas sales (operating revenue less purchased gas expense) increased $3.7 million or 6.2 percent, due to increased revenue from an 8.7 percent increase in billed sales volumes.

Operating revenue increased $12.8 million or 12.5 percent for the fiscal year ended June 30, 2021. The gas system service territory experienced closer to normal winter weather than the prior fiscal year, as sales were up in all customer classes. Billed sales increased 8.7 percent.

Purchased gas expense increased $9.1 million or 21.2 percent, due to increased customer demand and higher natural gas prices. Total volumes delivered to KUB's gas distribution system increased 6.6 percent this fiscal year. The Division's weighted average cost of gas purchased for fiscal year 2021 was $2.68 per dekatherm, as compared to $2.34 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 41 percent of total volumes sold during the year.

Residential sales volumes increased 10.8 percent, commercial sales volumes increased 4.6 percent, industrial sales volumes increased 35 percent, and transport sales volumes increased 8.9 percent. The large increase in industrial sales was partially due to the addition of a new location for Duracap, a local asphalt paving company.

KUB's ten largest gas customers accounted for 25 percent of KUB's billed gas volumes. Those ten customers represent five industrial and five commercial customers, including three governmental and two hospital customers.

KUB has added 3,811 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.

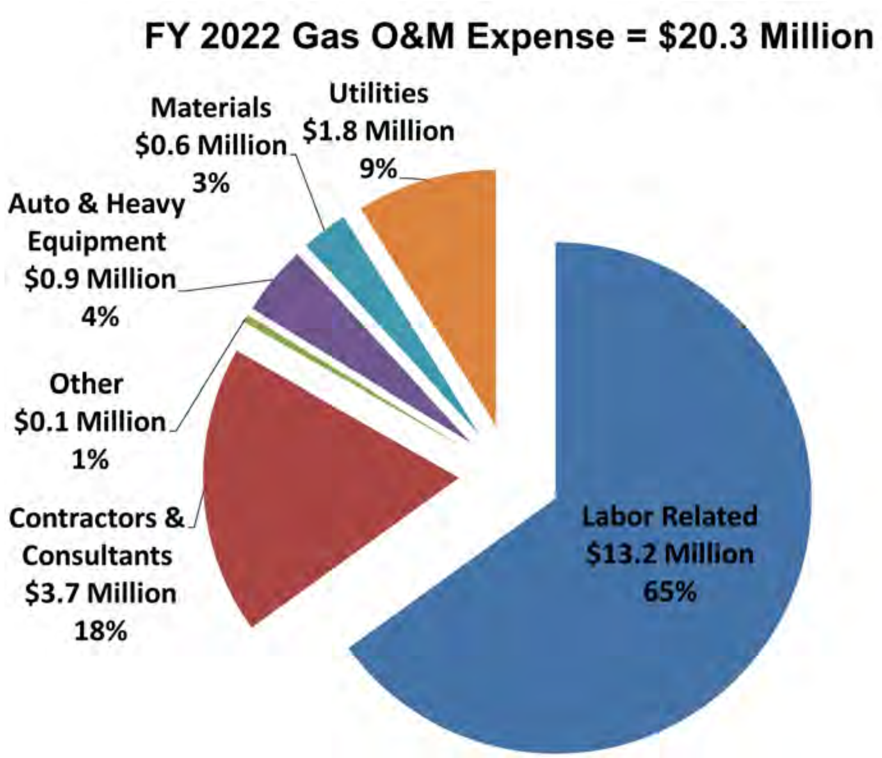
KUB has 18 transport customers who purchase gas directly from a supplier other than KUB. KUB provides transportation service on its gas distribution system to those customers.

Operating Expenses

Fiscal Year 2022 Compared to Fiscal Year 2021

Operating expenses (excluding purchased gas expense) increased $0.9 million or 2.2 percent compared to fiscal year 2021. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as distribution, customer service, and administrative and general.

- Distribution system O&M expenses were $0.4 million higher than the prior fiscal year, due to an increase in labor related expenses.
- Customer service expenses increased $0.2 million, due to higher payment processing fees.
- Administrative and general expenses increased $0.7 million, primarily due to labor related expenses, including higher OPEB expenses related to the introduction of the Health Reimbursement Arrangement.



- Depreciation and amortization expense decreased $0.3 million. KUB added $18.6 million in assets during fiscal year 2022. A partial year of depreciation was recorded on these capital improvements and a full year of depreciation expense was incurred on $32.6 million in gas system assets placed in service during fiscal year 2021. In addition, $2.2 million of assets were retired during the fiscal year.
- Taxes and tax equivalents were consistent with the prior fiscal year.

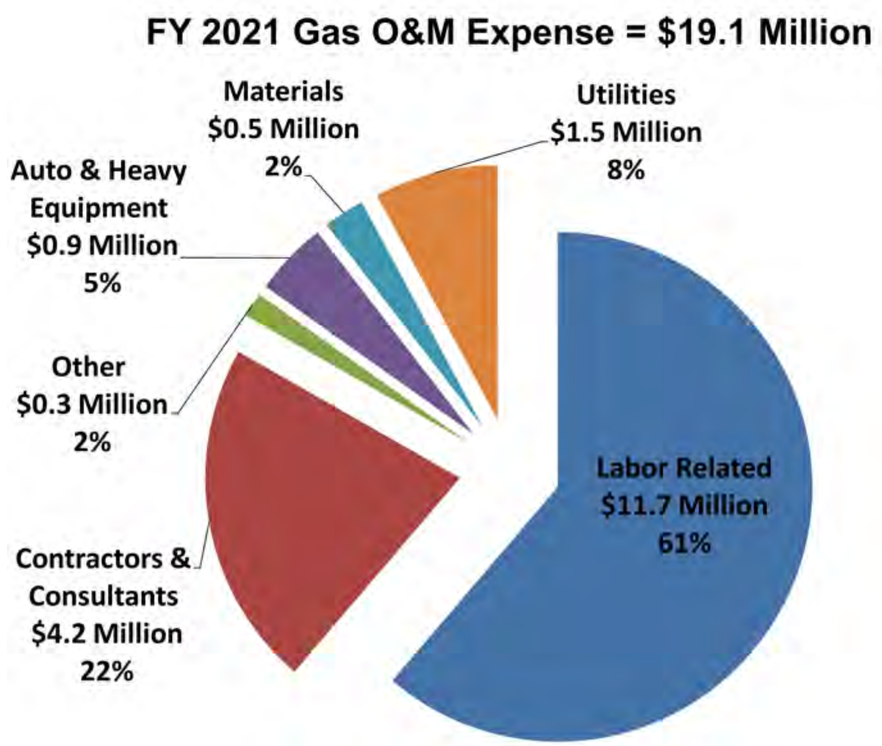
Fiscal Year 2021 Compared to Fiscal Year 2020

Operating expenses (excluding purchased gas expense) increased $1.8 million or 4.5 percent compared to fiscal year 2020. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as distribution, customer service, and administrative and general.

- Distribution system O&M expenses were $0.7 million higher than the prior fiscal year, due to an increase in outside contractor and consultant costs.

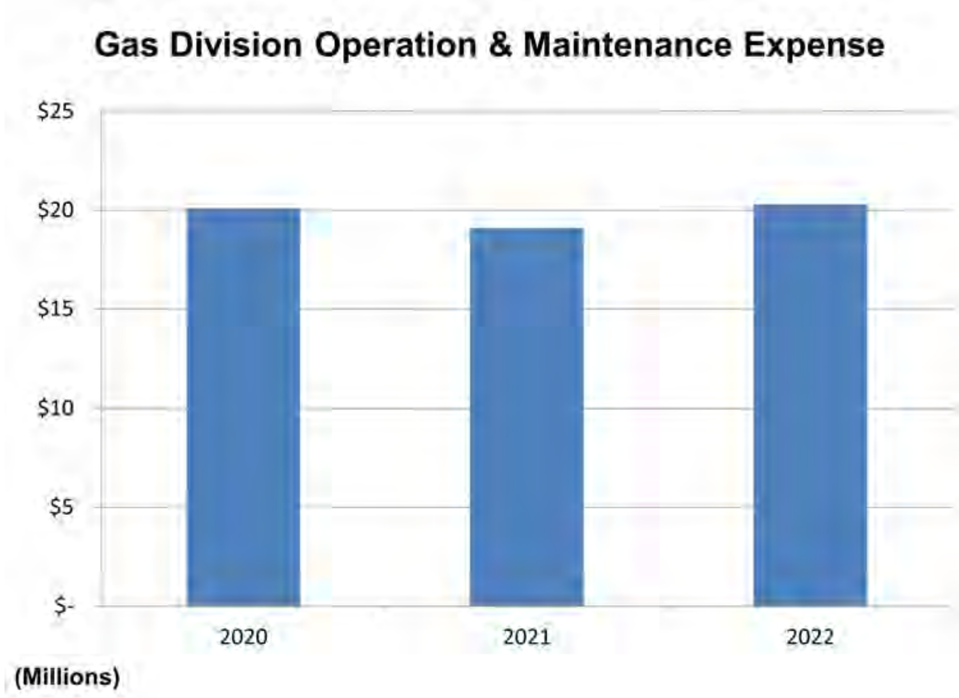
- Customer service expenses were $0.1 million lower than the prior fiscal year.

- Administrative and general expenses decreased $1.7 million, primarily due to labor related expenses, including lower pension and OPEB expenses.



- Depreciation and amortization expense increased $2.6 million. KUB added $32.6 million in assets during fiscal year 2021, including $4.1 million of multi-year projects being held in Construction Work in Progress. A partial year of depreciation was recorded on these capital improvements and a full year of depreciation expense was incurred on $18.8 million in gas system assets placed in service during fiscal year 2020. In addition, $4.6 million of assets were retired during the fiscal year.

- Taxes and tax equivalents were $0.3 million higher than the prior fiscal year.



Other Income and Expense

Fiscal Year 2022 Compared to Fiscal Year 2021

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

Interest expense decreased $0.2 million compared with the prior year, reflecting a lower amount of outstanding bonds.

Other income (net) was $0.1 million lower than the prior fiscal year.

Fiscal Year 2021 Compared to Fiscal Year 2020

Interest income was $0.7 million lower than the prior fiscal year, primarily due to lower short-term interest rates.

Interest expense decreased $0.4 million compared with the prior year, reflecting a lower amount of outstanding bonds.

Other income (net) was $0.1 million lower than the prior fiscal year.

Capital Assets

Capital Assets
As of June 30
(Net of Depreciation)

(in thousands of dollars)	2022	2021	2020
Distribution Plant			
Mains	$ 197,482	$ 195,451	$ 183,967
Services and Meters/Regulators	82,723	80,545	77,745
Other Accounts	1,061	975	910
Total Distribution Plant	281,266	276,971	262,622
Total General Plant	$ 12,470	$ 12,992	$ 10,591
Total Plant Assets	293,736	289,963	273,213
Work In Progress	35,393	26,930	35,509
Total Net Plant	$ 329,129	$ 316,893	$ 308,722

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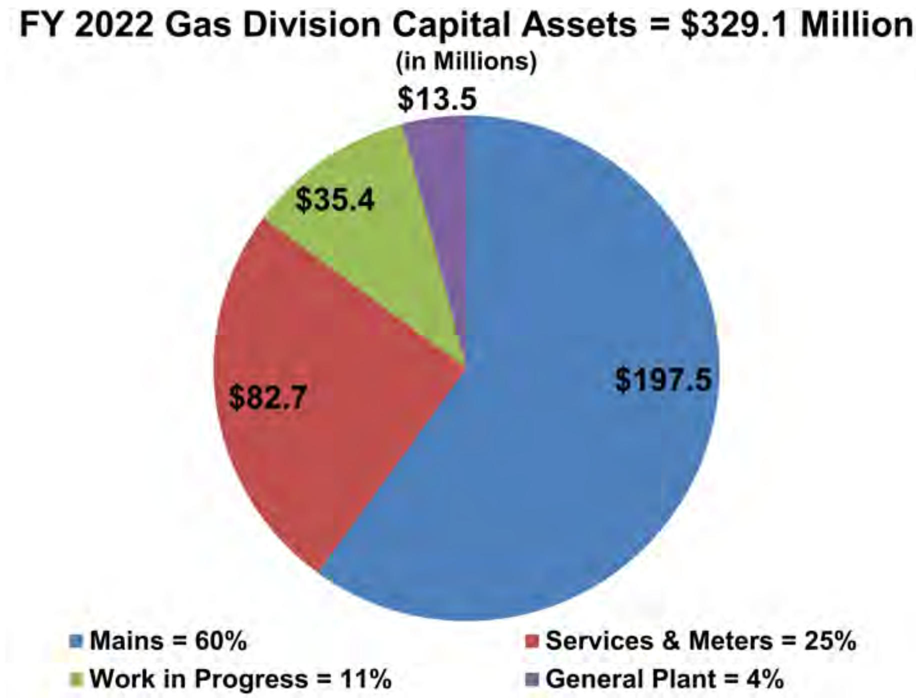
Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $329.1 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $12.2 million or 3.9 percent over the end of last fiscal year.



Major capital asset expenditures during the year were as follows:

- $8.7 million for steel mains and services
- $7.9 million for service extensions
- $2.8 million for building improvements
- $2.7 million for replacement and relocation of gas system assets to accommodate TDOT highway improvement projects
- $2.1 million for the mains improvements

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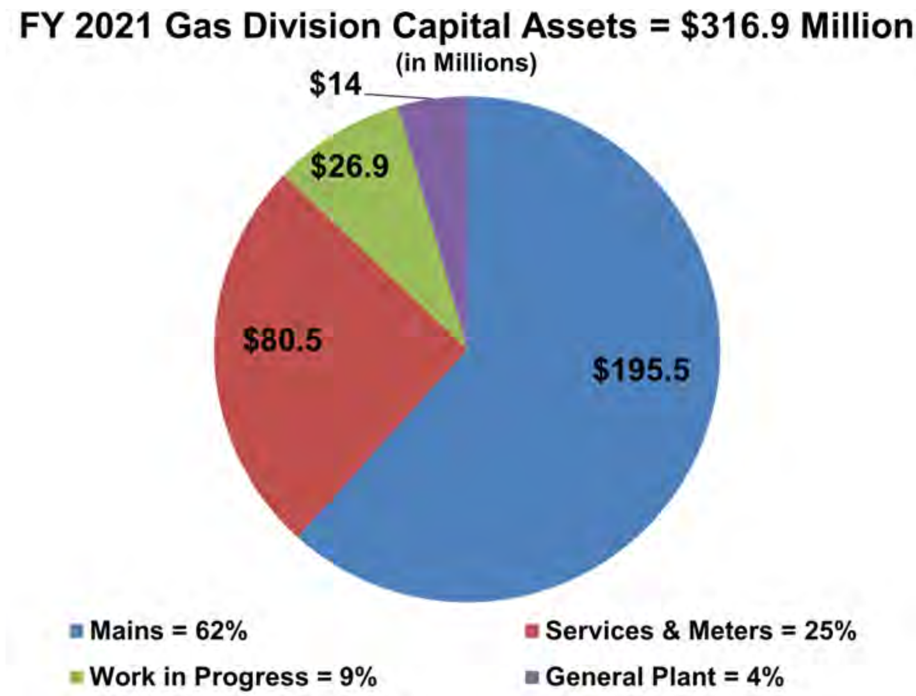
Fiscal Year 2021 Compared to Fiscal Year 2020

As of June 30, 2021, the Division had $316.9 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $8.2 million or 2.6 percent over the end of last fiscal year. Spending on capital assets was slowed this year to allow for greater financial liquidity in response to the pandemic.



Major capital asset expenditures during the year were as follows:

- $6.5 million for the construction of gas mains
- $6.5 million for service extensions
- $3.7 million for steel mains and services
- $2.4 million for replacement and relocation of gas system assets to accommodate TDOT highway improvement projects

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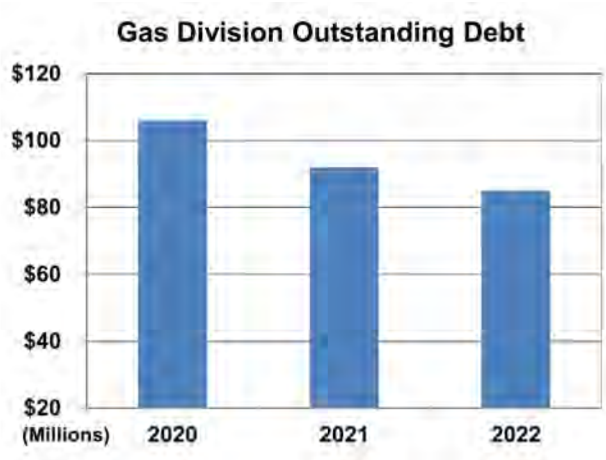
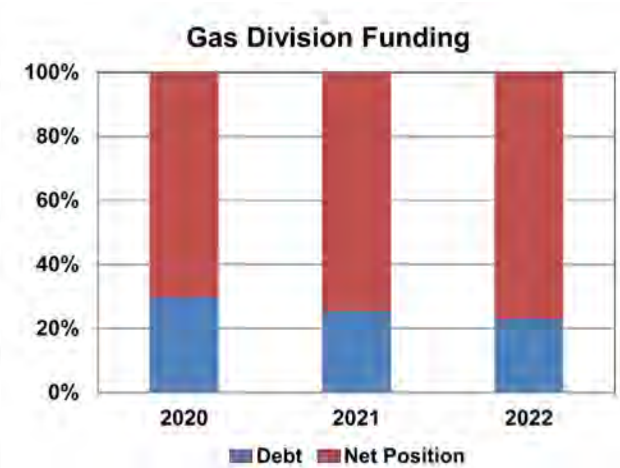
Debt Administration

As of June 30, 2022, the Gas Division had $84.8 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 23 percent in 2022, 25.5 percent in 2021, and 29.7 percent at the end of fiscal year 2020. 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)	2022	2021	2020
Revenue bonds	$ 84,795	$ 91,595	$ 105,510
Total outstanding debt	$ 84,795	$ 91,595	$ 105,510





The Division will pay $61.9 million in principal payments over the next ten years, representing 72.9 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 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $84.8 million in outstanding debt (including current portions of revenue bonds), compared to $91.6 million last year, representing a decrease of $6.8 million or 7.4 percent. The Division's weighted average cost of debt as of June 30, 2022, was 3.98 percent.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2022, the Division's revenue bonds were rated AA by Standard & Poor's and Aa2 by Moody's Investors Service.

Fiscal Year 2021 Compared to Fiscal Year 2020

As of June 30, 2021, the Division had $91.6 million in outstanding debt (including current portions of revenue bonds), compared to $105.5 million last year, representing a decrease of $13.9 million or 13.2 percent. The Division's weighted average cost of debt as of June 30, 2021, was 4.05 percent.

KUB sold $41.9 million in gas system revenue refunding bonds in March 2021 for the purpose of refinancing existing gas system revenue bonds. KUB will realize a total debt service savings of $7.9 million over the life of the bonds ($7.2 million on a net present value basis), with $7.2 million of the savings as a reduction of outstanding principal. The true interest cost of the bonds, which were sold through a competitive bidding process, was 1.47 percent. The bonds have a final maturity in fiscal year 2033.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2021, the Division's revenue bonds were rated AA by Standard & Poor's and Aa2 by Moody's Investors Service.

Impacts on Future Financial Position

KUB expects to add 1,300 new gas customers in fiscal year 2023.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of $2,624,373 for the fiscal year ending June 30, 2023, based on the Plan's current funding policy. The Gas Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2022, measurement date. Subsequent to June 30, 2022, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,108,147 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Gas Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2023, measurement date. For the Plan year beginning January 1, 2022, the Plan's actuarial funded ratio is 112.01 percent, and the market value funded ratio is 128.08 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of $1,413,392 for the fiscal year ending June 30, 2023, based on the Plan's current funding policy. The Gas Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2023, measurement date. Subsequent to June 30, 2022, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,187,768 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Gas Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2024, measurement date. The Plan's actuarial funded ratio is 94.75 percent, and the market value funded ratio is 103.07 percent.

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for fiscal years beginning after December 15, 2021. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 99, *Omnibus 2022*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB No. 62,* is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 101, *Compensated Absences,* is effective for fiscal years beginning after December 15, 2023. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2022.

Financial Contact

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 2022, and 2021. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board Gas Division
Statements of Net Position
June 30, 2022 and 2021

		2022		2021 as restated
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and cash equivalents	$	22,724,648	$	23,998,681
Short-term contingency fund investments		3,958,987		11,690,710
Other current assets		1,398,841		1,035,716
Accrued interest receivable		3,532		880
Accounts receivable, less allowance of uncollectible accounts of $49,462 in 2022 and $40,608 in 2021		8,867,333		6,846,828
Current portion of lease receivable		81,932		52,498
Inventories		1,303,204		888,744
Gas storage		9,867,611		6,459,730
Prepaid expenses		75,123		53,522
Total current assets		48,281,211		51,027,309
Restricted assets:				
Gas bond fund		3,353,910		2,711,544
Other funds		258		258
Total restricted assets		3,354,168		2,711,802
Gas plant in service		472,251,655		455,883,165
Less accumulated depreciation		(178,515,973)		(165,921,094)
		293,735,682		289,962,071
Retirement in progress		320,025		811,890
Construction in progress		35,073,417		26,118,621
Net plant in service		329,129,124		316,892,582
Intangible assets:				
Intangible right of use asset		350,431		151,624
Less accumulated amortization		(64,284)		(71,578)
Net intangible assets		286,147		80,046
Other assets:				
Net pension asset		12,337,267		7,666,879
Net OPEB asset		-		1,008,411
Long-term contingency fund investments		16,061,871		9,005,911
Long-term lease receivable		642,300		502,219
Under recovered purchased gas costs		-		1,371,776
Other		1,031,956		1,103,017
Total other assets		30,073,394		20,658,213
Total assets		411,124,044		391,369,951
Deferred outflows of resources:				
Pension outflow		1,508,373		1,402,775
OPEB outflow		1,010,517		3,638
Total deferred outflows of resources		2,518,890		1,406,413
Total assets and deferred outflows of resources	$	413,642,934	$	392,776,364

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

Knoxville Utilities Board Gas Division
Statements of Net Position
June 30, 2022 and 2021

	2022	2021 as restated
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 6,690,000	$ 6,800,000
Current portion of lease liability	69,367	64,123
Sales tax collections payable	146,760	109,087
Accounts payable	8,050,599	4,398,732
Accrued expenses	2,071,774	1,759,383
Customer deposits plus accrued interest	4,732,912	4,302,501
Accrued interest on revenue bonds	1,123,810	978,777
Total current liabilities	22,885,222	18,412,603
Other liabilities:		
Accrued compensated absences	1,900,903	1,962,725
Customer advances for construction	2,093,968	2,175,420
Lease liability	226,082	15,923
Net pension liability	-	3,181
Net OPEB liability	2,129,597	-
Over recovered purchased gas costs	4,188,264	-
Other	70,875	63,495
Total other liabilities	10,609,689	4,220,744
Long-term debt:		
Gas revenue bonds	78,105,000	84,795,000
Unamortized premiums/discounts	8,901,291	9,823,667
Total long-term debt	87,006,291	94,618,667
Total liabilities	120,501,202	117,252,014
Deferred inflows of resources:		
Pension inflow	7,864,290	6,150,971
Unamortized bond refunding costs	97,666	93,605
OPEB inflow	-	1,352,963
Lease inflow	712,085	554,717
Total deferred inflows of resources	8,674,041	8,152,256
Total liabilities and deferred inflows of resources	129,175,243	125,404,270
Net position		
Net investment in capital assets	234,171,043	214,218,766
Restricted for:		
Debt service	2,230,100	1,732,767
Other	258	258
Unrestricted	48,066,290	51,420,303
Total net position	284,467,691	267,372,094
Total liabilities, deferred inflows, and net position	$ 413,642,934	$ 392,776,364

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, 2022 and 2021

	2022	2021 as restated
Operating revenues	$ 141,949,970	$ 115,414,180
Operating expenses		
Purchased gas	78,194,481	52,256,609
Distribution	11,220,168	10,806,162
Customer service	2,533,606	2,377,322
Administrative and general	6,587,185	5,897,574
Depreciation and amortization	15,166,029	15,465,869
Taxes and tax equivalents	7,946,261	7,962,216
Total operating expenses	121,647,730	94,765,752
Operating income	20,302,240	20,648,428
Non-operating revenues (expenses)		
Contributions in aid of construction	941,325	837,796
Interest income	195,366	143,766
Interest expense	(3,601,628)	(3,801,787)
Amortization of debt costs	843,585	349,009
Write-down of plant for costs recovered through contributions	(941,325)	(837,796)
Other	(730,401)	(125,284)
Total non-operating revenues (expenses)	(3,293,078)	(3,434,296)
Change in net position before capital contributions	17,009,162	17,214,132
Capital contributions	86,435	18,582
Change in net position	17,095,597	17,232,714
Net position, beginning of year	267,372,094	250,139,380
Net position, end of year	$ 284,467,691	$ 267,372,094

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

Knoxville Utilities Board Gas Division
Statements of Cash Flows
June 30, 2022 and 2021

	2022	2021 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 139,976,256	$ 114,102,423
Cash receipts from other operations	10,425	1,075,276
Cash payments to suppliers of goods or services	(83,603,644)	(62,257,546)
Cash payments to employees for services	(11,923,988)	(11,054,844)
Payment in lieu of taxes	(7,082,386)	(7,166,619)
Net cash provided by operating activities	37,376,663	34,698,690
Cash flows from capital and related financing activities:		
Principal paid on revenue bonds	(6,800,000)	(6,745,000)
Interest paid on revenue bonds and lease liabilities	(3,456,595)	(4,282,820)
Acquisition and construction of gas plant	(28,936,136)	(25,095,974)
Changes in gas bond fund, restricted	(642,366)	621,057
Customer advances for construction	107,728	172,818
Proceeds received on disposal of plant	-	65,123
Principal paid on lease liabilities	(85,162)	(71,578)
Cash received from developers and individuals for capital purposes	941,325	837,796
Net cash used in capital and related financing activities	(38,871,206)	(34,498,578)
Cash flows from investing activities:		
Changes in deposit and investment accounts:		
Purchase of investment securities	(11,596,690)	(9,963,165)
Maturities of investment securities	11,621,134	9,463,374
Interest received	195,667	180,526
Other property and investments	399	(36,964)
Net cash provided by (used in) investing activities	220,510	(356,229)
Net decrease in cash and cash equivalents	(1,274,033)	(156,117)
Cash and cash equivalents, beginning of year	23,998,681	24,154,798
Cash and cash equivalents, end of year	$ 22,724,648	$ 23,998,681
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 20,302,240	$ 20,648,428
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	15,667,557	16,002,857
Changes in operating assets and liabilities:		
Accounts receivable	(2,020,505)	(756,763)
Lease receivable	(169,515)	(554,717)
Inventories	(414,460)	2,146
Prepaid expenses	(3,429,482)	(163,333)
Other assets	(366,798)	53,311
Sales tax collections payable	37,673	16,838
Accounts payable and accrued expenses	1,772,122	(698,288)
Underrecovered gas costs	5,560,040	141,658
Customer deposits plus accrued interest	430,411	(13,481)
Other liabilities	7,380	20,034
Net cash provided by operating activities	$ 37,376,663	$ 34,698,690
Noncash capital activities:		
Acquisition of plant assets through developer contributions	$ 86,435	$ 18,582
Record intangible right of use asset and lease liability	$ 300,565	$ 151,624

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, 2022, and 2021, 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 June 2017, the GASB issued GASB Statement No. 87 (Statement No. 87), *Leases*. This Statement requires recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize an intangible right of use asset and a lease liability. Statement No. 87 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement is reflected on the Division's financial statements.

In June 2018, the GASB issued GASB Statement No. 89 (Statement No. 89), *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. Statement No. 89 is effective for fiscal years beginning after December 15, 2020. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In January 2020, the GASB issued GASB Statement No. 92 (Statement No. 92), *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain provisions of Statement No. 92 were effective immediately. Paragraphs 6, 7, 8, 9, and 12 are effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In March 2020, the GASB issued GASB Statement No. 93 (Statement No. 93), *Replacement of Interbank Offered Rates.* This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. Statement No. 93 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In June 2020, the GASB issued GASB Statement No. 97 (Statement No. 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In October 2021, the GASB issued GASB Statement No. 98 (Statement No.98), *The Annual Comprehensive Financial Report.* This Statement replaces the term *comprehensive annual financial report* with *annual comprehensive financial report.* Statement No. 98 is effective for fiscal years ending after December 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

Gas Plant

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

The provision for depreciation of gas plant in service is based on the estimated useful lives of the assets, which range from three to thirty-three years, and is computed using the straight-line method.

Pursuant to FERC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment of $501,528 in fiscal year 2022 and $536,988 in fiscal year 2021.

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 $169,073 in fiscal year 2022 and $173,057 in fiscal year 2021.

Non-operating Revenue

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

Expense

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

Net Position

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

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease 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 or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

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

Inventories

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

OPEB Trust

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

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a June 30, 2022, and 2021, measurement date, respectively. The net OPEB liability is $11,202,507 (Division's share $2,129,597) as of June 30, 2022, and the net OPEB asset was $5,931,828 (Division's share $1,008,411) as of June 30, 2021.

Pension Plan and Qualified Excess Benefit Arrangement

KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 10). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. The net pension asset is $64,137,714 (Division's share $12,337,267) as of June 30, 2022, and $45,099,288 (Division's share $7,666,879) as of June 30, 2021.

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 11). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2022. The total pension liability of the QEBA was $18,714 (Division's share $3,181) as of June 30, 2021.

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

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

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

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

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

Leases
KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the noncancelable 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.

Deferred Outflows and Inflows of Resources
Deferred outflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. Deferred inflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Deferred outflows of resources also include

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

Debt Premium/Discount

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

Debt Issuance Costs

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

Deferred Gain/Loss on Refunding of Debt

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

Compensated Absences

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

Restatement for GASB 87

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

As lessee and as a result of adopting GASB 87, as of June 30, 2021, KUB recorded total intangible right of use assets of $151,624 with accumulated amortization of $71,578 and recognized total lease liabilities of $80,046 ($64,123 current). KUB's Gas Division also reclassified $11,033 from rent expense shown in customer service expense and $62,372 from rent expense shown in administrative and general expense to $71,578 as amortization expense and $1,827 as interest expense.

Related to lease agreements where KUB is the lessor, as a result of adopting GASB 87, as of June 30, 2021, KUB recognized lease receivables of $554,717 ($52,498 current) with a corresponding deferred inflow of resources of $554,717. KUB's Gas Division also reclassified $1,380 from rent revenue shown in other operating revenues to interest income.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 87.

Subsequent Events

KUB has evaluated events and transactions through October 25, 2022, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Purchased Gas Adjustment

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

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

Under the PGA mechanism, KUB tracks the actual over/(under) recovered amount in the Over/(Under) Recovered Purchased Gas Cost accounts. These accounts are rolled into the PGA rate adjustment on June 30 of each year thereby ensuring that any over/(under) recovered amounts are passed on to KUB's gas system customers. The amount of over/(under) recovered cost was $4,188,264 as of June 30, 2022, and ($1,371,776) as of June 30, 2021.

Recently Issued Accounting Pronouncements

In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022.

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

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

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

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

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

3. Deposits and Investments

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

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

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

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

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

Classification of deposits and investments per Statement of Net Position:

	2022	2021
Current assets		
Cash and cash equivalents	$ 22,724,648	$ 23,998,681
Short-term contingency fund investments	3,958,946	11,690,632
Other assets		
Long-term contingency fund investments	16,045,982	8,987,070
Restricted assets		
Gas bond fund	3,353,910	2,711,544
Other funds	258	258
	$ 46,083,744	$ 47,388,185

The above amounts do not include accrued interest of $15,930 in fiscal year 2022 and $18,919 in fiscal year 2021. Interest income is recorded on an accrual basis.

Investments and maturities of KUB’s deposits and investments as held by financial institutions as of June 30, 2022:

	Deposit and Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-5
Supersweep NOW and Other Deposits	$ 23,792,765	$ 23,792,765	$ -
State Treasurer's Investment Pool	3,404,956	3,404,956	-
Agency Bonds	19,953,782	3,907,800	16,045,982
	$ 47,151,503	$ 31,105,521	$ 16,045,982

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, 2022:

- U.S. Agency bonds of $16,045,982, 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:

	2022	2021
Wholesale and retail customers		
Billed services	$ 6,252,963	$ 5,048,670
Unbilled services	2,503,917	1,679,598
Other	159,915	159,168
Allowance for uncollectible accounts	(49,462)	(40,608)
	$ 8,867,333	$ 6,846,828

5. Accounts Payable and Accruals

Accounts payable and accruals were composed of the following:

	2022	2021
Trade accounts	$ 8,050,599	$ 4,398,732
Salaries and wages	181,506	699,371
Self-insurance liabilities	382,878	329,162
Other current liabilities	1,507,390	730,850
	$ 10,122,373	$ 6,158,115

6. Long-Term Obligations

Long-term debt consists of the following:

	Balance June 30, 2021	Additions	Payments	Defeased	Balance June 30, 2022	Amounts Due Within One Year
Gas						
U-2015 - 2.0 - 5.0%	$ 8,915,000	$ -	$ 740,000	$ -	$ 8,175,000	$ 795,000
V-2016 - 2.125 - 5.0%	10,800,000	-	275,000	-	10,525,000	300,000
W-2017 - 5.0%	5,280,000	-	780,000	-	4,500,000	815,000
X-2017 - 2.0 - 5.0%	11,060,000	-	270,000	-	10,790,000	285,000
Y-2018 - 3.0 - 5.0%	7,475,000	-	170,000	-	7,305,000	180,000
Z-2020 - 4.0 - 5.0%	6,145,000	-	560,000	-	5,585,000	585,000
AA-2021 - 4.0 - 5.0%	41,920,000	-	4,005,000	-	37,915,000	3,730,000
Total bonds	$ 91,595,000	$ -	$ 6,800,000	$ -	$ 84,795,000	$ 6,690,000
Unamortized Premium	9,823,667	-	922,376	-	8,901,291	-
Total long term debt	$ 101,418,667	$ -	$ 7,722,376	$ -	$ 93,696,291	$ 6,690,000

	Balance June 30, 2020	Additions	Payments	Defeased	Balance June 30, 2021	Amounts Due Within One Year
Q-2012 - 2.0 - 4.0%	$ 14,005,000	$ -	$ 2,350,000	$ 11,655,000	$ -	$ -
R-2012 - 2.0 - 4.0%	7,700,000	-	475,000	7,225,000	-	-
S-2013 - 2.0 - 4.0%	9,005,000	-	695,000	8,310,000	-	-
T-2013 - 2.0 - 4.6%	22,400,000	-	500,000	21,900,000	-	-
U-2015 - 2.0 - 5.0%	9,625,000	-	710,000	-	8,915,000	740,000
V-2016 - 2.125 - 5.0%	11,050,000	-	250,000	-	10,800,000	275,000
W-2017 - 5.0%	6,015,000	-	735,000	-	5,280,000	780,000
X-2017 - 2.0 - 5.0%	11,320,000	-	260,000	-	11,060,000	270,000
Y-2018 - 3.0 - 5.0%	7,635,000	-	160,000	-	7,475,000	170,000
Z-2020 - 4.0 - 5.0%	6,755,000	-	610,000	-	6,145,000	560,000
AA-2021 - 4.0 - 5.0%	-	41,920,000	-		41,920,000	4,005,000
Total bonds	$ 105,510,000	$ 41,920,000	$ 6,745,000	$ 49,090,000	$ 91,595,000	$ 6,800,000
Unamortized Premium	4,893,568	7,207,533	571,736	1,705,698	9,823,667	-
Total long term debt	$ 110,403,568	$ 49,127,533	$ 7,316,736	$ 50,795,698	$ 101,418,667	$ 6,800,000

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

Fiscal Year	Total Principal	Interest	Grand Total
2023	$ 6,690,000	$ 3,371,432	$ 10,061,432
2024	6,670,000	3,060,594	9,730,594
2025	6,620,000	2,748,294	9,368,294
2026	6,595,000	2,439,393	9,034,393
2027	6,630,000	2,137,143	8,767,143
2028 - 2032	28,650,000	6,769,035	35,419,035
2033 - 2037	9,010,000	2,846,110	11,856,110
2038 - 2042	6,525,000	1,822,759	8,347,759
2043 - 2047	6,990,000	733,920	7,723,920
2048	415,000	15,044	430,044
Total	$ 84,795,000	$ 25,943,724	$ 110,738,724

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, 2022, these bond covenant requirements had been satisfied.

During fiscal year 2021, KUB's Gas Division issued Series AA 2021 bonds to retire outstanding Series Q 2012, R 2012, S 2013, and T 2013 bonds. On April 19, 2021, $41.9 million in revenue refunding bonds with an average interest rate of 4.4 percent were issued to currently refund $49.1 million of outstanding bonds with an average interest rate of 3.9 percent. The net proceeds of $49.3 million (after payment of $0.3 million in issuance costs plus premium of $7.2 million and an additional issuer equity contribution of $0.5 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 14 years by $7.9 million, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $7.2 million.

Other liabilities consist of the following:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Accrued compensated absences	$ 1,962,725	$ 3,833,012	(3,894,834)	$ 1,900,903
Customer advances for construction	2,175,420	1,143,002	(1,224,454)	2,093,968
Other	63,495	66,913	(59,533)	70,875
	$ 4,201,640	$ 5,042,927	$ (5,178,821)	$ 4,065,746

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Accrued compensated absences	$ 1,923,437	$ 2,911,631	(2,872,343)	$ 1,962,725
Customer advances for construction	2,112,184	932,315	(869,079)	2,175,420
Other	43,461	66,241	(46,207)	63,495
	$ 4,079,082	$ 3,910,187	$ (3,787,629)	$ 4,201,640

7. Lease Receivables

KUB, as lessor, leases office space under non-cancelable lease arrangements. Terms of the leases range from two to fifteen 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 $70,451 in 2022 and $71,728 in 2021. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $20,064 in 2022 and $1,380 in 2021. Total lease receivables were $724,232 ($81,932 current) and $554,717 ($52,498 current) as of June 30, 2022, and 2021, 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, 2021	Increase	Decrease	Balance June 30, 2022
Total lease liabilities	$ 80,046	$ 299,913	$ (84,510)	$ 295,449
Less current portion	(64,123)			(69,367)
Long-term portion	$ 15,923			$ 226,082

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Total lease liabilities	$ -	$ 151,624	$ (71,578)	$ 80,046
Less current portion	-			(64,123)
Long-term portion	$ -			$ 15,923

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to fourteen 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, 2022, are summarized as follows:

	Lease Maturities	Interest Requirements
2023	$ 69,367	$ 9,923
2024	55,952	7,334
2025	58,292	5,294
2026	59,624	3,117
2027	49,052	836
2028-2032	1,745	40
2033-2037	1,417	11
	$ 295,449	$ 26,555

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9. Capital and Intangible Right of Use Assets

Capital and intangible right of use asset activity was as follows:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Production Plant	$ 14,640	$ -	$ -	$ 14,640
Distribution Plant				
Mains	299,353,695	11,246,911	(642,320)	309,958,286
Services and Meters/Regulators	113,039,903	5,470,174	(964,266)	117,545,811
Other Accounts	1,708,295	120,397	-	1,828,692
Total Distribution Plant	$ 414,101,893	$ 16,837,482	$ (1,606,586)	$ 429,332,789
Total General Plant	41,766,632	1,780,801	(643,207)	42,904,226
Total Plant Assets	$ 455,883,165	$ 18,618,283	$ (2,249,793)	$ 472,251,655
Less Accumulated Depreciation	(165,921,094)	(15,578,373)	2,983,494	(178,515,973)
Net Plant Assets	$ 289,962,071	$ 3,039,910	$ 733,701	$ 293,735,682
Work In Progress	26,930,511	27,794,186	(19,331,255)	35,393,442
Total Net Plant	$ 316,892,582	$ 30,834,096	$ (18,597,554)	$ 329,129,124
Intangible Right of Use Assets				
Office space	$ 109,664	$ 291,195	$ (84,220)	$ 316,639
Equipment	15,756	-	(6,407)	9,349
Other	26,204	8,717	(10,478)	24,443
Total Intangible Right of Use Assets	$ 151,624	$ 299,912	$ (101,105)	$ 350,431
Less Accumulated Amortization	(71,578)	(94,464)	101,758	(64,284)
Net Intangible Right of Use Assets	$ 80,046	$ 205,448	$ 653	$ 286,147

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Production Plant	$ 14,640	$ -	$ -	$ 14,640
Distribution Plant				
Mains	281,397,722	20,325,348	(2,369,375)	299,353,695
Services and Meters/Regulators	108,471,392	6,630,489	(2,061,978)	113,039,903
Other Accounts	1,636,967	121,328	(50,000)	1,708,295
Total Distribution Plant	$ 391,506,081	$ 27,077,165	$ (4,481,353)	$ 414,101,893
Total General Plant	36,332,530	5,540,377	(106,275)	41,766,632
Total Plant Assets	$ 427,853,251	$ 32,617,542	$ (4,587,628)	$ 455,883,165
Less Accumulated Depreciation	(154,640,730)	(15,940,032)	4,659,668	(165,921,094)
Net Plant Assets	$ 273,212,521	$ 16,677,510	$ 72,040	$ 289,962,071
Work In Progress	35,509,285	23,869,772	(32,448,546)	26,930,511
Total Net Plant	$ 308,721,806	$ 40,547,282	$ (32,376,506)	$ 316,892,582
Intangible Right of Use Assets				
Office space	$ -	$ 109,664	$ -	$ 109,664
Equipment	-	25,466	(9,710)	15,756
Other	-	26,204	-	26,204
Total Intangible Right of Use Assets	$ -	$ 161,334	$ (9,710)	$ 151,624
Less Accumulated Amortization	-	(71,578)	-	(71,578)
Net Intangible Right of Use Assets	$ -	$ 89,756	$ (9,710)	$ 80,046

10. 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, 2022, and June 30, 2021, the amount of these liabilities was $382,878 and $329,162, respectively, resulting from the following changes:

		2022		2021
Balance, beginning of year	$	329,162	$	292,505
Current year claims and changes in estimates		3,129,999		2,631,705
Claims payments		(3,076,283)		(2,595,048)
Balance, end of year	$	382,878	$	329,162

11. 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:

	2021	2020
Inactive plan members:		
Terminated vested participants	12	11
Retirees and beneficiaries	600	593
Active plan members	478	518
Total	1,090	1,122

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 3% of the first $4,800 of annual earnings and 5% 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, 2021:

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

Contributions of $3,665,168 and $3,167,680 for 2020 and 2019, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2022, and 2021, respectively. Of these amounts, $705,017 and $538,506 are attributable to the Gas Division. The fiscal year 2022 contribution was determined as part of the January 1, 2020, 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, 2022, and 2021, will be based on the December 31, 2021, and 2020, measurement date, respectively. The Division's share of the net pension asset as of June 30, 2022, is $12,337,267 and the net pension asset as of June 30, 2021, is $7,666,879.

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

	2021	2020
Total pension liability	$ 242,201,780	$ 234,363,021
Plan fiduciary net position	(306,339,494)	(279,462,309)
Plan's net pension liability (asset)	$ (64,137,714)	$ (45,099,288)
Plan fiduciary net position as a percentage of the total pension liability	126.48%	119.24%

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, 2020	$ 234,363,021	$ 279,462,309	$ (45,099,288)
Changes for the year:			
Service cost	6,647,220	-	6,647,220
Interest	16,982,226	-	16,982,226
Differences between Expected and Actual Experience	1,935,276	-	1,935,276
Changes of Assumptions	-	-	-
Contributions - employer	-	3,416,428	(3,416,428)
Contributions - rollovers	-	3,936,711	(3,936,711)
Contributions - member	-	2,976	(2,976)
Net investment income	-	37,688,050	(37,688,050)
Benefit payments	(17,725,963)	(17,725,963)	-
Administrative expense	-	(441,017)	441,017
Net changes	7,838,759	26,877,185	(19,038,426)
Balances at December 31, 2021	$ 242,201,780	$ 306,339,494	$ (64,137,714)

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, 2021, rolled forward to December 31, 2021; January 1, 2020, rolled forward to December 31, 2020
Discount rate	7.25% as of December 31, 2021, and 2020
Salary increases	From 2.50% to 5.65%, based on years of service as of December 31, 2021, and 2020
Mortality	115% and 110% of the PubG-2010 table, for males and females respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of December 31, 2021, and 2020
Inflation	2.5% as of December 31, 2021, and 2020

The actuarial assumptions used in the January 1, 2021, and 2020, valuations were based on an actuarial experience study covering the period January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2021, and 2020, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. The Plan has both aggregate and long duration fixed income.

	Long Term Expected Real Rate of Return	
Asset Class	**2021**	**2020**
Domestic equity	5.1%	5.1%
Non-U.S. equity	6.0%	6.4%
Real estate equity	5.4%	5.6%
Debt securities	0.2%	0.9%
Cash and deposits	(0.3)%	0.2%

Discount rate
The discount rate used to measure the total pension liability was 7.25 percent as of December 31, 2021, and 2020. 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 for the Gas Division as of December 31, 2021, calculated using the discount rate of 7.25 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 (6.25 percent) or one percent higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Plan's net pension liability (asset)	$ (8,168,535)	$ (12,337,267)	$ (15,933,390)

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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, 2022, KUB recognized pension expense of ($11,639,307), and the Gas Division's share was ($2,325,903).

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was 4.00 years. During the measurement year, there was a liability experience loss of $1,935,276, with approximately $483,819 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $1,451,457. Unrecognized liability experience losses from prior periods were $1,544,136, of which $386,034 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,158,102. The combination of unrecognized liability experience losses this year along with unrecognized liability experience losses from prior periods results in a deferred outflow of $2,609,559 (Division's share $501,964). Unrecognized liability gains from prior periods were $1,092,163, of which $549,386 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $542,777 (Division's share $104,407).

During the measurement year, there were no benefit changes or assumption changes. Net unrecognized assumption change losses from prior periods were $5,083,896, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $3,389,264 (Division's share $651,945). Net unrecognized assumption change gains from prior periods were $71,525, of which the remaining $71,525 was recognized as a decrease in Pension Expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $17,812,070, of which $3,562,414 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $34,994,864, of which $10,275,263 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with unrecognized investment gains from prior periods, results in a deferred inflow of $38,969,257 (Division's share $7,495,966).

The impact of the change in proportionate share for the Gas Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred inflow of $348,054, with $87,013 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred inflow of resources of $261,040. In addition, KUB's Gas Division recorded a deferred outflow of resources of $352,508 for employer contributions made between December 31, 2021, and June 30, 2022.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 501,964	$ 104,407
Changes in assumptions	651,945	-
Net difference between projected and actual earnings on pension plan investments	-	7,495,966
Change in proportionate share	-	261,040
Contributions subsequent to measurement date	352,508	-
Total	$ 1,506,417	$ 7,861,413

$352,508 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2023	$ (1,647,755)
2024	(2,715,656)
2025	(1,658,841)
2026	(685,251)
Thereafter	-

For the year ended June 30, 2021, KUB recognized pension expense of ($7,325,254), and the Gas Division's share was ($1,245,293).

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, 2019, this average was 5.00 years. During the measurement year, there was a liability experience loss of $1,930,170, with $386,034 of that recognized in the current year and in each of the next four years, resulting in a deferred outflow of $1,544,136 (Division's share $262,503). Unrecognized liability experience gains from prior periods were $2,088,302, of which $996,139 was recognized as a reduction in pension expense in the current year and resulted in a deferred inflow of $1,092,163 (Division's share $185,668).

During the measurement year, there were no benefit changes or assumption changes. Unrecognized assumption change losses from prior periods were $6,778,528, of which $1,694,632 was recognized as an increase in pension expense in the current year and resulted in a deferred outflow of $5,083,896 (Division's share $864,262). Unrecognized assumption change decreases from prior periods were $729,629, of which $658,104 was recognized as a reduction in pension expense in the current year and resulted in a deferred inflow of $71,525 (Division's share $12,159).

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 $27,394,477, of which $5,478,895 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $17,715,210, of which $4,635,928 was recognized as a decrease in pension expense in the current year. The combination of unrecognized investment gains this year along with the net unrecognized investment gains from prior periods results in a net difference between projected and actual earnings on pension plan investments as of December 31, 2020, of $34,994,864 (Division's share $5,949,127). The following table summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over future years. In addition, KUB recorded a deferred outflow of resources of $1,583,842 as of June 30, 2021, for employer contributions made between December 31, 2020, and June 30, 2021 (Division's share $269,254).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,544,136	$ 1,092,163
Changes in assumptions	5,083,896	71,525
Net difference between projected and actual earnings on pension plan investments	-	34,994,864
Contributions subsequent to measurement date	1,583,842	-
Total	$ 8,211,874	$ 36,158,552
Division's share	$ 1,396,019	$ 6,146,954

12. 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, 2022, there are 446 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2022.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. There is no Total Pension Liability as of June 30, 2022. The Division's share of the total pension liability was $3,181 as of June 30, 2021.

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

	2021	**2020**
Total pension liability	$0	$18,714
Deferred outflows	(11,505)	(33,660)
Deferred inflows	16,927	23,630
Net impact on Statement of Net Position	$5,422	$8,684
Covered payroll	$38,074,863	$41,524,273
Total pension liability as a % of covered payroll	0.00%	0.05%

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

	Increase (Decrease)
	Total Pension Liability
Balances at December 31, 2020	$ 18,714
Changes for the year:	
Service cost	-
Interest	268
Changes of Benefits	-
Differences between Expected and Actual Experience	(6,816)
Changes of Assumptions	-
Benefit payments	(12,166)
Net changes	(18,714)
Balances at December 31, 2021	$ -

Actuarial Assumptions

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

Valuation dates	January 1, 2022, and January 1, 2021
Actuarial cost method	Individual entry age

Salary increase	From 2.50% to 5.65%, based on years of service as of January 1, 2022, and 2021
Mortality	115% and 110% of the Public Sector General Healthy Annuitant Mortality Table (PubG-2010), for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of January 1, 2022, and 2021
Inflation	2.5% as of January 1, 2022, and 2021

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

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 2.06% as of January 1, 2022, and 2.12% as of January 1, 2021.

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

For the year ended June 30, 2022, KUB recognized pension expense of $16,613 (Division's share $2,824) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($19,875), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$5,422 - $8,684 + $19,875].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was 4 years. During the measurement year, there was an experience gain of $6,816, with $1,704 recognized in the current year and each of the next three years, resulting in a deferred inflow of $5,112 (Division's share $869). There was a deferred inflow at the end of the measurement year of $7,225 (Division's share $1,228) from experience gains in prior years and a deferred outflow of $6,112 (Division's share $1,039) from experience losses in prior years.

During the measurement year, there were no assumption changes. There was a deferred inflow at the end of the measurement year of $4,590 (Division's share $780) and a deferred outflow of $5,393 (Division's share $917) from assumption changes in prior years.

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

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	6,112	$	12,337
Changes in assumptions		5,393		4,590
Total	$	11,505	$	16,927
Division's share	$	1,956	$	2,877

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

Year ended June 30:		
2023	$	(8,793)
2024		3,023
2025		348
2026		-
2027		-
Thereafter		-

For the year ended June 30, 2021, KUB recognized pension expense of $21,436 for the QEBA (Division’s share $3,644). This amount is not expected to be the same as KUB’s contribution to the QEBA ($22,874), but instead represents the change in the net impact on KUB’s Statement of Net Position plus employer contributions [$8,684 - $10,122 + $22,874].

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, 2019, this average was 5 years. During the measurement year, there was an experience loss of $10,165, with $2,033 recognized in the current year and each of the next four years, resulting in a deferred outflow of $8,132 (Division’s share $1,382). There was a deferred inflow at the end of the measurement year of $14,450 (Division’s share $2,457) from experience gains in prior years and a deferred outflow of $2,756 (Division’s share $469) from experience losses in prior years.

During the measurement year, there was an assumption change loss of $91, with $18 recognized in the current year and each of the next four years, resulting in a deferred outflow of $73 (Division’s share $12). There was a deferred inflow at the end of the measurement year of $9,180 (Division’s share $1,560) and a deferred outflow of $22,699 (Division’s share $3,859) from assumption changes in prior years. In addition, KUB recorded a deferred outflow of resources of $6,084 as of June 30, 2021 for contributions between December 31, 2020, and June 30, 2021 (Division’s share $1,034).

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	$ 10,888	$ 14,450
Changes in assumptions	22,772	9,180
Contributions subsequent to measurement date	6,084	-
Total	$ 39,744	$ 23,630
Division's share	$ 6,756	$ 4,017

13. 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 3 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 3 percent. They also receive a nonelective KUB contribution of 3 percent to 6 percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and nonelective contributions of $3,125,903 (Division’s share $531,403) and $2,984,314 (Division’s share $507,333), respectively, for the years ended June 30, 2022, and 2021.

14. 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	
	2022	2021	2022	2021
Retirees	4	0	549	538
Dependents of retirees	2	0	612	579
Eligible active employees	15	0	145	160
Total	21	0	1,306	1,277

Benefits

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

Contributions and Funding

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

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

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

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

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

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203. The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2022:

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%

For the fiscal year ended June 30, 2022, an actuarially determined contribution for the Gas Division of $378,121 was made to the OPEB Trust along with the division's share ($255,000) of an additional $1,500,000 contribution to help fund the HRA. Actuarially determined contributions for the Gas Division for the fiscal year ended June 30, 2021, were $128,728. These were based on the OPEB actuarial valuations as of January 1, 2020, and 2019.

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 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, 2022, and 2021, and the Total OPEB Liability as of the valuation date, January 1, 2021, updated to June 30, 2022, and January 1, 2020, updated to June 30, 2021, respectively. The Division's share of the total net OPEB liability (asset) was $2,129,597 as of June 30, 2022 and ($1,008,411) as of June 30, 2021.

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

		2022		**2021**
Total OPEB liability	$	58,536,280	$	51,515,118
Plan fiduciary net position		47,333,773		57,446,946
Net OPEB liability (asset)	$	11,202,507	$	(5,931,828)
Plan fiduciary net position as a percentage of the total OPEB liability		80.86%		111.51%

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, 2021	$	51,515,118	$	57,446,946	$	(5,931,828)
Changes for the year:						
Service cost		416,277		-		416,277
Interest		3,858,276		-		3,858,276
Changes of Benefits		6,594,293		-		6,594,293
Differences between Expected and Actual Experience		60,951		-		60,951
Changes of Assumptions		-		-		-
Contributions - employer		-		1,989,066		(1,989,066)
Contributions - member		-		-		-
Net investment income		-		(8,122,417)		8,122,417
Benefit payments		(3,908,635)		(3,908,635)		-
Administrative expense		-		(71,187)		71,187
Net changes		7,021,162		(10,113,173)		17,134,335
Balances at June 30, 2022	$	58,536,280	$	47,333,773	$	11,202,507

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, 2021, rolled forward to June 30, 2022; January 1, 2020, rolled forward to June 30, 2021
Discount rate:	7.25% as of January 1, 2021, and 2020
Healthcare cost trend rates:	Pre-Medicare: 6.75% grading down to 4.04% over 20 years as of January 1, 2021, and 2020 Medicare: 6.30% grading down to 4.04% over 20 years as of January 1, 2021, and 2020 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service as of January 1, 2021, and 2020

Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP2018 fully generational as of January 1, 2021, and 2020
Inflation:	2.50% as of January 1, 2021, and 2020

The actuarial assumptions used in the January 1, 2021, and January 1, 2020, valuations were based on the results of actuarial experience studies for the periods January 1, 2014, through December 31, 2018.

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

	Long Term Expected Real Rate of Return	
Asset Class	**2022**	**2021**
Domestic equity	5.5%	4.9%
International equity	6.5%	5.9%
Emerging Market equity	8.6%	8.4%
Real estate equity	5.7%	5.4%
Debt securities	1.2%	0.5%
Cash and deposits	0.2%	(0.1%)

Discount rate
The discount rate used to measure the total OPEB liability was 7.25 percent as of June 30, 2022, and 2021. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the 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 Division’s share of the Trust as of June 30, 2022, calculated using the discount rate of 7.25 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 (6.25 percent) or one percent higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net OPEB liability (asset)	$3,227,571	$2,129,597	$1,204,035

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 Division's share of the Trust as of June 30, 2022, 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)	$1,204,968	$2,129,597	$3,202,475

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2022, KUB's Gas Division recognized OPEB expense of $1,156,287.

The impact of liability experience gains or losses and assumption changes on the Gas Division's Share of the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was 2.0 years. During the measurement year, there was an experience loss of $60,951, with $30,476 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $30,475 (Division's share $5,793). Unrecognized experience losses from prior periods were $21,401, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were benefit changes that increased the Total OPEB Liability by $6,594,293. This increase is recognized immediately in the June 30, 2022, OPEB expense.

Unrecognized gains due to assumption changes from prior periods were $2,052,917, of which the entire amount is recognized as a decrease in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $12,216,418, of which $2,443,284 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred outflow of resources of $9,773,134. Net unrecognized investment gains from prior periods were $5,905,689, of which $1,311,774 was recognized as a decrease in OPEB expense in the current year, resulting in a net deferred inflow of $4,593,915. The combination of unrecognized losses this year along with the net unrecognized investment gains from prior periods results in a deferred outflow of resources of $5,179,219 (Division's share $984,570). The impact of the change in proportionate share for the Gas Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is two years. This change resulted in a deferred outflow of $40,308, with $20,154 of that recognized in the current year and the remaining amount recognized in the next year, resulting in a deferred outflow of resources of $20,154. The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Gas Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,793	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	984,570	
Change in proportionate share	20,154	-
Total	$ 1,010,517	$ -

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

Year ended June 30:	
2023	$ 246,895
2024	198,606
2025	100,548
2026	464,468
2027	-
Thereafter	-

For the year ended June 30, 2021, KUB recognized OPEB expense of ($648,134) (Division's share ($110,183)).

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 2.0 years. During the measurement year, there was an experience loss of $42,802, with $21,401 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $21,401 (Division's share $3,638). Unrecognized experience losses from prior periods were $21,951, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there was a decrease in the Total OPEB Liability due to assumption changes of $4,105,835, with $2,052,918 of that recognized in the current year and in the next year, resulting in a deferred inflow of $2,052,917 (Division's share $348,996). Unrecognized assumption changes from prior periods were $1,802,421, of which the entire amount is recognized as an increase in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $9,571,802, of which $1,914,360 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 $2,354,338, of which $602,585 was recognized as an increase in OPEB expense in the current year. The combination of unrecognized gains this year along with the net unrecognized investment losses from prior periods results in a net difference between projected and actual earnings on OPEB plan investments as of June 30, 2021, of $5,905,689 (Division's share $1,003,967). The table below summarizes the current balances of deferred outflows and deferred inflows of resources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,401	$ -
Changes in assumptions	-	2,052,917
Net difference between projected and actual earnings on OPEB plan investments	-	5,905,689
Total	$ 21,401	$ 7,958,606
Division's share	$ 3,638	$ 1,352,963

15. 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, 2022, and 2021, are summarized as follows:

	2022	**2021**
City of Knoxville		
Amounts billed by the Division for utilities and related services	$ 945,570	$ 780,057
Payments by the Division in lieu of property tax	4,029,886	3,998,446
Payments by the Division for services provided	147,396	695,466
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	393,131	332,832
Interdivisional rental expense	1,133,783	943,696
Interdivisional rental income	31,678	33,346
Amounts billed to the Division by other divisions for utilities services provided	325,071	305,389

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

	2022	**2021**
Accounts receivable	$ 12,593	$ 15,650

16. Natural Gas Supply Contract Commitments

For fiscal year 2022, the Gas Division hedged 27 percent of its total gas purchases via gas supply contracts. As of June 30, 2022, the Gas Division had hedged the price on approximately 5 percent of its anticipated gas purchases for fiscal year 2023.

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

	2023	2024	2025	2026	2027	2028
Transportation						
Tennessee Gas Pipeline	$ 3,406,776	$ 3,406,776	$ 3,406,776	$ 1,135,592	$ -	$ -
East Tennessee Natural Gas	12,582,997	12,582,997	12,582,997	3,435,624	-	-
Texas Eastern	328,500	328,500	328,500	109,500	-	-
Storage						
Tennessee Gas Pipeline	1,530,684	1,530,684	1,530,684	510,228	-	-
East Tennessee Natural Gas	1,081,500	1,081,500	1,081,500	-	-	-
Saltville Natural Gas	2,000,160	2,000,160	1,845,150	1,380,120	1,380,120	1,035,090
Bobcat	54,000	-	-	-	-	-
Demand Total	$ 20,984,617	$ 20,930,617	$ 20,775,607	$ 6,571,064	$ 1,380,120	$ 1,035,090

Firm obligations related to purchased gas - commodity

	2023	2024	2025	2026	2027	2028-2052
Baseload						
Shell Energy North America	$ 2,153,180	$ -	$ -	$ -	$ -	$ -
ConocoPhillips	2,200,920	23,985	-	-	-	-
BP Energy Company	276,520		-	-	-	-
CNX	7,536,936	4,738,107	-	-	-	-
Enervest Operating LLC	5,134,304	4,043,490	3,001,698	-	-	-
Tennergy Corporation	5,873,688	4,514,946	4,313,608	4,433,183	4,345,174	112,935,089
Commodity Total	$ 23,175,548	$ 13,320,528	$ 7,315,306	$ 4,433,183	$ 4,345,174	$ 112,935,089

The total commodity values presented here are based upon firm supply obligations with each individual natural gas supplier. The firm obligations value for BP Energy Company, ConocoPhillips, and Shell Energy North America are based upon firm supply obligations and locked prices with those suppliers. The firm obligations value for CNX and Enervest Operating LLC are based upon firm supply obligations and the applicable NYMEX strip prices on June 30, 2022. The firm obligations value for Tennergy Corporation is based upon a 30 year prepay gas contract valued at the applicable Tennessee Zone 0 strip prices on June 30, 2022.

17. Other Commitments and Contingencies

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

Knoxville Utilities Board Gas Division
Required Supplemental Information - Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2022

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

Notes to Schedule:

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

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

See accompanying Independent Auditor's Report

Knoxville Utilities Board Gas Division
Required Supplementary Information – Schedule of Employer Pension Contributions
June 30, 2022

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

Notes to Schedule:

Timing:	Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.
Valuation Dates:	January 1, 2020 and January 1, 2019

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual entry age
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 21 years remaining (22 years as of January 1, 2019), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2020 and 2019, the unfunded liability was negative.
Discount rate:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Salary increases:	2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational
Inflation:	2.5%

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

Knoxville Utilities Board Gas Division
Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2022

	*Year ended June 30				
	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	$ 416,277	$ 283,786	$ 256,270	$ 270,515	$ 202,603
Interest	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	$ 58,536,280	$ 51,515,118	$ 54,544,240	$ 50,197,938	$ 45,604,431
Plan fiduciary net position					
Contributions - employer	$ 1,989,066	$ 757,226	$ 311,324	$ -	$ -
Net investment income	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	$ 47,333,773	$ 57,446,946	$ 46,954,793	$ 48,750,196	$ 49,355,499
Net OPEB liability (asset) - ending (a) - (b)	$ 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	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	$ 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	15.15%	(27.49%)	32.48%	5.95%	(15.84%)

Notes to Schedule:

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

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

Knoxville Utilities Board Gas Division
Required Supplementary Information – Schedule of Employer OPEB Contributions
June 30, 2022

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

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

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

Notes to Schedule:

Valuation Date:	January 1, 2020 and January 1, 2019
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 16 years remaining as of January 1, 2020 (17 years as of January 1, 2019), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2019 and 2020, the unfunded liability was positive
Discount rate:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Healthcare cost trend rate:	Pre-Medicare: 6.75% grading down to 4.04% over 20 years as of January 1, 2020; 7.83% grading down to 4.50% over 19 years as of January 1, 2019 Medicare: 6.30% grading down to 4.04% over 20 years as of January 1, 2020; 6.88% grading down to 4.50% over 19 years as of January 1, 2019 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.5%
Investment rate of return:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Retirement age:	2% at ages 50-57, grading up to 100% at age 70

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

Knoxville Utilities Board Gas Division
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 2022

	*Year ended December 31					
	2021	**2020**	**2019**	**2018**	**2017**	**2016**
Total pension liability						
Service cost	$ -	$ -	$ -	$ 941	$ 584	$ -
Interest (includes interest on service cost)	268	388	9,181	9,676	7,535	-
Changes of benefit terms	-	-	(218,272)	-	-	185,077
Differences between expected and actual experience	(6,816)	10,165	34	(36,125)	13,684	-
Changes of assumptions	-	91	13,342	(22,950)	73,461	-
Benefit payments, including refunds of member contributions	(12,166)	(12,166)	(15,932)	-	-	-
Net change in total pension liability	(18,714)	(1,522)	(211,647)	(48,458)	95,264	185,077
Total pension liability - beginning	18,714	20,236	231,883	280,341	185,077	-
Total pension liability - ending	$ -	$ 18,714	$ 20,236	$ 231,883	$ 280,341	$ 185,077
Covered payroll	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747
Total pension liability as a percentage of covered payroll	0.00%	0.05%	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 Gas Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2022

	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	
22-23	795,000	250,888	300,000	308,844	815,000	225,000	285,000	341,169	180,000	251,031	585,000	271,000	3,730,000	1,723,500	6,690,000	3,371,432	10,061,432
23-24	805,000	233,000	325,000	293,844	850,000	184,250	300,000	326,919	185,000	243,831	615,000	241,750	3,590,000	1,537,000	6,670,000	3,060,594	9,730,594
24-25	845,000	208,850	325,000	280,844	900,000	141,750	315,000	311,919	195,000	236,431	645,000	211,000	3,395,000	1,357,500	6,620,000	2,748,294	9,368,294
25-26	880,000	183,500	350,000	267,844	940,000	96,750	330,000	296,168	200,000	228,631	675,000	178,750	3,220,000	1,187,750	6,595,000	2,439,393	9,034,393
26-27	895,000	154,900	350,000	253,844	995,000	49,750	340,000	286,268	210,000	220,631	710,000	145,000	3,130,000	1,026,750	6,630,000	2,137,143	8,767,143
27-28	985,000	123,573	375,000	243,344			345,000	279,469	215,000	214,331	745,000	109,500	3,625,000	870,250	6,290,000	1,840,467	8,130,467
28-29	975,000	89,100	375,000	232,094			355,000	272,138	220,000	207,881	785,000	72,250	3,450,000	689,000	6,160,000	1,562,463	7,722,463
29-30	955,000	59,850	375,000	220,844			360,000	263,706	230,000	201,281	825,000	33,000	3,230,000	551,000	5,975,000	1,329,681	7,304,681
30-31	1,040,000	31,200	400,000	212,875			375,000	252,906	235,000	194,381			3,285,000	421,800	5,335,000	1,113,162	6,448,162
31-32			400,000	203,875			385,000	241,656	240,000	187,331			3,865,000	290,400	4,890,000	923,262	5,813,262
32-33			425,000	194,375			395,000	230,106	250,000	180,131			3,395,000	135,800	4,465,000	740,412	5,205,412
33-34			425,000	183,750			410,000	218,256	260,000	172,319					1,095,000	574,325	1,669,325
34-35			425,000	173,125			420,000	205,956	265,000	163,869					1,110,000	542,950	1,652,950
35-36			450,000	162,500			435,000	193,356	275,000	155,256					1,160,000	511,112	1,671,112
36-37			450,000	150,686			445,000	180,306	285,000	146,319					1,180,000	477,311	1,657,311
37-38			475,000	138,312			460,000	166,956	295,000	136,700					1,230,000	441,968	1,671,968
38-39			475,000	125,250			475,000	152,582	305,000	126,744					1,255,000	404,576	1,659,576
39-40			500,000	112,188			490,000	137,738	315,000	116,069					1,305,000	365,995	1,670,995
40-41			525,000	98,438			505,000	122,425	325,000	105,044					1,355,000	325,907	1,680,907
41-42			525,000	84,000			520,000	106,644	335,000	93,669					1,380,000	284,313	1,664,313
42-43			550,000	68,250			535,000	90,394	350,000	81,944					1,435,000	240,588	1,675,588
43-44			550,000	51,750			550,000	73,675	360,000	69,694					1,460,000	195,119	1,655,119
44-45			575,000	35,250			570,000	56,488	375,000	57,094					1,520,000	148,832	1,668,832
45-46			600,000	18,000			585,000	38,675	385,000	43,500					1,570,000	100,175	1,670,175
46-47							605,000	19,662	400,000	29,544					1,005,000	49,206	1,054,206
47-48									415,000	15,044					415,000	15,044	430,044
Total	$ 8,175,000	$ 1,334,861	$ 10,525,000	$ 4,114,126	$ 4,500,000	$ 697,500	$ 10,790,000	$ 4,865,537	$ 7,305,000	$ 3,878,700	$ 5,585,000	$ 1,262,250	$ 37,915,000	$ 9,790,750	$ 84,795,000	$ 25,943,724	$ 110,738,724

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, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2021	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2022
Business-Type Activities									
BONDS PAYABLE									
Payable through Gas Fund									
Revenue Bond Refunding, Series U-2015	11,780,000	2.0-5.0	05/01/15	03/01/31	$ 8,915,000	$	$ 740,000	$	$ 8,175,000
Revenue Bond, Series V-2016	12,000,000	2.125-5.0	08/05/16	03/01/46	10,800,000		275,000		10,525,000
Revenue Bond Refunding, Series W-2017	8,065,000	5.0	04/07/17	03/01/27	5,280,000		780,000		4,500,000
Revenue Bond, Series X-2017	12,000,000	2.0-5.0	09/15/17	03/01/47	11,060,000		270,000		10,790,000
Revenue Bond, Series Y-2018	8,000,000	3.0-5.0	09/14/18	03/01/48	7,475,000		170,000		7,305,000
Revenue Bond Refunding, Series Z-2020	6,755,000	4.0-5.0	05/22/20	03/01/30	6,145,000		560,000		5,585,000
Revenue Bond Refunding, Series AA-2021	41,920,000	4.0-5.0	04/19/21	03/01/33	41,920,000		4,005,000		37,915,000
					$ 91,595,000	$ -	$ 6,800,000	$ -	$ 84,795,000

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Gas Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2022
Lease Liabilities									
Payable through Gas Division									
Centriworks	$ 7,643	3.88%	11/1/2020	10/31/2023	$ 7,643	$ -	$ (3,191)	$ -	$ 4,452
Coal Creek Ventures	5,219	3.88%	7/1/2020	9/30/2035	5,219	-	(340)	-	4,879
James H. Benson/Manki 1 Investments	51,382	3.88%	7/1/2020	5/31/2027	10,180	51,382	(10,957)	-	50,605
Pinnacle Towers	8,423	3.88%	7/1/2020	6/30/2027	8,423	8,717	(8,423)	-	8,717
R&S Logistics (Sublease)	234,260	3.88%	7/1/2020	3/31/2027	29,528	234,260	(49,357)	-	214,431
Ricoh Americas	2,790	3.88%	7/1/2020	7/31/2022	2,790	-	(2,571)	-	219
RJ Young Company	8,625	3.88%	7/1/2020	6/30/2026	8,625	-	(2,033)	-	6,592
Spectrasite	2,084	3.88%	7/1/2020	1/31/2022	2,084	-	(2,084)	-	-
White Realty	5,554	3.88%	7/1/2020	6/30/2041	5,554	5,554	(5,554)	-	5,554
Total Lease Liabilities					$ 80,046	$ 299,913	$ (84,510)	$ -	$ 295,449

See accompanying Independent Auditor's Report

Knoxville Utilities Board Gas Division
Statistical Information - Schedule of Insurance in Force
June 30, 2022
(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.

Pollution Legal Liability
New conditions coverage for losses exceeding specified amount per occurrence ($1,000,000). Limits of coverage - $15,000,000.

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

Travel Accident
Covers losses related to employees' business travel. Limits of coverage - $3,000,000 aggregate.

Excess Insurance for General Liability
As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). KUB is self-insured for the first $700,000 of any accident and has insurance of $4,300,000 above this retention.

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

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

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

Knoxville Utilities Board Gas Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2022
(Unaudited)

Rate Class	Base Charge	Number of Customers
Residential (G-2)	For the regular monthly billing period for the months of November to April, inclusive: Customer charge per month $10.90 First 30 therms per month at $1.6459 per therm Excess over 30 therms per month at $1.4337 per therm For the regular monthly billing periods for the months of May to October, inclusive: Customer charge per month $10.90 First 50 therms per month $1.4672 per therm Excess over 50 therms per month at $1.3486 per therm	97,658
Commercial (G-4)	Available to any commercial or industrial customer: Customer charge per month $31.00 First 250 therms per month at $1.6210 per therm Excess over 250 therms per month at $1.5019 per therm	9,493
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: $185.00 per month Demand charge: $2.05 per therm of demand Commodity charge: First 30,000 therms per month at $1.2586 per therm Excess over 30,000 therms per month at $1.1606 per therm	215
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.	10

Knoxville Utilities Board Gas Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2022
(Unaudited)

Rate Class	Base Charge			Number of Customers
	The net rate is the sum of the following demand and commodity charges:			
	Customer charge:	$575.00 per month		
	Demand charge:	$20.50 per month per dekatherm of demand		
	Commodity charge:	(a)	Firm Gas - $11.606 per dekatherm	
		(b)	Interruptible Gas - (i) First 3,000 dekatherms per month at $10.831 per dekatherm; excess of 3,000 to 20,000 dekatherms per month at $10.208 per dekatherm; plus excess over 20,000 to 50,000 dekatherms per month at $9.377 per dekatherm; excess over 50,000 dekatherms per month at $9.097 per dekatherm	
		(c)	Supplemental Gas - The Commodity Charge for Supplemental Gas shall be the total of: (a) the cost per dekatherm to KUB for the applicable Day of acquiring Supplemental Gas on the open market, subject to the approval of the Customer to purchase Supplemental Gas at or above such price and (b) the costs incurred by KUB in transporting such Supplemental Gas via connecting pipelines to one or more of KUB's delivery points.	
	Transportation charge:	$2.449 per dekatherm for the first 3,000 dekatherms of gas Redelivered plus Unauthorized Gas; plus $1.826 per dekatherm for each dekatherm from 3,000 to and including 20,000 dekatherms of gas Redelivered plus Unauthorized Gas; plus $.995 per dekatherm for each dekatherm from 20,000 to and including 50,000 dekatherms of gas Redelivered plus Unauthorized Gas; plus $.715 per dekatherm for the excess over 50,000 dekatherms of gas Redelivered plus Unauthorized Gas.		
	Unauthorized Gas charge:	$25.00 per dekatherm of Unauthorized Gas as a penalty, plus the total of: (a) the cost per dekatherm of obtaining such gas on the open market as determined by the higher of (1) the applicable Gulf Coast Price Index for the applicable Day as published in *Gas Daily* or, if *Gas Daily* is no longer published, in a comparable reliable source for natural gas prices or (2) the applicable first of the month Gulf Coast Price Index as published in *Inside FERC*, or if *Inside FERC* is no longer published, in a comparable reliable source for natural gas prices and (b) the costs incurred by KUB in transporting such Unauthorized Gas via connecting pipelines to one or more of KUB's delivery points.		

See accompanying Independent Auditor’s Report

Rate Class	Base Charge	Number of Customers
G-11	Service under Rate Schedule G-11 shall be available to any customer who meets the following conditions: (a) Customer's annual gas usage (excluding Firm Gas), on an actual or projected basis, shall not be less than 25,000 dekatherms; (b) Customer shall be permitted to purchase only one (1) dekatherm of Firm Gas under Rate Schedule G-11 for each two (2) dekatherms of Transport Gas delivered by KUB to the Customer; (c) Customer must have standby equipment of sufficient capacity capable of providing the customer's normal gas service requirements for a period of five (5) working days without replenishment when Transport Gas is completely interrupted. Customer shall maintain such equipment ready for operation at any time and shall utilize a fuel other than gas furnished by KUB and shall be subject to periodic inspections by KUB to ensure compliance with this provision; (d) Customer's use under this rate shall not work a hardship on any other customers of KUB, nor adversely affect any other class of KUB's customers and further provided the Customer's use under this rate shall not adversely affect KUB's gas purchase plans and/or effective utilization of the daily demands under KUB's gas purchase contracts with its suppliers, as solely determined by KUB. (e) KUB must determine that its existing distribution system facilities are adequate and available for the requested service; and (f) Customer must execute a Transportation Service Agreement for interruptible transportation gas service. The net rate is the sum of the following charges: Customer charge: $750.00 Demand charge: $20.50 per dekatherm of demand Firm Gas charge: $11.606 per dekatherm Transportation charge: $2.449 per dekatherm for the first 3,000 dekatherms of non-Firm gas delivered to Customer; plus $1.826 per dekatherm for each dekatherm from 3,000 to and including 20,000 dekatherms of non-Firm gas delivered to Customer; plus $.995 per dekatherm for each dekatherm from 20,000 to and including 50,000 dekatherms of non-Firm gas delivered to Customer; plus $.715 per dekatherm for the excess over 50,000 dekatherms of non-Firm gas delivered to Customer.	13

Unauthorized Gas charge:	\$25.00 per dekatherm of Unauthorized Gas as a penalty, plus (a), the total cost per dekatherm of obtaining such gas on the open market, as defined below, plus (b), the costs incurred by KUB in transporting such Unauthorized Gas via connecting pipelines to one or more of KUB's delivery points. The cost per dekatherm of obtaining such gas on the open market, (a) above, is defined as an index price based on the High Common price for "Transco zone 5 delivered" or "Tennessee 500 Leg," whichever is higher for the applicable Day as published in *Gas Daily.* If *Gas Daily* is no longer published, or one of the aforementioned indeces is not published, or for any other reason as determined by KUB, KUB will select an industry recognized index at its sole discretion.
Other charges:	Imbalance Charges, and any pipeline scheduling, balancing, transportation, or other similar charges incurred by KUB in connection with the transportation of gas on behalf of the Customer, as applicable.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Gas Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2022, 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 25, 2022.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Coulter & Justus, P.C.

Knoxville, Tennessee
October 25, 2022

Section I -- Summary of Auditor's Results

<u>Financial Statements</u>

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

Section II -- Financial Statement Findings
None reported.

Section III – Findings Required by the State of Tennessee Audit Manual
None reported.

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

Water Division

Financial Statements and Supplemental Information
June 30, 2022 and 2021

KUB Board of Commissioners

Dr. Jerry W. Askew, Chair
Adrienne Simpson-Brown, Vice Chair
Claudia Caballero
Ron Feinbaum
Kathy Hamilton
Celeste Herbert
Tyvi Small

Management

Gabriel Bolas II
President and Chief Executive Officer

Mark Walker
Senior Vice President and Chief Financial Officer

Susan Edwards
Senior Vice President and Chief Administrative Officer

Derwin Hagood
Senior Vice President of Operations

John Williams
Senior Vice President of Engineering & Construction

Julie Childers
Vice President and Century II Administrator

Tiffany Martin
Vice President and Chief Customer Officer

Mike Bolin
Vice President of Utility Advancement

John Gresham
Vice President of Operations

Jamie Davis
Vice President Fiber and Chief Technology Officer

Knoxville Utilities Board Water Division
Index
June 30, 2022 and 2021

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Water Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Division as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2020, the Division adopted new accounting guidance Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 26 and the required supplementary information on pages 64 through 68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplemental Information

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

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 25, 2022

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, 2022, and 2021, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2022, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

Water Division Highlights

System Highlights

As KUB returned to normal operations this fiscal year, supply chain issues and workforce shortages continued to impact capital projects. While some projects were delayed, others were held until supplies were more readily available. However, KUB's ability to serve its water customers has remained strong throughout.

KUB serves 82,110 water system customers over a 188 square mile service area. KUB maintains 1,415 miles of service mains, 28 storage facilities, 26 booster pump stations, and one treatment plant, which provided 12 billion gallons of water to KUB's water customers in fiscal year 2022. The average daily flow for fiscal year 2022 was 32.8 million gallons.

The water system has added 1,661 customers over the past three years representing annual growth of less than one percent. In fiscal year 2022, 604 customers were added.

The typical residential water customer's average monthly bill was $28.60 as of June 30, 2022 (based on monthly use of 500 cubic feet or 3,740 gallons). The average monthly bill increased $0.65 compared to the prior fiscal year, the result of the July 2021 water rate increase.

Water sales volumes have been impacted by more efficient appliances and the conservation efforts of customers. Based on historical trends, water sales volumes are anticipated to have an annual decline of one percent per year for both residential and non-residential customers.

Century II Infrastructure Program

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

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

In June 2017, the Board approved three water rate increases to support the Century II program. The three approved water rate increases went into effect July 2017, July 2018, and July 2019, generating $3.1 million, $3.1 million, and $3.3 million in additional annual Water Division revenue, respectively.

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

In June 2022, the Board approved the next phase of water rate increases to support the Century II program. The three approved 5 percent water rate increases are effective July 2022, July 2023, and July 2024, and will generate $3 million, $3.2 million, and $3.4 million in additional annual Water Division revenue, respectively.

KUB remains on track with its Century II water system infrastructure program. In fiscal year 2022, KUB replaced 4.2 miles of galvanized water main and 5.7 miles of cast iron main while staying within the Water Division's total capital budget.

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

Financial Highlights

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

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's net position increased $14.4 million in fiscal year 2022, which was $5.5 million higher than the prior fiscal year. Comparatively, net position increased $8.9 million in fiscal year 2021.

Operating revenues increased $2.8 million or 4.5 percent. This reflects an increase in billed sales of $2 million and an increase in other operating revenue of $0.3 million. Billed water sales volumes increased 2.3 percent.

Operating expenses increased $1.7 million or 4 percent. Operating and maintenance expenses (O&M) increased $1.6 million compared to the prior year. Depreciation and amortization expense increased $0.1 million. Taxes and tax equivalents were consistent with the prior year.

Interest income was consistent with the prior fiscal year. Interest expense decreased $0.3 million compared to the prior year.

Other expense (net) was $3.4 million lower than the prior fiscal year, primarily due to prior fiscal year losses on disposal of property.

Capital contributions were $0.7 million higher than the prior fiscal year, the result of an increase in assets contributed by developers.

Total plant assets (net) increased $4.3 million or 1.1 percent, due to water main replacements, treatment plant improvements, and system improvements.

During fiscal year 2022, KUB sold $14.9 million in water system revenue refunding bonds for the purpose of refinancing existing water system revenue bonds. KUB will realize a total debt service savings of $0.7 million over the life of the bonds ($0.4 million on a net present value basis).

Long-term debt represented 45.9 percent of the Division's capital structure as of June 30, 2022, as compared to 48.5 percent last year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Current year debt coverage for the fiscal year was 2.57. Maximum debt service coverage was 2.57.

Fiscal Year 2021 Compared to Fiscal Year 2020

The Division's net position increased $8.9 million in fiscal year 2021, which was $5.4 million lower than the prior fiscal year. Comparatively, net position increased $14.3 million in fiscal year 2020.

Operating revenues decreased $0.7 million or 1.1 percent. This reflects an increase in billed sales of $0.2 million and a decrease in other operating revenue of $0.4 million. Billed water sales volumes were up 0.3 percent.

Operating expenses increased $1.3 million or 3.2 percent. Operating and maintenance expenses (O&M) decreased $0.3 million compared to the prior year. Depreciation and amortization expense increased $1.6 million. Taxes and tax equivalents were $0.2 million higher than the prior year.

Interest income was $0.7 million lower than the prior fiscal year. Interest expense was up slightly from the prior year.

Capital contributions were $0.3 million higher than the prior fiscal year, the result of an increase in assets contributed by developers.

Total plant assets (net) increased $7.7 million or 2.1 percent, due to water main replacements, treatment plant improvements, and system improvements.

During fiscal year 2021, KUB sold $9 million in water system revenue bonds for the purpose of funding water system capital improvements. KUB also took advantage of a lower interest environment to refinance outstanding debt, selling $33.2 million in water system revenue refunding bonds in March 2021.

KUB will realize a total debt service savings of $10.2 million over the life of the bonds ($9.1 million on a net present value basis).

Long-term debt represented 48.5 percent of the Division's capital structure as of June 30, 2021, as compared to 50.3 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. Current year debt coverage for the fiscal year was 2.35. Maximum debt service coverage was 2.48.

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Knoxville Utilities Board Water Division - Financial Statements

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

Statement of Net Position

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

Statement of Cash Flows

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

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

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

Condensed Financial Statements

Statement of Net Position

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

Statements of Net Position
As of June 30

(in thousands of dollars)	2022	2021 as restated	2020
Current, restricted, intangible, and other assets	$ 69,843	$ 64,947	$ 59,102
Capital assets, net	375,152	370,925	363,225
Deferred outflows of resources	4,559	3,602	4,534
Total assets and deferred outflows of resources	449,554	439,474	426,861
Current and other liabilities	16,927	14,614	16,191
Long-term debt outstanding	199,506	207,473	205,659
Deferred inflows of resources	7,537	6,162	2,674
Total liabilities and deferred inflows of resources	223,970	228,249	224,524
Net position			
Net investment in capital assets	172,830	161,248	155,729
Restricted	2,412	2,145	2,240
Unrestricted	50,342	47,832	44,368
Total net position	$ 225,584	$ 211,225	$ 202,337

Normal Impacts on Statement of Net Position

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

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

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2022 Compared to Fiscal Year 2021

Current, restricted, intangible, and other assets increased $4.9 million or 7.5 percent. This increase is primarily due to a $4.8 million increase in the actuarially determined net pension asset.

Fiscal Year 2021 Compared to Fiscal Year 2020

Current, restricted, intangible, and other assets increased $5.8 million or 9.9 percent. This reflects a $2.3 million increase in the Division's general fund cash (consisting of cash and cash equivalents, short-term investments, and long-term investments) and an increase in the actuarially determined net pension asset of $3.4 million.

Capital Assets

Fiscal Year 2022 Compared to Fiscal Year 2021

Capital assets, net of depreciation, increased $4.3 million or 1.1 percent. Capital expenditures included $6.8 million for water main replacement, $2.7 million for system improvements, $1.6 million for building improvements, and $1.1 million for water plant redundancy. During the fiscal year, $3.7 million of water system assets were retired.

Fiscal Year 2021 Compared to Fiscal Year 2020

Capital assets, net of depreciation, increased $7.7 million or 2.1 percent. Spending was slowed this year to allow for greater financial liquidity in response to the pandemic. Capital expenditures included $10.3 million for water main replacement, $5 million for system improvements, $2.3 million for water plant redundancy, and $1.1 million for building improvements. During the fiscal year, $6.8 million of water system assets were retired.

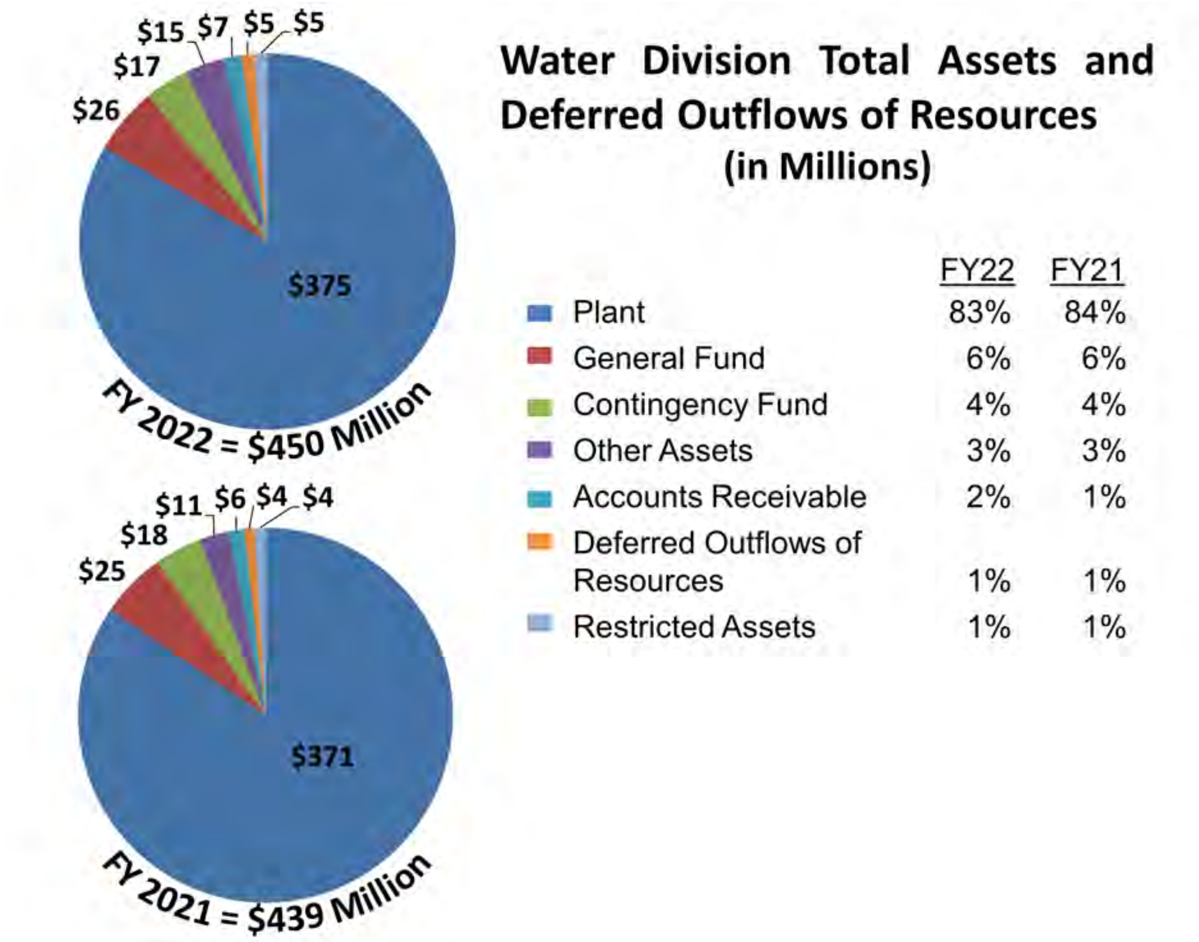
Deferred Outflows of Resources

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred outflows of resources increased $1 million compared to the prior fiscal year, due to a $0.9 million increase in OPEB outflow and a $0.2 million increase in pension outflow offset by a $0.2 million decrease in unamortized bond refunding costs.

Fiscal Year 2021 Compared to Fiscal Year 2020

Deferred outflows of resources decreased $0.9 million compared to the prior fiscal year, due to a $0.5 million decrease in OPEB outflow and a $0.4 million decrease in unamortized bond refunding costs.



Current and Other Liabilities

Fiscal Year 2022 Compared to Fiscal Year 2021

Current and other liabilities increased $2.3 million compared to the prior fiscal year. This increase reflects a $1.8 million increase in net OPEB liability, a $0.4 million increase in payables, and a $0.4 million increase in the current portion of revenue bonds offset by a $0.4 million decrease in accrued expenses.

Fiscal Year 2021 Compared to Fiscal Year 2020

Current and other liabilities decreased $1.6 million compared to the prior fiscal year. This decrease reflects a $1 million decrease in net OPEB liability, a $0.4 million decrease in payables, and a $0.2 million decrease in the current portion of revenue bonds.

Long-Term Debt

Fiscal Year 2022 Compared to Fiscal Year 2021

Long-term debt decreased $8 million or 3.8 percent. This decrease is the impact of the scheduled repayment of debt. KUB also sold $14.9 million in water system revenue refunding bonds April 2022 with a premium of $0.4 million to refund $15.1 million in outstanding debt, resulting in a reduction of principal of $0.1 million.

Fiscal Year 2021 Compared to Fiscal Year 2020

Long-term debt increased $1.8 million or 0.9 percent. This increase is due in part to the net impact of the scheduled repayment of debt and $9 million in water system revenue bonds sold in October 2020. KUB also sold $33.2 million of water system revenue refunding bonds in March 2021 with a premium of $8.1 million to refund $41.2 million in outstanding debt, resulting in a reduction of principal of $8 million.

Deferred Inflows of Resources

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred inflows increased $1.4 million compared to the prior fiscal year, due to a $2.3 million increase in pension inflow and a $0.1 million increase in lease inflow offset by a $1 million decrease in OPEB inflow.

Fiscal Year 2021 Compared to Fiscal Year 2020

Deferred inflows increased $3.5 million compared to the prior fiscal year, due to a $2 million increase in pension inflow, a $1 million increase in OPEB inflow, and a $0.4 million increase in lease inflow.

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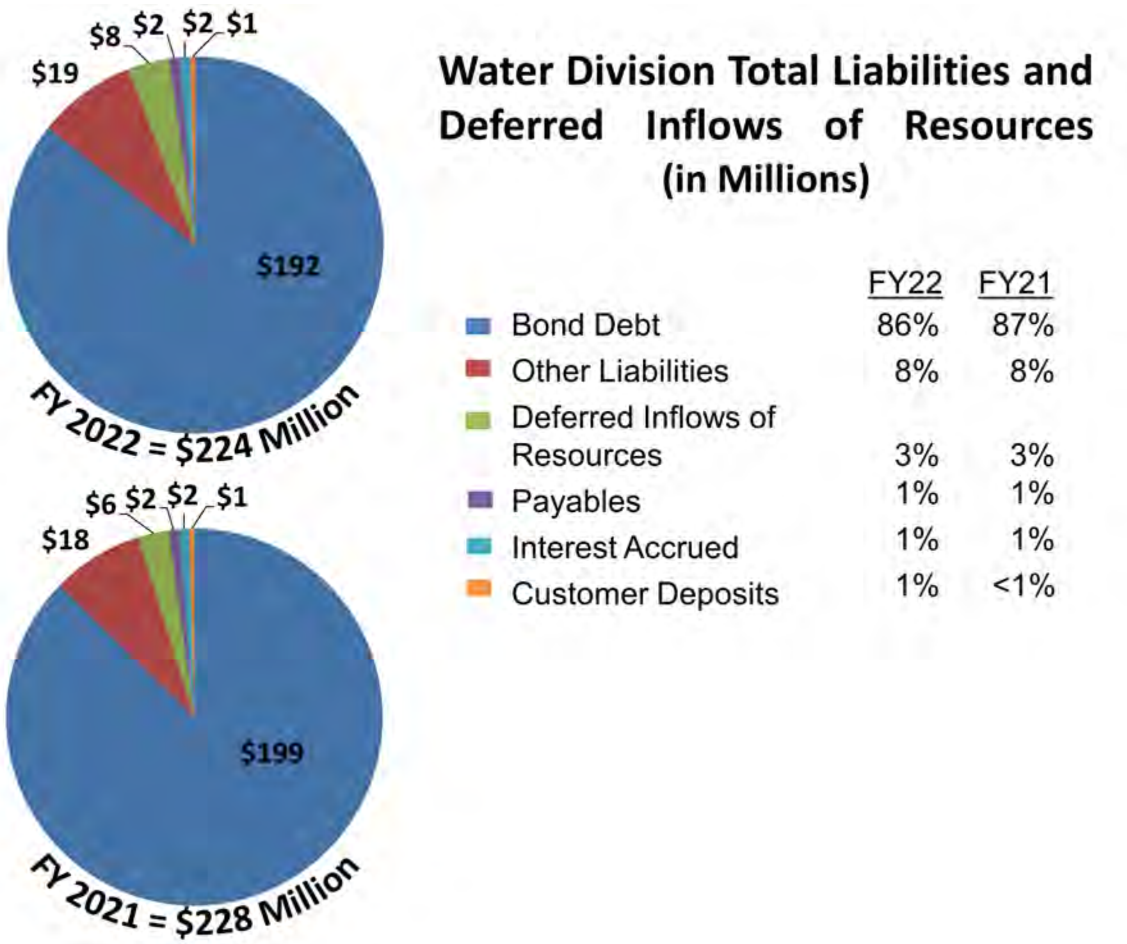

Net Position

Fiscal Year 2022 Compared to Fiscal Year 2021

Net position increased $14.4 million in fiscal year 2022. Unrestricted net position increased $2.5 million, primarily due to changes in the pension and OPEB accruals for the fiscal year. Net investment in capital assets increased $11.6 million, the result of $4.2 million in net plant additions and a decrease in current portion of revenue bonds and total long-term debt of $7.6 million. Restricted net position increased $0.3 million, due to an increase in required bond fund reserves.

Fiscal Year 2021 Compared to Fiscal Year 2020

Net position increased $8.9 million in fiscal year 2021. Unrestricted net position increased $3.5 million, primarily due to a $2.3 million increase in the Division's general fund cash (consisting of cash and cash equivalents, short-term investments, and long-term investments). Net investment in capital assets increased $5.5 million, the result of $7.7 million in net plant additions offset by an increase in current portion of revenue bonds and total long-term debt of $1.6 million. Restricted net position decreased $0.1 million, due to a decrease in required bond fund reserves.

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)	2022	2021 as restated	2020
Operating revenues	$ 64,558	$ 61,799	$ 62,474
Operating expenses			
Treatment	4,570	4,444	3,644
Distribution	16,764	15,493	15,176
Customer service	1,821	1,712	1,659
Administrative and general	4,942	4,826	6,397
Depreciation and amortization	11,672	11,602	10,040
Taxes and tax equivalents	4,508	4,494	4,327
Total operating expenses	44,277	42,571	41,243
Operating income	20,281	19,228	21,231
Interest income	180	144	842
Interest expense	(6,904)	(7,195)	(7,132)
Other income/(expense)	(242)	(3,610)	(671)
Change in net position before capital contributions	13,315	8,567	14,270
Capital Contributions	1,044	321	56
Change in net position	$ 14,359	$ 8,888	$ 14,326

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

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

- Operating revenues are largely determined by the volumes of water sold during the fiscal year. Any change (increase/decrease) in retail water rates would also be a cause of change in operating revenue.
- Operating expenses (treatment, distribution, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor cost (staffing, wage rates), active employee and retiree medical costs, chemicals, and water system maintenance.
- Depreciation and amortization expense is impacted by intangible assets, plant additions, and retirements during the fiscal year.
- Taxes and tax equivalents are impacted by plant additions/retirements and changes in property tax rates.
- Interest expense is impacted by the level of interest rates and investments.

- Interest expense on debt is impacted by the level of outstanding debt and the interest rates on the outstanding debt.
- Other income/(expense) is impacted by miscellaneous non-operating revenues and expenses.
- Capital contributions are impacted by a donation of facilities/infrastructure to KUB by developers and governmental agencies. The contributions are recognized as revenue and recorded as plant in service based on the fair market value of the asset(s).

Impacts and Analysis

Change in Net Position

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's Change in Net Position increased $14.4 million in fiscal year 2022. Comparatively, net position increased by $8.9 million in fiscal year 2021.

Fiscal Year 2021 Compared to Fiscal Year 2020

The Division's Change in Net Position increased $8.9 million in fiscal year 2021. Comparatively, net position increased by $14.3 million in fiscal year 2020.

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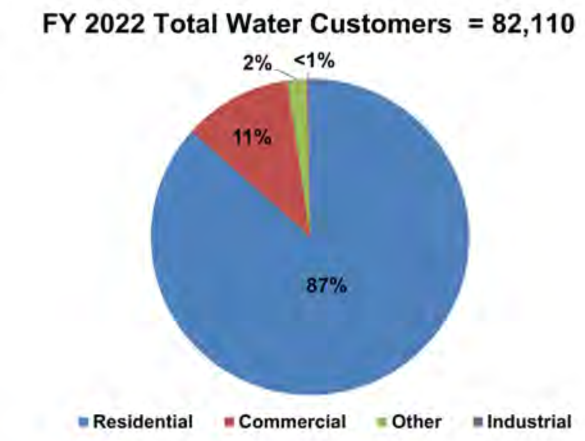
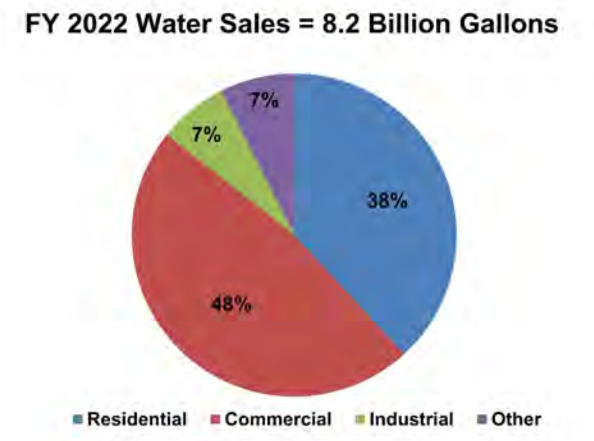
Margin from Sales

Fiscal Year 2022 Compared to Fiscal Year 2021

Operating revenues increased $2.8 million or 4.5 percent. This reflects an increase in billed sales of $2 million and an increase in other operating revenue of $0.3 million. Billed water sales volumes increased 2.3 percent.





Residential customers represented 87 percent of water customers and accounted for 38 percent of water sales volumes for the year. Commercial and industrial customers accounted for the largest portion (55 percent) of total sales volumes during the year.

KUB's ten largest water customers accounted for 25 percent of KUB's billed water volumes. Those ten customers represent two industrial, six commercial, and two water utility districts. Within the top ten, seven governmental customers are represented.

KUB has added 1,661 water customers over the past three years, representing annual growth of less than one percent. Water system growth is up slightly due to increased new housing construction.

Residential water sales volumes decreased 1.7 percent compared to the prior fiscal year.

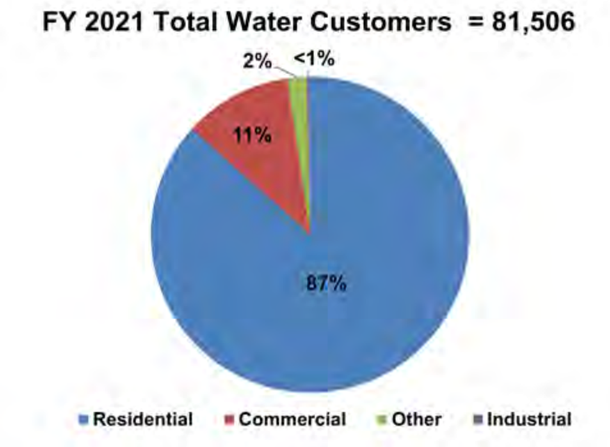
Commercial water sales volumes increased 4.7 percent compared to the prior year. Industrial sales volumes increased 3.7 percent compared to the prior year.

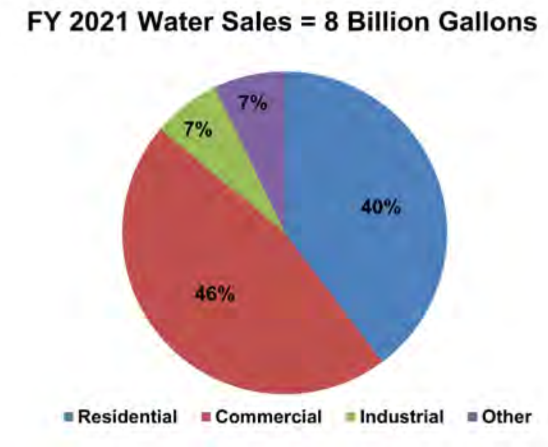
Other water sales volumes (i.e., utility districts) were 7.3 percent higher than the prior year, primarily due to an increase in usage by the City of Dandridge.

Water consumption for the fiscal year was impacted by close to normal rainfall. Precipitation for the fiscal year was 0.7 percent lower than normal and 3.2 percent higher than the prior fiscal year.

Fiscal Year 2021 Compared to Fiscal Year 2020

Operating revenues decreased $0.7 million or 1.1 percent. This reflects an increase in billed sales of $0.2 million and a decrease in other operating revenue of $0.4 million. Billed water sales volumes were up 0.3 percent.





Residential customers represented 87 percent of water customers and accounted for 40 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 24 percent of KUB's billed water volumes. Those ten customers represent two industrial, six commercial, and two water utility districts. Within the top ten, seven governmental customers are represented.

KUB has added 1,583 water customers over the past three years, representing annual growth of less than one percent. Water system growth is up slightly due to increased new housing construction.

Residential water sales volumes increased 0.9 percent compared to the prior fiscal year.

Commercial water sales volumes decreased 0.6 percent compared to the prior year, as many small businesses were impacted by the pandemic. Industrial sales volumes increased 2.1 percent compared to the prior year.

Other water sales volumes (i.e. utility districts) were 1.4 percent higher than the prior year.

Water consumption for the fiscal year was affected by higher than normal rainfall. Precipitation for the fiscal year was 4.2 percent higher than normal but 23.3 percent lower than the prior fiscal year.

Operating Expenses

Fiscal Year 2022 Compared to Fiscal Year 2021

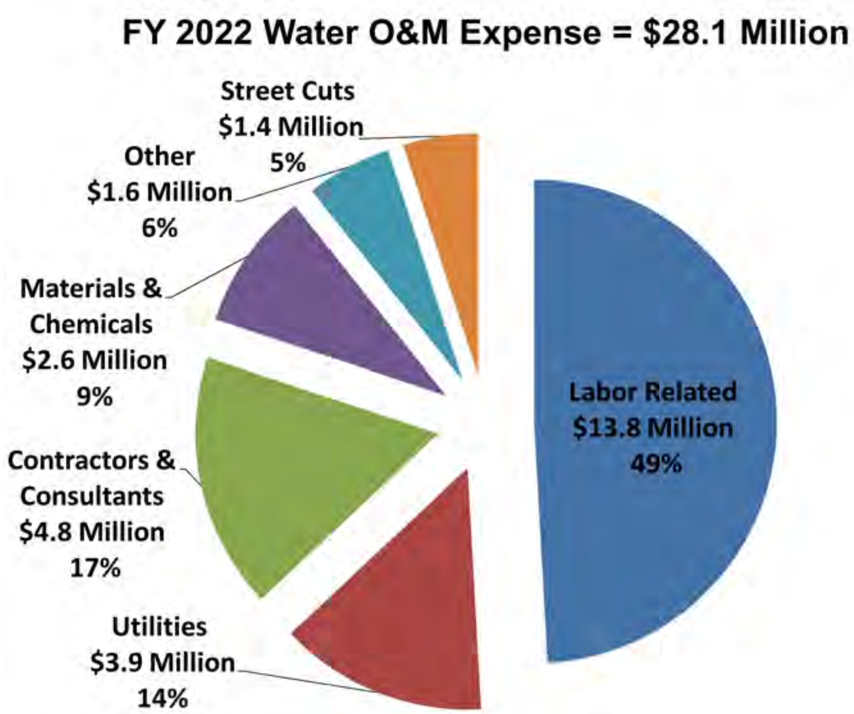
Operating expenses increased $1.7 million or 4 percent. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, distribution, customer service, and administrative and general.

- Treatment expenses were $0.1 million or 2.8 percent higher than the prior fiscal year, due to an increase in chemical expenses.

- Distribution expenses were $1.3 million or 8.2 percent higher than the prior fiscal year, due to an increase in outside contractor and consultant costs.

- Customer service expenses were $0.1 million higher than the prior fiscal year, primary due to increased payment processing fees.

- Administrative and general expenses were $0.1 million higher than the prior fiscal year, primarily due to labor related expenses.



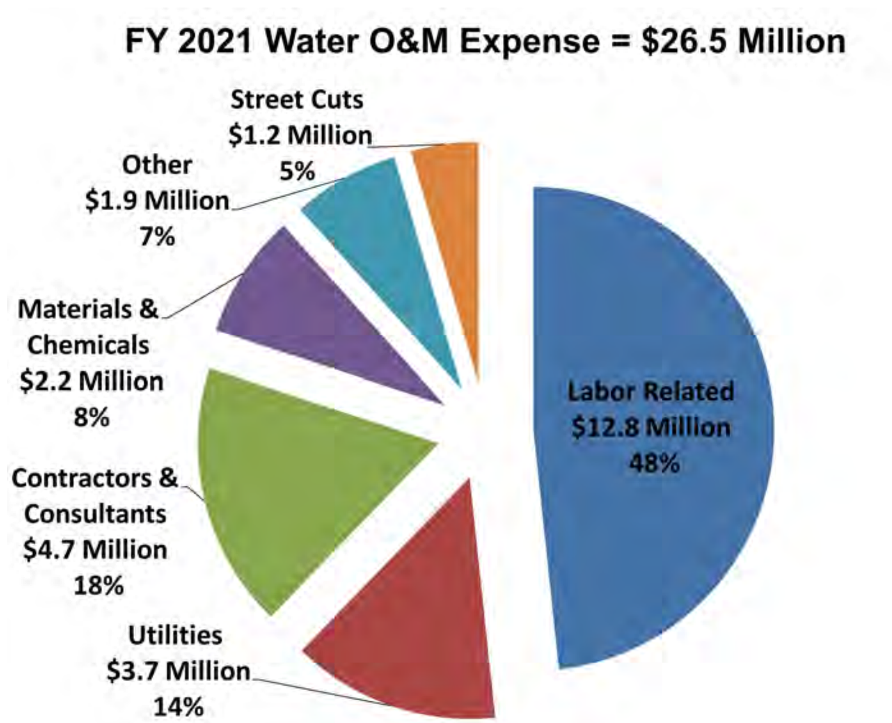
- Depreciation and amortization expense increased $0.1 million. KUB added $35.4 million in assets during fiscal year 2022. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on $22.9 million in assets placed in service during fiscal year 2021. In addition, $3.7 million of assets were retired in fiscal year 2022.

- Taxes and tax equivalents were consistent with the prior fiscal year.

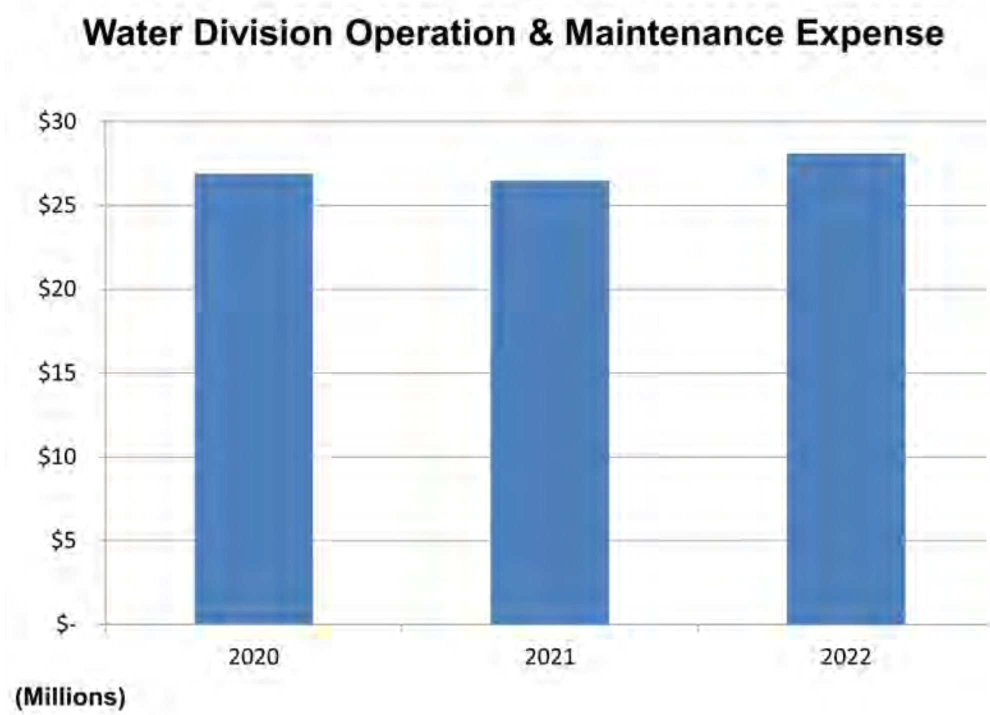
Fiscal Year 2021 Compared to Fiscal Year 2020

Operating expenses increased $1.3 million or 3.2 percent. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, distribution, customer service, and administrative and general.

- Treatment expenses were $0.8 million or 22 percent higher than the prior fiscal year, due to an increase in outside contractor and consultant costs.
- Distribution expenses were $0.3 million or 2.1 percent higher than the prior fiscal year, due to an increase in outside contractor and consultant costs.
- Customer service expenses were consistent with the prior fiscal year.
- Administrative and general expenses were $1.6 million lower than the prior fiscal year, primarily due to a decrease in labor related expenses, including lower pension and OPEB expenses.



- Depreciation and amortization expense increased $1.6 million. KUB added $22.9 million in assets during fiscal year 2021, including $3.3 million of multi-year projects being held in Construction Work in Progress. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on $30.9 million in assets placed in service during fiscal year 2020. In addition, $6.8 million of assets were retired in fiscal year 2021.
- Taxes and tax equivalents were $0.2 million higher than the prior fiscal year.



Other Income and Expense

Fiscal Year 2022 Compared to Fiscal Year 2021

Interest income was consistent with the prior fiscal year.

Interest expense decreased $0.3 million, reflecting savings on refunding of outstanding bonds.

Other expense (net) was $3.4 million lower than the prior fiscal year, primarily due to prior fiscal year losses on disposal of property.

Capital contributions increased $0.7 million, the result of an increase in donated utility assets from developers compared to the previous fiscal year.

Fiscal Year 2021 Compared to Fiscal Year 2020

Interest income decreased $0.7 million compared with the prior fiscal year, primarily due to lower short-term interest rates.

Interest expense was up slightly from the prior fiscal year.

Other expense (net) was $2.9 million higher than the prior fiscal year, primarily due to losses on disposal of property.

Capital contributions increased $0.3 million, the result of an increase in donated utility assets from developers compared to the previous fiscal year.

Capital Assets

Capital Assets
As of June 30
(Net of Depreciation)

(in thousands of dollars)	2022	2021	2020
Production Plant	$ 6	$ 7	$ 7
Pumping & Treatment Plant	67,457	53,200	53,491
Distribution Plant			
Distribution Mains	$ 185,225	$ 177,805	$ 174,196
Transmission Mains	36,736	35,924	33,668
Services & Meters	37,977	37,244	40,570
Other Accounts	13,920	13,287	13,741
Total Distribution Plant	273,858	264,260	262,175
Total General Plant	$ 14,120	$ 14,811	$ 8,961
Total Water Plant	355,441	332,278	324,634
Work In Progress	19,711	38,647	38,591
Total Net Plant	$ 375,152	$ 370,925	$ 363,225

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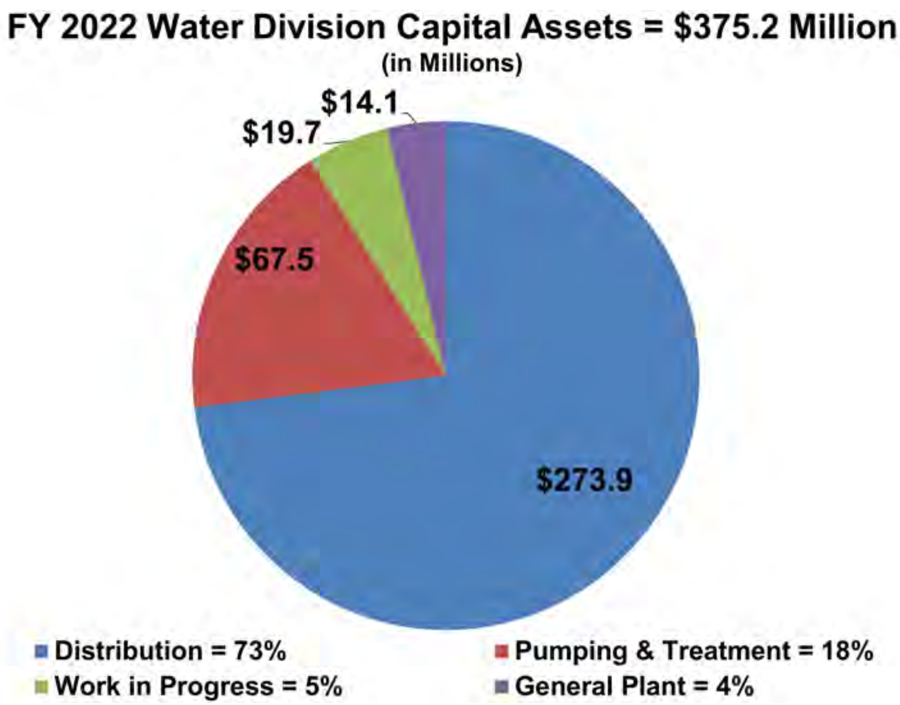
Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $375.2 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represented a net increase (including additions, retirements, and depreciation) of $4.3 million or 1.1 percent over the end of the last fiscal year.



Major capital asset expenditures during the year were as follows:

- $6.8 million for galvanized and cast-iron water main replacement
- $2.7 million for system improvements
- $1.6 million for building improvements
- $1.1 million for water plant redundancy

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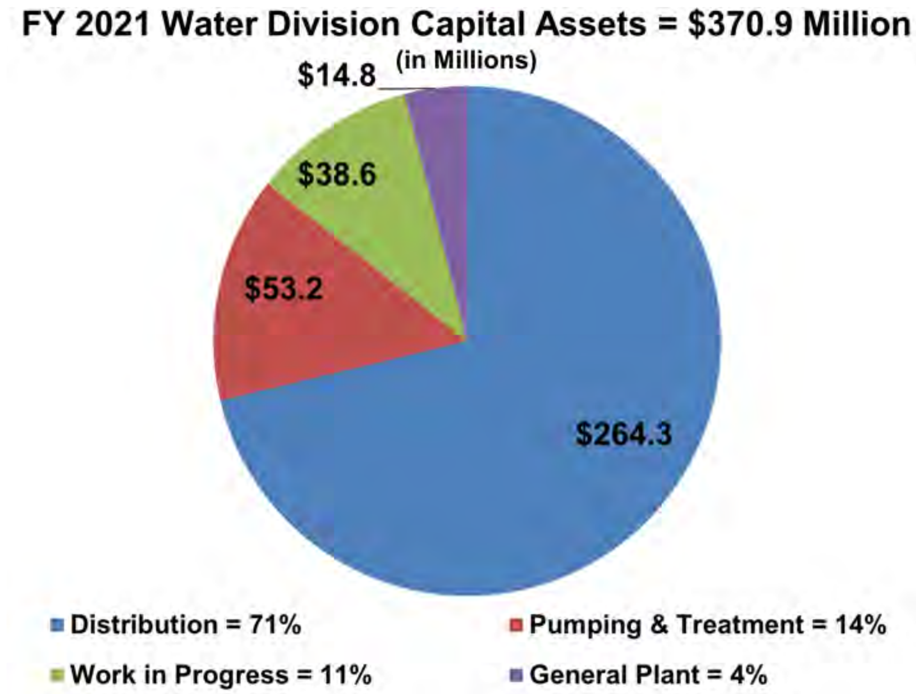
Fiscal Year 2021 Compared to Fiscal Year 2020

As of June 30, 2021, the Division had $370.9 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represented a net increase (including additions, retirements, and depreciation) of $7.7 million or 2.1 percent over the end of the last fiscal year. Spending on capital assets was slowed this year to allow for greater financial liquidity in response to the pandemic.



Major capital asset expenditures during the year were as follows:

- $10.3 million for galvanized and cast-iron water main replacement
- $5 million for system improvements
- $2.3 million for water plant redundancy
- $1.1 million for building improvements

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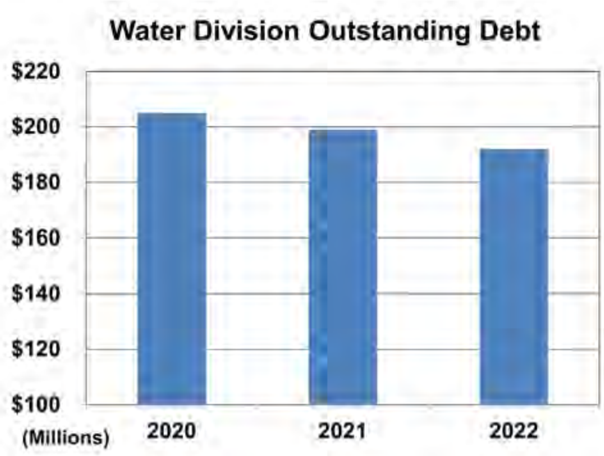
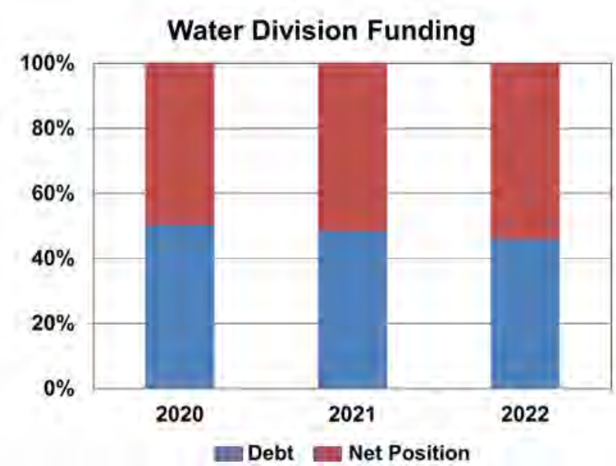
Debt Administration

As of June 30, 2022, the Water Division had $191.5 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 45.9 percent in 2022, 48.5 percent in 2021, and 50.3 percent at the end of fiscal year 2020. 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)	**2022**	**2021**	**2020**
Revenue bonds	$ 191,540	$ 198,600	$ 204,890
Total outstanding debt	$ 191,540	$ 198,600	$ 204,890





The Division will pay $85.1 million in principal payments over the next ten years, representing 44.4 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 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $191.5 million in outstanding debt (including the current portion of revenue bonds), compared to $198.6 million last year, a decrease of $7.1 million or 3.6 percent. As of June 30, 2022, the Division's weighted average cost of debt was 3.50 percent.

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

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2022, the Division's revenue bonds were rated AAA by Standard & Poor's and Aa1 by Moody's Investors Service. The Standard and Poor's water rating represents the highest credit rating available from Standard and Poor's.

Fiscal Year 2021 Compared to Fiscal Year 2020

As of June 30, 2021, the Division had $198.6 million in outstanding debt (including the current portion of revenue bonds), compared to $204.9 million last year, a decrease of $6.3 million or 3.1 percent. As of June 30, 2021, the Division's weighted average cost of debt was 3.54 percent.

KUB sold $9 million in water system revenue bonds in October 2020 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 2.36 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2050.

KUB sold $33.2 million in water system revenue refunding bonds in March 2021 for the purpose of refinancing existing water system revenue bonds. KUB will realize a total debt service savings of $10.2 million over the life of the bonds ($9.1 million on a net present value basis), with $8 million of the savings as a reduction of outstanding principal. The true interest cost of the bonds, which were sold through a competitive bidding process, was 1.92 percent. The bonds have a final maturity in fiscal year 2044.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2021, the Division's revenue bonds were rated AAA by Standard & Poor's and Aa1 by Moody's Investors Service. The Standard and Poor's water rating represents the highest credit rating available from Standard and Poor's.

Impacts on Future Financial Position

KUB anticipates adding 375 additional water system customers during fiscal year 2023.

In May 2022, the Board approved the issuance of water system revenue bonds not to exceed $11 million for the purpose of funding water system capital improvements. The bonds will be sold through a competitive bidding process during fiscal year 2023.

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

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of $2,624,373 for the fiscal year ending June 30, 2023, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2022, measurement date. Subsequent to June 30, 2022, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,108,147 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2023, measurement date. For the Plan year beginning January 1, 2022, the Plan's actuarial funded ratio is 112.01 percent, and the market value funded ratio is 128.08 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of $1,413,392 for the fiscal year ending June 30, 2023, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2023, measurement date. Subsequent to June 30, 2022, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,187,768 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2024, measurement date. The Plan's actuarial funded ratio is 94.75 percent, and the market value funded ratio is 103.07 percent.

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for fiscal years beginning after December 15, 2021. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 99, *Omnibus 2022*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB No. 62,* is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 101, *Compensated Absences,* is effective for fiscal years beginning after December 15, 2023. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2022.

Financial Contact

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 2022, and 2021. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board Water Division
Statements of Net Position
June 30, 2022 and 2021

	2022	2021 as restated
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 25,868,356	$ 25,024,961
Short-term contingency fund investments	5,916,950	6,793,691
Other current assets	191,494	260,600
Accrued interest receivable	4,575	995
Accounts receivable, less allowance of uncollectible accounts of $59,861 in 2022 and $58,701 in 2021	6,722,970	6,412,730
Current portion of lease receivable	62,654	40,145
Inventories	1,835,872	1,729,740
Prepaid expenses	57,447	40,929
Total current assets	40,660,318	40,303,791
Restricted assets:		
Water bond fund	4,534,207	4,287,603
Other funds	197	197
Total restricted assets	4,534,404	4,287,800
Water plant in service	499,261,143	467,645,256
Less accumulated depreciation	(143,819,803)	(135,366,921)
	355,441,340	332,278,335
Retirement in progress	148,205	11,223
Construction in progress	19,562,758	38,635,676
Net plant in service	375,152,303	370,925,234
Intangible assets:		
Intangible right of use asset	88,837	115,948
Less accumulated amortization	(27,110)	(54,736)
Net intangible assets	61,727	61,212
Other assets:		
Net pension asset	10,660,244	5,862,907
Net OPEB asset	-	771,138
Long-term contingency fund investments	11,271,310	10,996,562
Long-term lease receivable	491,171	384,050
Other	2,163,386	2,279,249
Total other assets	24,586,111	20,293,906
Total assets	444,994,863	435,871,943
Deferred outflows of resources:		
Pension outflow	1,303,144	1,072,710
OPEB outflow	889,102	2,782
Unamortized bond refunding costs	2,366,630	2,526,127
Total deferred outflows of resources	4,558,876	3,601,619
Total assets and deferred outflows of resources	$ 449,553,739	$ 439,473,562

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

Knoxville Utilities Board Water Division
Statements of Net Position
June 30, 2022 and 2021

	2022	2021 as restated
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	$ 7,275,000	$ 6,925,000
Current portion of lease liability	22,779	49,035
Sales tax collections payable	367,826	363,478
Accounts payable	1,820,776	1,467,601
Accrued expenses	506,023	873,055
Customer deposits plus accrued interest	1,119,667	976,961
Accrued interest on revenue bonds	2,122,441	2,142,503
Total current liabilities	13,234,512	12,797,633
Other liabilities:		
Accrued compensated absences	1,734,465	1,759,025
Customer advances for construction	25,779	-
Lease liability	39,176	12,177
Net pension liability	-	2,433
Net OPEB liability	1,838,331	-
Other	55,082	41,758
Total other liabilities	3,692,833	1,815,393
Long-term debt:		
Water revenue bonds	184,265,000	191,675,000
Unamortized premiums/discounts	15,240,672	15,798,371
Total long-term debt	199,505,672	207,473,371
Total liabilities	216,433,017	222,086,397
Deferred inflows of resources:		
Pension inflow	6,992,236	4,703,684
OPEB inflow	-	1,034,619
Lease inflow	544,535	424,195
Total deferred inflows of resources	7,536,771	6,162,498
Total liabilities and deferred inflows of resources	223,969,788	228,248,895
Net position		
Net investment in capital assets	172,829,853	161,247,461
Restricted for:		
Debt service	2,411,766	2,145,100
Other	197	197
Unrestricted	50,342,135	47,831,909
Total net position	225,583,951	211,224,667
Total liabilities, deferred inflows, and net position	$ 449,553,739	$ 439,473,562

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, 2022 and 2021

	2022	2021 as restated
Operating revenues	$ 64,558,346	$ 61,799,439
Operating expenses		
Treatment	4,570,431	4,444,493
Distribution	16,763,904	15,492,694
Customer service	1,820,874	1,711,933
Administrative and general	4,942,235	4,826,048
Depreciation and amortization	11,671,918	11,602,283
Taxes and tax equivalents	4,507,469	4,494,108
Total operating expenses	44,276,831	42,571,559
Operating income	20,281,515	19,227,880
Non-operating revenues (expenses)		
Contributions in aid of construction	1,185,417	957,719
Interest income	179,724	143,931
Interest expense	(6,903,466)	(7,195,357)
Amortization of debt costs	456,331	177,049
Write-down of plant for costs recovered through contributions	(1,185,417)	(957,719)
Other	(698,477)	(3,787,397)
Total non-operating revenues (expenses)	(6,965,888)	(10,661,774)
Change in net position before capital contributions	13,315,627	8,566,106
Capital contributions	1,043,657	321,408
Change in net position	14,359,284	8,887,514
Net position, beginning of year	211,224,667	202,337,153
Net position, end of year	$ 225,583,951	$ 211,224,667

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

Knoxville Utilities Board Water Division
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 63,166,718	$ 60,972,311
Cash receipts from other operations	2,282,548	2,177,019
Cash payments to suppliers of goods or services	(18,782,656)	(17,308,533)
Cash payments to employees for services	(12,968,265)	(12,195,167)
Payment in lieu of taxes	(3,446,015)	(3,528,135)
Net cash provided by operating activities	30,252,330	30,117,495
Cash flows from capital and related financing activities:		
Net proceeds from bond issuance	-	9,920,634
Principal paid on revenue bonds	(6,925,000)	(7,350,000)
Interest paid on revenue bonds and lease liabilities	(6,923,528)	(7,486,825)
Acquisition and construction of water plant	(16,653,432)	(24,225,990)
Changes in water bond fund, restricted	(246,604)	173,965
Customer advances for construction	25,779	-
Proceeds received on disposal of plant	9,976	4,864
Principal paid on lease liabilities	(57,076)	(54,736)
Cash received from developers and individuals for capital purposes	1,185,417	957,719
Net cash used in capital and related financing activities	(29,584,468)	(28,060,369)
Cash flows from investing activities:		
Purchase of investment securities	(6,706,232)	(10,999,095)
Maturities of investment securities	6,706,232	13,499,115
Interest received	175,273	188,559
Other property and investments	260	44,088
Net cash provided by investing activities	175,533	2,732,667
Net increase in cash and cash equivalents	843,395	4,789,793
Cash and cash equivalents, beginning of year	25,024,961	20,235,168
Cash and cash equivalents, end of year	$ 25,868,356	$ 25,024,961
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 20,281,515	$ 19,227,879
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	12,236,061	12,205,616
Changes in operating assets and liabilities:		
Accounts receivable	(310,240)	469,391
Lease receivable	(129,630)	(424,195)
Inventories	(106,132)	146,247
Prepaid expenses	(16,518)	8
Other assets	108,095	(25,969)
Sales tax collections payable	4,348	197
Accounts payable and accrued expenses	(1,971,199)	(1,461,252)
Customer deposits plus accrued interest	142,706	(26,343)
Other liabilities	13,324	5,916
Net cash provided by operating activities	$ 30,252,330	$ 30,117,495
Noncash capital activities:		
Acquisition of plant assets through developer contributions	$ 1,043,657	$ 321,408
Record intangible right of use asset and lease liability	$ 57,819	$ 115,948

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, 2022, and 2021, 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 June 2017, the GASB issued GASB Statement No. 87 (Statement No. 87), *Leases*. This Statement requires recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize an intangible right of use asset and a lease liability. Statement No. 87 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement is reflected on the Division's financial statements.

In June 2018, the GASB issued GASB Statement No. 89 (Statement No. 89), *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. Statement No. 89 is effective for fiscal years beginning after December 15, 2020. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In January 2020, the GASB issued GASB Statement No. 92 (Statement No. 92), *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain provisions of Statement No. 92 were effective immediately. Paragraphs 6, 7, 8, 9, and 12 are effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In March 2020, the GASB issued GASB Statement No. 93 (Statement No. 93), *Replacement of Interbank Offered Rates.* This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. Statement No. 93 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In June 2020, the GASB issued GASB Statement No. 97 (Statement No. 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In October 2021, the GASB issued GASB Statement No. 98 (Statement No.98), *The Annual Comprehensive Financial Report.* This Statement replaces the term *comprehensive annual financial report* with *annual comprehensive financial report.* Statement No. 98 is effective for fiscal years ending after December 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

Water Plant

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

The provision for depreciation of water plant in service is based on the estimated useful lives of the assets, which range from three to sixty-seven years, and is computed using the straight-line method. Pursuant to NARUC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment of $564,143 in fiscal year 2022 and $603,333 in fiscal year 2021.

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 $147,737 in fiscal year 2022 and $268,428 in fiscal year 2021.

Non-operating Revenue

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

Expense

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

Net Position

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

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease 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 or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

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

Inventories

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

OPEB Trust

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

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a June 30, 2022, and 2021, measurement date, respectively. The net OPEB liability is $11,202,507 (Division's share $1,838,331) as of June 30, 2022, and the net OPEB asset was $5,931,828 (Division's share $771,138) as of June 30, 2021.

Pension Plan and Qualified Excess Benefit Arrangement

KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 10). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. The net pension asset is $64,137,714 (Division's share $10,660,244) as of June 30, 2022, and $45,099,288 (Division's share $5,862,907) as of June 30, 2021.

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 11). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2022. The total pension liability of the QEBA was $18,714 (Division's share $2,433) as of June 30, 2021.

Investments

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

Self-Insurance

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

Estimates

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

Restricted and Designated Assets

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

Cash Equivalents

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

Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the noncancelable 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.

Deferred Outflows and Inflows of Resources

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

Debt Premium/Discount

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

Debt Issuance Costs

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

Deferred Gain/Loss on Refunding of Debt

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

Compensated Absences

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

Restatement for GASB 87

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

As lessee and as a result of adopting GASB 87, as of June 30, 2021, KUB's Water Division recorded total intangible right of use assets of $115,948 with accumulated amortization of $54,736 and recognized total lease liabilities of $61,212 ($49,035 current). KUB's Water Division also reclassified $8,437 from rent expense shown in customer service expense and $47,697 from rent expense shown in administrative and general expense to $54,736 as amortization expense and $1,398 as interest expense.

Related to lease agreements where KUB is the lessor, as a result of adopting GASB 87, as of June 30, 2021, KUB's Water Division recognized lease receivables of $424,195 ($40,145 current) with a corresponding deferred inflow of resources of $424,195. KUB's Water Division also reclassified $1,055 from rent revenue shown in other operating revenues to interest income.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 87.

Subsequent Events

KUB has evaluated events and transactions through October 25, 2022, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Recently Issued Accounting Pronouncements

In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022.

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

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

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

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

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

3. Deposits and Investments

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

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

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

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

Custodial Credit Risk. KUB’s investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in KUB's name by a third-party custodian bank(s) acting as KUB's agent(s), or through the State of Tennessee's collateral pool. Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of KUB’s investments are 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:

	2022	2021
Current assets		
Cash and cash equivalents	$ 25,868,356	$ 25,024,961
Short-term contingency fund investments	5,916,898	6,793,657
Other assets		
Long-term contingency fund investments	11,248,477	10,974,600
Restricted assets		
Water bond fund	4,534,207	4,287,603
Other funds	197	197
	$ 47,568,135	$ 47,081,018

The above amounts do not include accrued interest of $22,885 in fiscal year 2022 and $21,996 in fiscal year 2021. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's deposits and investments as held by financial institutions as of June 30, 2022:

	Deposit and Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-5
Supersweep NOW and Other Deposits	$ 27,041,650	$ 27,041,650	$ -
State Treasurer's Investment Pool	4,599,625	4,599,625	-
Agency Bonds	17,099,857	5,851,380	11,248,477
	$ 48,741,132	$ 37,492,655	$ 11,248,477

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, 2022:

- U.S. Agency bonds of $11,248,477, 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:

	2022	2021
Wholesale and retail customers		
Billed services	$ 4,137,208	$ 4,115,563
Unbilled services	2,440,558	2,209,083
Other	205,065	146,785
Allowance for uncollectible accounts	(59,861)	(58,701)
	$ 6,722,970	$ 6,412,730

5. Accounts Payable and Accruals

Accounts payable and accruals were composed of the following:

	2022	2021
Trade accounts	$ 1,820,776	$ 1,467,601
Salaries and wages	213,234	621,343
Self-insurance liabilities	292,789	251,712
	$ 2,326,799	$ 2,340,656

6. Long-Term Obligations

Long-term debt consists of the following:

	Balance June 30, 2021	Additions	Payments	Defeased	Balance June 30, 2022	Amounts Due Within One Year
Water						
BB-2015 - 2.0 - 5.0%	$ 19,075,000	$ -	$ 1,000,000	$ -	$ 18,075,000	$ 1,050,000
CC-2015 - 2.0 - 4.0%	17,575,000	-	475,000	15,050,000	2,050,000	475,000
DD-2016 - 3.0 - 5.0%	22,675,000	-	575,000	-	22,100,000	625,000
EE-2016 - 2.0 - 5.0%	18,430,000	-	1,245,000	-	17,185,000	1,315,000
FF-2017 - 3.0 - 5.0%	3,405,000	-	510,000	-	2,895,000	530,000
GG-2017 - 2.125 - 5.0%	18,610,000	-	440,000	-	18,170,000	460,000
HH-2018 - 3.0 - 5.0%	18,695,000	-	410,000	-	18,285,000	430,000
II-2019 - 3.0 - 5.0%	19,230,000	-	380,000	-	18,850,000	400,000
JJ-2020 - 3.0 - 5.0%	18,890,000	-	495,000	-	18,395,000	445,000
KK-2020 - 3.0 - 5.0%	8,835,000	-	170,000	-	8,665,000	180,000
LL-2021 - 4.0 - 5.0%	33,180,000	-	1,225,000	-	31,955,000	1,265,000
MM-2022 - 3.0 - 5.0%	-	14,915,000	-	-	14,915,000	100,000
Total bonds	$ 198,600,000	$ 14,915,000	$ 6,925,000	$ 15,050,000	$ 191,540,000	$ 7,275,000
Unamortized Premium	15,798,371	448,952	788,056	218,595	15,240,672	-
Total long term debt	$ 214,398,371	$ 15,363,952	$ 7,713,056	$ 15,268,595	$ 206,780,672	$ 7,275,000

	Balance June 30, 2020	Additions	Payments	Defeased	Balance June 30, 2021	Amounts Due Within One Year
X-2012 - 3.0 - 5.0%	$ 6,460,000	$ -	$ 625,000	$ 5,835,000	$ -	$ -
Y-2013 - 3.0 - 4.0%	7,730,000	-	350,000	7,380,000	-	-
Z-2013 - 2.0 - 5.0%	21,600,000	-	575,000	21,025,000	-	-
AA-2014 - 2.0 - 4.0%	7,100,000	-	175,000	6,925,000	-	-
BB-2015 - 2.0 - 5.0%	20,035,000	-	960,000	-	19,075,000	1,000,000
CC-2015 - 2.0 - 4.0%	18,025,000	-	450,000	-	17,575,000	475,000
DD-2016 - 3.0 - 5.0%	23,225,000	-	550,000	-	22,675,000	575,000
EE-2016 - 2.0 - 5.0%	19,585,000	-	1,155,000	-	18,430,000	1,245,000
FF-2017 - 3.0 - 5.0%	3,900,000	-	495,000	-	3,405,000	510,000
GG-2017 - 2.125 - 5.0%	19,025,000	-	415,000	-	18,610,000	440,000
HH-2018 - 3.0 - 5.0%	19,090,000	-	395,000	-	18,695,000	410,000
II-2019 - 3.0 - 5.0%	19,595,000	-	365,000	-	19,230,000	380,000
JJ-2020 - 3.0 - 5.0%	19,520,000	-	630,000	-	18,890,000	495,000
KK-2020 - 3.0 - 5.0%	-	9,045,000	210,000	-	8,835,000	170,000
LL-2021 - 4.0 - 5.0%	-	33,180,000	-	-	33,180,000	1,225,000
Total bonds	$ 204,890,000	$ 42,225,000	$ 7,350,000	$ 41,165,000	$ 198,600,000	$ 6,925,000
Unamortized Premium	7,909,293	9,021,325	537,209	595,038	15,798,371	-
Total long term debt	$ 212,799,293	$ 51,246,325	$ 7,887,209	$ 41,760,038	$ 214,398,371	$ 6,925,000

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

Fiscal Year	Total Principal	Interest	Grand Total
2023	$ 7,275,000	$ 6,594,420	$ 13,869,420
2024	7,475,000	6,376,518	13,851,518
2025	7,785,000	6,057,920	13,842,920
2026	8,070,000	5,761,745	13,831,745
2027	8,305,000	5,461,631	13,766,631
2028 - 2032	46,180,000	22,347,221	68,527,221
2033 - 2037	38,990,000	14,801,138	53,791,138
2038 - 2042	36,055,000	8,708,378	44,763,378
2043 - 2047	27,020,000	3,044,927	30,064,927
2048 - 2050	4,385,000	207,925	4,592,925
Total	$ 191,540,000	$ 79,361,823	$ 270,901,823

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, 2022, these bond covenants had been satisfied.

During fiscal year 2021, KUB’s Water Division issued Series KK 2020 bonds to fund water system capital improvements. KUB’s Water Division also issued Series LL 2021 bonds to retire outstanding Series X 2012, Y 2013, Z 2013, and AA 2014 bonds. On April 19, 2021, $33.2 million in revenue refunding bonds with an average interest rate of 4.3 percent were issued to currently refund $41.2 million of outstanding bonds with an average interest rate of 4.3 percent. The net proceeds of $41.4 million (after payment of $0.3 million in issuance costs plus premium of $8.1 million and an additional issuer equity contribution of $0.4 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreased total debt service payments over the life of the debt by $10.2 million, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $9.1 million.

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

Other liabilities consist of the following:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Accrued compensated absences	$ 1,759,025	$ 3,534,903	$ (3,559,463)	$ 1,734,465
Customer advances for construction	-	25,779	-	25,779
Other	41,758	76,367	(63,043)	55,082
	$ 1,800,783	$ 3,637,049	$ (3,622,506)	$ 1,815,326

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Accrued compensated absences	$ 1,753,547	$ 2,775,693	$ (2,770,215)	$ 1,759,025
Other	35,842	51,068	(45,152)	41,758
	$ 1,789,389	$ 2,826,761	$ (2,815,367)	$ 1,800,783

7. Lease Receivables

KUB, as lessor, leases office space under non-cancelable lease arrangements. Terms of the leases range from two to fifteen 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 $53,874 in 2022 and $54,851 in 2021. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $15,343 in 2022 and $1,055 in 2021. Total lease receivables were $553,825 ($62,654 current) and $424,195 ($40,145 current) as of June 30, 2022, and 2021, 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, 2021	Increase	Decrease	Balance June 30, 2022
Total lease liabilities	$ 61,212	$ 50,206	$ (49,463)	$ 61,955
Less current portion	(49,035)			(22,779)
Long-term portion	$ 12,177			$ 39,176

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Total lease liabilities	$ -	$ 115,948	$ (54,736)	$ 61,212
Less current portion	-			(49,035)
Long-term portion	$ -			$ 12,177

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to fourteen 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, 2022, are summarized as follows:

	Lease Maturities	Interest Requirements
2023	$ 22,779	$ 2,120
2024	10,382	1,206
2025	9,881	832
2026	8,446	485
2027	8,049	160
2028-2032	1,335	31
2033-2037	1,083	9
	$ 61,955	$ 4,843

9. Capital and Intangible Right of Use Assets

Capital and intangible right of use asset activity was as follows:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Production Plant	$ 727,863	$ -	$ -	$ 727,863
Pumping & Treatment Plant	91,574,254	17,084,293	(415,323)	108,243,224
Distribution Plant				
Distribution Mains	217,123,961	10,765,298	(2,497,485)	225,391,774
Transmission Mains	46,070,829	1,598,691	(7,678)	47,661,842
Services & Meters	47,031,293	3,111,570	(148,784)	49,994,079
Other Accounts	27,194,552	1,379,662	(70,511)	28,503,703
Total Distribution Plant	$ 337,420,635	$ 16,855,221	$ (2,724,458)	$ 351,551,398
Total General Plant	37,922,504	1,418,330	(602,176)	38,738,658
Total Water Plant	$ 467,645,256	$ 35,357,844	$ (3,741,957)	$ 499,261,143
Less Accumulated Depreciation	(135,366,921)	(12,184,146)	3,731,264	(143,819,803)
Net Plant Assets	$ 332,278,335	$ 23,173,698	$ (10,693)	$ 355,441,340
Work In Progress	38,646,899	15,452,259	(34,388,195)	19,710,963
Total Net Plant	$ 370,925,234	$ 38,625,957	$ (34,398,888)	$ 375,152,303
Intangible Right of Use Assets				
Office space	$ 83,860	$ 43,539	$ (64,403)	$ 62,996
Equipment	12,049	-	(4,900)	7,149
Other	20,039	6,666	(8,013)	18,692
Total Intangible Right of Use Assets	$ 115,948	$ 50,205	$ (77,316)	$ 88,837
Less Accumulated Amortization	(54,736)	(27,110)	54,736	(27,110)
Net Intangible Right of Use Assets	$ 61,212	$ 23,095	$ (22,580)	$ 61,727

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Production Plant	$ 727,863	$ -	$ -	$ 727,863
Pumping & Treatment Plant	90,179,412	2,421,845	(1,027,003)	91,574,254
Distribution Plant				
Distribution Mains	212,035,209	6,797,731	(1,708,979)	217,123,961
Transmission Mains	43,115,795	3,008,312	(53,278)	46,070,829
Services & Meters	48,566,610	1,655,545	(3,190,862)	47,031,293
Other Accounts	27,410,724	552,763	(768,935)	27,194,552
Total Distribution Plant	$ 331,128,338	$ 12,014,351	$ (5,722,054)	$ 337,420,635
Total General Plant	29,494,099	8,489,398	(60,993)	37,922,504
Total Water Plant	$ 451,529,712	$ 22,925,594	$ (6,810,050)	$ 467,645,256
Less Accumulated Depreciation	(126,895,480)	(15,133,466)	6,662,025	(135,366,921)
Net Plant Assets	$ 324,634,232	$ 7,792,128	$ (148,025)	$ 332,278,335
Work In Progress	38,590,926	22,986,993	(22,931,020)	38,646,899
Total Net Plant	$ 363,225,158	$ 30,779,121	$ (23,079,045)	$ 370,925,234
Intangible Right of Use Assets				
Office space	$ -	$ 83,860	$ -	$ 83,860
Equipment	-	19,474	(7,425)	12,049
Other	-	20,039	-	20,039
Total Intangible Right of Use Assets	$ -	$ 123,373	$ (7,425)	$ 115,948
Less Accumulated Amortization	-	(54,736)	-	(54,736)
Net Intangible Right of Use Assets	$ -	$ 68,637	$ (7,425)	$ 61,212

10. 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, 2022, and June 30, 2021, the amount of these liabilities was $292,789 and $251,712, respectively, resulting from the following changes:

	2022	2021
Balance, beginning of year	$ 251,712	$ 223,681
Current year claims and changes in estimates	2,393,529	2,012,480
Claims payments	(2,352,452)	(1,984,449)
Balance, end of year	$ 292,789	$ 251,712

11. 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:

	2021	2020
Inactive plan members:		
Terminated vested participants	12	11
Retirees and beneficiaries	600	593
Active plan members	478	518
Total	1,090	1,122

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 3% of the first $4,800 of annual earnings and 5% 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 investment policy ("Investment 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, 2021:

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

Contributions of $3,665,168 and $3,167,680 for 2020 and 2019, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2022, and 2021, respectively. Of these amounts, $609,183 and $411,798 are attributable to the Water Division. The fiscal year 2022 contribution was determined as part of the January 1, 2020, 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, 2022, and 2021, will be based on the December 31, 2021, and 2020, measurement date, respectively. The Division's share of the net pension asset as of June 30, 2022, is $10,660,244 and the net pension asset as of June 30, 2021, is $5,862,907.

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

	2021	**2020**
Total pension liability	$ 242,201,780	$ 234,363,021
Plan fiduciary net position	(306,339,494)	(279,462,309)
Plan's net pension liability (asset)	$ (64,137,714)	$ (45,099,288)
Plan fiduciary net position as a percentage of the total pension liability	126.48%	119.24%

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, 2020	$ 234,363,021	$ 279,462,309	$ (45,099,288)
Changes for the year:			
Service cost	6,647,220	-	6,647,220
Interest	16,982,226	-	16,982,226
Differences between Expected and Actual Experience	1,935,276	-	1,935,276
Changes of Assumptions	-	-	-
Contributions - employer	-	3,416,428	(3,416,428)
Contributions - rollovers	-	3,936,711	(3,936,711)
Contributions - member	-	2,976	(2,976)
Net investment income	-	37,688,050	(37,688,050)
Benefit payments	(17,725,963)	(17,725,963)	-
Administrative expense	-	(441,017)	441,017
Net changes	7,838,759	26,877,185	(19,038,426)
Balances at December 31, 2021	$ 242,201,780	$ 306,339,494	$ (64,137,714)

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, 2021, rolled forward to December 31, 2021; January 1, 2020, rolled forward to December 31, 2020
Discount rate	7.25% as of December 31, 2021, and 2020
Salary increases	From 2.50% to 5.65%, based on years of service as of December 31, 2021, and 2020
Mortality	115% and 110% of the PubG-2010 table, for males and females respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of December 31, 2021, and 2020
Inflation	2.5% as of December 31, 2021, and 2020

The actuarial assumptions used in the January 1, 2021, and 2020, valuations were based on an actuarial experience study covering the period January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2021, and 2020, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. The Plan has both aggregate and long duration fixed income.

	Long Term Expected Real Rate of Return	
Asset Class	**2021**	**2020**
Domestic equity	5.1%	5.1%
Non-U.S. equity	6.0%	6.4%
Real estate equity	5.4%	5.6%
Debt securities	0.2%	0.9%
Cash and deposits	(0.3)%	0.2%

Discount rate
The discount rate used to measure the total pension liability was 7.25 percent as of December 31, 2021, and 2020. 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 for the Water Division as of December 31, 2021, calculated using the discount rate of 7.25 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 (6.25 percent) or one percent higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Plan's net pension liability (asset)	$ (7,058,174)	$ (10,660,244)	$ (13,767,540)

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

For the year ended June 30, 2022, KUB recognized pension expense of ($11,639,307), and the Water Division's share was ($2,075,485).

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was 4.00 years. During the measurement year, there was a liability experience loss of $1,935,276, with approximately $483,819 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $1,451,457. Unrecognized liability experience losses from prior periods were $1,544,136, of which $386,034 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,158,102. The combination of unrecognized liability experience losses this year along with unrecognized liability experience losses from prior periods results in a deferred outflow of $2,609,559 (Division's share $433,731). Unrecognized liability gains from prior periods were $1,092,163, of which $549,386 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $542,777 (Division's share $90,214).

During the measurement year, there were no benefit changes or assumption changes. Net unrecognized assumption change losses from prior periods were $5,083,896, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $3,389,264 (Division's share $563,325). Net unrecognized assumption change gains from prior periods were $71,525, of which the remaining $71,525 was recognized as a decrease in Pension Expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $17,812,070, of which $3,562,414 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $34,994,864, of which $10,275,263 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment gains this year along with unrecognized investment gains from prior periods results in a deferred inflow of $38,969,257 (Division's share $6,477,028).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred inflow of $563,724, with $140,931 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred inflow of resources of $422,793. In addition, KUB's Water Division recorded a deferred outflow of resources of $304,593 for employer contributions made between December 31, 2021, and June 30, 2022.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 433,731	$ 90,214
Changes in assumptions	563,325	-
Net difference between projected and actual earnings on pension plan investments	-	6,477,028
Change in proportionate share	-	422,793
Contributions subsequent to measurement date	304,593	-
Total	$ 1,301,649	$ 6,990,035

$304,593 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2023	$ (1,489,519)
2024	(2,412,258)
2025	(1,499,098)
2026	(592,104)
Thereafter	-

For the year ended June 30, 2021, KUB recognized pension expense of ($7,325,254), Division's share ($952,283). 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, 2019, this average was 5.00 years. During the measurement year, there was a liability experience loss of $1,930,170, with $386,034 of that recognized in the current year and in each of the next four years, resulting in a deferred outflow of $1,544,136 (Division's share $200,738). Unrecognized liability experience gains from prior periods were $2,088,302, of which $996,139 was recognized as a reduction in pension expense in the current year and resulted in a deferred inflow of $1,092,163 (Division's share $141,982).

During the measurement year, there were no benefit changes or assumption changes. Unrecognized assumption change losses from prior periods were $6,778,528, of which $1,694,632 was recognized as an increase in pension expense in the current year and resulted in a deferred outflow of $5,083,896 (Division's share $660,906). Unrecognized assumption change decreases from prior periods were $729,629, of which $658,104 was recognized as a reduction in pension expense in the current year and resulted in a deferred inflow of $71,525 (Division's share $9,298).

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 $27,394,477, of which $5,478,895 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $17,715,210, of which $4,635,928 was recognized as a decrease in pension expense in the current year. The combination of unrecognized investment gains this year along with the net unrecognized investment gains from prior periods results in a net difference between projected and actual earnings on pension plan investments as of

December 31, 2020, of $34,994,864 (Division's share $4,549,332). The following table summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over future years. In addition, KUB recorded a deferred outflow of resources of $1,583,842 as of June 30, 2021, for employer contributions made between December 31, 2020, and June 30, 2021 (Division's share $205,900).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,544,136	$ 1,092,163
Changes in assumptions	5,083,896	71,525
Net difference between projected and actual earnings on pension plan investments	-	34,994,864
Contributions subsequent to measurement date	1,583,842	-
Total	$ 8,211,874	$ 36,158,552
Division's share	$ 1,067,544	$ 4,700,612

12. 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, 2022, there are 446 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2022.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. There is no Total Pension Liability as of June 30, 2022. The Division's share of the total pension liability was $2,433 as of June 30, 2021.

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

	2021	**2020**
Total pension liability	$0	$18,714
Deferred outflows	(11,505)	(33,660)
Deferred inflows	16,927	23,630
Net impact on Statement of Net Position	$5,422	$8,684
Covered payroll	$38,074,863	$41,524,273
Total pension liability as a % of covered payroll	0.00%	0.05%

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

	Increase (Decrease)	
	Total Pension Liability	
Balances at December 31, 2020	$	18,714
Changes for the year:		
Service cost		-
Interest		268
Changes of Benefits		-
Differences between Expected and Actual Experience		(6,816)
Changes of Assumptions		-
Benefit payments		(12,166)
Net changes		(18,714)
Balances at December 31, 2021	$	-

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

Valuation dates	January 1, 2022, and January 1, 2021
Actuarial cost method	Individual entry age
Salary increase	From 2.50% to 5.65%, based on years of service as of January 1, 2022, and 2021
Mortality	115% and 110% of the Public Sector General Healthy Annuitant Mortality Table (PubG-2010), for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the

	2010 base rates using scale MP2018, fully generational as of January 1, 2022, and 2021
Inflation	2.5% as of January 1, 2022, and 2021

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

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 2.06% as of January 1, 2022, and 2.12% as of January 1, 2021.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended June 30, 2022, KUB recognized pension expense of $16,613 (Division's share $2,160) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($19,875), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$5,422 - $8,684 + $19,875].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was 4 years. During the measurement year, there was an experience gain of $6,816, with $1,704 recognized in the current year and each of the next three years, resulting in a deferred inflow of $5,112 (Division's share $665). There was a deferred inflow at the end of the measurement year of $7,225 (Division's share $939) from experience gains in prior years and a deferred outflow of $6,112 (Division's share $795) from experience losses in prior years.

During the measurement year, there were no assumption changes. There was a deferred inflow at the end of the measurement year of $4,590 (Division's share $597) and a deferred outflow of $5,393 (Division's share $700) from assumption changes in prior years.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,112	$ 12,337
Changes in assumptions	5,393	4,590
Total	$ 11,505	$ 16,927
Division's share	$ 1,495	$ 2,201

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

Year ended June 30:		
2023	$	(8,793)
2024		3,023
2025		348
2026		-
2027		-
Thereafter		-

For the year ended June 30, 2021, KUB recognized pension expense of $21,436 for the QEBA (Division's share $2,787). This amount is not expected to be the same as KUB's contribution to the QEBA ($22,874), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$8,684 - $10,122 + $22,874].

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, 2019, this average was 5 years. During the measurement year, there was an experience loss of $10,165, with $2,033 recognized in the current year and each of the next four years, resulting in a deferred outflow of $8,132 (Division's share $1,057). There was a deferred inflow at the end of the measurement year of $14,450 (Division's share $1,879) from experience gains in prior years and a deferred outflow of $2,756 (Division's share $358) from experience losses in prior years.

During the measurement year, there was an assumption change loss of $91, with $18 recognized in the current year and each of the next four years, resulting in a deferred outflow of $73 (Division's share $9). There was a deferred inflow at the end of the measurement year of $9,180 (Division's share $1,193) and a deferred outflow of $22,699 (Division's share $2,950) from assumption changes in prior years. In addition, KUB recorded a deferred outflow of resources of $6,084 as of June 30, 2021, for contributions between December 31, 2020, and June 30, 2021 (Division's share $792).

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

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	10,888	$	14,450
Changes in assumptions		22,772		9,180
Contributions subsequent to measurement date		6,084		-
Total	$	39,744	$	23,630
Division's share	$	5,166	$	3,072

13. 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 3 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 3 percent. They also receive a nonelective KUB contribution of 3 percent to 6 percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and nonelective contributions of $3,125,903 (Division's share $406,367) and $2,984,314 (Division's share $387,961), respectively, for the years ended June 30, 2022, and 2021.

14. 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	
	2022	2021	2022	2021
Retirees	4	0	549	538
Dependents of retirees	2	0	612	579
Eligible active employees	15	0	145	160
Total	21	0	1,306	1,277

Benefits

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

Contributions and Funding

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

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

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

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

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

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203. The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2022:

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%

For the fiscal year ended June 30, 2022, an actuarially determined contribution for the Water Division of $326,406 was made to the OPEB Trust along with the division's share ($195,000) of an additional $1,500,000 contribution to help fund the HRA. Actuarially determined contributions for the Water Division for the fiscal year ended June 30, 2021, were $98,439. These were based on the OPEB actuarial valuations as of January 1, 2020, and 2019.

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 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, 2022, and 2021, and the Total OPEB Liability as of the valuation date, January 1, 2021, updated to June 30, 2022, and January 1, 2020, updated to June 30, 2021, respectively. The Division's share of the total net OPEB liability (asset) was $1,838,331 as of June 30, 2022, and ($771,138) as of June 30, 2021.

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

	2022	2021
Total OPEB liability	$ 58,536,280	$ 51,515,118
Plan fiduciary net position	47,333,773	57,446,946
Net OPEB liability (asset)	$ 11,202,507	$ (5,931,828)
Plan fiduciary net position as a percentage of the total OPEB liability	80.86%	111.51%

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, 2021	$ 51,515,118	$ 57,446,946	$ (5,931,828)
Changes for the year:			
Service cost	416,277	-	416,277
Interest	3,858,276	-	3,858,276
Changes of Benefits	6,594,293	-	6,594,293
Differences between Expected and Actual Experience	60,951	-	60,951
Changes of Assumptions	-	-	-
Contributions - employer	-	1,989,066	(1,989,066)
Contributions - member	-	-	-
Net investment income	-	(8,122,417)	8,122,417
Benefit payments	(3,908,635)	(3,908,635)	-
Administrative expense	-	(71,187)	71,187
Net changes	7,021,162	(10,113,173)	17,134,335
Balances at June 30, 2022	$ 58,536,280	$ 47,333,773	$ 11,202,507

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, 2021, rolled forward to June 30, 2022; January 1, 2020, rolled forward to June 30, 2021
Discount rate:	7.25% as of January 1, 2021, and 2020
Healthcare cost trend rates:	Pre-Medicare: 6.75% grading down to 4.04% over 20 years as of January 1, 2021, and 2020 Medicare: 6.30% grading down to 4.04% over 20 years as of January 1, 2021, and 2020 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service as of January 1, 2021, and 2020
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP2018 fully generational as of January 1, 2021, and 2020
Inflation:	2.50% as of January 1, 2021, and 2020

The actuarial assumptions used in the January 1, 2021, and January 1, 2020, valuations were based on the results of actuarial experience studies for the periods January 1, 2014, through December 31, 2018.

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

	Long Term Expected Real Rate of Return	
Asset Class	**2022**	**2021**
Domestic equity	5.5%	4.9%
International equity	6.5%	5.9%
Emerging Market equity	8.6%	8.4%
Real estate equity	5.7%	5.4%
Debt securities	1.2%	0.5%
Cash and deposits	0.2%	(0.1%)

Discount rate
The discount rate used to measure the total OPEB liability was 7.25 percent as of June 30, 2022, and 2021. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the 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 Division's share of the Trust as of June 30, 2022, calculated using the discount rate of 7.25 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 (6.25 percent) or one percent higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	**Current Discount Rate (7.25%)**	**1% Increase (8.25%)**
Net OPEB liability (asset)	$2,786,135	$1,838,331	$1,039,359

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 Division's share of the Trust as of June 30, 2022, 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)	$1,040,164	$1,838,331	$2,764,472

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2022, KUB's Water Division recognized OPEB expense of $1,014,936.

The impact of liability experience gains or losses and assumption changes on the Water Division's Share of the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was 2.0 years. During the measurement year, there was an experience loss of $60,951, with $30,476 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $30,475 (Division's share $5,001). Unrecognized experience losses from prior periods were $21,401, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were benefit changes that increased the Total OPEB Liability by $6,594,293. This increase is recognized immediately in the June 30, 2022 OPEB expense.

Unrecognized gains due to assumption changes from prior periods were $2,052,917, of which the entire amount is recognized as a decrease in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $12,216,418, of which $2,443,284 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred outflow of resources of $9,773,134. Net unrecognized investment gains from prior periods were $5,905,689, of which $1,311,774 was recognized as a decrease in OPEB expense in the current year, resulting in a net deferred inflow of $4,593,915. The combination of unrecognized losses this year along with the net unrecognized investment gains from prior periods results in a deferred outflow of resources of $5,179,219 (Division's share $849,910). The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is two years. This change resulted in a deferred outflow of $68,383, with $34,192 of that recognized in the current year and the remaining amount recognized in the next year, resulting in a deferred outflow of resources of $34,191. The table below summarizes the current balances of deferred outflows and deferred inflows of resources for the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,001	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	849,910	-
Change in proportionate share	34,191	-
Total	$ 889,102	$ -

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

Year ended June 30:	
2023	$ 229,921
2024	171,442
2025	86,796
2026	400,943
2027	-
Thereafter	-

For the year ended June 30, 2021, KUB recognized OPEB expense of ($648,134) (Division's share ($84,257)).

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 2.0 years. During the measurement year, there was an experience loss of $42,802, with $21,401 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $21,401 (Division's share $2,782). Unrecognized experience losses from prior periods were $21,951, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there was a decrease in the Total OPEB Liability due to assumption changes of $4,105,835, with $2,052,918 of that recognized in the current year and in the next year, resulting in a deferred inflow of $2,052,917 (Division's share $266,879). Unrecognized assumption changes from prior periods were $1,802,421, of which the entire amount is recognized as an increase in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $9,571,802, of which $1,914,360 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 $2,354,338, of which $602,585 was recognized as an increase in OPEB expense in the current year. The combination of unrecognized gains this year along with the net unrecognized investment losses from prior periods results in a net difference between projected and actual earnings on OPEB plan investments as of June 30, 2021, of $5,905,689 (Division's share $767,740). The table below summarizes the current balances of deferred outflows and deferred inflows of resources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,401	$ -
Changes in assumptions	-	2,052,917
Net difference between projected and actual earnings on OPEB plan investments	-	5,905,689
Total	$ 21,401	$ 7,958,606
Division's share	$ 2,782	$ 1,034,619

15. 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, 2022, and 2021, are summarized as follows:

	2022	2021
City of Knoxville		
Amounts billed by the Division for utilities and related services	$ 5,131,864	$ 5,078,623
Payments by the Division in lieu of property tax	3,446,015	3,528,135
Payments by the Division for services provided	338,656	777,645
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	512,847	507,783
Interdivisional rental expense	458,961	436,548
Interdivisional rental income	225,619	111,493
Amounts billed to the Division by other divisions for utilities services provided	3,296,877	3,082,834

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

	2022	2021
Accounts receivable	$ 419,035	$ 425,428

16. Other Commitments and Contingencies

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

Knoxville Utilities Board Water Division

Required Supplementary Information – Schedule of Changes in Net Pension Liability and Related Ratios

June 30, 2022

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

Notes to Schedule:

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

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

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Required Supplementary Information – Schedule of Employer Pension Contributions
June 30, 2022

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

Notes to Schedule:

Timing:	Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.
Valuation Dates:	January 1, 2020 and January 1, 2019

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual entry age
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 21 years remaining (22 years as of January 1, 2019), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2020 and 2019, the unfunded liability was negative.
Discount rate:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Salary increases:	2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational
Inflation:	2.5%

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

Knoxville Utilities Board Water Division
Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2022

	*Year ended June 30				
	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	$ 416,277	$ 283,786	$ 256,270	$ 270,515	$ 202,603
Interest	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	$ 58,536,280	$ 51,515,118	$ 54,544,240	$ 50,197,938	$ 45,604,431
Plan fiduciary net position					
Contributions - employer	$ 1,989,066	$ 757,226	$ 311,324	$ -	$ -
Net investment income	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	$ 47,333,773	$ 57,446,946	$ 46,954,793	$ 48,750,196	$ 49,355,499
Net OPEB liability (asset) - ending (a) - (b)	$ 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	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	$ 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	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, 2022

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

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

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

Notes to Schedule:

Valuation Date:	January 1, 2020 and January 1, 2019
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 16 years remaining as of January 1, 2020 (17 years as of January 1, 2019), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2019 and 2020, the unfunded liability was positive
Discount rate:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Healthcare cost trend rate:	Pre-Medicare: 6.75% grading down to 4.04% over 20 years as of January 1, 2020; 7.83% grading down to 4.50% over 19 years as of January 1, 2019 Medicare: 6.30% grading down to 4.04% over 20 years as of January 1, 2020; 6.88% grading down to 4.50% over 19 years as of January 1, 2019 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.5%
Investment rate of return:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Retirement age:	2% at ages 50-57, grading up to 100% at age 70

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

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 2022

	*Year ended December 31					
	2021	2020	2019	2018	2017	2016
Total pension liability						
Service cost	$ -	$ -	$ -	$ 941	$ 584	$ -
Interest (includes interest on service cost)	268	388	9,181	9,676	7,535	-
Changes of benefit terms	-	-	(218,272)	-	-	185,077
Differences between expected and actual experience	(6,816)	10,165	34	(36,125)	13,684	-
Changes of assumptions	-	91	13,342	(22,950)	73,461	-
Benefit payments, including refunds of member contributions	(12,166)	(12,166)	(15,932)	-	-	-
Net change in total pension liability	(18,714)	(1,522)	(211,647)	(48,458)	95,264	185,077
Total pension liability - beginning	18,714	20,236	231,883	280,341	185,077	-
Total pension liability - ending	$ -	$ 18,714	$ 20,236	$ 231,883	$ 280,341	$ 185,077
Covered payroll	$ 38,074,863	$ 41,524,273	$ 40,276,197	$ 42,150,040	$ 43,309,374	$ 44,437,747
Total pension liability as a percentage of covered payroll	0.00%	0.05%	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 Water Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2022

Continued on Next Page

	BB-2015		CC-2015		DD-2016		EE-2016		FF-2017		GG-2017		HH-2018	
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
22-23	1,050,000	611,000	475,000	53,062	625,000	688,500	1,315,000	400,644	530,000	127,050	460,000	606,056	430,000	662,963
23-24	1,110,000	558,500	500,000	38,812	650,000	657,250	1,380,000	334,894	550,000	105,850	485,000	583,056	440,000	650,062
24-25	1,170,000	503,000	525,000	27,563	675,000	624,750	1,435,000	307,294	575,000	78,350	505,000	558,806	465,000	628,063
25-26	1,210,000	467,900	550,000	14,438	700,000	604,500	1,460,000	278,594	605,000	49,600	530,000	533,556	485,000	604,813
26-27	1,245,000	428,575			725,000	583,500	1,515,000	249,394	635,000	25,400	555,000	512,356	510,000	580,562
27-28	1,260,000	385,000			750,000	561,750	1,560,000	219,094			575,000	490,156	535,000	555,063
28-29	1,275,000	340,900			775,000	539,250	1,605,000	187,894			590,000	477,938	555,000	539,013
29-30	1,315,000	296,275			800,000	516,000	1,645,000	155,794			600,000	464,662	570,000	522,362
30-31	2,740,000	256,825			825,000	492,000	1,710,000	120,838			625,000	440,663	590,000	504,550
31-32	2,800,000	174,625			825,000	467,250	1,750,000	82,362			650,000	415,662	605,000	485,375
32-33	2,900,000	90,625			850,000	442,500	1,810,000	42,988			675,000	389,662	625,000	464,956
33-34					900,000	417,000					695,000	369,413	645,000	444,644
34-35					925,000	390,000					715,000	348,563	670,000	423,681
35-36					950,000	362,250					740,000	327,112	690,000	401,906
36-37					975,000	333,750					760,000	304,913	710,000	379,481
37-38					1,000,000	304,500					785,000	282,112	735,000	356,406
38-39					1,025,000	274,500					805,000	258,562	760,000	331,600
39-40					1,050,000	243,750					830,000	234,413	785,000	305,950
40-41					1,100,000	212,250					855,000	208,475	815,000	274,550
41-42					1,125,000	179,250					885,000	181,756	850,000	241,950
42-43					1,150,000	145,500					910,000	154,100	885,000	207,950
43-44					1,200,000	111,000					940,000	125,662	920,000	172,550
44-45					1,225,000	75,000					970,000	96,288	950,000	140,350
45-46					1,275,000	38,250					1,000,000	65,976	985,000	107,100
46-47											1,030,000	33,476	1,020,000	72,625
47-48													1,055,000	36,925
48-49														
49-50														
	$ 18,075,000	$ 4,113,225	$ 2,050,000	$ 133,875	$ 22,100,000	$ 9,264,250	$ 17,185,000	$ 2,379,790	$ 2,895,000	$ 386,250	$ 18,170,000	$ 8,463,394	$ 18,285,000	$ 10,095,450

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2022

Continued from Previous Page

	II-2019		JJ-2020		KK-2020		LL-2021		MM-2022		TOTAL		Grand
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
22-23	400,000	647,800	445,000	616,450	180,000	289,050	1,265,000	1,437,650	100,000	454,195	7,275,000	6,594,420	13,869,420
23-24	420,000	627,800	445,000	603,100	190,000	280,050	1,305,000	1,374,400	-	562,744	7,475,000	6,376,518	13,851,518
24-25	440,000	606,800	450,000	580,850	195,000	270,550	1,350,000	1,309,150	-	562,744	7,785,000	6,057,920	13,842,920
25-26	465,000	584,800	460,000	558,350	205,000	260,800	1,400,000	1,241,650	-	562,744	8,070,000	5,761,745	13,831,745
26-27	485,000	561,550	465,000	535,350	215,000	250,550	1,450,000	1,171,650	505,000	562,744	8,305,000	5,461,631	13,766,631
27-28	510,000	537,300	465,000	512,100	230,000	239,800	2,210,000	1,099,150	540,000	537,494	8,635,000	5,136,907	13,771,907
28-29	535,000	511,800	470,000	488,850	240,000	228,300	2,340,000	988,650	575,000	510,494	8,960,000	4,813,089	13,773,089
29-30	565,000	485,050	475,000	465,350	250,000	216,300	2,450,000	871,650	610,000	481,744	9,280,000	4,475,187	13,755,187
30-31	590,000	456,800	480,000	441,600	260,000	208,800	1,105,000	749,150	645,000	451,244	9,570,000	4,122,470	13,692,470
31-32	615,000	433,200	475,000	427,200	265,000	201,000	1,070,000	693,900	680,000	418,994	9,735,000	3,799,568	13,534,568
32-33	635,000	414,750	470,000	412,950	275,000	193,050	1,000,000	640,400	720,000	384,994	9,960,000	3,476,875	13,436,875
33-34	655,000	395,700	1,965,000	398,850	285,000	184,800	1,175,000	600,400	740,000	363,394	7,060,000	3,174,201	10,234,201
34-35	675,000	376,050	1,945,000	339,900	290,000	176,250	1,215,000	553,400	755,000	341,194	7,190,000	2,949,038	10,139,038
35-36	695,000	355,800	1,925,000	281,550	300,000	167,550	1,255,000	504,800	775,000	317,600	7,330,000	2,718,568	10,048,568
36-37	715,000	334,950	1,900,000	223,800	310,000	158,550	1,285,000	454,600	795,000	292,412	7,450,000	2,482,456	9,932,456
37-38	735,000	313,500	1,880,000	166,800	320,000	149,250	1,335,000	403,200	820,000	265,582	7,610,000	2,241,350	9,851,350
38-39	760,000	291,450	1,855,000	110,400	330,000	139,650	1,370,000	349,800	870,000	237,904	7,775,000	1,993,866	9,768,866
39-40	780,000	268,650	1,825,000	54,750	335,000	129,750	1,405,000	295,000	890,000	207,456	7,900,000	1,739,719	9,639,719
40-41	805,000	245,250			350,000	119,700	1,460,000	238,800	910,000	176,306	6,295,000	1,475,331	7,770,331
41-42	830,000	221,100			360,000	109,200	1,470,000	180,400	955,000	144,456	6,475,000	1,258,112	7,733,112
42-43	855,000	196,200			370,000	98,400	1,520,000	121,600	975,000	109,838	6,665,000	1,033,588	7,698,588
43-44	880,000	170,550			380,000	87,300	1,520,000	60,800	1,020,000	74,494	6,860,000	802,356	7,662,356
44-45	905,000	144,150			390,000	75,900			1,035,000	37,518	5,475,000	569,206	6,044,206
45-46	930,000	117,000			405,000	64,200					4,595,000	392,526	4,987,526
46-47	960,000	89,100			415,000	52,050					3,425,000	247,251	3,672,251
47-48	990,000	60,300			425,000	39,600					2,470,000	136,825	2,606,825
48-49	1,020,000	30,600			440,000	26,850					1,460,000	57,450	1,517,450
49-50					455,000	13,650					455,000	13,650	468,650
	$ 18,850,000	$ 9,478,000	$ 18,395,000	$ 7,218,200	$ 8,665,000	$ 4,430,900	$ 31,955,000	$ 15,340,200	$ 14,915,000	$ 8,058,289	$ 191,540,000	$ 79,361,823	$ 270,901,823

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2021	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2022
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	$ 19,075,000	$	$ 1,000,000	$	$ 18,075,000
Revenue Bond, Series CC-2015	20,000,000	2.0-4.0	05/20/15	03/01/45	17,575,000		475,000	15,050,000	2,050,000
Revenue Bond, Series DD-2016	25,000,000	3.0-5.0	08/05/16	03/01/46	22,675,000		575,000		22,100,000
Revenue Bond Refunding, Series EE-2016	20,875,000	2.0-5.0	08/05/16	03/01/33	18,430,000		1,245,000		17,185,000
Revenue Bond Refunding, Series FF-2017	5,310,000	3.0-5.0	04/07/17	03/01/27	3,405,000		510,000		2,895,000
Revenue Bond, Series GG-2017	20,000,000	2.125-5.0	09/15/17	03/01/47	18,610,000		440,000		18,170,000
Revenue Bond, Series HH-2018	19,995,000	3.0-5.0	09/14/18	03/01/48	18,695,000		410,000		18,285,000
Revenue Bond, Series II-2019	19,995,000	3.0-5.0	08/20/19	03/01/49	19,230,000		380,000		18,850,000
Revenue Bond Refunding, Series JJ-2020	19,520,000	3.0-5.0	05/22/20	03/01/40	18,890,000		495,000		18,395,000
Revenue Bond, Series KK-2020	9,045,000	3.0-5.0	10/30/20	03/01/50	8,835,000		170,000		8,665,000
Revenue Bond Refunding, Series LL-2021	33,180,000	4.0-5.0	04/19/21	03/01/44	33,180,000		1,225,000		31,955,000
Revenue Bond Refunding, Series MM-2022	14,915,000	3.0-5.0	05/13/22	03/01/45	-	14,915,000	-		14,915,000
					$ 198,600,000	$ 14,915,000	$ 6,925,000	$ 15,050,000	$ 191,540,000

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2022
Lease Liabilities									
Payable through Water Division									
Centriworks	$ 5,845	3.88%	11/1/2020	10/31/2023	$ 5,845	$ -	$ (2,441)	$ -	$ 3,404
Coal Creek Ventures	3,991	3.88%	7/1/2020	9/30/2035	3,991	-	(260)	-	3,731
James H. Benson/Manki 1 Investments	39,293	3.88%	7/1/2020	5/31/2027	7,785	39,293	(8,380)	-	38,698
Pinnacle Towers	6,441	3.88%	7/1/2020	6/30/2027	6,441	6,666	(6,441)	-	6,666
R&S Logistics (Sublease)	22,580	3.88%	7/1/2020	3/31/2027	22,580	-	(22,580)	-	-
Ricoh Americas	2,133	3.88%	7/1/2020	7/31/2022	2,133	-	(1,966)	-	167
RJ Young Company	6,596	3.88%	7/1/2020	6/30/2026	6,596	-	(1,554)	-	5,042
Spectrasite	1,594	3.88%	7/1/2020	1/31/2022	1,594	-	(1,594)	-	-
White Realty	4,247	3.88%	7/1/2020	6/30/2041	4,247	4,247	(4,247)	-	4,247
Total Lease Liabilities					$ 61,212	$ 50,206	$ (49,463)	$ -	$ 61,955

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Statistical Information - Schedule of Insurance in Force
June 30, 2022
(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.

Pollution Legal Liability
New conditions coverage for losses exceeding specified amount per occurrence ($1,000,000). Limits of coverage - $15,000,000.

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

Travel Accident
Covers losses related to employees' business travel. Limits of coverage - $3,000,000 aggregate.

Excess Insurance for General Liability
As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). KUB is self-insured for the first $700,000 of any accident and has insurance of $4,300,000 above this retention.

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

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

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

Knoxville Utilities Board Water Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2022
(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:	56,844

Commodity Charge

First	2	100 Cubic Feet Per Month at $1.10 Per 100 Cubic Feet
Over	2	100 Cubic Feet Per Month at $2.80 Per 100 Cubic Feet

Additional Monthly Customer Charge

For	5/8" meter	$ 18.00

Rate Class	Base Charge	Number of Customers
Residential Outside City rate	For water furnished to premises upon which any water faucet or other outlet is outside the corporate limits of the City of Knoxville:	14,279

Commodity Charge

First	2	100 Cubic Feet Per Month at $1.20 Per 100 Cubic Feet
Over	2	100 Cubic Feet Per Month at $3.35 Per 100 Cubic Feet

Additional Monthly Customer Charge

For	5/8" meter	$ 19.40

Knoxville Utilities Board Water Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2022
(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:	10,250

Commodity Charge

First	2	100 Cubic Feet Per Month at $2.20 Per 100 Cubic Feet
Next	8	100 Cubic Feet Per Month at $4.65 Per 100 Cubic Feet
Next	90	100 Cubic Feet Per Month at $5.70 Per 100 Cubic Feet
Next	300	100 Cubic Feet Per Month at $4.25 Per 100 Cubic Feet
Next	4,600	100 Cubic Feet Per Month at $2.65 Per 100 Cubic Feet
Next	5,000	100 Cubic Feet Per Month at $1.25 Per 100 Cubic Feet

Additional Monthly Customer Charge

For	5/8" meter	$ 18.50
For	1" meter	32.10
For	1 1/2" meter	51.00
For	2" meter	66.00
For	3" meter	176.00
For	4" meter	281.00
For	6" meter	583.00
For	8" meter	1,026.00
For	10" meter	1,563.00
For	12" meter	2,357.00

Rate Class	Base Charge	Number of Customers
Non-Residential Outside City rate	For water furnished to premises upon which any water faucet or other outlet is outside the corporate limits of the City of Knoxville, excluding premises within the boundaries of an area recognized as an industrial park by the Tennessee Department of Economic and Community Development:	737

Commodity Charge

First	2	100 Cubic Feet Per Month at $2.60 Per 100 Cubic Feet
Next	8	100 Cubic Feet Per Month at $5.35 Per 100 Cubic Feet
Next	90	100 Cubic Feet Per Month at $6.90 Per 100 Cubic Feet
Next	300	100 Cubic Feet Per Month at $4.95 Per 100 Cubic Feet
Next	4,600	100 Cubic Feet Per Month at $3.20 Per 100 Cubic Feet
Next	5,000	100 Cubic Feet Per Month at $1.50 Per 100 Cubic Feet

Additional Monthly Customer Charge

For	5/8" meter	$ 20.00
For	1" meter	37.00
For	1 1/2" meter	57.50
For	2" meter	76.50
For	3" meter	207.00
For	4" meter	336.00
For	6" meter	715.00
For	8" meter	1,255.50
For	10" meter	1,910.50
For	12" meter	2,830.50

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Water Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2022, 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 25, 2022.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Coulter & Justus, P.C.

Knoxville, Tennessee
October 25, 2022

Knoxville Utilities Board Water Division
Schedule of Findings and Questioned Costs
June 30, 2022

Section I -- Summary of Auditor's Results

Financial Statements

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

Section II -- Financial Statement Findings
None reported.

Section III – Findings Required by the State of Tennessee Audit Manual
None reported.

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

Wastewater Division

Financial Statements and Supplemental Information
June 30, 2022 and 2021

Knoxville Utilities Board Wastewater Division
Index
June 30, 2022 and 2021

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Wastewater Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Division as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2020, the Division adopted new accounting guidance Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 27 and the required supplementary information on pages 66 through 70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Coulter & Justus, P.C.

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

Supplemental Information

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

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Wastewater Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
October 25, 2022

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, 2022, and 2021, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2022, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

Wastewater Division Highlights

System Highlights

As KUB returned to normal operations this fiscal year, supply chain issues and workforce shortages continued to impact capital projects. While some projects were delayed, others were held until supplies were more readily available. However, KUB's ability to serve its wastewater customers has remained strong throughout.

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

The wastewater service area covers 249 square miles and includes 73,377 wastewater customers. KUB maintains 1,330 miles of services mains, 79 pump stations, and 4 treatment plants to treat 13.4 billion gallons of wastewater on an annual basis. The average daily flow is 36.8 million gallons.

KUB has added 1,570 wastewater system customers over the past three years, representing annual growth of less than one percent. In fiscal year 2022, 547 customers were added.

The typical residential wastewater customer's average monthly wastewater bill was $65.50 as of June 30, 2022, which is unchanged from the prior two fiscal years.

Previously planned wastewater rate increases scheduled for July 2020 and July 2021 were eliminated due to operating cost savings, capital project deferrals, and savings from refinancing outstanding bonds.

KUB's treatment plants continue to meet high standards of operation. KUB was awarded the National Association of Clean Water Agencies (NACWA) Peak Performance recognition for all Wastewater

Treatment Plants in calendar year 2021. Fourth Creek, Loves Creek, and Eastbridge Wastewater Treatment Plants won silver awards while Kuwahee won gold.

KUB continued to maintain Platinum certification with the National Biosolids Partnership following a rigorous review process and independent audit that was conducted in December 2021. Biosolids are nutrient-rich organic matter produced by wastewater treatment and is a registered fertilizer with the Tennessee Department of Agriculture.

Century II Infrastructure Program

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

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

In June 2017, the Board approved three wastewater rate increases to support the Century II program. The three approved wastewater rate increases went into effect July 2017, July 2018, and July 2019, generating $4.3 million, $4.2 million, and $4.5 million in additional annual Wastewater Division revenue, respectively.

In June 2022, the Board approved the next phase of wastewater rate increases to support the Century II program. The three approved 4 percent wastewater rate increases are effective July 2022, July 2023, and July 2024, and will generate $3.9 million, $4 million, and $4.2 million in additional annual Wastewater Division revenue, respectively.

In fiscal year 2022, KUB rehabilitated or replaced 8.9 miles of wastewater system mains, while staying on track with Century II goals and within the Wastewater Division's total capital budget.

Consent Decree

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

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

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

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

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

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

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Financial Highlights

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

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division’s net position during the year increased $19.6 million compared to a $17.8 million increase last fiscal year.

Operating revenue increased $2.6 million or 2.6 percent for the fiscal year ended June 30, 2022. Billed sales increased $2.2 million, due to an increase in billable customer flows of 2.2 percent.

Operating expenses increased $2.4 million. Operating and maintenance (O&M) expenditures increased $3.3 million. Depreciation and amortization expense decreased $1.2 million or 5.3 percent. Taxes and tax equivalents increased $0.3 million or 5.7 percent.

Interest income was consistent with the prior fiscal year. Interest expense decreased $0.7 million compared to the prior fiscal year. Other income (net) was $1.1 million higher.

Capital contributions decreased $0.1 million, the result of decreased donated utility assets from developers compared to the previous fiscal year.

Total plant assets (net) increased $21.6 million or 2.7 percent since the end of last fiscal year.

During fiscal year 2022, KUB sold $11.1 million in wastewater system revenue bonds for the purpose of funding wastewater system capital improvements. KUB also refinanced outstanding debt, selling $23.2 million in wastewater system revenue refunding bonds in April 2022. KUB will realize a total debt service savings of $1.3 million over the life of the bonds ($0.7 million on a net present value basis).

Long-term debt represented 55.2 percent of the Division’s capital structure as of June 30, 2022, as compared to 56.7 percent last year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division’s bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division’s outstanding bonds. Current year debt coverage for the fiscal year was 1.97. Maximum debt service coverage was 1.92.

Fiscal Year 2021 Compared to Fiscal Year 2020

The Division’s net position during the year increased $17.8 million compared to a $21.2 million increase last fiscal year.

Operating revenue decreased $1 million or 1 percent for the fiscal year ended June 30, 2021. This reflects an increase in billed sales of $0.8 million and a decrease in other operating revenue of $1.2 million. Billable customer flows increased 1.2 percent.

Operating expenses increased $1.4 million. Operating and maintenance (O&M) expenditures decreased $2.1 million. Depreciation and amortization expense rose $3.2 million or 15.9 percent. Taxes and tax equivalents increased $0.3 million or 4.8 percent.

Interest income was $1.2 million lower than the prior fiscal year. Interest expense decreased $0.6 million compared to the prior fiscal year. Other income (net) was $0.8 million lower.

Capital contributions increased $0.5 million, the result of increased donated utility assets from developers compared to the previous fiscal year.

Total plant assets (net) increased $23.3 million or 3 percent since the end of last fiscal year.

During fiscal year 2021, KUB sold $27.5 million in wastewater system revenue bonds for the purpose of funding wastewater system capital improvements. KUB also took advantage of a lower interest environment to refinance outstanding debt, selling $190.8 million in wastewater system revenue refunding bonds in March 2021. KUB will realize a total debt service savings of $47.2 million over the life of the bonds ($41.8 million on a net present value basis).

Long-term debt represented 56.7 percent of the Division's capital structure as of June 30, 2021, as compared to 59.7 percent last year. The decrease is the net result of the issuance of new revenue and refunding bonds offset by refunded bonds and the scheduled repayment of debt during the fiscal 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. Current year debt coverage for the fiscal year was 1.84. Maximum debt service coverage was 1.98.

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Knoxville Utilities Board Wastewater Division - Financial Statements

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

Statement of Net Position

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

Statement of Cash Flows

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

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

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

Condensed Financial Statements

Statement of Net Position

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

Statements of Net Position
As of June 30

(in thousands of dollars)	2022	2021 as restated	2020
Current, restricted, intangible, and other assets	$ 90,063	$ 99,378	$ 85,942
Capital assets, net	831,607	809,975	786,640
Deferred outflows of resources	15,166	15,027	17,107
Total assets and deferred outflows of resources	936,836	924,380	889,689
Current and other liabilities	27,152	26,572	27,813
Long-term debt outstanding	518,518	523,665	511,453
Deferred inflows of resources	7,850	10,429	4,525
Total liabilities and deferred inflows of resources	553,520	560,666	543,791
Net position			
Net investment in capital assets	314,337	289,032	279,477
Restricted	3,660	3,331	3,647
Unrestricted	65,319	71,351	62,774
Total net position	$ 383,316	$ 363,714	$ 345,898

Normal Impacts on Statement of Net Position

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

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

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2022 Compared to Fiscal Year 2021

Current, restricted, intangible, and other assets decreased $9.3 million or 9.4 percent, primarily due to an $8.8 million decrease in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments).

Fiscal Year 2021 Compared to Fiscal Year 2020

Current, restricted, intangible, and other assets increased $13.4 million or 15.6 percent, primarily due to an $8.6 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) and a $5.7 million increase in the actuarially determined net pension asset.

Capital Assets

Fiscal Year 2022 Compared to Fiscal Year 2021

Capital assets increased $21.6 million or 2.7 percent, the result of capital expenditures, net of depreciation. Major capital expenditures during the year included $37.7 million for major system improvements related to Century II. Wastewater system assets of $7.3 million were retired during the fiscal year.

Fiscal Year 2021 Compared to Fiscal Year 2020

Capital assets increased $23.3 million or 3 percent, the result of capital expenditures, net of depreciation. Major capital expenditures during the year included $35.2 million for major system improvements related to Century II. Spending was slowed this year to allow for greater financial liquidity in response to the pandemic. Wastewater system assets of $11.4 million were retired during the fiscal year.

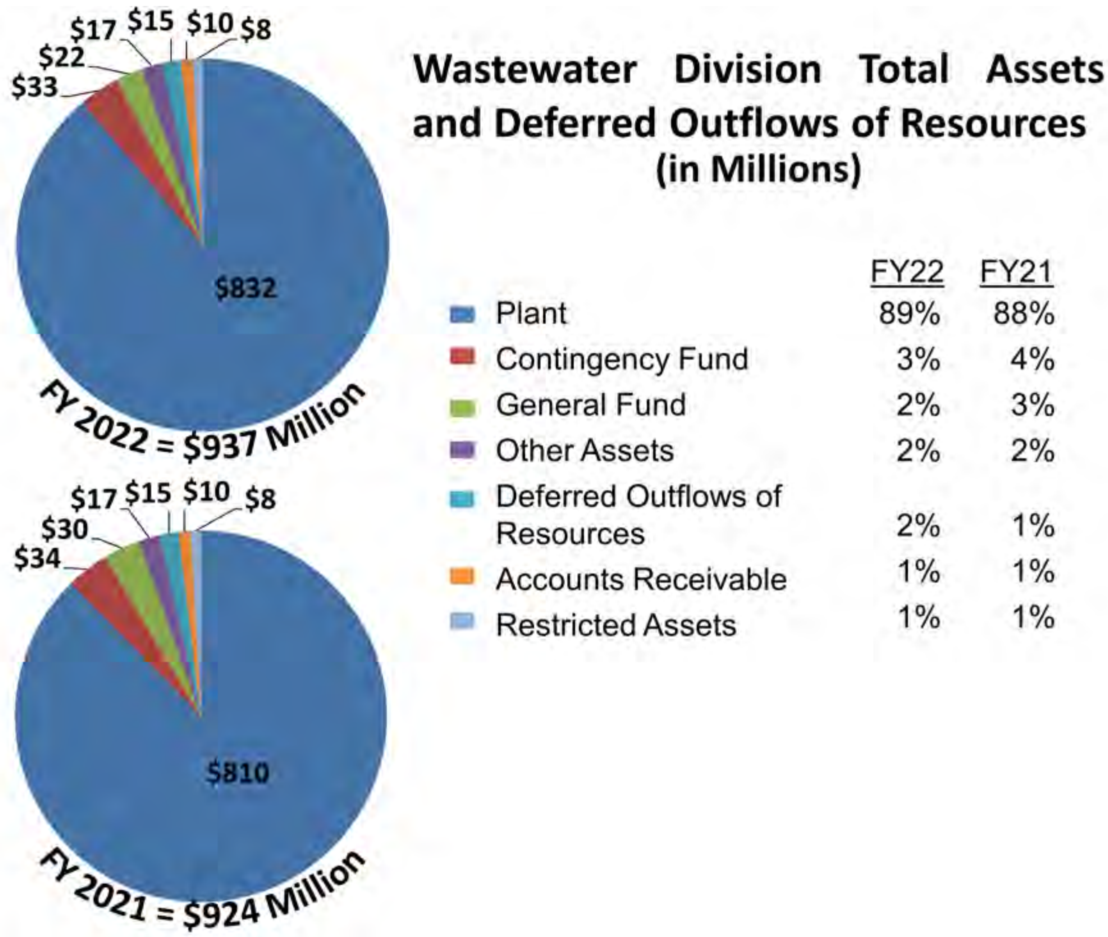
Deferred Outflows of Resources

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred outflows increased $0.1 million compared to the prior year, due to a $0.9 million increase in OPEB outflow and a $0.1 million increase in pension outflow offset by a $0.9 million decrease in unamortized bond refunding costs.

Fiscal Year 2021 Compared to Fiscal Year 2020

Deferred outflows decreased $2.1 million compared to the prior year, due to a $1.2 million decrease in unamortized bond refunding costs and a $0.9 million decrease in OPEB outflow.



Current and Other Liabilities

Fiscal Year 2022 Compared to Fiscal Year 2021

Current and other liabilities were $0.6 million higher than the prior fiscal year, due to increases of $2 million in net OPEB liability and $0.5 million in the current portion of revenue bonds offset by a $2 million decrease in accounts payable.

Fiscal Year 2021 Compared to Fiscal Year 2020

Current and other liabilities were $1.2 million lower than the prior fiscal year, due to decreases of $1.7 in net OPEB liability and $0.8 million in the current portion of revenue bonds offset by a $1.2 million increase in accounts payable.

Long-Term Debt

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's outstanding long-term debt decreased $5.1 million or 1 percent. This decrease is due in part to the net impact of the scheduled repayment of debt and $11.1 million in wastewater system revenue bonds sold in April 2022. KUB also sold $23.2 million of wastewater system revenue refunding bonds in April 2022 with a premium of $1.7 million to refund $24.6 million in outstanding debt, resulting in a reduction of principal of $1.4 million.

Fiscal Year 2021 Compared to Fiscal Year 2020

The Division's outstanding long-term debt increased $12.2 million or 2.4 percent. This increase is due in part to the net impact of the scheduled repayment of debt and $27.5 million in wastewater system revenue bonds sold in October 2020. KUB also sold $190.8 million of wastewater system revenue refunding bonds in March 2021 with a premium of $48.1 million to refund $238.6 million in outstanding debt, resulting in a reduction of principal of $47.8 million.

Deferred Inflows of Resources

Fiscal Year 2022 Compared to Fiscal Year 2021

Deferred inflows of resources were $2.6 million lower than the prior fiscal year, due to a $1.7 million decrease in OPEB inflow and a $1.1 million decrease in pension inflow offset by a $0.2 million increase in lease inflow.

Fiscal Year 2021 Compared to Fiscal Year 2020

Deferred inflows of resources were $5.9 million higher than the prior fiscal year, due to a $3.4 million increase in pension inflow, a $1.8 million increase in OPEB inflow, and a $0.7 million increase in lease inflow.

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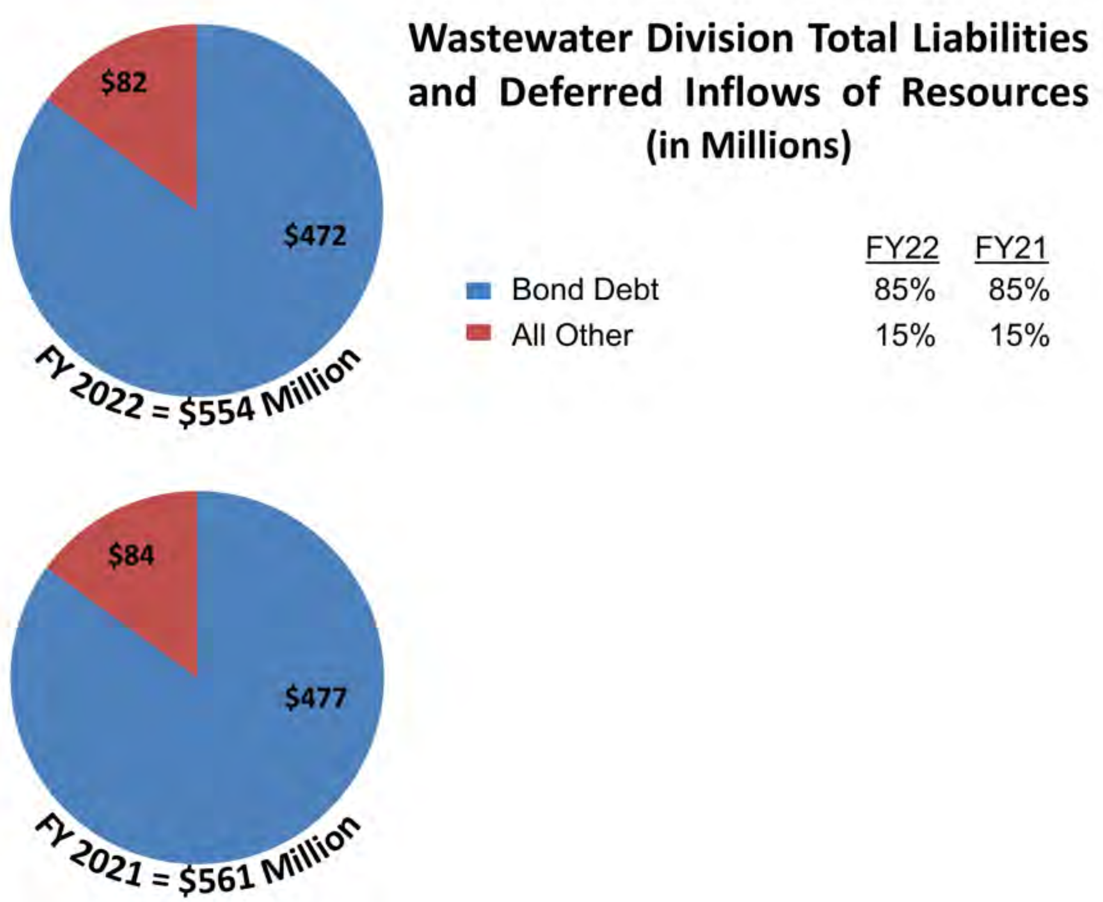

Net Position

Fiscal Year 2022 Compared to Fiscal Year 2021

Net position increased $19.6 million in fiscal year 2022. Unrestricted net position decreased $6 million, primarily due to an $8.8 million decrease in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments). Net investment in capital assets increased $25.3 million, the result of $21.6 million in net plant additions and a decrease in current portion of revenue bonds and total long-term debt of $4.6 million. Restricted net position was $0.3 million higher than the previous fiscal year, due to an increase in required bond fund reserves.

Fiscal Year 2021 Compared to Fiscal Year 2020

Net position increased $17.8 million in fiscal year 2021. Unrestricted net position increased $8.6 million, primarily due to an $8.6 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments). Net investment in capital assets increased $9.6 million, the result of $23.3 million in net plant additions offset by an increase in current portion of revenue bonds and total long-term debt of $11.4 million. Restricted net position was $0.3 million lower than the previous fiscal year, due to a decrease in required bond fund reserves.

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)	2022	2021 as restated	2020
Operating revenues	$ 102,937	$ 100,361	$ 101,336
Operating expenses			
Treatment	14,515	12,735	12,736
Collection	8,541	8,561	8,229
Customer service	3,967	3,740	3,693
Administrative and general	10,413	9,089	11,464
Depreciation and amortization	21,815	23,034	19,881
Taxes and tax equivalents	6,178	5,844	5,574
Total operating expenses	65,429	63,003	61,577
Operating income	37,508	37,358	39,759
Interest income	297	313	1,484
Interest expense	(18,888)	(19,611)	(20,170)
Other income/(expense)	177	(887)	(64)
Change in net position before capital contributions	19,094	17,173	21,009
Capital contributions	508	643	192
Change in net position	$ 19,602	$ 17,816	$ 21,201

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

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

- Operating revenue is primarily determined by the amount of water usage billed during the fiscal year. KUB has certain commercial and industrial customers whose wastewater usage is metered separately from their water usage. Any change (increase/decrease) in wastewater rates would also cause a change in operating revenue.

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

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

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

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

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

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

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

Impacts and Analysis

Change in Net Position

Fiscal Year 2022 Compared to Fiscal Year 2021

The Division's Change in Net Position increased $19.6 million in fiscal year 2022. Comparatively, net position increased by $17.8 million in fiscal year 2021.

Fiscal Year 2021 Compared to Fiscal Year 2020

The Division's Change in Net Position increased $17.8 million in fiscal year 2021. Comparatively, net position increased by $21.2 million in fiscal year 2020.

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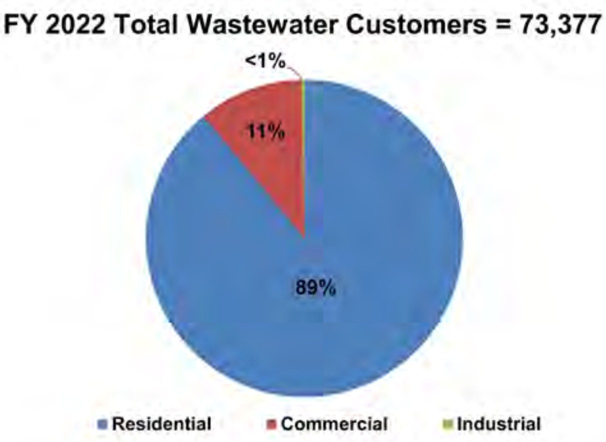
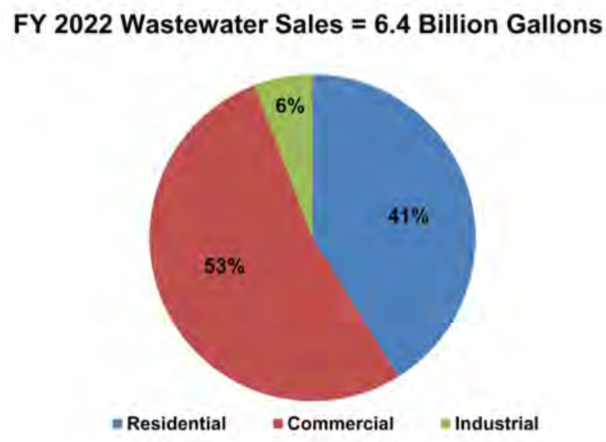
Margin from Sales

Fiscal Year 2022 Compared to Fiscal Year 2021

Operating revenue increased $2.6 million or 2.6 percent for the fiscal year ended June 30, 2022. Billed sales increased $2.2 million, due to an increase in billable customer flows of 2.2 percent. Rebates on bond interest payments from the federal government for federally taxable Build America Bonds (BABs) are reported as revenue in accordance with GASB. KUB recognized $0.4 million in revenue for BABs rebates in fiscal year 2022.





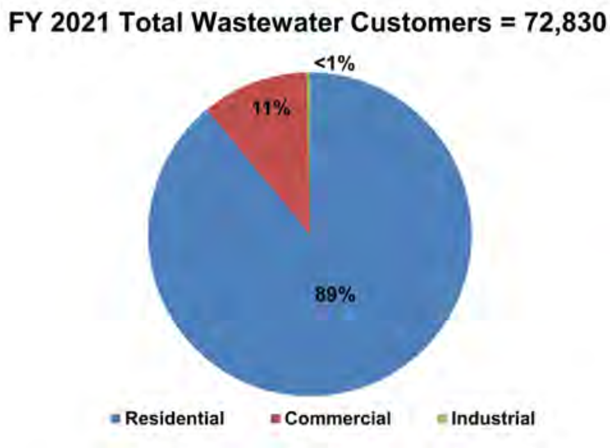
Residential customers accounted for 89 percent of wastewater customers and 41 percent of total billed sales volumes for the year. Commercial customers accounted for the largest portion of total sales volumes for the year with 53 percent.

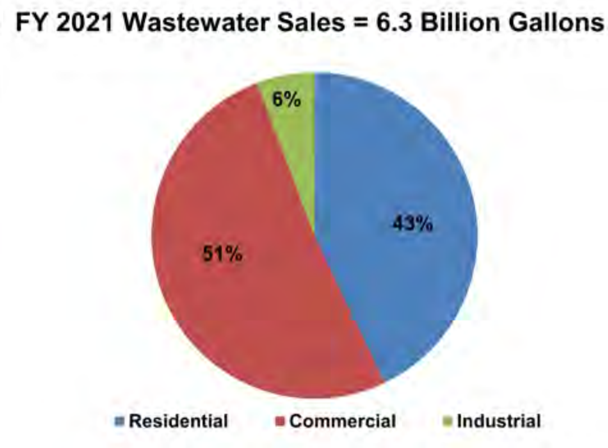
KUB's ten largest wastewater customers accounted for 19 percent of KUB's billed wastewater volumes. Those ten customers represent five industrial and five commercial customers, including four governmental customers.

KUB has added 1,570 wastewater customers over the past three years, representing annual growth of less than one percent.

Fiscal Year 2021 Compared to Fiscal Year 2020

Operating revenue decreased $1 million or 1 percent for the fiscal year ended June 30, 2021. This reflects an increase in billed sales of $0.8 million and a decrease in other operating revenue of $1.2 million. Billable customer flows increased 1.2 percent. Rebates on bond interest payments from the federal government for federally taxable Build America Bonds (BABs) are reported as revenue in accordance with GASB. KUB recognized $1 million in revenue for BABs rebates in fiscal year 2021.





Residential customers accounted for 89 percent of wastewater customers and 43 percent of total billed sales volumes for the year. Commercial customers accounted for the largest portion of total sales volumes for the year with 51 percent.

KUB's ten largest wastewater customers accounted for 18 percent of KUB's billed wastewater volumes. Those ten customers represent five industrial and five commercial customers, including four governmental customers.

KUB has added 1,588 wastewater customers over the past three years, representing annual growth of less than one percent.

Operating Expenses

Fiscal Year 2022 Compared to Fiscal Year 2021

Operating expenses increased $2.4 million compared to fiscal year 2021. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, collection, customer service, and administrative and general.

- Treatment expenses increased $1.8 million, primarily due to an increase in chemicals and labor related expenses.
- Collection system expenses were consistent with the prior fiscal year.
- Customer service expenses increased $0.2 million, primarily due to an increase in payment processing fees.
- Administrative and general expenses increased $1.3 million, primarily due to an increase in labor related expenses, including higher OPEB expenses related to the introduction of the Health Reimbursement Arrangement.

- Depreciation and amortization expense decreased $1.2 million or 5.3 percent. KUB added $69 million in assets during fiscal year 2022. A partial year of depreciation expense was recorded for these capital investments and a full year of depreciation expense was incurred on $55.2 million of wastewater system assets placed in service during fiscal year 2021. Wastewater system assets of $7.3 million were retired during the fiscal year.
- Taxes and tax equivalents increased $0.3 million compared to the prior fiscal year, due to increased plant in service levels.

Fiscal Year 2021 Compared to Fiscal Year 2020

Operating expenses increased $1.4 million compared to fiscal year 2020. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, collection, customer service, and administrative and general.

- Treatment expenses were consistent with the prior fiscal year.

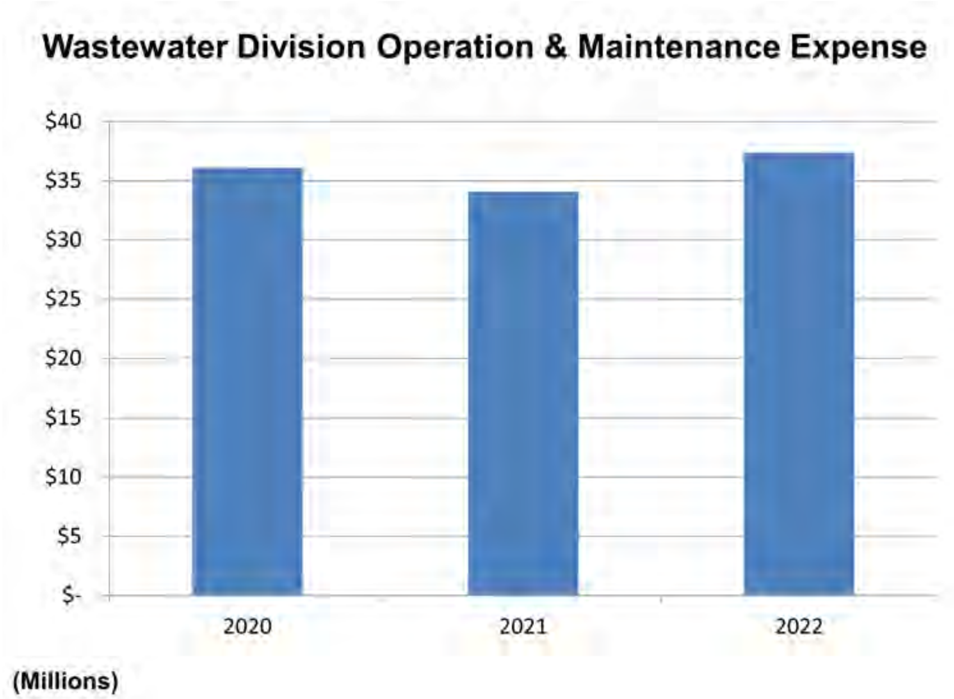
- Collection system expenses increased $0.3 million, primarily due to an increase in outside contractor and consultant costs.

- Customer service expenses were up slightly from the prior fiscal year.

- Administrative and general expenses decreased $2.4 million, primarily due to a decrease in labor related expenses, including lower pension and OPEB expenses.

- Depreciation and amortization expense increased $3.2 million or 15.9 percent. KUB added $55.2 million in assets during fiscal year 2021, including $5.2 million of multi-year projects being held in Construction Work in Progress. A partial year of depreciation expense was recorded for these capital investments and a full year of depreciation expense was incurred on $37.8 million of wastewater system assets placed in service during fiscal year 2020. Wastewater system assets of $11.4 million were retired during the fiscal year.

- Taxes and tax equivalents increased $0.3 million compared to the prior fiscal year, due to increased plant in service levels.



Other Income and Expense

Fiscal Year 2022 Compared to Fiscal Year 2021

Interest income was consistent with the prior fiscal year.

Interest expense was $0.7 million lower than the prior fiscal year, reflecting the net impact of interest expense from new revenue bonds sold during the fiscal year and interest savings from the refunding of outstanding bonds.

Other income (net) was $1.1 million higher than the prior fiscal year, primarily due to an increase in amortization of premiums.

Capital contributions decreased $0.1 million compared to last fiscal year as a result of a decrease in assets received from developers and other governmental entities.

Fiscal Year 2021 Compared to Fiscal Year 2020

Interest income was $1.2 million lower than the prior fiscal year, primarily due to lower short-term interest rates.

Interest expense was $0.6 million lower than the prior fiscal year, reflecting the net impact of interest expense from new revenue bonds sold during the fiscal year and interest savings from the reduction in principal from the refunding of outstanding bonds.

Other expense (net) was $0.8 million higher than the prior fiscal year, primarily due to losses on disposition of property.

Capital contributions increased $0.5 million compared to last fiscal year as a result of an increase in assets received from developers and other governmental entities.

Capital Assets

Capital Assets
As of June 30
(Net of Depreciation)

(in thousands of dollars)	**2022**	**2021**	**2020**
Pumping & Treatment Plant	$ 204,307	$ 167,117	$ 162,645
Collection Plant			
Mains and Metering	506,844	495,404	473,913
Other Accounts	61,013	62,399	64,355
Total Collection Plant	567,857	557,803	538,268
Total General Plant	15,252	15,590	7,898
Total Wastewater Plant	$ 787,416	$ 740,510	$ 708,811
Work In Progress	44,191	69,465	77,829
Total Net Plant	$ 831,607	$ 809,975	$ 786,640

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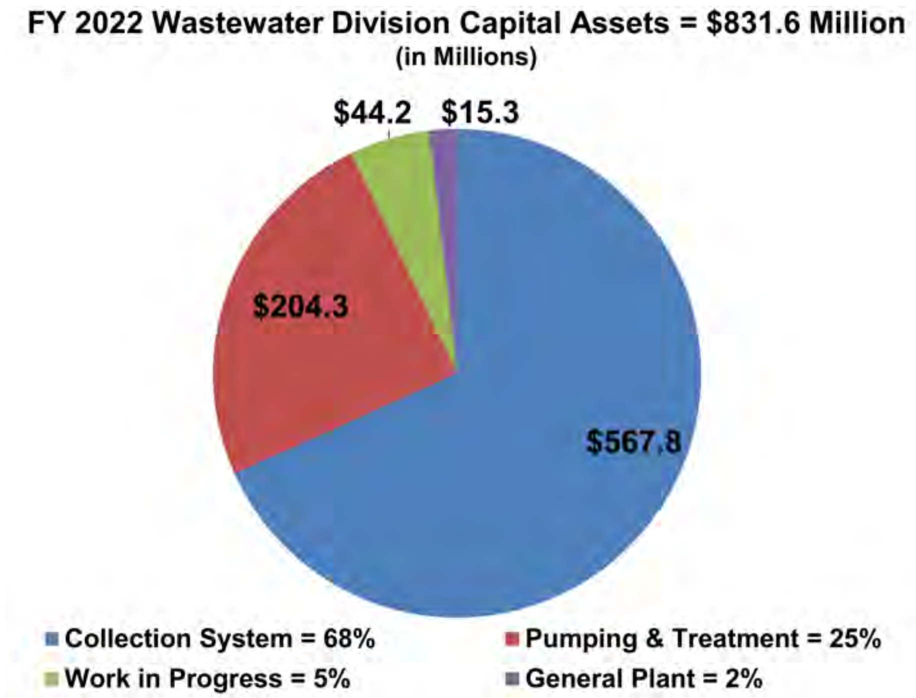
Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $831.6 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $21.6 million or 2.7 percent over the end of the last fiscal year.



Major capital asset expenditures during the year were as follows:

- $37.7 million related to Century II projects
  - $19.7 million for wastewater treatment plant upgrades
  - $8.1 million for pump station construction and improvements
  - $4.1 million for sewer mini-basin rehabilitation and replacement
  - $3.8 million for short line projects
  - $2 million for sewer trunk line rehabilitation and replacement

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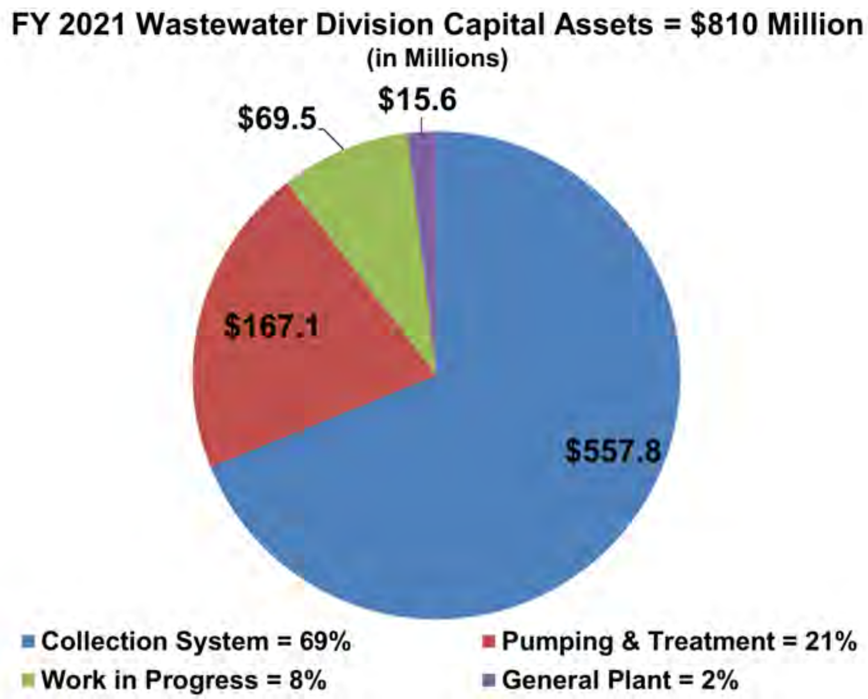
Fiscal Year 2021 Compared to Fiscal Year 2020

As of June 30, 2021, the Division had $810 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of $23.3 million or 3 percent over the end of the last fiscal year. Spending on capital assets was slowed this year to allow for greater financial liquidity in response to the pandemic.



Major capital asset expenditures during the year were as follows:

- $35.2 million related to Century II projects
    - $18.7 million for wastewater treatment plant upgrades
    - $8.6 million for sewer mini-basin rehabilitation and replacement
    - $5.1 million for pump station construction and improvements
    - $1.5 million for short line projects
    - $1.3 million for sewer trunk line rehabilitation and replacement

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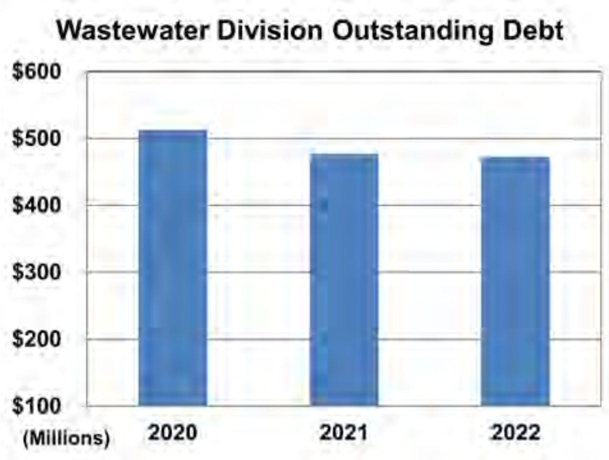
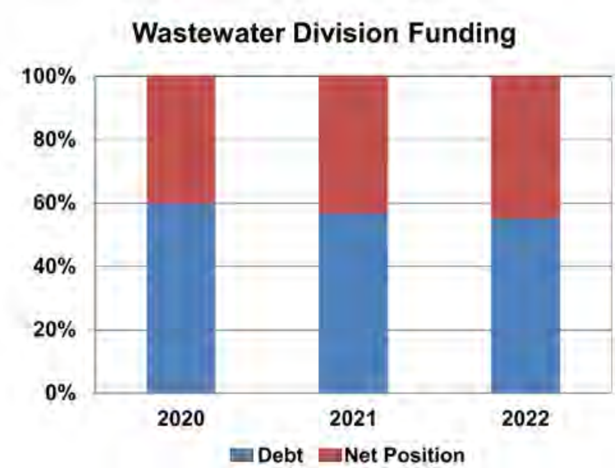
Debt Administration

As of June 30, 2022, the Wastewater Division had $472.1 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 55.2 percent in 2022, 56.7 percent in 2021, and 59.7 percent at the end of fiscal year 2020. KUB's Debt Management Policy limits the Division's debt ratio to 70 percent or less.

Outstanding Debt
As of June 30

(in thousands of dollars)	**2022**	**2021**	**2020**
Revenue bonds	$ 472,110	$ 476,660	$ 512,560
Total outstanding debt	$ 472,110	$ 476,660	$ 512,560





The Division will pay $159.4 million in principal payments over the next ten years, representing 33.8 percent of the outstanding bonds. KUB's Debt Management Policy requires a minimum of 20 percent of wastewater debt principal be repaid over the next ten years.

Fiscal Year 2022 Compared to Fiscal Year 2021

As of June 30, 2022, the Division had $472.1 million in outstanding debt (including the current portion of revenue bonds), representing a decrease of $4.6 million. As of June 30, 2022, the Division's weighted average cost of debt was 3.99 percent (3.91 percent including the impact of Build America Bonds rebates).

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

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

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2022, the Division's revenue bonds were rated AA+ by Standard & Poor's and Aa2 by Moody's Investors Service.

Fiscal Year 2021 Compared to Fiscal Year 2020

As of June 30, 2021, the Division had $476.7 million in outstanding debt (including the current portion of revenue bonds), representing a decrease of $35.9 million. As of June 30, 2021, the Division's weighted average cost of debt was 3.98 percent (3.90 percent including the impact of Build America Bonds rebates).

KUB sold $27.5 million in wastewater system revenue bonds in October 2020 for the purpose of funding wastewater system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 2.41 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2050.

KUB sold $190.8 million in wastewater system revenue refunding bonds in March 2021 for the purpose of refinancing existing wastewater system revenue bonds. KUB will realize a total debt service savings of $47.2 million over the life of the bonds ($41.8 million on a net present value basis), with $47.8 million of the savings as a reduction of outstanding principal. The true interest cost of the bonds, which were sold through a competitive bidding process, was 1.91 percent. The bonds have a final maturity in fiscal year 2049.

The Division's outstanding debt is rated by Standard & Poor's and Moody's Investors Service. As of June 30, 2021, the Division's revenue bonds were rated AA+ by Standard & Poor's and Aa2 by Moody's Investors Service.

Impacts on Future Financial Position

KUB anticipates adding 400 wastewater customers in fiscal year 2023.

In May 2022, the Board approved the issuance of wastewater system revenue bonds not to exceed $13 million for the purpose of funding wastewater system capital improvements. The bonds will be sold through a competitive bidding process during fiscal year 2023.

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

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of $2,624,373 for the fiscal year ending June 30, 2023, based on the Plan's current funding policy. The Wastewater Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2022, measurement date. Subsequent to June 30, 2022, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,108,147 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Wastewater Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2023, measurement date. For the Plan year beginning January 1, 2022, the Plan's actuarial funded ratio is 112.01 percent, and the market value funded ratio is 128.08 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of $1,413,392 for the fiscal year ending June 30, 2023, based on the Plan's current funding policy. The Wastewater Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2023, measurement date. Subsequent to June 30, 2022, an actuarial valuation was completed and resulted in an actuarially determined contribution of $1,187,768 for the fiscal year ending June 30, 2024, based on the Plan's current funding policy. The Wastewater Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2024, measurement date. The Plan's actuarial funded ratio is 94.75 percent, and the market value funded ratio is 103.07 percent.

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for fiscal years beginning after December 15, 2021. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 99, *Omnibus 2022*, is effective for fiscal years beginning after June 15, 2022. GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB No. 62,* is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 101, *Compensated Absences,* is effective for fiscal years beginning after December 15, 2023. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2022.

Financial Contact

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 2022, and 2021. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board Wastewater Division
Statements of Net Position
June 30, 2022 and 2021

		2022		2021 as restated
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and cash equivalents	$	21,570,632	$	30,379,799
Short-term contingency fund investments		4,767,510		29,190,159
Other current assets		3,302		3,295
Accrued interest receivable		9,970		3,481
Accounts receivable, less allowance of uncollectible accounts of $94,507 in 2022 and $93,477 in 2021		10,318,162		10,278,112
Current portion of lease receivable		106,030		67,938
Inventories		461,030		496,539
Prepaid expenses		97,217		69,264
Total current assets		37,333,853		70,488,587
Restricted assets:				
Wastewater bond fund		8,217,373		7,665,526
Other funds		333		333
Total restricted assets		8,217,706		7,665,859
Wastewater plant in service		1,037,255,256		975,561,186
Less accumulated depreciation		(249,838,970)		(235,051,108)
		787,416,286		740,510,078
Retirement in progress		89,834		75,484
Construction in progress		44,100,572		69,389,448
Net plant in service		831,606,692		809,975,010
Intangible assets:				
Intangible right of use asset		150,339		196,219
Less accumulated amortization		(45,879)		(92,630)
Net intangible assets		104,460		103,589
Other assets:				
Net pension asset		11,178,104		9,921,843
Net OPEB asset		-		1,305,002
Long-term contingency fund investments		28,238,588		5,028,619
Long-term lease receivable		831,212		649,930
Other		4,159,080		4,214,649
Total other assets		44,406,984		21,120,043
Total assets		921,669,695		909,353,088
Deferred outflows of resources:				
Pension outflow		1,901,225		1,815,356
OPEB outflow		944,518		4,708
Unamortized bond refunding costs		12,320,391		13,207,033
Total deferred outflows of resources		15,166,134		15,027,097
Total assets and deferred outflows of resources	$	936,835,829	$	924,380,185

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

Knoxville Utilities Board Wastewater Division
Statements of Net Position
June 30, 2022 and 2021

		2022		2021 as restated
Liabilities, Deferred Inflows, and Net Position				
Current liabilities:				
Current portion of revenue bonds	$	14,760,000	$	14,275,000
Current portion of lease liability		38,549		82,982
Accounts payable		1,595,166		3,569,385
Accrued expenses		657,303		1,049,186
Customer deposits plus accrued interest		1,005,945		880,799
Accrued interest on revenue bonds		4,557,614		4,334,630
Total current liabilities		22,614,577		24,191,982
Other liabilities:				
Accrued compensated absences		1,980,907		1,965,640
Customer advances for construction		391,566		330,927
Lease liability		66,297		20,607
Net pension liability		-		4,117
Net OPEB liability		2,031,015		-
Other		66,773		58,677
Total other liabilities		4,536,558		2,379,968
Long-term debt:				
Wastewater revenue bonds		457,350,000		462,385,000
Unamortized premiums/discounts		61,168,494		61,280,353
Total long-term debt		518,518,494		523,665,353
Total liabilities		545,669,629		550,237,303
Deferred inflows of resources:				
Pension inflow		6,889,994		7,960,080
OPEB inflow		38,804		1,750,893
Lease inflow		921,521		717,868
Total deferred inflows of resources		7,850,319		10,428,841
Total liabilities and deferred inflows of resources		553,519,948		560,666,144
Net position				
Net investment in capital assets		314,336,681		289,031,630
Restricted for:				
Debt service		3,659,759		3,330,896
Other		333		333
Unrestricted		65,319,108		71,351,182
Total net position		383,315,881		363,714,041
Total liabilities, deferred inflows, and net position	$	936,835,829	$	924,380,185

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, 2022 and 2021

	2022	2021 as restated
Operating revenues	$ 102,936,574	$ 100,360,933
Operating expenses		
Treatment	14,514,989	12,734,681
Collection	8,540,457	8,560,687
Customer service	3,966,357	3,739,787
Administrative and general	10,413,179	9,088,837
Depreciation and amortization	21,815,257	23,034,519
Taxes and tax equivalents	6,178,208	5,844,210
Total operating expenses	65,428,447	63,002,721
Operating income	37,508,127	37,358,212
Non-operating revenues (expenses)		
Contributions in aid of construction	607,239	733,992
Interest income	297,132	312,553
Interest expense	(18,888,252)	(19,611,311)
Amortization of debt costs	1,466,762	10,070
Write-down of plant for costs recovered through contributions	(607,239)	(733,992)
Other	(1,289,538)	(896,104)
Total non-operating revenues (expenses)	(18,413,896)	(20,184,792)
Change in net position before capital contributions	19,094,231	17,173,420
Capital contributions	507,609	643,000
Change in net position	19,601,840	17,816,420
Net position, beginning of year	363,714,041	345,897,621
Net position, end of year	$ 383,315,881	$ 363,714,041

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

Knoxville Utilities Board Wastewater Division
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Cash flows from operating activities:		
Cash receipts from customers	$ 101,923,756	$ 99,517,289
Cash receipts from other operations	192,202	957,830
Cash payments to suppliers of goods or services	(28,405,252)	(22,354,050)
Cash payments to employees for services	(12,853,387)	(12,654,917)
Payment in lieu of taxes	(5,127,318)	(4,883,160)
Net cash provided by operating activities	55,730,001	60,582,992
Cash flows from capital and related financing activities:		
Net proceeds from bond issuance	12,007,368	29,761,846
Principal paid on revenue bonds	(14,275,000)	(15,605,000)
Interest paid on revenue bonds and lease liabilities	(18,665,268)	(20,390,573)
Acquisition and construction of wastewater plant	(43,928,518)	(47,635,687)
Changes in wastewater bond fund, restricted	(551,847)	658,727
Customer advances for construction	60,639	69,653
Proceeds received on disposal of plant	-	105
Principal paid on lease liabilities	(96,589)	(92,630)
Cash received from developers and individuals for capital purposes	607,239	733,992
Net cash used in capital and related financing activities	(64,841,976)	(52,499,567)
Cash flows from investing activities:		
Purchase of investment securities	(29,080,503)	(13,984,737)
Maturities of investment securities	29,117,814	23,987,202
Interest received	264,863	417,243
Other property and investments	634	148,283
Net cash provided by investing activities	302,808	10,567,991
Net (decrease) increase in cash and cash equivalents	(8,809,167)	18,651,416
Cash and cash equivalents, beginning of year	30,379,799	11,728,383
Cash and cash equivalents, end of year	$ 21,570,632	$ 30,379,799
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 37,508,127	$ 37,358,212
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	22,205,155	23,460,419
Changes in operating assets and liabilities:		
Accounts receivable	(40,050)	949,844
Lease receivable	(219,374)	(717,868)
Inventories	35,509	98,850
Prepaid expenses	(27,953)	14
Other assets	14,743	(45,733)
Accounts payable and accrued expenses	(3,879,398)	(458,550)
Customer deposits plus accrued interest	125,146	(40,432)
Other liabilities	8,096	(21,764)
Net cash provided by operating activities	$ 55,730,001	$ 60,582,992
Noncash capital activities:		
Acquisition of plant assets through developer contributions	$ 507,609	$ 643,000
Record intangible right of use asset and lease liability	$ 97,846	$ 196,219

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, 2022, and 2021, 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 June 2017, the GASB issued GASB Statement No. 87 (Statement No. 87), *Leases*. This Statement requires recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize an intangible right of use asset and a lease liability. Statement No. 87 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement is reflected on the Division's financial statements.

In June 2018, the GASB issued GASB Statement No. 89 (Statement No. 89), *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. Statement No. 89 is effective for fiscal years beginning after December 15, 2020. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In January 2020, the GASB issued GASB Statement No. 92 (Statement No. 92), *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain provisions of Statement No. 92 were effective immediately. Paragraphs 6, 7, 8, 9, and 12 are effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In March 2020, the GASB issued GASB Statement No. 93 (Statement No. 93), *Replacement of Interbank Offered Rates.* This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. Statement No. 93 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In June 2020, the GASB issued GASB Statement No. 97 (Statement No. 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

In October 2021, the GASB issued GASB Statement No. 98 (Statement No.98), *The Annual Comprehensive Financial Report.* This Statement replaces the term *comprehensive annual financial report* with *annual comprehensive financial report.* Statement No. 98 is effective for fiscal years ending after December 15, 2021. Adoption of this Statement did not have a significant impact on the Division's financial statements.

Wastewater Plant

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

The provision for depreciation of wastewater plant in service is based on the estimated useful lives of the assets, which range from three to fifty years, and is computed using the straight-line method. Pursuant to NARUC, the caption "Depreciation and amortization" in the Statements of Revenue, Expenses and Change in Net Position does not include depreciation for transportation equipment of $389,897 in fiscal year 2022 and $425,900 in fiscal year 2021.

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 $231,361 in fiscal year 2022 and $403,292 in fiscal year 2021.

Non-operating Revenue

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

Expense

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

Net Position

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

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease 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 or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

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

Inventories

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

OPEB Trust

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

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a June 30, 2022, and 2021, measurement date, respectively. The net OPEB liability is $11,202,507 (Division's share $2,031,015) as of June 30, 2022, and the net OPEB asset was $5,931,828 (Division's share $1,305,002) as of June 30, 2021.

Pension Plan and Qualified Excess Benefit Arrangement

KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 10). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. The net pension asset is $64,137,714 (Division's share $11,178,104) as of June 30, 2022, and $45,099,288 (Division's share $9,921,843) as of June 30, 2021.

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 11). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2022, and 2021, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2022. The total pension liability of the QEBA was $18,714 (Division's share $4,117) as of June 30, 2021.

Investments

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

Self-Insurance

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

Estimates

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

Restricted and Designated Assets

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

Cash Equivalents

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

Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the noncancelable 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.

Deferred Outflows and Inflows of Resources

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

Debt Premium/Discount

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

Debt Issuance Costs

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

Deferred Gain/Loss on Refunding of Debt

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

Compensated Absences

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

Restatement for GASB 87

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

As lessee and as a result of adopting GASB 87, as of June 30, 2021, KUB recorded total intangible right of use assets of $196,219 with accumulated amortization of $92,630 and recognized total lease liabilities of $103,589 ($82,982 current). KUB's Wastewater Division also reclassified $14,278 from rent expense shown in customer service expense and $80,717 from rent expense shown in administrative and general expense to $92,630 as amortization expense and $2,365 as interest expense.

Related to lease agreements where KUB is the lessor, as a result of adopting GASB 87, as of June 30, 2021, KUB recognized lease receivables of $717,868 ($67,938 current) with a corresponding deferred inflow of resources of $717,868. KUB also reclassified $1,786 from rent revenue shown in other operating revenues to interest income.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 87.

Subsequent Events

KUB has evaluated events and transactions through October 25, 2022, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Recently Issued Accounting Pronouncements

In May 2019, the GASB issued GASB Statement No. 91 (Statement No. 91), *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021.

In March 2020, the GASB issued GASB Statement No. 94 (Statement No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter in PPPs and APAs. Statement No. 94 is effective for fiscal years beginning after June 15, 2022.

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

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

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

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

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

3. Deposits and Investments

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

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

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

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

Custodial Credit Risk. KUB's investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in KUB's name by a third-party custodian bank(s) acting as KUB's agent(s), or through the State of Tennessee's collateral pool. Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of KUB's investments are 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:

		2022		2021
Current assets				
Cash and cash equivalents	$	21,570,632	$	30,379,799
Short-term contingency fund investments		4,767,497		29,189,975
Other assets				
Long-term contingency fund investments		28,165,339		4,981,150
Restricted assets				
Wastewater bond fund		8,217,373		7,665,526
Other funds		333		333
	$	62,721,174	$	72,216,783

The above amounts do not include accrued interest of $73,262 in fiscal year 2022 and $47,653 in fiscal year 2021. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's deposits and investments as held by financial institutions as of June 30, 2022:

	Deposit and Investment Maturities (in Years)					
		Fair Value		Less Than 1		1-5
Supersweep NOW and Other Deposits	$	22,630,285	$	22,630,285	$	-
State Treasurer's Investment Pool		8,233,347		8,233,347		-
Agency Bonds		32,916,763		4,751,424		28,165,339
	$	63,780,395	$	35,615,056	$	28,165,339

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, 2022:

- U.S. Agency bonds of $28,165,339, 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:

	2022	2021
Wholesale and retail customers		
Billed services	$ 5,527,989	$ 5,704,016
Unbilled services	4,486,545	4,258,303
Other	398,135	409,270
Allowance for uncollectible accounts	(94,507)	(93,477)
	$ 10,318,162	$ 10,278,112

5. Accounts Payable and Accruals

Accounts payable and accruals were composed of the following:

	2022	2021
Trade accounts	$ 1,595,166	$ 3,569,385
Salaries and wages	161,815	623,211
Self-insurance liabilities	495,488	425,975
	$ 2,252,469	$ 4,618,571

6. Long-Term Obligations

Long-term debt consists of the following:

	Balance June 30, 2021	Additions	Payments	Defeased	Balance June 30, 2022	Amounts Due Within One Year
Wastewater						
2010C - 1.18 - 6.1%	$ 20,250,000	$ -	$ -	$ -	$ 20,250,000	$ -
2015A - 3.0 - 5.0%	110,625,000	-	5,675,000	-	104,950,000	6,005,000
2015B - 3.0 - 5.0%	26,950,000	-	550,000	24,600,000	1,800,000	575,000
2016 - 2.0 - 5.0%	17,800,000	-	500,000	-	17,300,000	525,000
2017A - 3.0 - 5.0%	5,970,000	-	1,685,000	-	4,285,000	1,775,000
2017B - 2.0 - 5.0%	23,205,000	-	570,000	-	22,635,000	600,000
2018 - 3.0 - 5.0%	11,240,000	-	255,000	-	10,985,000	270,000
2019 - 3.0 - 5.0%	15,450,000	-	315,000	-	15,135,000	330,000
2020A - 3.0 - 5.0%	27,445,000	-	680,000	-	26,765,000	715,000
2020B - 3.0 - 4.0%	26,910,000	-	555,000	-	26,355,000	580,000
2021A - 4.0 - 5.0%	190,815,000	-	3,490,000	-	187,325,000	3,060,000
2022A - 4.0 - 5.0%	-	11,125,000	-	-	11,125,000	225,000
2022B - 4.0 - 5.0%	-	23,200,000	-	-	23,200,000	100,000
Total bonds	$ 476,660,000	$ 34,325,000	$ 14,275,000	$ 24,600,000	$ 472,110,000	$ 14,760,000
Unamortized Premium	61,280,352	2,748,402	2,410,559	449,701	61,168,494	-
Total long term debt	$ 537,940,352	$ 37,073,402	$ 16,685,559	$ 25,049,701	$ 533,278,494	$ 14,760,000

	Balance June 30, 2020	Additions	Payments	Defeased	Balance June 30, 2021	Amounts Due Within One Year
2010C - 1.18 - 6.1%	$ 58,450,000	$ -	$ 1,650,000	$ 36,550,000	$ 20,250,000	$ -
2012A - 2.0 - 4.0%	10,850,000	-	1,085,000	9,765,000	-	-
2012B - 1.25 - 5.0%	58,225,000	-	1,150,000	57,075,000	-	-
2013A - 2.0 - 4.0%	109,115,000	-	710,000	108,405,000	-	-
2014A - 2.0 - 4.0%	27,300,000	-	525,000	26,775,000	-	-
2015A - 3.0 - 5.0%	116,085,000	-	5,460,000	-	110,625,000	5,675,000
2015B - 3.0 - 5.0%	27,475,000	-	525,000	-	26,950,000	550,000
2016 - 2.0 - 5.0%	18,275,000	-	475,000	-	17,800,000	500,000
2017A - 3.0 - 5.0%	7,575,000	-	1,605,000	-	5,970,000	1,685,000
2017B - 2.0 - 5.0%	23,745,000	-	540,000	-	23,205,000	570,000
2018 - 3.0 - 5.0%	11,485,000	-	245,000	-	11,240,000	255,000
2019 - 3.0 - 5.0%	15,750,000	-	300,000	-	15,450,000	315,000
2020A - 3.0 - 5.0%	28,230,000	-	785,000	-	27,445,000	680,000
2020B - 3.0 - 4.0%	-	27,460,000	550,000	-	26,910,000	555,000
2021A - 4.0 - 5.0%	-	190,815,000	-	-	190,815,000	3,490,000
Total bonds	$ 512,560,000	$ 218,275,000	$ 15,605,000	$ 238,570,000	$ 476,660,000	$ 14,275,000
Unamortized Premium	13,948,164	50,727,997	1,051,517	2,344,292	61,280,352	-
Total long term debt	$ 526,508,164	$ 269,002,997	$ 16,656,517	$ 240,914,292	$ 537,940,352	$ 14,275,000

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

Fiscal Year		Principal	Total Interest	Grand Total
2023		$ 14,760,000	$ 18,693,584	$ 33,453,584
2024		14,355,000	18,154,812	32,509,812
2025		14,680,000	17,610,011	32,290,011
2026		14,615,000	17,064,414	31,679,414
2027		15,060,000	16,489,199	31,549,199
2028-2032		85,960,000	71,688,111	157,648,111
2033-2037		106,720,000	52,125,182	158,845,182
2038-2042		132,695,000	28,587,003	161,282,003
2043-2047		57,335,000	9,022,171	66,357,171
2048-2051		15,930,000	1,114,656	17,044,656
	Total	$ 472,110,000	$ 250,549,143	$ 722,659,143

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, 2022, those bond covenants had been satisfied.

During fiscal year 2011, KUB’s Wastewater Division issued Series 2010C bonds to fund wastewater system capital improvements. These bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment. These bonds are subject to a reduction in rebate payment amounts which is subject to change based on Congressional action. As of October 1, 2021, the effective reduction in rebate is 5.7 percent.

During fiscal year 2021, KUB’s Wastewater Division issued Series 2020B bonds to fund wastewater system capital improvements. KUB’s Wastewater Division also issued Series 2021A bonds to retire Series 2012A, 2012B, 2013A, and 2014A and $36.6 million of outstanding Series 2010C bonds. On April 19, 2021, $190.8 million in revenue refunding bonds with an average interest rate of 4.2

percent were issued to currently refund $238.6 million of outstanding bonds with an average interest rate of 3.6 percent. The net proceeds of $239 million (after payment of $0.8 million in issuance costs plus premium of $48.1 million and an additional issuer equity contribution of $0.9 million) were used to refund the bonds. As a result, the bonds are considered to be refunded and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the life of the bonds by $47.2 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $41.8 million.

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

Other liabilities consist of the following:

	Balance June 30, 2021	**Increase**	**Decrease**	**Balance June 30, 2022**
Accrued compensated absences	$ 1,965,640	$ 4,374,798	$ (4,359,531)	$ 1,980,907
Customer advances for construction	330,927	62,639	(2,000)	391,566
Other	58,677	111,878	(103,782)	66,773
	$ 2,355,244	$ 4,549,315	$ (4,465,313)	$ 2,439,246

	Balance June 30, 2020	**Increase**	**Decrease**	**Balance June 30, 2021**
Accrued compensated absences	$ 1,878,956	$ 2,916,881	$ (2,830,197)	$ 1,965,640
Customer advances for construction	261,274	69,653	-	330,927
Other	80,441	357,794	(379,558)	58,677
	$ 2,220,671	$ 3,344,328	$ (3,209,755)	$ 2,355,244

7. Lease Receivables

KUB, as lessor, leases office space under non-cancelable lease arrangements. Terms of the leases range from two to fifteen 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 $91,172 in 2022 and $92,825 in 2021. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling $25,965 in 2022 and $1,786 in 2021. Total lease receivables were $937,242 ($106,030 current) and $717,868 ($67,938 current) as of June 30, 2022, and 2021, 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, 2021	Increase	Decrease	Balance June 30, 2022
Total lease liabilities	$ 103,589	$ 84,963	$ (83,706)	$ 104,846
Less current portion	(82,982)			(38,549)
Long-term portion	$ 20,607			$ 66,297

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Total lease liabilities	$ -	$ 196,219	$ (92,630)	$ 103,589
Less current portion	-			(82,982)
Long-term portion	$ -			$ 20,607

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to fourteen 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, 2022, are summarized as follows:

	Lease Maturities	Interest Requirements
2023	$ 38,549	$ 3,588
2024	17,569	2,042
2025	16,721	1,411
2026	14,295	820
2027	13,621	272
2028-2032	2,258	51
2033-2037	1,833	15
	$ 104,846	$ 8,199

9. Capital and Intangible Right of Use Assets

Capital and intangible right of use asset activity was as follows:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Pumping & Treatment Plant	$ 263,238,741	$ 43,381,853	$ (1,761,648)	$ 304,858,946
Collection Plant				
Mains and Metering	589,476,423	23,421,073	(4,674,168)	608,223,328
Mains and Metering - Meters	1,205,284	(24,886)	-	1,180,398
Other Accounts	79,662,163	143,000	-	79,805,163
Total Collection Plant	$ 670,343,870	$ 23,539,187	$ (4,674,168)	$ 689,208,889
Total General Plant	41,978,575	2,074,970	(866,124)	43,187,421
Total Wastewater Plant	$ 975,561,186	$ 68,996,010	$ (7,301,940)	$ 1,037,255,256
Less accumulated depreciation	(235,051,108)	(22,111,143)	7,323,281	(249,838,970)
Net Plant Assets	$ 740,510,078	$ 46,884,867	$ 21,341	$ 787,416,286
Work In Progress	69,464,932	43,340,055	(68,614,581)	44,190,406
Total Net Plant	$ 809,975,010	$ 90,224,922	$ (68,593,240)	$ 831,606,692
Intangible Right of Use Assets				
Office space	$ 141,917	$ 73,682	$ (108,991)	$ 106,608
Equipment	20,390	-	(8,292)	12,098
Other	33,912	11,281	(13,560)	31,633
Total Intangible Right of Use Assets	$ 196,219	$ 84,963	$ (130,843)	$ 150,339
Less Accumulated Amortization	(92,630)	(45,879)	92,630	(45,879)
Net Intangible Right of Use Assets	$ 103,589	$ 39,084	$ (38,213)	$ 104,460

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Pumping & Treatment Plant	$ 254,356,634	$ 10,995,833	$ (2,113,726)	$ 263,238,741
Collection Plant				
Mains and Metering	565,143,725	32,819,349	(8,486,651)	589,476,423
Mains and Metering - Meters	975,041	230,243	-	1,205,284
Other Accounts	80,348,716	-	(686,553)	79,662,163
Total Collection Plant	$ 646,467,482	$ 33,049,592	$ (9,173,204)	$ 670,343,870
Total General Plant	30,949,025	11,116,880	(87,330)	41,978,575
Total Wastewater Plant	$ 931,773,141	$ 55,162,305	$ (11,374,260)	$ 975,561,186
Less accumulated depreciation	(222,962,546)	(23,375,249)	11,286,687	(235,051,108)
Net Plant Assets	$ 708,810,595	$ 31,787,056	$ (87,573)	$ 740,510,078
Work In Progress	77,829,360	46,758,276	(55,122,704)	69,464,932
Total Net Plant	$ 786,639,955	$ 78,545,332	$ (55,210,277)	$ 809,975,010
Intangible Right of Use Assets				
Office space	$ -	$ 141,917	$ -	$ 141,917
Equipment	-	32,955	(12,565)	20,390
Other	-	33,912	-	33,912
Total Intangible Right of Use Assets	$ -	$ 208,784	$ (12,565)	$ 196,219
Less Accumulated Amortization	-	(92,630)	-	(92,630)
Net Intangible Right of Use Assets	$ -	$ 116,154	$ (12,565)	$ 103,589

10. 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, 2022, and June 30, 2021, the amount of these liabilities was $495,488 and $425,975 respectively, resulting from the following changes:

	2022	2021
Balance, beginning of year	$ 425,975	$ 378,536
Current year claims and changes in estimates	4,050,584	3,405,736
Claims payments	(3,981,071)	(3,358,297)
Balance, end of year	$ 495,488	$ 425,975

11. 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:

	2021	2020
Inactive plan members:		
Terminated vested participants	12	11
Retirees and beneficiaries	600	593
Active plan members	478	518
Total	1,090	1,122

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 3% of the first $4,800 of annual earnings and 5% 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, 2021:

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

Contributions of $3,665,168 and $3,167,680 for 2020 and 2019, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2022, and 2021, respectively. Of these amounts, $638,776 and $696,890 are attributable to the Wastewater Division. The fiscal year 2022 contribution was determined as part of the January 1, 2020, 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, 2022, and 2021, will be based on the December 31, 2021, and 2020, measurement dates, respectively. The Division's share of the net pension asset as of June 30, 2022, is $11,178,104 and the net pension asset as of June 30, 2021, is $9,921,843.

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

	2021	2020
Total pension liability	$ 242,201,780	$ 234,363,021
Plan fiduciary net position	(306,339,494)	(279,462,309)
Plan's net pension liability (asset)	$ (64,137,714)	$ (45,099,288)
Plan fiduciary net position as a percentage of the total pension liability	126.48%	119.24%

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, 2020	$ 234,363,021	$ 279,462,309	$ (45,099,288)
Changes for the year:			
Service cost	6,647,220	-	6,647,220
Interest	16,982,226	-	16,982,226
Differences between Expected and Actual Experience	1,935,276	-	1,935,276
Changes of Assumptions	-	-	-
Contributions - employer	-	3,416,428	(3,416,428)
Contributions - rollovers	-	3,936,711	(3,936,711)
Contributions - member	-	2,976	(2,976)
Net investment income	-	37,688,050	(37,688,050)
Benefit payments	(17,725,963)	(17,725,963)	-
Administrative expense	-	(441,017)	441,017
Net changes	7,838,759	26,877,185	(19,038,426)
Balances at December 31, 2021	$ 242,201,780	$ 306,339,494	$ (64,137,714)

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, 2021, rolled forward to December 31, 2021; January 1, 2020, rolled forward to December 31, 2020
Discount rate	7.25% as of December 31, 2021, and 2020
Salary increases	From 2.50% to 5.65%, based on years of service as of December 31, 2021, and 2020
Mortality	115% and 110% of the PubG-2010 table, for males and females respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of December 31, 2021, and 2020
Inflation	2.5% as of December 31, 2021, and 2020

The actuarial assumptions used in the January 1, 2021, and 2020, valuations were based on an actuarial experience study covering the period January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2021, and 2020, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. The Plan has both aggregate and long duration fixed income.

Asset Class	Long Term Expected Real Rate of Return 2021	2020
Domestic equity	5.1%	5.1%
Non-U.S. equity	6.0%	6.4%
Real estate equity	5.4%	5.6%
Debt securities	0.2%	0.9%
Cash and deposits	(0.3)%	0.2%

Discount rate
The discount rate used to measure the total pension liability was 7.25 percent as of December 31, 2021, and 2020. 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 for the Wastewater Division as of December 31, 2021, calculated using the discount rate of 7.25 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 (6.25 percent) or one percent higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Plan's net pension liability (asset)	$ (7,401,051)	$ (11,178,104)	$ (14,436,349)

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

For the year ended June 30, 2022, KUB recognized pension expense of ($11,639,307), and the Wastewater Division’s share was ($1,850,592).

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was 4.00 years. During the measurement year, there was a liability experience loss of $1,935,276, with $483,819 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of $1,451,457. Unrecognized liability experience losses from prior periods were $1,544,136, of which $386,034 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of $1,158,102. The combination of unrecognized liability experience losses this year along with unrecognized liability experience losses from prior periods results in a deferred outflow of $2,609,559 (Division's share $454,801). Unrecognized liability gains from prior periods were $1,092,163, of which $549,386 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of $542,777 (Division's share $94,596).

During the measurement year, there were no benefit changes or assumption changes. Net unrecognized assumption change losses from prior periods were $5,083,896, of which $1,694,632 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of $3,389,264 (Division's share $590,691). Net unrecognized assumption change gains from prior periods were $71,525, of which the remaining $71,525 was recognized as a decrease in Pension Expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $17,812,070, of which $3,562,414 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $34,994,864, of which $10,275,263 was recognized as a decrease in Pension Expense in the current year. The combination of unrecognized investment gains this year along with unrecognized investment gains from prior periods results in a deferred inflow of $38,969,257 (Division's share $6,791,674).

The impact of the change in proportionate share for the Wastewater Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred outflow of $711,760, with $177,940 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred outflow of resources of $533,820. In addition, KUB's Wastewater Division recorded a deferred outflow of resources of $319,381 for employer contributions made between December 31, 2021, and June 30, 2022.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 454,801	$ 94,596
Changes in assumptions	590,691	-
Net difference between projected and actual earnings on pension plan investments	-	6,791,674
Change in proportionate share	533,820	-
Contributions subsequent to measurement date	319,381	-
Total	$ 1,898,693	$ 6,886,270

$319,381 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:		
2023	$	(1,236,160)
2024		(2,203,725)
2025		(1,246,205)
2026		(620,868)
Thereafter		-

For the year ended June 30, 2021, KUB recognized pension expense of ($7,325,254), Division's share ($1,611,556).

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, 2019, this average was 5.00 years. During the measurement year, there was a liability experience loss of $1,930,170, with $386,034 of that recognized in the current year and in each of the next four years, resulting in a deferred outflow of $1,544,136 (Division's share $339,710). Unrecognized liability experience gains from prior periods were $2,088,302, of which $996,139 was recognized as a reduction in pension expense in the current year and resulted in a deferred inflow of $1,092,163 (Division's share $240,275).

During the measurement year, there were no benefit changes or assumption changes. Unrecognized assumption change losses from prior periods were $6,778,528, of which $1,694,632 was recognized as an increase in pension expense in the current year and resulted in a deferred outflow of $5,083,896 (Division's share $1,118,458). Unrecognized assumption change decreases from prior periods were $729,629, of which $658,104 was recognized as a reduction in pension expense in the current year and resulted in a deferred inflow of $71,525 (Division's share $15,736).

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 $27,394,477, of which $5,478,895 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment gains from prior periods were $17,715,210, of which $4,635,928 was recognized as a decrease in pension expense in the current year. The combination of unrecognized investment gains this year along with the net unrecognized investment gains from prior periods results in a net difference between projected and actual earnings on pension plan investments as of December 31, 2020, of $34,994,864 (Division's share $7,698,870). The following table summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over future years. In addition, KUB recorded a deferred outflow of resources of $1,583,842 as of June 30, 2021, for employer contributions made between December 31, 2020, and June 30, 2021 (Division's share $348,443).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,544,136	$ 1,092,163
Changes in assumptions	5,083,896	71,525
Net difference between projected and actual earnings on pension plan investments	-	34,994,864
Contributions subsequent to measurement date	1,583,842	-
Total	$ 8,211,874	$ 36,158,552
Division's share	$ 1,806,611	$ 7,954,881

12. 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, 2022, there are 446 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria. Due to the increase in the section 415(d) annual benefit limitation from 2021 to 2022, the pension benefit for the sole participant in the Excess Benefit Arrangement is now fully payable under the KUB Pension Plan and, as such, there is no benefit payable under the Excess Benefit Arrangement as of June 30, 2022.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2022, and 2021, are based on a December 31, 2021, and 2020, measurement date, respectively. There is no Total Pension Liability as of June 30, 2022. The Division's share of the total pension liability was $4,117 as of June 30, 2021.

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

	2021	**2020**
Total pension liability	$0	$18,714
Deferred outflows	(11,505)	(33,660)
Deferred inflows	16,927	23,630
Net impact on Statement of Net Position	$5,422	$8,684
Covered payroll	$38,074,863	$41,524,273
Total pension liability as a % of covered payroll	0.00%	0.05%

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

	Increase (Decrease)
	Total Pension Liability
Balances at December 31, 2020	$ 18,714
Changes for the year:	
Service cost	-
Interest	268
Changes of Benefits	-
Differences between Expected and Actual Experience	(6,816)
Changes of Assumptions	-
Benefit payments	(12,166)
Net changes	(18,714)
Balances at December 31, 2021	$ -

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

Valuation dates	January 1, 2022, and January 1, 2021
Actuarial cost method	Individual entry age
Salary increase	From 2.50% to 5.65%, based on years of service as of January 1, 2022, and 2021
Mortality	115% and 110% of the Public Sector General Healthy Annuitant Mortality Table (PubG-2010), for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP2018, fully generational as of January 1, 2022, and 2021
Inflation	2.5% as of January 1, 2022, and 2021

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

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 2.06% as of January 1, 2022, and 2.12% as of January 1, 2021.

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

For the year ended June 30, 2022, KUB recognized pension expense of $16,613 (Division's share $3,655) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA ($19,875), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$5,422 - $8,684 + $19,875].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was 4 years. During the measurement year, there was an experience gain of $6,816, with $1,704 recognized in the current year and each of the next three years, resulting in a deferred inflow of $5,112 (Division's share $1,124). There was a deferred inflow at the end of the measurement year of $7,225 (Division's share $1,590) from experience gains in prior years and a deferred outflow of $6,112 (Division's share $1,345) from experience losses in prior years.

During the measurement year, there were no assumption changes. There was a deferred inflow at the end of the measurement year of $4,590 (Division's share $1,010) and a deferred outflow of $5,393 (Division's share $1,187) from assumption changes in prior years.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,112	$ 12,337
Changes in assumptions	5,393	4,590
Total	$ 11,505	$ 16,927
Division's share	$ 2,532	$ 3,724

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

Year ended June 30:		
2023	$	(8,793)
2024		3,023
2025		348
2026		-
2027		-
Thereafter		-

For the year ended June 30, 2021, KUB recognized pension expense of $21,436 for the QEBA (Division's share $4,717). This amount is not expected to be the same as KUB's contribution to the QEBA ($22,874), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [$8,684 - $10,122 + $22,874].

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, 2019, this average was 5 years. During the measurement year, there was an experience loss of $10,165, with $2,033 recognized in the current year and each of the next four years, resulting in a deferred outflow of $8,132 (Division's share $1,790). There was a deferred inflow at the end of the measurement year of $14,450 (Division's share $3,179) from experience gains in prior years and a deferred outflow of $2,756 (Division's share $606) from experience losses in prior years.

During the measurement year, there was an assumption change loss of $91, with $18 recognized in the current year and each of the next four years, resulting in a deferred outflow of $73 (Division's share $17). There was a deferred inflow at the end of the measurement year of $9,180 (Division's share $2,020) and a deferred outflow of $22,699 (Division's share $4,994) from assumption changes in prior years. In addition, KUB recorded a deferred outflow of resources of $6,084 as of June 30, 2021, for contributions between December 31, 2020, and June 30, 2021 (Division's share $1,338).

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

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	10,888	$	14,450
Changes in assumptions		22,772		9,180
Contributions subsequent to measurement date		6,084		-
Total	$	39,744	$	23,630
Division's share	$	8,745	$	5,199

13. 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 3 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 3 percent. They also receive a nonelective KUB contribution of 3 percent to 6 percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and nonelective contributions of $3,125,903 (Division's share $687,699) and $2,984,314 (Division's share $656,549), respectively, for the years ended June 30, 2022, and 2021.

14. 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	
	2022	2021	2022	2021
Retirees	4	0	549	538
Dependents of retirees	2	0	612	579
Eligible active employees	15	0	145	160
Total	21	0	1,306	1,277

Benefits

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

Contributions and Funding

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

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

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

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

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

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203. The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2022:

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%

For the fiscal year ended June 30, 2022, an actuarially determined contribution for the Wastewater Division of $360,618 was made to the OPEB Trust along with the division's share ($330,000) of an additional $1,500,000 contribution to help fund the HRA. Actuarially determined contributions for the Wastewater Division for the fiscal year ended June 30, 2021, were $166,591. These were based on the OPEB actuarial valuations as of January 1, 2020, and 2019.

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 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, 2022, and 2021, and the Total OPEB Liability as of the valuation date, January 1, 2021, updated to June 30, 2022, and January 1, 2020, updated to June 30, 2021, respectively. The Division's share of the total net OPEB liability (asset) was $2,031,015 as of June 30, 2022, and ($1,305,002) as of June 30, 2021.

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

	2022	**2021**
Total OPEB liability	$ 58,536,280	$ 51,515,118
Plan fiduciary net position	47,333,773	57,446,946
Net OPEB liability (asset)	$ 11,202,507	$ (5,931,828)
Plan fiduciary net position as a percentage of the total OPEB liability	80.86%	111.51%

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, 2021	$ 51,515,118	$ 57,446,946	$ (5,931,828)
Changes for the year:			
Service cost	416,277	-	416,277
Interest	3,858,276	-	3,858,276
Changes of Benefits	6,594,293	-	6,594,293
Differences between Expected and Actual Experience	60,951	-	60,951
Changes of Assumptions	-	-	-
Contributions - employer	-	1,989,066	(1,989,066)
Contributions - member	-	-	-
Net investment income	-	(8,122,417)	8,122,417
Benefit payments	(3,908,635)	(3,908,635)	-
Administrative expense	-	(71,187)	71,187
Net changes	7,021,162	(10,113,173)	17,134,335
Balances at June 30, 2022	$ 58,536,280	$ 47,333,773	$ 11,202,507

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, 2021, rolled forward to June 30, 2022; January 1, 2020, rolled forward to June 30, 2021
Discount rate:	7.25% as of January 1, 2021, and 2020
Healthcare cost trend rates:	Pre-Medicare: 6.75% grading down to 4.04% over 20 years as of January 1, 2021, and 2020 Medicare: 6.30% grading down to 4.04% over 20 years as of January 1, 2021, and 2020 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service as of January 1, 2021, and 2020
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP2018 fully generational as of January 1, 2021, and 2020
Inflation:	2.50% as of January 1, 2021, and 2020

The actuarial assumptions used in the January 1, 2021, and January 1, 2020, valuations were based on the results of actuarial experience studies for the periods January 1, 2014, through December 31, 2018.

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

	Long Term Expected Real Rate of Return	
Asset Class	**2022**	**2021**
Domestic equity	5.5%	4.9%
International equity	6.5%	5.9%
Emerging Market equity	8.6%	8.4%
Real estate equity	5.7%	5.4%
Debt securities	1.2%	0.5%
Cash and deposits	0.2%	(0.1%)

Discount rate
The discount rate used to measure the total OPEB liability was 7.25 percent as of June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the 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 Division's share of the Trust as of June 30, 2022, calculated using the discount rate of 7.25 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 (6.25 percent) or one percent higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	**Current Discount Rate (7.25%)**	**1% Increase (8.25%)**
Net OPEB liability (asset)	$3,078,162	$2,031,015	$1,148,299

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 Division's share of the Trust as of June 30, 2022, 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)	$1,149,188	$2,031,015	$3,054,228

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

For the year ended June 30, 2022, KUB's Wastewater Division recognized OPEB expense of $1,044,736.

The impact of liability experience gains or losses and assumption changes on the Wastewater Division's Share of the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was 2.0 years. During the measurement year, there was an experience loss of $60,951, with $30,476 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $30,475 (Division's share $5,525). Unrecognized experience losses from prior periods were $21,401, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there were benefit changes that increased the Total OPEB Liability by $6,594,293. This increase is recognized immediately in the June 30, 2022, OPEB expense.

Unrecognized gains due to assumption changes from prior periods were $2,052,917, of which the entire amount is recognized as a decrease in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of $12,216,418, of which $2,443,284 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred outflow of resources of $9,773,134. Net unrecognized investment gains from prior periods were $5,905,689, of which $1,311,774 was recognized as a decrease in OPEB expense in the current year, resulting in a net deferred inflow of $4,593,915. The combination of unrecognized losses this year along with the net unrecognized investment gains from prior periods results in a deferred outflow of resources of $5,179,219 (Division's share $938,993). The impact of the change in proportionate share for the Wastewater Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is two years. This change resulted in a deferred inflow of $77,608, with $38,804 of that recognized in the current year and the remaining amount recognized in the next year, resulting in a deferred inflow of resources of $38,804. The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Wastewater Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,525	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	938,993	-
Change in proportionate share	-	38,804
Total	$ 944,518	$ 38,804

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

Year ended June 30:	
2023	$ 177,441
2024	189,412
2025	95,894
2026	442,967
2027	-
Thereafter	-

For the year ended June 30, 2021, KUB recognized OPEB expense of ($648,134) (Division's share ($142,590)).

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 2.0 years. During the measurement year, there was an experience loss of $42,802, with $21,401 of that recognized in the current year and the remaining amount will be recognized in the next year, resulting in a deferred outflow of resources of $21,401 (Division's share $4,708). Unrecognized experience losses from prior periods were $21,951, of which the entire amount is recognized as an increase in OPEB expense in the current year.

During the measurement year, there was a decrease in the Total OPEB Liability due to assumption changes of $4,105,835, with $2,052,918 of that recognized in the current year and in the next year, resulting in a deferred inflow of $2,052,917 (Division's share $451,642). Unrecognized assumption changes from prior periods were $1,802,421, of which the entire amount is recognized as an increase in OPEB expense in the current year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of $9,571,802, of which $1,914,360 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 $2,354,338, of which $602,585 was recognized as an increase in OPEB expense in the current year. The combination of unrecognized gains this year along with the net unrecognized investment losses from prior periods results in a net difference between projected and actual earnings on OPEB plan investments as of June 30, 2021, of $5,905,689 (Division's share $1,299,251). The table below summarizes the current balances of deferred outflows and deferred inflows of resources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,401	$ -
Changes in assumptions	-	2,052,917
Net difference between projected and actual earnings on OPEB plan investments	-	5,905,689
Total	$ 21,401	$ 7,958,606
Division's share	$ 4,708	$ 1,750,893

15. 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, 2022, and 2021, are summarized as follows:

	2022	2021
City of Knoxville		
Amounts billed by the Division for utilities and related services	$ 932,183	$ 1,058,321
Payments by the Division in lieu of property tax	5,127,318	4,883,160
Payments by the Division for services provided	1,638,569	1,453,601
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	339,440	344,030
Interdivisional rental expense	601,595	560,935
Interdivisional rental income	294,743	158,382
Amounts billed to the Division by other divisions for utilities services provided	3,798,349	3,589,283

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

	2022	2021
Accounts receivable	$ 35,057	$ 59,856

16. Other Commitments and Contingencies

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

In February 2005, a Consent Decree was entered into federal court regarding the operation of KUB’s wastewater system. Under the terms of the Consent Decree, the remediation of identified sanitary sewer overflows (SSOs) on KUB’s wastewater system had to be completed by June 30,

2016. KUB completed all the requirements of the Consent Decree for the collection system two years in advance of the deadline.

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

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

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

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

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

Knoxville Utilities Board Wastewater Division
Required Supplementary Information – Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2022

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

Notes to Schedule:

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

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

Knoxville Utilities Board Wastewater Division
Required Supplementary Information – Schedule of Employer Pension Contributions
June 30, 2022

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

Notes to Schedule:

Timing:	Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.
Valuation Dates:	January 1, 2020 and January 1, 2019

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual entry age
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 21 years remaining (22 years as of January 1, 2019), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2020 and 2019, the unfunded liability was negative.
Discount rate:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Salary increases:	2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational
Inflation:	2.5%

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

Knoxville Utilities Board Wastewater Division
Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2022

	*Year ended June 30				
	2022	**2021**	**2020**	**2019**	**2018**
Total OPEB liability					
Service cost	$ 416,277	$ 283,786	$ 256,270	$ 270,515	$ 202,603
Interest	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	$ 58,536,280	$ 51,515,118	$ 54,544,240	$ 50,197,938	$ 45,604,431
Plan fiduciary net position					
Contributions - employer	$ 1,989,066	$ 757,226	$ 311,324	$ -	$ -
Net investment income	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	$ 47,333,773	$ 57,446,946	$ 46,954,793	$ 48,750,196	$ 49,355,499
Net OPEB liability (asset) - ending (a) - (b)	$ 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	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	$ 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	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, 2022

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

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

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

Notes to Schedule:

Valuation Date:	January 1, 2020 and January 1, 2019
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Asset valuation method:	5-year smoothed market
Amortization method:	Level dollar, 30-year closed period with 16 years remaining as of January 1, 2020 (17 years as of January 1, 2019), or a level dollar, 30-year open period for a negative unfunded liability; As of January 1, 2019 and 2020, the unfunded liability was positive
Discount rate:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Healthcare cost trend rate:	Pre-Medicare: 6.75% grading down to 4.04% over 20 years as of January 1, 2020; 7.83% grading down to 4.50% over 19 years as of January 1, 2019 Medicare: 6.30% grading down to 4.04% over 20 years as of January 1, 2020; 6.88% grading down to 4.50% over 19 years as of January 1, 2019 Administrative expenses: 3.0% per year
Salary increases:	From 2.50% to 5.65%, based on years of service
Mortality:	115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation:	2.5%
Investment rate of return:	7.25% as of January 1, 2020; 7.5% as of January 1, 2019
Retirement age:	2% at ages 50-57, grading up to 100% at age 70

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

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Wastewater Division
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 2022

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

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	2010C			2015A		2015B		2016		2017A		2017B	
FY	**Principal**	**Interest**	**Rebate***	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
22-23		1,235,250	432,338	6,005,000	3,895,262	575,000	65,750	525,000	463,781	1,775,000	177,050	600,000	715,712
23-24		1,235,250	432,338	3,720,000	3,595,012	600,000	42,750	550,000	437,531	595,000	88,300	630,000	685,713
24-25		1,235,250	432,338	3,785,000	3,483,412	625,000	18,750	575,000	421,031	615,000	70,450	660,000	654,212
25-26		1,235,250	432,338	1,425,000	3,369,864			575,000	409,531	640,000	52,000	690,000	621,213
26-27		1,235,250	432,338	1,490,000	3,323,550			600,000	398,031	660,000	26,400	715,000	600,512
27-28		1,235,250	432,338	1,405,000	3,271,400			600,000	386,032			725,000	586,213
28-29		1,235,250	432,338	1,450,000	3,222,226			625,000	374,032			745,000	570,806
29-30		1,235,250	432,338	1,455,000	3,178,726			625,000	361,532			760,000	553,112
30-31		1,235,250	432,338	1,515,000	3,135,076			650,000	348,250			785,000	530,313
31-32		1,235,250	432,338	1,520,000	3,089,626			675,000	333,625			805,000	506,762
32-33		1,235,250	432,338	1,580,000	3,042,125			675,000	318,438			830,000	482,613
33-34		1,235,250	432,338	1,635,000	2,992,750			700,000	302,406			855,000	457,712
34-35		1,235,250	432,338	1,690,000	2,939,612			700,000	284,906			880,000	432,063
35-36	3,700,000	1,235,250	432,338	1,750,000	2,884,688			725,000	267,406			910,000	405,662
36-37	3,875,000	1,009,550	353,343	1,825,000	2,827,812			750,000	249,282			935,000	378,363
37-38	4,050,000	773,175	270,611	13,420,000	2,768,500			775,000	229,594			965,000	350,312
38-39	4,225,000	526,125	184,144	13,895,000	2,298,800			775,000	209,250			995,000	320,156
39-40	4,400,000	268,400	93,940	14,480,000	1,743,000			800,000	186,000			1,025,000	289,063
40-41				15,130,000	1,236,200			825,000	162,000			1,055,000	257,032
41-42				15,775,000	631,000			850,000	137,250			1,090,000	224,062
42-43								875,000	111,750			1,125,000	190,000
43-44								900,000	85,500			1,160,000	154,844
44-45								950,000	58,500			1,195,000	118,594
45-46								1,000,000	30,000			1,230,000	81,250
46-47												1,270,000	41,275
47-48													
48-49													
49-50													
50-51													
Total	$ 20,250,000	$ 19,870,750	$ 6,954,770	$ 104,950,000	$ 56,928,641	$ 1,800,000	$ 127,250	$ 17,300,000	$ 6,565,658	$ 4,285,000	$ 414,200	$ 22,635,000	$ 10,207,569

*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, 2022

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	2018		2019		2020A		2020B		2021A	
FY	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
22-23	270,000	376,756	330,000	521,700	715,000	960,650	580,000	836,300	3,060,000	8,119,050
23-24	280,000	365,956	345,000	505,200	750,000	924,900	600,000	813,100	6,085,000	7,996,650
24-25	290,000	354,756	360,000	487,950	785,000	887,400	625,000	789,100	6,150,000	7,753,250
25-26	305,000	343,156	380,000	469,950	825,000	848,150	650,000	764,100	8,360,000	7,507,250
26-27	315,000	330,956	400,000	450,950	865,000	806,900	675,000	738,100	8,535,000	7,172,850
27-28	325,000	321,506	420,000	430,950	910,000	763,650	705,000	711,100	9,760,000	6,746,100
28-29	335,000	311,756	435,000	409,950	955,000	718,150	730,000	682,900	10,260,000	6,258,100
29-30	345,000	301,706	455,000	388,200	1,005,000	670,400	760,000	653,700	10,800,000	5,745,100
30-31	355,000	291,356	475,000	370,000	1,055,000	620,150	785,000	630,900	11,315,000	5,205,100
31-32	365,000	280,706	495,000	351,000	1,095,000	577,950	805,000	607,350	11,935,000	4,639,350
32-33	375,000	269,756	515,000	331,200	1,140,000	534,150	830,000	583,200	12,550,000	4,042,600
33-34	390,000	258,038	530,000	315,750	1,175,000	499,950	855,000	558,300	13,015,000	3,540,600
34-35	400,000	245,362	545,000	299,850	1,210,000	464,700	880,000	532,650	13,550,000	3,020,000
35-36	415,000	232,364	560,000	283,500	1,245,000	428,400	905,000	506,250	10,885,000	2,478,000
36-37	425,000	218,874	580,000	266,700	1,285,000	391,050	935,000	479,100	11,430,000	2,042,600
37-38	440,000	204,532	595,000	249,300	1,320,000	352,500	965,000	451,050	2,465,000	1,585,400
38-39	455,000	189,682	615,000	231,450	1,360,000	312,900	990,000	422,100	2,595,000	1,486,800
39-40	475,000	173,756	615,000	213,000	1,400,000	272,100	1,020,000	392,400	2,705,000	1,383,000
40-41	490,000	157,132	635,000	194,550	1,445,000	230,100	1,050,000	361,800	3,515,000	1,274,800
41-42	505,000	139,982	655,000	175,500	1,490,000	186,750	1,085,000	330,300	3,655,000	1,134,200
42-43	525,000	122,306	675,000	155,850	1,530,000	142,050	1,115,000	297,750	3,920,000	988,000
43-44	540,000	103,932	700,000	135,600	1,580,000	96,150	1,150,000	264,300	4,110,000	831,200
44-45	560,000	85,032	720,000	114,600	1,625,000	48,750	1,185,000	229,800	4,335,000	666,800
45-46	580,000	65,432	740,000	93,000			1,220,000	194,250	4,580,000	493,400
46-47	600,000	44,406	765,000	70,800			1,255,000	157,650	4,830,000	310,200
47-48	625,000	22,656	785,000	47,850			1,295,000	120,000	1,425,000	117,000
48-49			810,000	24,300			1,335,000	81,150	1,500,000	60,000
49-50							1,370,000	41,100		
50-51										
Total	$ 10,985,000	$ 5,811,852	$ 15,135,000	$ 7,588,650	$ 26,765,000	$ 11,737,850	$ 26,355,000	$ 13,229,800	$ 187,325,000	$ 92,597,400

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Wastewater Division
Supplemental Information – Schedule of Debt Maturities by Fiscal Year
June 30, 2022

Continued from Previous Page

	2022A		2022B		Totals		Grand Total (P + I)	Grand Total (Less Rebates)
FY	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**		
22-23	225,000	435,658	100,000	890,665	14,760,000	18,693,584	33,453,584	33,021,246
23-24	200,000	461,150	0	1,003,300	14,355,000	18,154,812	32,509,812	32,077,474
24-25	210,000	451,150	0	1,003,300	14,680,000	17,610,011	32,290,011	31,857,673
25-26	220,000	440,650	545,000	1,003,300	14,615,000	17,064,414	31,679,414	31,247,076
26-27	230,000	429,650	575,000	976,050	15,060,000	16,489,199	31,549,199	31,116,861
27-28	245,000	418,150	610,000	947,300	15,705,000	15,817,651	31,522,651	31,090,313
28-29	255,000	405,900	635,000	916,800	16,425,000	15,105,870	31,530,870	31,098,532
29-30	270,000	393,150	690,000	885,050	17,165,000	14,365,926	31,530,926	31,098,588
30-31	280,000	379,650	715,000	850,550	17,930,000	13,596,595	31,526,595	31,094,257
31-32	295,000	365,650	745,000	814,800	18,735,000	12,802,069	31,537,069	31,104,731
32-33	310,000	350,900	775,000	777,550	19,580,000	11,967,782	31,547,782	31,115,444
33-34	325,000	335,400	835,000	738,800	20,315,000	11,234,956	31,549,956	31,117,618
34-35	340,000	322,400	870,000	697,050	21,065,000	10,473,843	31,538,843	31,106,505
35-36	355,000	308,800	935,000	653,550	22,385,000	9,683,870	32,068,870	31,636,532
36-37	370,000	294,600	965,000	606,800	23,375,000	8,764,731	32,139,731	31,786,388
37-38	380,000	279,800	465,000	568,200	25,840,000	7,812,363	33,652,363	33,381,752
38-39	395,000	264,600	465,000	549,600	26,765,000	6,811,463	33,576,463	33,392,319
39-40	415,000	248,800	460,000	531,000	27,795,000	5,700,519	33,495,519	33,401,579
40-41	430,000	232,200	1,060,000	512,600	25,635,000	4,618,414	30,253,414	30,253,414
41-42	445,000	215,000	1,110,000	470,200	26,660,000	3,644,244	30,304,244	30,304,244
42-43	465,000	197,200	1,155,000	425,800	11,385,000	2,630,706	14,015,706	14,015,706
43-44	485,000	178,600	1,205,000	379,600	11,830,000	2,229,726	14,059,726	14,059,726
44-45	505,000	159,200	1,255,000	331,400	12,330,000	1,812,676	14,142,676	14,142,676
45-46	525,000	139,000	1,300,000	281,200	11,175,000	1,377,532	12,552,532	12,552,532
46-47	545,000	118,000	1,350,000	229,200	10,615,000	971,531	11,586,531	11,586,531
47-48	565,000	96,200	1,395,000	175,200	6,090,000	578,906	6,668,906	6,668,906
48-49	590,000	73,600	1,470,000	119,400	5,705,000	358,450	6,063,450	6,063,450
49-50	610,000	50,000	1,515,000	60,600	3,495,000	151,700	3,646,700	3,646,700
50-51	640,000	25,600			640,000	25,600	665,600	665,600
Total	$ 11,125,000	$ 8,070,658	$ 23,200,000	$ 17,398,865	$ 472,110,000	$ 250,549,143	$ 722,659,143	$ 715,704,373

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, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2021	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2022
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	110,625,000		5,675,000		104,950,000
Revenue Bond, Series 2015B	30,000,000	3.0-5.0	05/20/15	04/01/25	26,950,000		550,000	24,600,000	1,800,000
Revenue Bond, Series 2016	20,000,000	2.0-5.0	08/05/16	04/01/46	17,800,000		500,000		17,300,000
Revenue Bond Refunding, Series 2017A	11,965,000	3.0-5.0	04/07/17	04/01/27	5,970,000		1,685,000		4,285,000
Revenue Bond, Series 2017B	25,000,000	2.0-5.0	09/15/17	04/01/47	23,205,000		570,000		22,635,000
Revenue Bond, Series 2018	12,000,000	3.0-5.0	09/14/18	04/01/48	11,240,000		255,000		10,985,000
Revenue Bond, Series 2019	16,000,000	3.0-5.0	08/20/19	04/01/49	15,450,000		315,000		15,135,000
Revenue Bond Refunding, Series 2020A	28,230,000	3.0-5.0	05/22/20	04/01/45	27,445,000		680,000		26,765,000
Revenue Bond, Series 2020B	27,460,000	3.0-4.0	10/30/20	04/01/50	26,910,000		555,000		26,355,000
Revenue Bond Refunding, Series 2021A	190,815,000	4.0-5.0	04/19/21	04/01/49	190,815,000		3,490,000		187,325,000
Revenue Bond, Series 2022A	11,125,000	4.0-5.0	04/29/22	04/01/51	-	11,125,000	-		11,125,000
Revenue Bond Refunding, Series 2022B	23,200,000	4.0-5.0	05/13/22	04/01/50	-	23,200,000	-		23,200,000
					$ 476,660,000	$ 34,325,000	$ 14,275,000	$ 24,600,000	$ 472,110,000

See accompanying Independent Auditor's Report

Knoxville Utilities Board Wastewater Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Remeasure-ments	Outstanding 6/30/2022
Lease Liabilities									
Payable through Wastewater Division									
Centriworks	$ 9,892	3.88%	11/1/2020	10/31/2023	$ 9,892	$ -	$ (4,130)	$ -	$ 5,762
Coal Creek Ventures	6,754	3.88%	7/1/2020	9/30/2035	6,754	-	(440)	-	6,314
James H. Benson/Manki 1 Investments	66,495	3.88%	7/1/2020	5/31/2027	13,174	66,495	(14,180)	-	65,489
Pinnacle Towers	10,900	3.88%	7/1/2020	6/30/2027	10,900	11,281	(10,900)	-	11,281
R&S Logistics (Sublease)	38,213	3.88%	7/1/2020	3/31/2027	38,213	-	(38,213)	-	-
Ricoh Americas	3,610	3.88%	7/1/2020	7/31/2022	3,610	-	(3,327)	-	283
RJ Young Company	11,162	3.88%	7/1/2020	6/30/2026	11,162	-	(2,632)	-	8,530
Spectrasite	2,697	3.88%	7/1/2020	1/31/2022	2,697	-	(2,697)	-	-
White Realty	7,187	3.88%	7/1/2020	6/30/2041	7,187	7,187	(7,187)	-	7,187
Total Lease Liabilities					$ 103,589	$ 84,963	$ (83,706)	$ -	$ 104,846

See accompanying Independent Auditor’s Report

Knoxville Utilities Board Wastewater Division
Statistical Information – Schedule of Insurance in Force
June 30, 2022
(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.

Pollution Legal Liability
New conditions coverage for losses exceeding specified amount per occurrence ($1,000,000). Limits of coverage - $15,000,000.

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

Travel Accident
Covers losses related to employees' business travel. Limits of coverage - $3,000,000 aggregate.

Excess Insurance for General Liability
As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). KUB is self-insured for the first $700,000 of any accident and has insurance of $4,300,000 above this retention.

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

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

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

Knoxville Utilities Board Wastewater Division
Statistical Information – Schedule of Current Rates in Force
June 30, 2022
(Unaudited)

Rate Class	Base Charge	Number of Customers
Residential Inside City rate	For wastewater service furnished to premises entirely within the corporate limits of the City of Knoxville:	56,274

Commodity Charge

First	2	100 Cubic Feet Per Month at $1.75 Per 100 Cubic Feet
Over	2	100 Cubic Feet Per Month at $8.70 Per 100 Cubic Feet

Additional Monthly Customer Charge

5/8" meter	$	35.90
1" meter		50.90
1 1/2" meter		62.90
2" meter		82.90

Rate Class	Base Charge	Number of Customers
Non-Residential Inside City rate	For wastewater service furnished to premises entirely within the corporate limits of the City of Knoxville:	7,772

Commodity Charge

First	2	100 Cubic Feet Per Month at $1.00 Per 100 Cubic Feet
Next	8	100 Cubic Feet Per Month at $12.95 Per 100 Cubic Feet
Next	90	100 Cubic Feet Per Month at $11.55 Per 100 Cubic Feet
Next	300	100 Cubic Feet Per Month at $9.90 Per 100 Cubic Feet
Next	4,600	100 Cubic Feet Per Month at $8.05 Per 100 Cubic Feet
Next	5,000	100 Cubic Feet Per Month at $4.75 Per 100 Cubic Feet

Additional Monthly Customer Charge

5/8" meter	$	35.90
1" meter		50.90
1 1/2" meter		62.90
2" meter		82.90
3" meter		161.00
4" meter		264.00
6" meter		562.00
8" meter		977.00
10" meter		1,481.00
12" meter		2,182.00

See accompanying Independent Auditor's Report

Knoxville Utilities Board Wastewater Division
Statistical Information – Schedule of Current Rates in Force
June 30, 2022
(Unaudited)

Rate Class	Base Charge	Number of Customers
Residential Outside City rate	For wastewater service furnished to premises entirely or partly outside the corporate limits of the City of Knoxville:	9,022

Commodity Charge

First	2	100 Cubic Feet Per Month at $1.90 Per 100 Cubic Feet
Over	2	100 Cubic Feet Per Month at $9.30 Per 100 Cubic Feet

Additional Monthly Customer Charge

5/8" meter	$ 39.90
1" meter	53.90
1 1/2" meter	70.90
2" meter	90.90

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:	309

Commodity Charge

First	2	100 Cubic Feet Per Month at $1.15 Per 100 Cubic Feet
Next	8	100 Cubic Feet Per Month at $14.25 Per 100 Cubic Feet
Next	90	100 Cubic Feet Per Month at $12.65 Per 100 Cubic Feet
Next	300	100 Cubic Feet Per Month at $10.80 Per 100 Cubic Feet
Next	4,600	100 Cubic Feet Per Month at $9.00 Per 100 Cubic Feet
Next	5,000	100 Cubic Feet Per Month at $5.35 Per 100 Cubic Feet

Additional Monthly Customer Charge

5/8" meter	$ 39.90
1" meter	53.90
1 1/2" meter	70.90
2" meter	90.90
3" meter	183.00
4" meter	291.00
6" meter	618.00
8" meter	1,075.00
10" meter	1,624.00
12" meter	2,396.00

See accompanying Independent Auditor’s Report

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Wastewater Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2022, 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 25, 2022.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Coulter & Justus, P.C.

Knoxville, Tennessee
October 25, 2022

Section I -- Summary of Auditor's Results

Financial Statements

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

Section II -- Financial Statement Findings

None reported.

Section III – Findings Required by the State of Tennessee Audit Manual

None reported.

Section IV -- Summary Schedule of Prior Year Audit Findings

Not applicable as there were no prior year findings reported.