



# Community Driven

## Annual Comprehensive Financial Report for Fiscal Year 2021

New Braunfels Utilities  
Annual Comprehensive Financial Report  
for the fiscal years ended July 31, 2021 and 2020  
A Component Unit of The City of New Braunfels, Texas  
Established 1942  
Prepared by: Accounting Department





## MISSION

Enhancing the quality of our community by providing innovative essential services.

## VISION

New Braunfels Utilities (NBU) will be recognized as a trusted community partner dedicated to excellence in service.

## CORE VALUES

Safety, Integrity, Team, and Stewardship.

## GUIDING PRINCIPLES

**Be Convenient**

**Do it Right the First Time**

**Lead and Serve**

**Care and Empower**

**Be Flexible and Innovative**

**Exceed Expectations**

**Know and Do the Right Thing**

**Together, We are One**

**Organizational Resiliency**





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# INTRODUCTION



## BOARD OF TRUSTEES



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President



**Dr. Judith Dykes-Hoffmann**  
Vice President



**Rusty Brockman**  
Trustee/Mayor



**Wayne Peters**  
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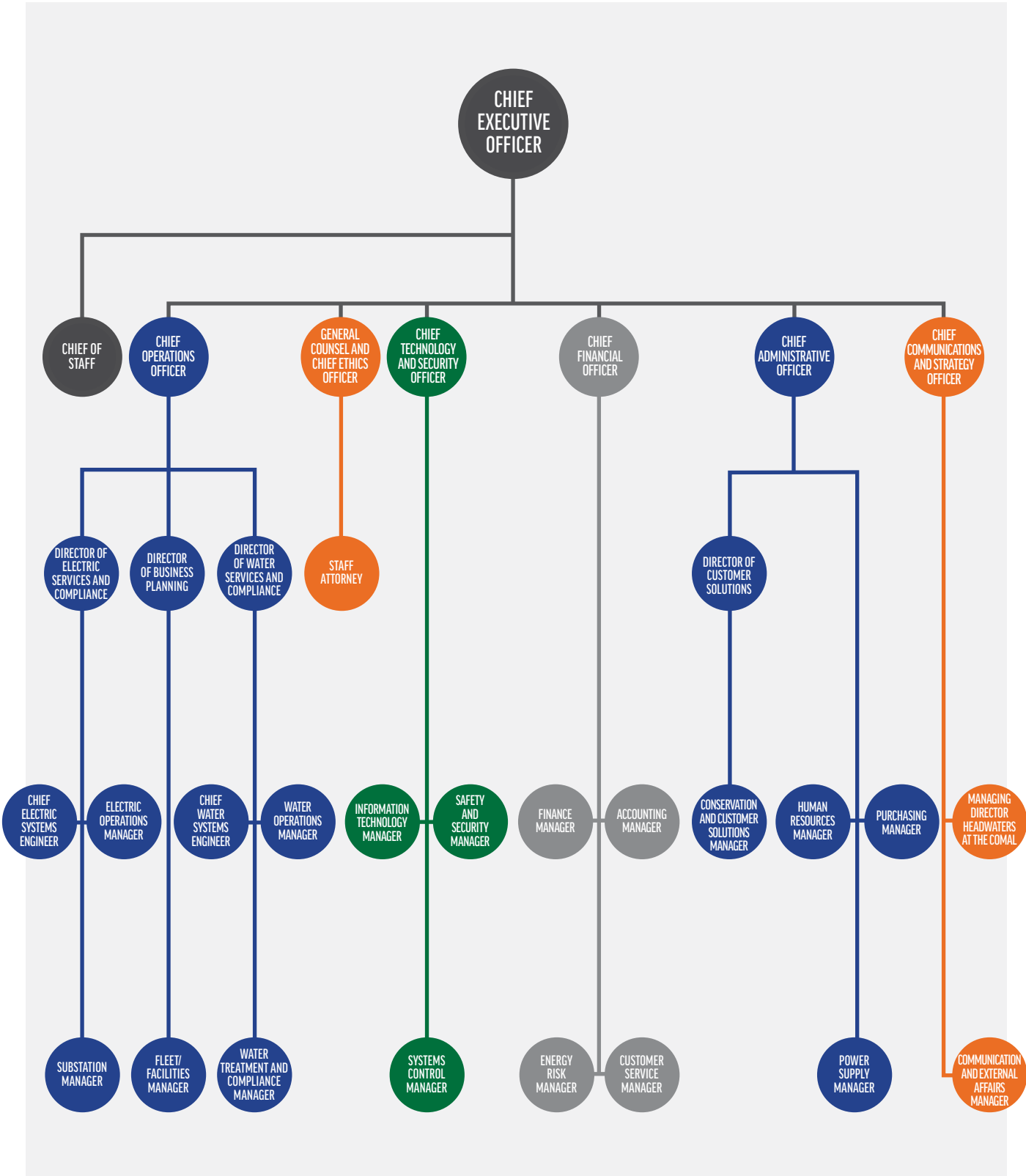
## EXECUTIVE STAFF

**Chief Executive Officer** – Ian Taylor  
**Chief Financial Officer** – Dawn Schriewer  
**Chief Operations Officer** – Ryan Kelso  
**Chief Communications and Strategy Officer** – Melissa Krause  
**Chief Technology and Security Officer** – Robin Britton  
**Chief Administrative Officer** – David Hubbard  
**General Counsel and Chief Ethics Officer** – Connie Lock  
**Chief of Staff** – Laura Rivers

## CONSULTANTS AND ADVISORS

**Auditors** – MOSS ADAMS LLP | Portland, OR  
**Financial Advisor** – SAMCO CAPITAL MARKETS, Inc. | San Antonio, TX  
**Bond Counsel** – NORTON ROSE FULBRIGHT US LLP | Dallas, TX

ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**New Braunfels Utilities  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

July 31, 2020

*Christopher P. Morrell*

Executive Director/CEO



December 10, 2021

### To the Board of Trustees and Customers of New Braunfels Utilities:

The Annual Comprehensive Financial Report (ACFR) of New Braunfels Utilities (NBU) for the fiscal year ended July 31, 2021, is submitted pursuant to Article XI of the City of New Braunfels Charter. Moss Adams LLP served as NBU's independent financial statement auditor for the year ended July 31, 2021. Responsibility for the accuracy of the information reported and the completeness and fairness of the presentation, including all disclosures, rests with the management of NBU. To the best of our knowledge and belief, the enclosed information is accurate. It is reported in a manner designed to present fairly the financial position and results of operations of the electric, water, and wastewater systems of NBU. All disclosures necessary to enable the reader to understand NBU's financial activities have been included in this report.

As required by Article XI, Section 11.10 of the City of New Braunfels Charter, the ACFR has been audited by a firm of independent Certified Public Accountants. Moss Adams LLP, performed the audit for the fiscal year ended July 31, 2021, and their unmodified opinion is included as part of this report. The NBU management team worked with the independent auditors to verify compliance with accounting and fiduciary control aspects.

Management's Discussion and Analysis immediately follows the independent auditor's report and provides a narrative introduction, overview, and basic financial statements analysis. Management's Discussion and Analysis complements this transmittal letter and should be read in conjunction with it.

## PROFILE OF NEW BRAUNFELS UTILITIES

**History and Purpose:** New Braunfels Utilities was established in 1942 when the City Commission of New Braunfels, Texas, purchased from Guadalupe Electric Company the electric transmission and distribution systems, formerly owned by the San Antonio Public Service Company that served the City of New Braunfels, Texas ("City" or "New Braunfels") and the surrounding area. In 1959, operations of the water and wastewater systems were transferred to NBU from the city.

New Braunfels Utilities is a municipally-owned utility, operating under a five-member Board of Trustees (Board). The Board consists of four individuals appointed by the New Braunfels City Council (City Council) to five-year terms and the city's current mayor. The elected City Council maintains regulatory control by appointing the Board, approving all rate changes, and authorizing bond issuances.

**Facilities and Operations:** New Braunfels Utilities' electric system, comprising a service area of approximately 160 square miles, includes the city and the surrounding area. The electric system consists of 624 miles of overhead distribution line, 366 miles of underground distribution line, 11 substation/metering points on the transmission system, and other buildings, equipment, and related facilities. On July 31, 2021, NBU served 47,623 electric customers. The electric system capacity is 726.0 MVA, and the peak demand was attained on February 15, 2021, at 339.0 MW, immediately prior to rotating outages initiating during Winter Storm Uri.

New Braunfels Utilities' water system, comprising a service area of approximately 89 square miles, includes the city and the surrounding area. The water system consists of 590 miles of water mains ranging in diameter from 0.75 inches to 36 inches, an 8 Million Gallons per Day (MGD) surface water treatment plant (SWTP), a 3.74 MGD membrane treatment facility, 10 active groundwater wells, and 22 pump stations with 56 active pumps. The storage capacity of approximately 10.1 million gallons is maintained in elevated tanks and 10.7 million gallons in ground storage tanks. As of July 31, 2021, NBU provided water service to 46,994 customers. The total water system capacity is 34.22 MGD, and the maximum daily production occurred on August 16, 2019, at 24.95 MGD.

New Braunfels Utilities' wastewater system service area comprises approximately 65 square miles and includes the City of New Braunfels. The municipal wastewater system contains approximately 416 miles of sanitary sewer lines and is served by four water reclamation facilities with a combined treatment capacity of 12.3 MGD and 26 lift stations. As of July 31, 2021, NBU served 31,755 customers. The wastewater system combined treatment capacity is 12.3 MGD, and the total average daily flow on April 30, 2020, was 6.66 MGD.

Each year NBU prepares a long-term plan of action for the future. Evaluating and acquiring water and electric supplies, preparing for the construction of additional electrical substations, planning for new water and reclamation facilities, investing in innovative technologies to enhance the security of facilities and electronic data, and upgrading aging infrastructure to ensure the integrity and reliability of service to NBU customers demonstrates NBU's commitment to strategic planning.

In addition to infrastructure and operational considerations, NBU takes an active role in local, regional, state, and national initiatives. Examples of some of NBU's involvement are described below.

**Local Community Involvement:** The mission of a municipally-owned utility is to provide value to its community. New Braunfels Utilities does this through strong fiscal responsibility, progressive planning, and employees' commitment to enhancing the quality of the community by providing innovative essential services.

In a typical year, Bucky the Bucket Truck, the NBU SAFEhaven program mascot, visits area schools to share the message of safety education. However, the COVID-19 Pandemic halted in-school classes in 2020 and into part of 2021. The SAFEhaven team, following Pandemic protocols, was unable to go into the schools. Finding a way to continue its focus of educating kindergarten through third-grade students about conservation and safety, the Communications and External Affairs team shared pages of the SAFEhaven coloring and activity book through social media throughout the year.

Employees of NBU have contributed more than 11,408 hours of their time to community service programs, including SAFEhaven, since 2001. In addition to their roles as community service volunteers, NBU employees are actively involved in numerous civic, service, church, and youth organizations. Serving others is important, and NBU employees consider it an honor to give back to their community in ways that enhance the quality of life. In 2020, the American Public Power Association (APPA) awarded NBU with the Award of Merit in Web and Social Media for the promotion and hosting of the annual Kinderschuhe 5K Run/Walk that benefits the local Communities in School program to purchase shoes for children in need. In March 2021, while still under Pandemic protocols, NBU held its 16th annual Kinderschuhe 5K Run/Walk event, which raised more than \$1,820 to benefit Communities in Schools' cause.

New Braunfels Utilities' employees are strong supporters of the United Way of Comal County and earned the distinction of ranking in the top 10 business donors for the 15th consecutive year in 2021. Each NBU employee's generosity allowed the United Way of Comal County to move forward in providing direction and funding to 30 health and human service organizations throughout the county in 2020, raising more than \$38,000 during the Pandemic. These efforts allowed NBU to remain a 2020 top 10 business donor. The 2021 NBU employee campaign raised \$60,345.36 for United Way, ranking it the best fundraising effort in five years. 216 out of 342 employees, 63 percent, donated. The United Way campaign is entirely sponsored by NBU employees who raise the money without NBU matching funds.

New Braunfels Utilities' employees continue to be actively involved in education and training for local youth, seniors, community leaders, and industry professionals. Examples of these activities include volunteering at career days, assisting in educational programs at schools, science fairs, community centers, libraries, the local food bank, and Habitat for Humanity. Employee volunteers host NBU facilities' tours, educating the public on how the utility system operates and serve as experts for professional training exercises. These activities help create additional community awareness and knowledge of the utility's operations. In 2018, NBU University was established as a program to educate community participants on how their municipally-owned utility company operates and plans for the future. To date, 23 students have completed the classes held from February to June in 2018 and 2019. Due to COVID-19, the 2020 Class was canceled and will resume in 2022.

Aligning with our mission to enhance the quality of the community we serve, NBU continues to serve as a leader in energy and water conservation education. In addition to implementing business practices that address efforts to meet conservation performance goals, NBU has provided opportunities for customers through energy and water conservation rebates, audits, and educational information through multiple channels. In 2021, NBU was awarded the Award of Merit in Print and Digital for its Special Electric NBU Connections Edition that educated the community on its electrical system and important topics related to the 2021 winter storm. Additionally, NBU was awarded the APPA Award of Merit for Web and Social for its Electrical Safety Education campaign.

New Braunfels Utilities' commitment to community involvement remains strong. In conjunction with National Prescription Drug Take-Back Day, Operation MedSafe allowed NBU to team up with local law enforcement to provide community members the opportunity to dispose of unused prescriptions and drugs safely, keeping them out of the local

water supply and landfill. More than 212 pounds of unused prescriptions and medications were safely destroyed due to the success of the October 2021 event. Community Shred Day, hosted by NBU volunteers, allows community members to safely dispose of confidential documents in a secure and environmentally friendly way; 13 tons of paper items were shredded and recycled at the fall 2021 event. Due to the Pandemic, the 2020 and spring 2021 events were canceled.

**Electric System Reliability:** In fiscal year 2013, NBU completed a system-wide, risk-based evaluation of aging electric infrastructure and began replacements and upgrades to the system. New Braunfels Utilities' five-year Financial and Operating Plan for fiscal years 2022 through 2026, approved by the Board of Trustees in June 2021, includes a plan to invest 2.5 percent of distribution assets each year for the replacement of aging infrastructure. This amount totaled \$2.2 million for fiscal year 2022 and aggregates to \$13.4 million over the five-year period.

As a separate part of the plan, NBU completed the replacement of the Comal Substation T1 Power Transformer (PWT) and Loop 337 T2 PWT in July 2020, which increased unit capacities by 66 percent each. The replacements support NBU's goal to replace all power transformers older than 40 years within the system to improve reliability, increase capacity, and lower transformation losses. New Braunfels Utilities is scheduled to replace the single remaining legacy PWT (Comal T3) in fiscal year 2025. New Braunfels Utilities continues to replace all aerial copper conductors within the system. In particular, nearly all three-phase copper construction has now been replaced with Aluminum-Steel conductor (ACSR). Finally, NBU is focused on replacing aging utility poles through its pole replacement project and replacing legacy underground cables in commercial and residential areas. The new underground wire is minimally rated at 40-years of service compared to an estimated 20-year maximum of the replaced wire. Specific critical utility poles being installed have a service life of 80-years compared to 35 years for traditional wood poles.

New Braunfels Utilities owns 19.5 circuit-miles of 138kV transmission, which is part of the Electric Reliability Council of Texas (ERCOT) bulk electric transmission system and therefore, must comply with applicable North American Electric Reliability Council (NERC) reliability standards. New Braunfels Utilities is registered as a Transmission Owner, Transmission Planner, and Distribution Provider with NERC and was audited by the Texas Reliability Entity (TRE) in October 2014 on the standards applicable to these categories. Texas Reliability Entity is an independent organization within ERCOT, chartered with the responsibility to ensure compliance with NERC reliability standards throughout the ERCOT market. New Braunfels Utilities successfully demonstrated compliance with all applicable NERC standards. In July 2017, NERC auditors completed a second audit of NBU and found no compliance violations and no areas of concern. As the electric reliability standards evolve, NBU will closely monitor these changes for continued compliance.

New Braunfels Utilities achieved APPA's diamond level designation for the Reliable Public Power Provider (RP3) program during fiscal year 2020. The diamond level is the highest designation level for the RP3 program. The program recognizes utilities that demonstrate high proficiency in reliability, safety, workforce development, and system improvement. New Braunfels Utilities received APPA's platinum-level designation in 2017.

New Braunfels Utilities' System Average Interruption Duration Index (SAIDI) for fiscal year 2021 was 31.2 minutes per customer, which was lower than that of fiscal year 2020, at 38.6 minutes. New Braunfels Utilities' Customer Average Interruption Duration Index (CAIDI), or average restoration time, was 74.8 minutes per occurrence in fiscal year 2021, an efficient average restoration time. New Braunfels Utilities' reliability metrics compare favorably to other neighboring utilities and the national average. According to the most recently published Energy Information Administration survey (Calendar Year 2020), the average customer across the nation experienced a SAIDI of 488.94 minutes and a CAIDI of 344.29 minutes. The survey included data from 944 utilities serving 148.2 million customers.

**Electric System Growth:** Electric system load continues to increase along the IH-35 and Highway 46 corridors within the NBU service territory and the 2,400-acre Veramendi development, off of Loop 337. New Braunfels Utilities experienced a customer growth rate of 6.1 percent (as measured by electric meter connections) during fiscal year 2021. This trend is expected to continue over the near term. Total energy consumption decreased by .4 percent (measured in MWh sales) in fiscal year 2021, driven mostly by consumption reductions of NBU's two Transmission Service Rate (TSR) customers. As with most electric utilities, NBU continues to see increased customer energy efficiency as well.

New Braunfels Utilities completed the replacement and upgrade of the Sheriff's Posse T1 and Sheriff's Posse T2 PWTs in fiscal year 2021. The project increased the electric system's capacity and resiliency and serves the growing territory between New Braunfels and Schertz along the IH-35 corridor. New Braunfels Utilities is also exploring long-term plans for adding a 12th substation northeast of the city to serve the proposed Mayfair (formerly Government Land Office) development. New Braunfels Utilities' 20-year master plan now includes the 13th, 14th, and 15th substations.

Over the past ten years, NBU has efficiently utilized contract crews for both overhead and underground construction to support aging infrastructure and system growth demands. In fiscal year 2021, contract crews completed replacing 112 utility poles within the Rhine Terrace and Glen Brook subdivisions, which is predominantly backlot construction, with utility poles being notably difficult to access and maintain. They were used to replace 1.1 miles of copper conductor near Oakwood Avenue and complete several residential subdivision extension projects, including Spring Valley Unit #1, which necessitated both 200 Amp and 600 Amp grade construction.

**Water System Investments:** New Braunfels Utilities is in the process of implementing its master plan to maintain regulatory compliance and provide capacity as needed to meet growth demands and customer service expectations within our water system. Fiscal year 2020 saw the completion of many projects that added capacity to the system, resulting in a 25 percent increase in system-wide pumping capacity. The most significant capital project completed in fiscal year 2021 was a new 30-inch water line in the Avery Park area along Highway 46 and Weltner Road, which greatly improved connectivity in the Downtown Pressure Zone. Another milestone, NBU completed a Risk and Resiliency Assessment and updated its Emergency Response Plan to comply with the America's Water Infrastructure Act (AWIA). Several rehabilitation projects were completed throughout the year, including replacing the clarifier drivers at the Surface Water Treatment Plant (SWTP).

**Wastewater System Investments:** New Braunfels Utilities is in the process of implementing its master plan to maintain regulatory compliance and provide capacity as needed to meet growth demands and customer service expectations within our wastewater system. Organic treatment capacity improvements were completed at the North and South Kuehler Water Reclamation Facilities in 2016, and design is underway for the addition of new hydraulic capacity. The relocated and expanded Gruene Water Reclamation Facility (WRF) was completed in September 2020, with a permitted treatment capacity of 2.5 MGD. In addition to the Gruene WRF, two significant large sewer interceptors required upgrades to accommodate new growth in NBU's system. The first is a 30-inch sewer interceptor that generally follows the alignment of Blieders Creek and gravity flows to the location of the new Gruene WRF. The construction of this 30-inch interceptor was completed in September 2020.

The second major interceptor project was the North Kuehler Interceptor. This project consisted of three individual sewer main projects totaling 22,000 feet of piping varying in size from 30-inch to 42-inch. The North Kuehler Interceptor projects are nearing completion, with an estimated substantial completion date of February 2022.

Another planned upgrade is to double the permitted treatment capacity of the McKenzie WRF from 2.5 MGD to 5.0 MGD. Construction of that expansion is scheduled to be completed in fiscal year 2025.

**State Water Planning:** Senate Bill 1, passed by the Texas Legislature in 1995, created the basis for a statewide water plan. The legislation established the framework for creating regional water planning groups to develop local area plans throughout the state. These would be brought together by the Texas Water Development Board ("TWDB") to create the new statewide Texas Water Plan. The TWDB approved the first state water plan developed by this process in December 2001, and state law requires water plans to be updated every five years. The 16 water regional planning groups submitted the latest update throughout the State of Texas in 2021 (i.e., the 2022 Stat Water Plan adopted on July 7, 2021).

The next update to the plan is scheduled for 2027, and NBU will continue to strategically work through the planning group to include projects for the benefit of its customers. The benefit of having water projects listed in the plan is that the identified projects become eligible for funding assistance through the TWDB; thereby, providing NBU with an alternative financing vehicle. New Braunfels Utilities continues to monitor this process closely and provide input as necessary to reflect changes in NBU's growth projections and water needs during the five-year update periods.

**Regional Water Planning:** The Texas Legislature created the Edwards Aquifer Recovery Implementation Program (EARIP) in 2007. In 2012, the EARIP completed its collaborative effort to develop a Habitat Conservation Plan (HCP) to protect the endangered species in the Comal and San Marcos springs and rivers and secure the water supply from the Edwards Aquifer for the five-county aquifer region. The HCP and a request for an Incidental Take Permit (ITP) were submitted to the U.S. Fish and Wildlife Service and approved in early 2013. The benefit of obtaining the ITP is that it provides litigation immunity on actions regarding the take of endangered species located in the Comal and San Marcos spring systems, as long as all parties adhere to the HCP's required actions. Since the approval of the ITP, the Implementing Committee, comprised of the five signatories of the ITP, has made great strides toward implementing the strategies and initiatives laid out in the HCP.



**Conservation:** Stewardship of our environment and natural resources remains a primary focus at NBU. The state of Texas recognized NBU's responsible management of water resources and effective water stewardship by awarding NBU with the Blue Legacy Award in 2012, 2014, 2017, and 2019. The Texas Water Development Board (TWDB) recognized NBU with the Texas Rain Catcher's award in 2017 for its rainwater harvesting program and educational outreach. Conservation through energy efficiency is promoted throughout the year. New Braunfels Utilities was recognized by Texas Comptroller's State Energy Conservation Office for its educational efforts to reduce utility costs and maximize efficiency. The APPA awarded the Excellence in Public Power Communications Award of Merit to NBU in 2017 and 2018 for its local movie theater advertising campaign and the Community Service Award for its educational exhibit in the local children's museum to teach children early the importance of conservation. The Texas Commission of Environmental Quality (TCEQ) awarded NBU the coveted Texas Environmental Excellence Award in 2020, the state's highest environmental award for its customer leak awareness and empowerment initiatives. New Braunfels Utilities' Conservation and Customer Solutions department focuses on educating customers on the importance of being proactive environmental stewards. The department provides complementary residential and commercial energy, water, and irrigation assessments, interactive school programs, social and traditional media communication, civic organization presentations, hosts Earth Day celebrations, and participates in numerous public events.

Commercial and residential energy and water rebate programs are promoted to incentivize customers to purchase resource-saving appliances, such as ultra-high efficiency washing machines. The programs are designed to help adopt conservation-minded behaviors, including regular A/C check-ups, to ensure the system's ultimate efficiency. Rebate programs include an A/C heat pump, rainwater harvesting, a drought-tolerant tree incentive, irrigation zone removal, and artificial turf installation. New Braunfels Utilities continues to improve and expand the rebate programs as technology improves and customer demand changes. Internally, NBU leads by example through its recycling program of scrap metals, paper, glass, plastic, and cans, integrating hybrid fleet vehicles, electric vehicles, reducing plastics use, and utilizing sustainable materials throughout the work environment. Conservation and Customer Solutions also enforces the Municipal Water Conservation and Drought Management Plan, a municipal ordinance of the city.

The Headwaters at the Comal, NBU's conservation legacy project, demonstrates a commitment to the environment and conservation. Situated on the banks of the Comal Springs and Blieders Creek, the Headwaters at the Comal spotlights the hydrological, environmental, and cultural history of the region and is a living demonstration of sustainable practices for the local community and nation. Phase 1 of the Headwaters at the Comal was completed and included walking trails, an outdoor classroom, and a natural spring overlook. Plant groupings evoke regional typologies while newly introduced berms and bioswales filter and cleanse stormwater before returning it to the creek. Work continues on the property's landscape to transform the native landscape into an immersive outdoor classroom. Public amenities will be added in future phases, including meeting spaces, education pods, a central courtyard, event lawn, display gardens, on-site water reuse demonstration facilities, and more. Archaeological discoveries were made on the property, and the Headwaters at Comal, a non-profit organization, and NBU continue their work with the U.S. Army Corps of Engineers, the Texas Historical Commission, and AmaTerra Environmental, Inc., to preserve these artifacts. The discovered artifacts have been cataloged for exhibition and learning. Various educational programs are offered to the community, including youth science series, adult classes on native plants, water conservation, arts and culture, and wellness. Tours and meeting space are also available for community groups.

The Teddy Roosevelt Conservation Award was presented to the Headwaters at the Comal in 2018 for advocating the preservation of New Braunfels' natural resources through the work done to restore the Headwaters property to its natural environment. In 2019, the organization was also awarded the E. Mott Davis Award for Excellence in Public Outreach for its education around archaeology excavation. The Headwaters at the Comal is certified by Laura Bush's organization, Texan by Nature, as an organization committed to conservation efforts benefitting people, prosperity, and natural resources. The Headwaters at the Comal is a certified Monarch Habitat waystation, providing milkweeds, nectar plants, and shelter for monarchs through their annual cycle of reproduction and migration.

**Future Water Supply:** Water resources planning and implementation are among the most important elements of a well-managed water utility provider. New Braunfels Utilities' treatment, storage, and distribution systems' objective is to meet our customers' immediate and future demands. The water resources programs assure that there are sufficient water sources for treatment and delivery year in and year out. Over its history, NBU has developed a diverse inventory of reliable water sources. New Braunfels Utilities is currently holding contracts and permits for 41,375 acre-feet per year (AFY) of raw and treated drinking water. An acre-foot is equivalent to the amount of water that would cover one acre of land to a one-foot depth. One acre-foot is 325,851 gallons and is generally considered to be enough water to supply four families with water for one year. Potable water is provided to NBU's customers from a combination of surface water, groundwater, and purchased water. For many years, NBU supplied its customers solely with Edwards Aquifer groundwater, and NBU still has five active wells in the aquifer. In 1991, NBU constructed the SWTP, making it the first Edwards Aquifer user to reduce reliance on the aquifer by diversifying supply, thereby helping to preserve the Comal and San Marcos Springs. The combination of surface water, groundwater, and purchased water now provides NBU with a diverse water supply, eliminating its total dependency on the Edwards Aquifer. New Braunfels Utilities' Water Resource Plan (WRP) identifies demand-management and conservation opportunities and evaluates water supply options to meet the future water supply needs of New Braunfels. Conservation is important because water not used is water that does not have to be purchased. New Braunfels Utilities has recently begun establishing a roadmap for implementing a One Water program. The One Water approach views all water – drinking water, wastewater, stormwater, greywater, and more, as resources that must be managed holistically and sustainably. New Braunfels Utilities reviews the Water Resources Plan and makes minor updates annually, summarized in a technical memorandum. A full-scale update of the plan is conducted every five years; the next full update is planned for 2023.

## CRITICAL NBU WATER SUPPLY PROJECTS INCLUDE:

**NBU Surface Water Treatment Plant Expansion (SWPT):** The NBU SWPT currently has the capacity to treat 8 MGD of Guadalupe River surface water for drinking water purposes. Expansion of the plant to 16 MGD will allow NBU to use its available firm yield water rights in the Guadalupe River to serve its customers. The detailed design is complete; however, construction has been delayed to 2026 through 2028. New Braunfels Utilities is continuing permitting discussions with the City and TCEQ.

**GBRA Mid-Basin:** The first phase of the GBRA Mid-Basin Water Supply Project will extract and deliver treated groundwater from the Carrizo Well Field in Gonzales County to NBU. Water will be transported from the treatment plant in Gonzales County via a 40-mile water pipeline to a delivery point in the NBU service area. New Braunfels Utilities has contracted 8,000 acre-feet per year (AFY), with delivery scheduled to begin in 2024.

**City of Seguin Water:** New Braunfels Utilities entered into a contract with the City of Seguin to deliver 2,500 AFY of the blended ground and surface water from the Seguin distribution system. Currently, NBU purchases 1,500 AFY. The purchased amount will increase to 2,000 AFY in October 2022 and 2,500 AFY in 2023, with the possibility of an additional 500 AFY, with concurrence by both utilities. Delivery of the water began in 2019.

**Weltner Road Ground Storage Tank and Pump Station:** As a result of the water contracts totaling approximately 10,500 AFY with the City of Seguin and GBRA, NBU needs an intake point for these supplies. In September 2019, NBU entered into a contract with Black Castle General Contractor to construct a 1.5-million-gallon pre-stressed concrete ground storage tank and a new pump station with 10 MGD of firm pumping capacity. Additional site improvements include a vertical turbine pumping facility, a disinfection facility, and chemical and electrical buildings. The project will integrate the new GBRA and Seguin based water supplies into the NBU water system.

**Aquifer Storage Recovery (ASR) Program:** Although NBU has a diverse inventory of water supply sources totaling approximately 41,375 AFY, about half of the supply is subject to curtailment during periods of drought and low river flow. At present, the availability of NBU's water sources during severe drought (the "firm yield supply") is approximately 30,293 AFY, and the (the "Deliverable firm yield") is approximately 20,223 AFY, as noted in the NBU 2021 WRP Update.

In 2011, NBU engaged Arcadis-US, Inc. (Arcadis) to conduct a preliminary evaluation of an aquifer storage and recovery (ASR) program. A successful ASR program would help NBU meet community water supply needs during periodic droughts, such as the 1950's drought-of-record (DOR), by capturing and storing potable water in an underground aquifer. When necessary, the water could be recovered to meet seasonal peak demands.

Based on this feasibility study, the Arcadis team and NBU concluded that ASR could serve as a valuable water management strategy because NBU, like most water utilities in Texas, needs storage to firm up its reliable water supply. The major conclusions and recommendations from the 2011-2012 study included the following:

Based on a preliminary analysis of hydrogeological data, ASR storage's most viable location was the brackish portion of the Edwards Aquifer, found in the fast-growing southern part of the NBU service area. The first step toward implementing an ASR program should include additional data collection and early coordination with the Edwards Aquifer Authority (EAA) and the Texas Commission on Environmental Quality (TCEQ). The most cost-effective location for an ASR wellfield would likely be in the brackish Edwards Aquifer near the New Braunfels Regional Airport (the "Airport"). The Airport is within the NBU service area, and NBU has existing water, wastewater, and electric service lines in the area.

The ultimate goal is to store approximately 14,000 AFY of water in the ASR wellfield so that sufficient water is available to meet demands during drought and peak periods. To meet NBU's needs, the Arcadis team estimates (subject to confirmation during later phases) that the wellfield will include as many as nine ASR wells, plus an undetermined number of monitoring wells. Preliminary estimates based on data collected to date indicate each ASR well will be capable of recharging/injecting at a rate of about 0.5 MGD and recovering/pumping at a rate of about 1.0 MGD. Depending on when and the number of ASR wells constructed, the ASR Program cost will be in the range of \$23 million.

The NBU ASR Program is being developed in five Phases. Phase 1 (Feasibility Study) and Phase 2 (Test Well and Wireline Core) are complete. Phase 3 (Demonstration) is ongoing. The ASR demonstration well and three monitoring wells have been drilled and are in operation. New Braunfels Utilities conducted formation testing using the ASR well from March 25, 2020, until June 30, 2020. Approximately 70 million gallons of treated water were placed in the formation during this period. Phase 4 (Cycle Testing) began October 27, 2020, and will continue for up to four years. In November 2021, a target storage volume of 260 million gallons was reached and recovery operations began. After a period of ten days, recovery was reduced and then halted to continue testing and improving the quality of the recovered water. In January 2022, recovery was resumed and water quality will continue to be monitored until the recovery operations are completed.

The second cycle of testing will begin after recovery is complete. The purpose of cycle testing is to prove the capability to form aquifer storage for regulatory agencies. Phase 5 (Full Wellfield Implementation) will commence after a satisfactory demonstration of aquifer capabilities.

## FINANCIAL INFORMATION

New Braunfels Utilities management is responsible for establishing and maintaining an internal control structure to protect assets from loss, theft, and misuse. Internal controls are designed to ensure that adequate accounting data is compiled to prepare financial statements in conformity with generally accepted accounting principles.

New Braunfels Utilities utilizes an electronic financial accounting system to capture all financial transactions and provide data to prepare this ACFR, including the audited financial statements. These statements present information on the financial position of NBU and demonstrate that resources were adequate to cover the costs of providing services during the reporting period. New Braunfels Utilities' ACFR is distributed to the NBU Board of Trustees, the City Council, executive management, federal and state agencies, bond rating agencies, and financial institutions, as well as other interested parties throughout the general public, and posted electronically.

The accounting records for NBU are reported on the accrual basis of accounting. In the development and modification of NBU's accounting system, consideration is given to internal accounting controls' adequacy. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that a control's cost should not exceed the benefits likely to be derived. The evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework. We believe that NBU's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**Budgetary Controls:** The annual budget serves as the foundation for NBU's financial planning and control. New Braunfels Utilities is required by Board policy to adopt an annual financial plan, which covers the upcoming fiscal year in detail and incorporates a plan for an additional 19 fiscal years. Monthly revenue and expense reports and quarterly capital expenditure reports provide information to evaluate actual results against budget projections. A formal presentation of financial activity is given to the Board of Trustees at each monthly meeting. Additionally, the management of NBU maintains budgetary controls and follows established procedures to prepare the annual financial plan before final approval by the Board.

**Summary Revenue and Expenses:** For the fiscal year ended July 31, 2021, operating revenues totaled \$244.0 million, and operating expenses totaled \$239.8 million. Purchased power costs represented 71.9 percent, or \$172.3 million, of total operating expenses. Transmission and distribution expenses were approximately \$7.2 million, or 3.0 percent, of operating expenses, and all direct water-related expenditures totaled \$15.7 million, or 6.5 percent, of operating expenses. The remaining operating expenses included \$24.5 million for depreciation and amortization and \$20.0 million for customer service and general and administrative expenses. Net non-operating expense (including interest) was \$17.7 million, resulting in total net loss before contributions of \$13.4 million. The reported net loss is mainly due to the higher power costs incurred from Winter Storm Uri. New Braunfels Utilities experienced customer growth over the past fiscal year as electric and water meters increased by 2,707 or 5.9 percent, and 3,183, or 7.3 percent, respectively.

**Working Capital:** At July 31, 2021, NBU's current assets of \$153.6 million were 1.4 times its current liabilities of \$114.1 million. This strong working capital ratio reflects the continuance of managing an investment portfolio with a substantial portion of investments having a maturity of less than one year. By maintaining short-duration investments, NBU can fund its operating and capital project activities as planned and selectively determine any future bond issuance timing. Overall, NBU had a net positive working capital of \$39.5 million on July 31, 2021, compared to a net working positive of \$53.7 million on July 31, 2020.

**Investments:** New Braunfels Utilities' Investment Policy satisfies the Public Funds Investment Act's statutory requirements and serves as a guideline for all NBU funds' investment. New Braunfels Utilities' Investment Policy is reviewed annually by the Board of Trustees. In compliance with appropriate laws and the NBU Investment Policy, the cash management program is designed to keep principal and interest at minimum risk, maintain reasonable liquidity to meet obligations, and maximize return through the use of a competitive, effective yield comparison of various investment sources. For fiscal year 2021, net interest income from investments (including mark-to-market adjustments) was \$236,496. The market-to-market adjustments resulted in a net decrease in the fair value of investments of \$319,776.

**Debt Management:** New Braunfels Utilities' strong financial position has been built over many years through prudent management and fiscal practices to ensure adequate capital will be available to fund future electric, water, and wastewater system infrastructure. This includes electric substations, electric transmission and distribution line expansions, water and water reclamation facilities. New Braunfels Utilities endeavors to balance external financing for capital projects with the internal generation of capital funds to maintain a low debt to capitalization structure. At July 31, 2021, NBU had \$303.9 million in debt. New Braunfels Utilities' strong capitalization structure and coverage ratios have enabled it to access the debt capital markets at attractive interest rates. They are a key component in maintaining low utility rates. New Braunfels Utilities anticipates significant capital expenditures in the upcoming years and will be using short-term and long-term debt to fund a portion of these projects.

The current principal and interest on all outstanding bonds are payable solely from the net revenues derived by NBU from the operation of the utility systems. Operations and maintenance expenses represent the priority for payment, followed by debt service on bond indebtedness, but before any payments to special funds, capital additions, or contributions to the city. These obligations do not constitute liens upon the system or any other property of NBU or the City. However, they are a lien only on the net revenues and special funds created by Bond Resolution and in the manner provided therein. See Note 4 of the notes to the financial statements for additional information about NBU's long-term debt obligations.



**Capital Expenditures:** New Braunfels Utilities anticipates spending approximately \$688.2 million for capital expenditures during the next five fiscal years. These expenditures are primarily for additional substations for anticipated growth in the community, electric system extensions and aging infrastructure, expansion of the surface water treatment plant, multiple water reclamation facility expansions, and construction of a new headquarters facility. In total, these expenditures include \$113.5 million for electric systems, \$211.5 million for water systems, \$257.4 million for wastewater systems, \$105.8 million for support systems, and \$14.6 million for capital equipment. Forecasted capital expenditures for this period are expected to be funded from a combination of revenues, impact fees, short-term and long-term debt, and customer contributions.

**Rates:** New Braunfels Utilities acquires power supply from various suppliers in the ERCOT electricity market. Therefore, NBU positions its power supply portfolio to encompass diversification of supply from various: counterparties, tenors of contract duration, and load shapes to procure reliable, low-cost power for its customers with reduced price volatility.

In 2014, NBU executed a contract with Javelina Wind Energy, LLC (Javelina), an indirect subsidiary of NextEra Energy, Inc., for Javelina wind farm to provide 50 Megawatts (MW) of wind-generated electricity for 20 years from the commercial commencement of the project. The Javelina wind farm has a nameplate capacity of 250 MW and is located approximately 35 miles east of Laredo, Texas, in Webb County. The commercial commencement of the project was in December 2015. This agreement represents about 11.5 percent of NBU's purchase power portfolio.

In 2018, NBU executed two additional PPAs with ENGIE Long Draw Solar, LLC (Long Draw) and Concho Bluff, LLC (Greasewood) to provide 100 MW of electricity and 50 MW of electricity for 15 years from the commercial commencement of the projects, respectively. The Long Draw solar farm has a nameplate capacity of 225 MW and is located in Borden County, Texas. The commercial commencement of the Long Draw project was December 2020. The Greasewood solar farm has a nameplate capacity of 255 MW solar energy farm and is located in Pecos County, Texas. The commercial commencement of the Greasewood project was February 2021. Combined, these projects will represent approximately 19 percent of NBU's purchase power portfolio by 2022.

As of July 31, 2021, NBU has executed forward physical power contracts intended to hedge price volatility and maintain a competitive cost in its power supply portfolio through 2023. All power hedge contracts are designed to cover native load requirements and are considered standard purchases. Additional portfolio hedges are added over time as near-term hedges expire. As of July 31, 2021, NBU's forward physical contracts through 2023 reflected an underlying market value (unfavorable) within three percent of total expected power costs through 2023.

New Braunfels Utilities' electric rates are unbundled into distribution, generation, and transmission charges. Distribution charges comprise fixed customer charges and variable Kilowatt-hour (kWh) charges designed to recover NBU's cost to maintain its electric infrastructure and deliver reliable service to its customers. Through its efficient operation, NBU has been able to manage these costs.

The generation and transmission charges are a pass-through to the customers and comprise a base rate and an adjustable Power Cost Recovery Factor (PCRf). During fiscal year 2021, NBU purchased for its customers 1,741,923 Megawatt hours (MWh) in comparison to 1,762,073 MWh during fiscal year 2020, representing a decrease of 20,150 MWh or 1.1 percent.

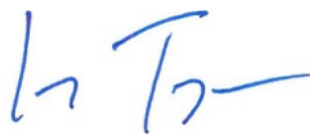
Water and wastewater rates charged to NBU's customers are comparable, and generally lower, to other rates in the region. Efficient long-term operations and planning have achieved these low rates. However, as water resources become scarcer throughout the state, NBU anticipates that its customers will see moderate price increases for this service over time. On October 26, 2020, New Braunfels City Council approved the Board of Trustees recommendation for increases on (i) water rates of seven percent effective November 1, 2020, 8 percent effective August 1, 2021, and eight percent effective August 1, 2022; (ii) wastewater rates of 16.5 percent effective August 1, 2020, 13 percent effective August 1, 2021, and 13 percent effective August 1, 2022; and (iii) electric rates of 5 percent on the delivery and customer charge components of a customer's bill effective August 1, 2021, and 10 percent on the delivery and customer charge components of a customer's bill effective August 1, 2022.

**Winter Storm Uri:** During the winter months, NBU experienced severe weather, including snowstorms and the reporting of historically low temperatures. New Braunfels Utilities incurred record power costs associated with the winter weather event, and they are visible in our electric purchase power costs. As a result, NBU recorded the matching revenues, which accounts for the increased revenue amount from the previous year, along with booking an accounts receivable from our customers, which will be offset as NBU recovers power costs from its customers over a period of time.

**Awards and Acknowledgments** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to NBU for its ACFR for the fiscal year ended July 31, 2020. This was the 31st consecutive year that NBU has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'I. Taylor'.

Ian Taylor  
Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Dawn Schriewer'.

Dawn Schriewer  
Chief Financial Officer

# FINANCIAL



## REPORT OF INDEPENDENT AUDITORS



The Board of Trustees  
New Braunfels Utilities

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of New Braunfels Utilities (the "Utility"), which comprise the statements of net position as of July 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Braunfels Utilities as of July 31, 2021 and 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison schedule and the introduction and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule 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 budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introduction and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2021 on our consideration of New Braunfels Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Utility's internal control over financial reporting and compliance.



Portland, Oregon  
December 8, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis is intended to provide a narrative overview of NBU's financial activities for the fiscal years ended July 31, 2021, 2020 and 2019. Readers are encouraged to consider the information presented in conjunction with the transmittal letter and the accompanying basic financial statements.

### FINANCIAL HIGHLIGHTS

- For fiscal year-end 2021, total assets and deferred outflows of \$929.9 million exceeded liabilities and deferred inflows by \$499.1 million. This compares to total assets and deferred outflows of \$787.2 million at fiscal year-end 2020, which exceeded liabilities and deferred inflows by \$476.4 million. Total assets and deferred outflows of \$670.0 million for fiscal year-end 2019 exceeded liabilities and deferred inflows by \$423.9 million.
- Total net position at fiscal year-end 2021 was \$499.1 million, an increase of \$22.7 million, or 4.8 percent, from fiscal year-end 2020. Fiscal year-end 2020 total net position of \$476.4 million reflected an increase of \$52.5 million from fiscal year-end 2019. The increase in net position at fiscal year-end 2021 and fiscal year-end 2020 was primarily attributable to increases in capital additions in NBU's electric, water, and wastewater infrastructure.
- At fiscal year-end 2021, \$47.4 million in unrestricted net position was available to meet NBU's ongoing obligations, as compared to \$52.7 million at fiscal year-end 2020 and \$23.5 million at fiscal year-end 2019. These balances reflect \$5.3 million decrease in unrestricted net position from fiscal year-end 2020 to fiscal year-end 2021 and an \$29.1 million increase in unrestricted net position from fiscal year-end 2019 to fiscal year-end 2020.
- In Fiscal Year 2021, NBU completed \$207.1 million in capital projects. This compares to \$43.5 million and \$74.5 million in Fiscal Years 2020 and 2019, respectively. Capital additions, net of depreciation, amounted to \$182.1 million, \$20.6 million, and \$53.7 million in Fiscal Years 2021, 2020, and 2019, respectively.
- Total operating revenues in Fiscal Year 2021 were \$244.1 million compared to \$181.2 million in Fiscal Year 2020, an increase of \$62.9 million, or 34.7 percent. The increase in operating revenue consisted primarily of an increase in electric services revenue of \$57.3 million, an increase in water services revenue of \$1.2 million, and an increase in wastewater services revenue of \$3.8 million. Fiscal Year 2020 operating revenues increased \$35.1 million, or 24.0 percent, compared to Fiscal Year 2019 operating revenues of \$146.1 million. During the winter months, NBU experienced severe weather, including snowstorms and the reporting of historical low temperatures. NBU incurred record power costs associated with the winter weather event and are visible in our electric purchase power costs. As a result, NBU recorded the matching revenues which accounts for the increased revenue amount from the previous year, along with booking an accounts receivable from our customers, which will be offset as NBU recovers power costs from its customers over a period of time.
- Electric sales for Fiscal Year 2021 were 1,678,480 MWh, which was 0.7 percent less than the 1,690,937 MWh sales in Fiscal Year 2020. Electric MWh sales in Fiscal Year 2020 were 3.9 percent greater than Fiscal Year 2019 sales of 1,626,679 MWh. For Fiscal Year 2021, electric services revenue of \$190.3 million was \$57.3 million greater than Fiscal Year 2020's electric services revenue of \$133.0 million. For Fiscal Year 2020, electric services revenue was \$24.4 million greater than Fiscal Year 2019's electric services revenue of \$108.7 million.
- NBU delivered 4.46 billion gallons of water in Fiscal Year 2021, which was a 1.7 percent decrease from Fiscal Year 2020 water sales of 4.54 billion gallons. Water sales in Fiscal Year 2020 reflected a 21.0 percent increase from Fiscal Year 2019 water sales of 3.75 billion gallons. For Fiscal Year 2021, water services revenue of \$24.5 million was \$1.2 million greater than Fiscal Year 2020's water services revenue of \$23.1 million. For Fiscal Year 2020, water services revenue was \$7.6 million greater than Fiscal Year 2019's water services revenue of \$15.7 million. There was a total of 32 inches of rain for the NBU service area for Fiscal Year 2021, which was greater than the 22 inches and the same as 32 inches received in Fiscal Years 2020 and 2019, respectively.
- Wastewater services revenue in Fiscal Year 2021 was \$22.5 million compared to Fiscal Year 2020 revenue of \$18.6 million, an increase of \$3.9 million, or 20.6 percent. Fiscal Year 2020 wastewater services revenue was \$2.7 million more than Fiscal Year 2019 wastewater services revenue of \$15.9 million, resulting in a 17.1 percent increase.

- Total operating expenses in Fiscal Year 2021 were \$239.8 million compared to Fiscal Year 2020 operating expenses of \$158.6 million, an increase of \$81.2 million, or 51.1 percent. Total operating expenses in Fiscal Year 2020 increased \$18.5 million, or 13.2 percent, from Fiscal Year 2019 total operating expenses of \$140.1 million.
- At July 31, 2021, NBU served 48,600 electric customers, 46,994 water customers, and 31,755 wastewater customers.

## NEW BRAUNFELS UTILITIES

NBU is a component unit of the City and is accounted for as a proprietary fund. NBU provides electric, water, and wastewater services. NBU was established in 1942 when the City Commission of New Braunfels, Texas purchased from Guadalupe Electric Company the electric transmission and distribution systems, formerly owned by the San Antonio Public Service Company that served the City and the surrounding area. In 1959, operations of the water and wastewater systems were transferred to NBU from the City.

The following discussion and analysis will refer to NBU as a whole.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements for proprietary funds consist of the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows.

This report includes all funds of NBU. The financial information is reported similar to those of private sector businesses. The Statements of Net Position provides NBU's financial position and operating performance. It presents all the assets, deferred outflows, liabilities, and deferred inflows and identifies the net investment in capital assets and restricted net position. It provides the foundation for measuring the activity and liquidity of NBU. The Statements of Revenues, Expenses and Changes in Net Position assess NBU's profitability of operations. The third basic financial statement is the Statements of Cash Flows, which provides detailed information about the cash effects of the operating, investing, and financing activities. The basic financial statements can be found on pages 29-33 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. The notes can be found beginning on page 34 of this report.

## FINANCIAL ANALYSIS

NBU's financial position at fiscal year-end 2021 showed total net position of \$499.1 million, compared to \$476.4 million at fiscal year-end 2020 and \$423.9 million at fiscal year-end 2019. Of these amounts, the net positions that were unrestricted for meeting NBU's ongoing obligations were \$47.4 million, \$52.7 million, and \$23.5 million at the fiscal years ended 2021, 2020, and 2019, respectively. The net investment in capital assets represented 90.1 percent, or \$449.6 million, of total net position at fiscal year-end 2021, compared to 88.8 percent at fiscal year-end 2020 and 94.4 percent at fiscal year-end 2019.

Current assets at fiscal year-end 2021 of \$153.6 million increased by \$33.3 million, or 27.7 percent, from current assets at fiscal year-end 2020 of \$120.3 million, which was primarily due to an increase in generation and transmission cost recovery. Current assets at fiscal year-end 2020 increased by \$22.8 million, or 23.4 percent, from fiscal year-end 2019 current assets of \$97.5 million, primarily due to an increase in cash and cash equivalents, and accounts receivable.

A small portion of NBU's net position represents resources that are subject to external restrictions on how they may be used. Restricted net position at fiscal year-end 2021 was \$2.1 million, in comparison to the prior fiscal year-end 2020 amount of \$0.5 million and \$0.3 million at fiscal year-end 2019. These amounts represented 0.4 percent, 0.1 percent and 0.1 percent of total net position for their respective fiscal year ends. Water and wastewater funds reserved for future system development and construction comprised 71.4 percent of NBU's restricted net position at fiscal year-end 2021. This percentage was 10.1 percent at fiscal year-end 2020 and 0.02 percent at fiscal year-end 2019.

**The following condensed Statements of Total Net Position and Statements of Changes in Net Position reflect the summary performance of NBU over Fiscal Years 2019-2021.**

### **Total Net Position**

	2021	2020	2019
Current and other non-capital assets	\$176,768,930	\$139,059,039	\$116,951,774
Capital assets	747,800,625	644,073,260	546,473,089
<b>Total assets</b>	<b>\$924,569,555</b>	<b>\$783,132,299</b>	<b>\$663,424,863</b>
Deferred outflows of resources	5,332,804	4,079,186	6,563,661
<b>Total assets and deferred outflows</b>	<b>\$929,902,359</b>	<b>\$787,211,485</b>	<b>\$669,988,524</b>
Current liabilities	\$114,095,341	\$66,532,891	\$73,282,417
Non-current liabilities	314,300,798	241,689,809	172,594,337
<b>Total liabilities</b>	<b>\$428,396,139</b>	<b>\$308,222,700</b>	<b>\$245,876,754</b>
Deferred inflows of resources	2,378,863	2,594,846	192,057
<b>Total liabilities and deferred inflows</b>	<b>\$430,775,002</b>	<b>\$310,817,546</b>	<b>\$246,068,811</b>
<b>Total net position</b>	<b>\$499,127,357</b>	<b>\$476,393,939</b>	<b>\$423,919,713</b>
Net investment in capital assets	\$449,609,691	\$423,246,870	\$400,068,067
Restricted	2,144,043	470,002	314,118
Unrestricted	47,373,622	52,677,067	23,537,528
<b>Total net position</b>	<b>\$499,127,357</b>	<b>\$476,393,939</b>	<b>\$423,919,713</b>

### **Changes in Net Position**

	2021	2020	2019
<b>OPERATING REVENUES</b>			
Electric services	\$190,290,315	\$133,028,571	\$108,665,532
Water services	24,486,239	23,268,330	15,649,667
Wastewater services	22,466,957	18,621,837	15,898,564
Transmission system	2,598,655	2,680,105	2,542,373
Miscellaneous fees and charges	1,975,289	2,064,679	1,988,376
Other operating revenues	2,260,174	1,521,734	1,380,775
<b>Total operating revenues</b>	<b>\$244,077,629</b>	<b>\$181,185,256</b>	<b>\$146,125,287</b>
Investment income	236,496	1,051,801	1,875,028
Net increase (decrease) in the fair value of investments	(319,776)	604,577	392,154
Gain (loss) on sale of assets	(324,089)	4,426,370	(181,083)
<b>Total revenues</b>	<b>\$243,670,260</b>	<b>\$187,268,004</b>	<b>\$148,211,386</b>
<b>EXPENSES</b>			
Operating expenses	\$239,773,691	\$158,638,436	\$140,113,206
Interest and amortization expense	8,650,186	7,378,437	5,782,940
Intergovernmental expense	8,612,231	8,143,911	8,129,829
<b>Total expenses</b>	<b>\$257,036,108</b>	<b>\$174,160,784</b>	<b>\$154,025,975</b>
Net income (loss) before capital contributions	\$(13,365,848)	\$13,107,220	\$(5,814,589)
Capital contributions	36,099,266	39,367,006	23,608,542
Change in net position	\$22,733,418	\$52,474,226	\$17,793,953
Total net position-beginning of year	476,393,939	423,919,713	406,125,760
<b>Total net position-end of year</b>	<b>\$499,127,357</b>	<b>\$476,393,939</b>	<b>\$423,919,713</b>

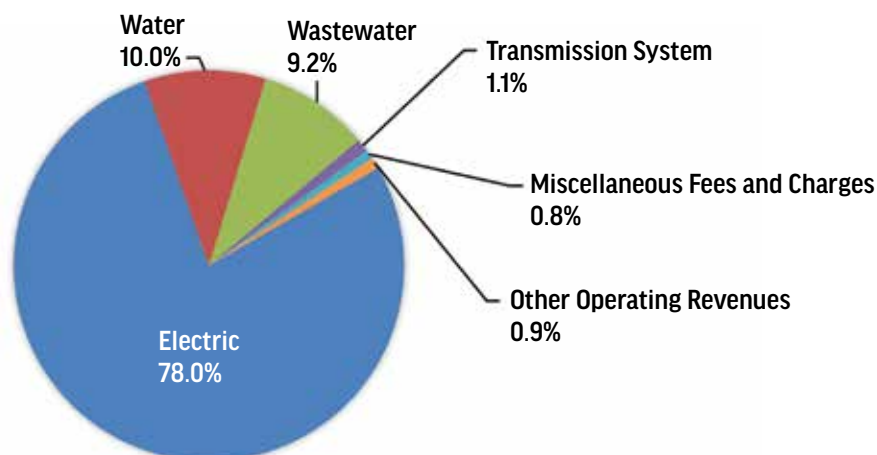
See Independent Auditors' Report.



## OPERATING REVENUE BY SOURCE FISCAL YEAR 2021

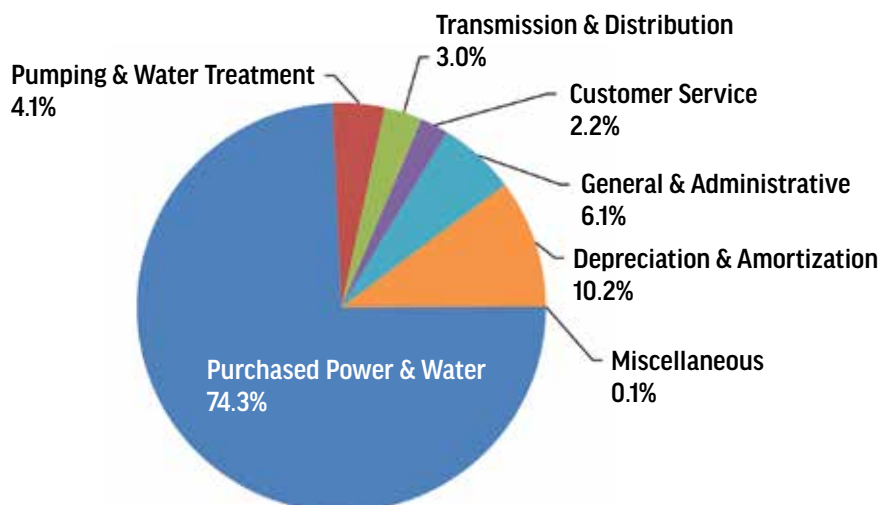
Total operating revenues for Fiscal Year 2021 were \$244.1 million, an increase of \$62.9 million, or 34.7 percent, over the previous fiscal year. An increase in electric services revenues of \$57.3 million, or 43.0 percent, an increase of water services revenue of \$1.2 million, or 5.2 percent, and an increase in wastewater services revenue of \$3.8 million, or 20.6 percent, contributed to the total increase. Total operating revenues for Fiscal Year 2020 were \$181.2 million, an increase of \$35.1 million from the previous fiscal year.

Total operating revenues in Fiscal Year 2021 consisted of 78.0 percent from electric retail customer fees and charges and 19.2 percent from water and wastewater retail customer fees and charges. The remainder consisted of transmission system income, miscellaneous fees and charges, and other operating revenues.



## OPERATING EXPENSES BY SOURCE FISCAL YEAR 2021

Total operating expenses for Fiscal Year 2021 were \$239.8 million. Of this amount, approximately \$178.2 million, or 74.3 percent, consisted of purchased power and purchased water costs. Other than the change in purchase power costs, the total operating expenses increased by \$81.1 million, or 51.1 percent, over Fiscal Year 2020 total operating expenses of \$158.6 million. This operating expense increase was primarily attributable to an increase in purchased water, general and administrative, water treatment, and depreciation costs. Total operating expenses in Fiscal Year 2020 increased by \$18.5 million, or 13.2 percent, over Fiscal Year 2019 total operating expenses of \$140.1 million.



See Independent Auditors' Report.

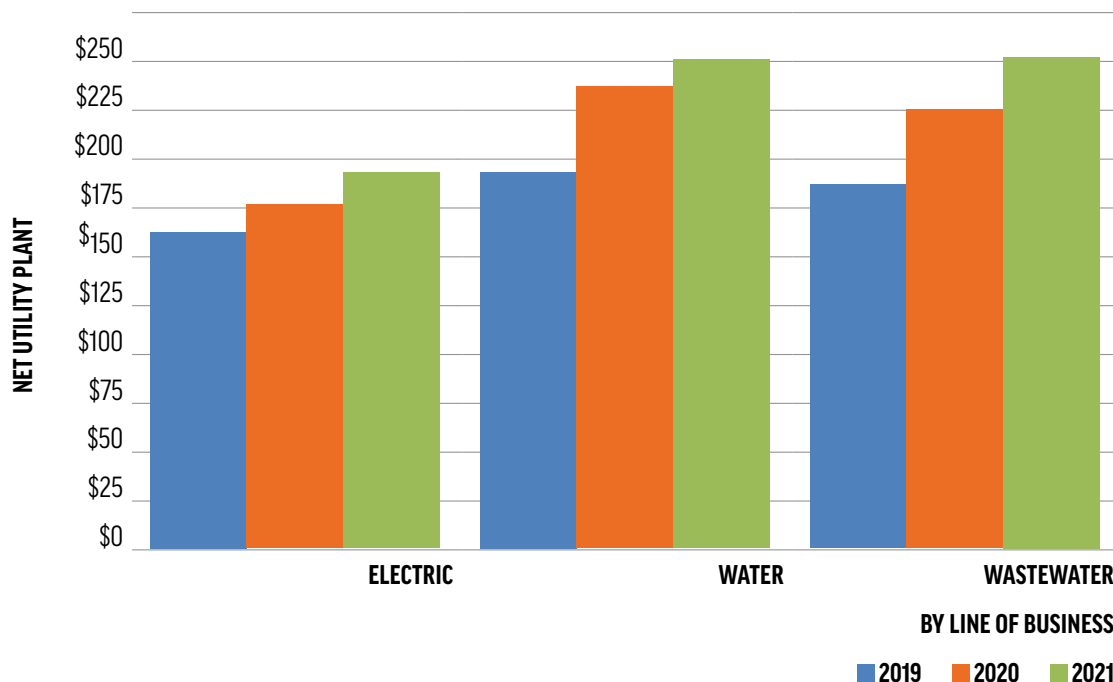
## CAPITAL ASSETS

At fiscal year-end 2021, NBU's net capital assets totaled \$747.8 million. Included in capital assets are eleven electric substation/metering points, four wastewater treatment plants, a surface water treatment plant, 26 lift stations, 22 pump stations, and Edwards Aquifer water pumping rights. Net capital assets totaled \$644.1 million at fiscal year-end 2020 and \$546.5 million at fiscal year-end 2019.

*The following summarizes capital assets, net of accumulated depreciation, at fiscal year-end:*

	2021	2020	2019
<b>CAPITAL ASSETS</b>			
Land and water rights	\$38,973,194	\$28,981,039	\$27,793,465
Buildings and structures	90,324,236	36,154,729	42,846,759
Electric transmission/distribution	156,426,724	136,306,377	127,818,273
Wells & springs	1,437,070	1,384,895	1,043,309
Pumping equipment	21,749,653	18,563,577	18,912,176
Water/wastewater treatment equipment	54,792,596	35,653,734	37,015,800
Water/wastewater transmission/distribution	281,087,907	207,964,257	196,305,951
Equipment, vehicles, furniture & fixtures	16,124,398	13,804,674	12,302,957
Net plant in service	\$660,915,779	\$478,813,282	\$464,038,690
Construction work in progress	86,884,847	165,259,978	82,434,399
Net utility plant after accumulated depreciation	\$747,800,626	\$644,073,260	\$546,473,089

### Net Utility Plant in Service at Fiscal Year End (\$ in Millions)



In Fiscal Year 2021, there were \$207.1 million in capital additions and \$25.0 million of retirements and depreciation, for an overall increase in net plant in service of \$182.1 million. In Fiscal Year 2020, there were \$43.5 million in capital additions and \$28.6 million of retirements and depreciation, for an overall increase in net plant in service of \$14.8 million.

See Independent Auditors' Report.

**The following is a summary of capital additions and retirements for Fiscal Year 2021:**

	<b>ELECTRIC</b>	<b>WATER</b>	<b>WASTEWATER</b>	<b>TOTAL</b>
Plant in service, beginning of year	\$154,828,680	\$176,647,718	\$147,336,884	\$478,813,282
Additions	35,241,309	69,267,361	102,585,994	207,094,664
Retirements	(2,266,117)	(589,018)	(221,410)	(3,076,545)
Depreciation/gain (loss) on sale of assets	(8,208,668)	(6,231,857)	(7,475,097)	(21,915,622)
Plant in service, end of year	\$179,595,204	\$239,094,204	\$242,226,371	\$660,915,779
Construction work in progress	14,331,995	43,477,668	29,075,184	86,884,847
Net utility plant after accumulated depreciation	\$193,927,199	\$282,571,872	\$271,301,555	\$747,800,626

**For comparison, the following is a summary of capital additions and retirements for Fiscal Year 2020:**

	<b>ELECTRIC</b>	<b>WATER</b>	<b>WASTEWATER</b>	<b>TOTAL</b>
Plant in service, beginning of year	\$146,515,473	\$173,382,665	\$144,140,551	\$464,038,690
Additions	20,633,676	11,090,009	11,741,172	43,464,857
Retirements	(6,384,327)	(2,704,317)	(2,361,824)	(11,450,468)
Depreciation/gain (loss) on sale of assets	(5,936,142)	(5,120,638)	(6,183,016)	(17,239,797)
Plant in service, end of year	\$154,828,680	\$176,647,718	\$147,336,884	\$478,813,282
Construction work in progress	21,118,949	62,284,976	81,856,052	165,259,977
Net utility plant after accumulated depreciation	\$175,947,629	\$238,932,694	\$229,192,936	\$644,073,259

**Fiscal Year 2019:**

	<b>ELECTRIC</b>	<b>WATER</b>	<b>WASTEWATER</b>	<b>TOTAL</b>
Plant in service, beginning of year	\$137,843,112	\$133,900,401	\$138,857,098	\$410,600,611
Additions	17,990,436	44,493,956	12,034,789	74,519,181
Retirements	(885,448)	(101,960)	(36,769)	(1,024,177)
Depreciation / Loss on Sale of Assets	(8,432,627)	(4,909,732)	(6,714,566)	(20,056,925)
Plant in service, end of year	\$146,515,473	\$173,382,665	\$144,140,551	\$464,038,690
Construction work in progress	14,010,456	21,971,054	46,452,889	82,434,399
Net Utility Plant After Accumulated Depreciation	\$160,525,929	\$195,353,719	\$190,593,439	\$546,473,089

**Additions to plant (excluding construction work in progress) in Fiscal Year 2021 were:**

Electric distribution system improvements	\$29,169,664
Water/wastewater distribution system enhancements and rehabilitation	138,572,367
Water/wastewater treatment equipment	20,722,027
Equipment, vehicles, furniture & fixtures	4,921,207
Other capital projects	13,709,399
<b>Total</b>	<b>\$207,094,664</b>

In Fiscal Year 2022, NBU has budgeted \$187.2 million of capital expenditures consisting of \$183.5 million in capital projects and \$3.7 million in capital equipment. It is anticipated that approximately 42 percent, or \$77.5 million, of the capital plan is projected to be financed with the issuance of new debt. Another \$75 million, or approximately 40 percent with commercial paper, and the remainder of the capital plan with revenues, impact fees, and contributions.

See Independent Auditors' Report.

**Total budgeted capital expenditures in Fiscal Year 2022 are as follows:**

Electric distribution system improvements and extensions	\$16,030,482
Electric substation improvements	8,892,010
Water/wastewater extensions and enhancements	14,398,310
Water plant improvements	34,850,320
Wastewater plant improvements	33,379,227
Other capital projects	75,905,974
Capital equipment	3,712,500
<b>Total</b>	<b>\$187,168,823</b>

Additional information on NBU's capital assets can be found in Note 3 on page 46 of this report.

**DEBT**

At fiscal year-end 2021, NBU's outstanding debt totaled \$303.9 million.

**The following summarizes the debt outstanding:****2021**

2004 Utility System Revenue Bonds-Capital Appreciation*	\$2,609,694
2015 Utility System Revenue Bonds	25,725,000
2016 Utility System Revenue and Refunding Bonds	58,095,000
2018 Utility System Revenue Bonds	39,140,000
2020 Utility System Refunding Bonds	85,215,000
2021 Utility System Refunding Bonds	68,250,000
Total Revenue Bonds	\$279,034,694
Unamortized net premiums	24,861,488
Net Debt	\$303,896,182

\*Includes accumulated accretion through July 31, 2021 as well as the current portion of debt outstanding.

At time of publication, NBU's revenue bonds were rated "AA" by Fitch Ratings, and "Aa1" by Moody's Investors Service, Inc, "A+" by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business.

Additional information on long-term debt can be found in Note 4 on page 48.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The objective of NBU's Fiscal Year 2022 Budget is to present a proactive plan that provides reliable and efficient electric, water, wastewater, and customer and community service to a growing customer base in a manner that protects people, property, and the environment while keeping costs at a prudent level. These factors were evaluated, and strategies were formulated to ensure all lines of business were self-supporting in the current economic environment.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of NBU's operations and finances to all those with an interest in the management of such. Any questions concerning this report or any requests for additional information should be addressed to the Chief Financial Officer at 263 E. Main Plaza, New Braunfels, Texas, 78130.

See Independent Auditors' Report.

## BASIC FINANCIAL STATEMENTS

*Statements of Net Position - July 31, 2021 and 2020*

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents - unrestricted	\$41,531,348	\$56,080,498
Investments	-	2,000,000
Accounts receivable-customers (net of allowances for uncollectables, \$293,925 for 2021 and \$213,258 for 2020)	21,655,779	28,322,205
Accounts receivable-other	11,954,444	12,431,933
Interest receivable	24,908	27,947
Inventory	2,730,310	2,592,817
Prepaid items	1,518,639	1,448,808
Generation and transmission cost recovery under-collection	35,794,318	-
Other current assets	14,750,624	7,048,575
Restricted assets:		
Cash and cash equivalents	16,659,729	7,803,888
Investments	6,989,117	2,513,438
<b>Total current assets</b>	<b>\$153,609,216</b>	<b>\$120,270,109</b>
<b>Noncurrent assets</b>		
Capital assets:		
Plant in service	\$950,454,203	\$746,436,084
Less accumulated depreciation	(289,538,425)	(267,622,802)
Construction in progress	86,884,847	165,259,978
Net capital assets	\$747,800,625	\$644,073,260
Other noncurrent assets:		
Investments:		
Restricted	\$3,995,457	\$6,000,586
Unrestricted	11,253,166	5,566,600
Regulatory asset - pension expense	1,376,227	2,752,454
Regulatory asset - mid-basin	1,484,667	893,395
Other noncurrent assets	5,050,197	3,575,896
Total other noncurrent assets	\$23,159,714	\$18,788,930
<b>Total noncurrent assets</b>	<b>\$770,960,339</b>	<b>\$662,862,190</b>
<b>Total assets</b>	<b>\$924,569,555</b>	<b>\$783,132,299</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferred outflows	\$5,332,804	\$4,079,186
<b>Total assets and deferred outflows of resources</b>	<b>\$929,902,359</b>	<b>\$787,211,485</b>

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



## Statements of Net Position - July 31, 2021 and 2020 (Continued)

	2021	2020
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	\$30,568,069	\$37,101,262
Consumer deposit payable	9,293,186	7,751,406
Compensated absences	1,608,456	1,430,990
Generation and transmission cost recovery over-collection	295,928	14,250,413
Commercial paper	15,250,000	250,000
Revolving notes payable	50,000,000	
Payable from restricted assets		
Accrued interest payable	924,702	718,820
Current portion of long term debt	6,155,000	5,030,000
<b>Total current liabilities</b>	<b>\$114,095,341</b>	<b>\$66,532,891</b>
<b>Noncurrent liabilities</b>		
Compensated absences	\$750,572	\$741,067
Long-term debt, net of premium and discount	297,741,182	226,500,833
Net pension liability	14,800,005	14,400,209
Contribution in aid of construction-refundable	1,009,039	47,700
<b>Total noncurrent liabilities</b>	<b>\$314,300,798</b>	<b>\$241,689,809</b>
<b>Total liabilities</b>	<b>\$428,396,139</b>	<b>\$308,222,700</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferred inflows	\$2,378,863	\$2,594,846
<b>NET POSITION</b>		
Net investment in capital assets	\$449,609,691	\$423,246,870
Restricted:		
Debt service	614,072	422,435
Impact fees	1,529,971	47,567
Unrestricted	47,373,622	52,677,067
<b>Total net position</b>	<b>\$499,127,357</b>	<b>\$476,393,939</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$929,902,359</b>	<b>\$787,211,485</b>

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

**Statements of Revenues, Expenses, and Changes in Net Position for the years ended July 31, 2021 and 2020**

	2021	2020
<b>OPERATING REVENUES</b>		
Electric services	\$190,290,315	\$133,028,571
Water services	24,486,239	23,268,330
Wastewater services	22,466,957	18,621,837
Transmission system	2,598,655	2,680,105
Miscellaneous fees and charges	1,975,289	2,064,679
Other operating revenues	2,260,174	1,521,734
<b>Total operating revenues</b>	<b>\$244,077,629</b>	<b>\$181,185,256</b>
<b>OPERATING EXPENSES</b>		
Purchased power	\$172,347,575	\$96,425,643
Purchased water	5,808,521	5,134,649
Transmission and distribution	7,217,550	9,521,186
Supply source	123,373	142,422
Pumping	1,941,342	1,921,059
Water treatment	7,917,661	7,090,869
Customer service	5,283,257	5,008,579
General and administrative	14,674,987	10,618,075
Depreciation and amortization	24,459,425	22,888,892
<b>Total operating expenses</b>	<b>\$239,773,691</b>	<b>\$158,638,436</b>
<b>Net operating income</b>	<b>\$4,303,938</b>	<b>\$22,546,820</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	\$236,496	\$1,051,801
Net increase in the fair value of investments	(319,776)	737,538
Interest and amortization expense	(8,650,186)	(7,378,437)
Intergovernmental expense	(8,612,231)	(8,143,911)
Gain (loss) on sale of assets	(324,089)	4,426,370
<b>Total nonoperating revenues (expenses)</b>	<b>\$(17,669,786)</b>	<b>\$(9,439,600)</b>
Income (loss) before contributions	\$(13,365,848)	\$13,107,220
<b>CAPITAL CONTRIBUTIONS</b>		
Impact fees	\$16,629,447	\$15,634,041
Services	2,239,608	2,500,832
Developer contributions	17,230,211	21,232,133
<b>Total capital contributions</b>	<b>\$36,099,266</b>	<b>\$39,367,006</b>
Change in net position	\$22,733,418	\$52,474,226
<b>Total net position - beginning of year</b>	<b>476,393,939</b>	<b>423,919,713</b>
<b>Total net position - end of year</b>	<b>\$499,127,357</b>	<b>\$476,393,939</b>

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

## Statements of Cash Flows for the years ended July 31, 2021 and 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments received from customers	\$236,210,184	\$165,392,262
Payments to suppliers for goods and services	(228,911,420)	(102,805,671)
Payments for salaries and benefits	(33,255,777)	(29,490,896)
<b>Net cash provided by operating activities</b>	<b>\$(25,957,013)</b>	<b>\$33,095,695</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to City of New Braunfels	\$(8,612,231)	\$(8,143,911)
<b>Net cash used by noncapital related financing activities</b>	<b>\$(8,612,231)</b>	<b>\$(8,143,911)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Transmission system fees	\$2,598,655	\$2,680,105
Impact and service fees	19,830,394	17,835,314
Acquisition and construction of capital assets	(116,445,455)	(102,549,541)
Proceeds from sale of assets	208,654	10,227,743
Proceeds from bond premium	10,698,996	11,785,430
Proceeds from long-term debt, commercial paper, and revolving notes payable issued	133,394,101	88,254,261
Debt issuance costs	(666,335)	(885,807)
Principal paid on bond and debt	(5,030,000)	(43,560,000)
Interest paid on bond and debt	(9,475,717)	(7,227,667)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>\$35,113,293</b>	<b>\$(23,440,162)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	\$12,517,454	\$28,950,000
Purchase of investments	(18,674,571)	(13,640,901)
Interest received	(80,241)	1,738,002
<b>Net cash provided (used) by investing activities</b>	<b>\$(6,237,358)</b>	<b>\$17,047,101</b>
<b>Net increase in cash and cash equivalents</b>	<b>\$(5,693,309)</b>	<b>\$18,558,723</b>
Cash and cash equivalents at beginning of period	\$63,884,386	\$45,325,663
<b>Cash and cash equivalents at end of period</b>	<b>\$58,191,077</b>	<b>\$63,884,386</b>

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

**Statements of Cash Flows for the years ended July 31, 2021 and 2020 (Continued)**

	2021	2020
<b>RECONCILIATION OF UTILITY OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$4,303,938	\$22,546,820
Depreciation	24,459,425	22,888,892
Transmission system fees	(2,598,655)	(2,680,105)
(Increase) decrease in assets:		
Generation and transmission cost recovery under-collection	(35,794,318)	-
Accounts receivable, customer and other	7,143,915	(18,492,980)
Inventory	(137,493)	(377,749)
Prepaid items	(69,831)	(906,105)
Regulatory asset	784,955	809,499
Other assets	(9,176,350)	28,070
Increase (decrease) in liabilities:		
Generation and transmission cost recovery over-collection	(13,954,485)	4,194,660
Accounts payable	(1,577,060)	3,438,924
Post retirement obligation	(1,069,805)	5,885
Customer deposits	1,541,780	1,185,431
Compensated absences	186,971	454,453
<b>Net cash provided by operating activities</b>	<b>\$(25,957,013)</b>	<b>\$33,095,695</b>

**SCHEDULE OF CASH AND CASH EQUIVALENTS**

Beginning of period:		
Unrestricted cash and cash equivalents	\$56,080,498	\$15,906,409
Restricted cash and cash equivalents-current	7,803,888	29,419,254
	<b>\$63,884,386</b>	<b>\$45,325,663</b>
End of period:		
Unrestricted cash and cash equivalents	\$41,531,348	\$56,080,498
Restricted cash and cash equivalents-current	16,659,729	7,803,888
	<b>\$58,191,077</b>	<b>\$63,884,386</b>

**NON-CASH INVESTING, CAPITAL, AND FINANCE ACTIVITIES**

Accretion of interest on capital appreciation bonds	\$144,101	\$154,261
Fair-value adjustment	\$(319,776)	\$737,538
Contributed electric, water, and sewer systems	\$17,230,211	\$21,232,133
Gain (loss) on sale of assets	\$(324,089)	\$4,426,370

The accompanying notes are an integral part of the financial statements

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Braunfels Utilities (NBU) is a municipally owned utility and is a component unit of the City. The financial statements of NBU are included in the City's Texas Annual Financial Report. The management and control of NBU's electric, water, and wastewater systems rests with the Board, pursuant to State law and by Charter of the City.

The financial statements of NBU have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. In addition, NBU complies with the uniform system of accounts under the Federal Power Act. The system of accounting, policies and regulations are as prescribed by the Federal Energy Regulatory Commission (FERC).

### A. Financial Reporting Entity

GASB Statement No. 61 – The Financial Reporting Entity: Omnibus – An amendment of GASB Statements No. 14 and No. 34 was issued in November 2010. It provides specific criteria for evaluating whether legally separate entities should be included as component units of the primary government.

NBU meets the criteria under GASB Statement No. 61 and is considered a component unit of the City.

### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

NBU reports financial information using accounting methods applicable to similar businesses in the private sector, or the accrual basis of accounting. The measurement focus is based on the determination of operating income, changes in net position, financial position, and cash flows. Revenues are recognized when earned, and expenses are recorded when a liability is incurred.

Proprietary funds, like NBU, distinguish operating revenues and expenses from non-operating revenues and expenses. Operating activities result from providing services in connection with NBU's principal ongoing operations. NBU's primary operating revenues include electric, water, and wastewater sales and services. Operating expenses include the cost of sales and services, general and administrative expenses, and depreciation expense. Non-operating revenues and expenses are all other activities not meeting the above definitions.

### C. Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position

#### 1. Deposits and Investments

NBU considers cash and cash equivalents to be cash, cash in demand accounts, and investments purchased with initial maturities of three months or less. When both restricted and unrestricted resources are available for use, it is NBU's policy to use restricted resources first, then unrestricted resources as they are needed.

The Board has approved an investment policy that conforms to Texas law governing and regulating the types of investments eligible for public funds, including but not limited to the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code.

Amounts recorded in the financial statements for investments are recorded at fair value.

NBU Investment Officers shall use any or all of the following authorized investment instruments consistent with governing law (Government Code 2256):

- A. Except as provided by Government Code 2256.009(b), the following are authorized investments:
  1. obligations, including letters of credit, of the United States or its agencies and instrumentalities;
  2. direct obligations of the State of Texas or its agencies and instrumentalities, rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent;



3. other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities; and
  4. direct obligations of the following United States agencies and instrumentalities: Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Bank, and the Federal Home Loan Mortgage Corporation.
- B. Certificate of Deposit or Share Certificate if the Certificate is issued by a depository institution that has its main office or branch office in the State of Texas and is:
1. guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, or
  2. secured by eligible collateral as listed in Section VI, provided that:
    - a. the funds are invested through a depository institution that has its main office or a branch office in Texas,
    - b. the depository institution arranges for the deposit of funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of NBU,
    - c. the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States,
    - d. the depository institution acts as custodian for NBU with respect to the certificates of deposit issued for the account of NBU, and
    - e. at the same time that the funds are deposited and the certificates of deposit are issued for the account of NBU, the depository institution receives an amount of deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the amount of the funds invested by NBU through the depository institution selected under B(2)(A) above.
- C. No load Money Market Mutual Funds as specified by Board approval provided the mutual fund:
1. must be registered and regulated by the Securities and Exchange Commission;
  2. provides NBU with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940; and
  3. complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C Section 80a-1 et seq.).

As provided under Section 2256.014(b) of the PFIA, investment in a no-load Money Market Mutual Fund is also authorized if the fund:

1. is registered and regulated by the Securities and Exchange Commission;
2. has an average weighted maturity of less than two years; and
3. either:
  - (A) has a duration of one year or more and is invested exclusively in obligations approved by the PFIA and this policy; or
  - (B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

However, NBU may not (a) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, or invest any portion of bond proceeds, reserves and other funds for debt service, in Mutual Funds described in section 2256.014(b); or (c) invest in funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one Mutual Fund in an amount that exceeds ten (10) percent of total assets of the Mutual Fund.

- D. Eligible specified investment pools (as permitted in the Public Funds Investment Act, Sec. 2256.016-2256.019) and as authorized by the Board. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. In order to be eligible, an investment pool must meet the following conditions:
  1. must be continuously rated no lower than AAA, AAA-m, or an equivalent rating by a national recognized rating agency with a weighted average maturity no greater than 90 days;
  2. a Public Fund Investment Pool created to function as a Money Market Mutual Fund must mark its portfolio to market daily, and to the extent reasonably possible, stabilize at a \$1.00 net asset value; the ratio of the fair value to book value of the fund must be maintained between 0.995 and 1.005; and
  3. the Pool must establish an advisory board composed of qualified members representing participants and non-participants pursuant to Sec.2256.016.
  - 4.a. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the Investment Officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:
    1. the types of investments in which money is allowed to be invested;
    2. the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
    3. the maximum stated maturity date any investment security within the portfolio has;
    4. the objectives of the pool;
    5. the size of the pool;
    6. the names of the members of the advisory board of the pool and the dates their terms expire;
    7. the custodian bank that will safekeep the pool's assets;
    8. whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
    9. whether the only source of payment is the assets of the pool at fair value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
    10. the name and address of the independent auditor of the pool;
    11. the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and
    12. the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

- b. To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the Investment Officer or other authorized representative of the entity:
  - 1. investment transaction confirmations; and
  - 2. a monthly report that contains, at a minimum, the following information:
    - i. the types and percentage breakdown of securities in which the pool is invested;
    - ii. the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
    - iii. the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
    - iv. the book value versus the fair value of the pool's portfolio, using amortized cost valuation;
    - v. the size of the pool;
    - vi. the number of participants in the pool;
    - vii. the custodian bank that is safekeeping the assets of the pool;
    - viii. a listing of daily transaction activity of the entity participating in the pool;
    - ix. the yield and expense ratio of the pool;
    - x. the portfolio managers of the pool; and
    - xi. any changes or addenda to the offering circular.

## 2. Receivables

Accounts receivable consist of billed but not collected utility services, sales of merchandise, jobbing, etc. and are shown net of an allowance for doubtful accounts. For fiscal years ended July 31, 2021 and 2020, the allowance was \$293,925 and \$213,258, respectively.

Other transactions that affect receivables are as follows:

Electric power, water, and wastewater that has been used by customers but not billed is accrued. The estimated unbilled services as of July 31, 2021 and 2020 were \$14.1 million and \$15.2 million respectively.

During fiscal year ended July 31, 2020, NBU completed the transaction for the sale of the service center facility in the amount of \$10,800,000 contributing to the larger accounts receivable-other account.

Power costs initially estimated for billing purposes and later adjusted to actual costs result in an amount that may be over- or under-collected each month. These over-collected amounts are presented as a current liability in generation and transmission cost recovery over-collection, and under-collected amounts are presented as a current asset in generation and transmission cost under-collection (please see Note 1-C-14 below).

## 3. Inventories and Prepaid Items

Inventory is valued at moving average cost, except for obsolete items, which have been written down to estimated salvage value. Inventory in the electric, water, and wastewater departments consists of parts and maintenance items. Other inventory represents office and janitorial supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

## 4. Other Assets

Other assets consist of prepayments for congestion revenue rights and collateral deposits held by Electric Reliability Council of Texas (ERCOT). In Fiscal Year 2021, NBU made a prepayment of \$10.0 million for collateral payment as performance assurance for the summer months, in particular August. Balances as of July 31, 2021 and 2020 are as follows:

	2021	2020
Congestion revenue rights - current	\$14,750,624	\$7,048,575
Congestion revenue rights - non-current	1,502,123	2,475,237
Collateral deposits - ERCOT-non-current	3,548,075	1,100,659
<b>Total</b>	<b>\$19,800,822</b>	<b>\$10,624,471</b>

## 5. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Certain proceeds and resources of NBU's revenue bonds, are classified as restricted assets on the Statement of Net Position, and their use is limited by applicable bond covenants. Impact fees are contributions and included as restricted assets to be used for specific purposes. These monies are maintained in separate accounts. Current liabilities payable from these restricted assets are also classified.

## 6. Capital Assets

Capital assets, including self-constructed assets, are valued at historical cost or estimated historical cost if actual historical cost was not available. Per NBU policy, all self-constructed assets are capitalized, and the capitalization threshold for purchased assets is \$10,000.

Depreciation is calculated using the straight-line method and is based on estimated useful lives of three to fifty years. Depreciation of capital assets is charged as an expense against the operations of the divisions. Accumulated depreciation is reported on the Statement of Net Position. The following estimated useful lives are used to compute depreciation:

ASSETS	YEARS
Structures	33-50
Electrical distribution/transmission facilities	13-33
Water pumping/treatment/transmission facilities	25-50
Wastewater pumping/treatment/transmission/collection facilities	25-40
Vehicles	5
Computer equipment	3
General equipment	10

## 7. Regulatory Asset

As a municipally owned utility, NBU's financial statements are prepared in accordance with GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, which allows for effects of the rate-making process be recorded in the financial statements. Accordingly, certain expenses that are normally reflected in Change in Net Position as incurred are recognized when included in rates and recovered from customers. Details of the account can be found in Note 7.

## 8. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time. Deferred outflows relate to the GASB Statement No. 68 pension liability. Details of the account are included in Note 6.

## 9. Accounts Payable and Other Current Liabilities

Accounts payable and other liabilities are comprised of costs incurred by NBU which have not yet been paid as of the fiscal year end, primarily consisting of purchased power costs.

## 10. Customer Deposits

NBU accrues a liability for all amounts deposited with NBU by customers as a security for the payment of bills.

## 11. Compensated Absences

There is a liability recorded on the Statement of Net Position for unpaid accumulated sick leave for those employees that are eligible for retirement under the presently adopted rules of Texas Municipal Retirement System (TMRS). All vacation pay is accrued when incurred.

## 12. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## 13. Contribution in Aid of Construction-Refundable

NBU entered into a refundable contribution in aid of construction (CIAC) agreement for electric services during Fiscal Year 2017. This agreement required the developer to pay CIAC up-front for residential electric service. The CIAC will be refunded periodically as permanent electric metered services are installed.

## 14. Generation and Transmission Cost Recovery Over-/Under-Collection

NBU applies a billing adjustment to electric sales for over-collection and/or under-collection of revenues. This is passed through to customers in future sales through an adjustment in the Generation Cost Recovery Factor (GCRF) and Transmission Cost Recovery Factor (TCRF) rates applied on energy usage. At July 31, 2021 and 2020, NBU under-collected by \$35,498,390 and over-collected by \$14,250,413, respectively.

## 15. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums are amortized over the life of the bonds using the straight line method.



## 16. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that future time. Deferred inflows relate to the GASB Statement No. 68 pension liability. Details of the account are included in Note 6.

## 17. Net Position

Net position comprises the various net earnings from operations, non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three categories:

**Net investment in capital assets** – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position** – consists of external constraints placed on net position used by creditors, grantors, contributors, or laws of regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Utility has \$2,144,043 and \$470,002 classified as restricted net position at July 31, 2021 and 2020, respectively.

**Unrestricted net position** – consists of all other net position that is not included in the other categories previously mentioned.

## 18. Capital Contributions

At times, cash and capital assets are contributed to NBU from customers, the City, or third parties. The value of property contributed to NBU is reported as revenue on the Statement of Revenues, Expenses, and Changes in Position.

NBU charges new water and wastewater customers an impact fee to connect to the system. Impact fees collected are recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position.

NBU charges new electric and water customers a fee to connect to utility lines should the customer elect not to hire an outside party to connect to the lines. These service fees are recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position.

## 19. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at year-end, as well as reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, allowance for doubtful accounts, realization of project development costs, pension liability, and other accounts. Actual results may differ from these estimates.

## 20. Effect of New Accounting Standards on Current and Future Period Financial Statements

GASB has approved Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, and Statement No. 91, *Conduit Debt Obligations*. When they become effective, application of these standards may restate portions of these financial statements.

GASB has approved Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plan-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and amends certain guidance included in GASB Statement No. 14, *The Financial Reporting*, and No. 84, *Fiduciary Activities*.



## NOTE 2. DEPOSITS AND INVESTMENTS

As of July 31, 2021, the carrying amount of NBU's deposits (checking accounts and money markets) was \$11,931,376. The balance per the bank at July 31, 2021 was \$13,830,454. As of July 31, 2020, the carrying amount of NBU's deposits (checking accounts and money markets) was \$23,501,361. The balance per the bank at July 31, 2020 was \$25,421,095. As of July 31, 2021, and 2020, the carrying amounts of NBU's certificates of deposit were \$0 and \$2,500,000, respectively. The entire balance was guaranteed by FDIC Insurance and pledged collateral of \$36,233,402 and \$44,353,384 held by NBU's agent bank in NBU's name for Fiscal Year 2021 and Fiscal Year 2020, respectively.

All NBU investments are valued at fair value, in accordance with GASB Statement No. 72, unless otherwise specified. At month end, quoted market prices are obtained from an independent third-party pricing service specializing in fixed income evaluation services used to determine an investment's fair value. Investment pools are adjusted to fair value at month end, according to the pool's reported Net Asset Value (NAV). A Public Fund Investment Pool created to function as a Money Market Mutual Fund must mark its portfolio to market daily, and to the extent reasonably possible, stabilize at a \$1.00 NAV; the ratio of the fair value to book value of the fund must be maintained between 0.995 and 1.005. The net change in the fair value of investments during Fiscal Year 2021 and Fiscal Year 2020 was a decrease of \$319,776 and increase of \$604,577 over the prior year, respectively.

All three investment pools (TexPool, TexSTAR, and Texas Daily) have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public fund investment pools and permit eligible governmental entities to join their funds in authorized investments. The fair value of the position in the investment pools is the same as the value of the pool shares. In accordance with GASB Statement No. 79, all investments are recorded at amortized cost without limitations or restrictions on withdrawals.

NBU's investments are required to be deposited under the terms of a depository contract. The depository bank deposits for safekeeping and trust with NBU's agent bank approved pledged securities in an amount sufficient to protect NBU funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

## *New Braunfels Utilities cash and investments as of July 31, 2021 are shown below:*

DEPOSIT/INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITY IN DAYS	PERCENT OF PORTFOLIO	RATING S&P
U.S. Agency Securities	\$12,993,481	740	16.16%	AA+
U.S. Treasuries	9,244,260	2161*	11.49%	
Demand deposit and money market	11,931,376	1	14.83%	
Pooled funds	46,259,701	1	57.52%	AAAM
Total Cash and Investments	<u>\$80,428,817</u>	199	<u>100.00%</u>	

### Classification

Cash and cash equivalents, unrestricted	\$41,531,348
Cash and cash equivalents, restricted	16,659,729
Investments, short-term unrestricted	-
Investments, short-term restricted	6,989,117
Investments, long-term restricted	3,995,457
Investments, long-term unrestricted	11,253,166
	<u>\$80,428,817</u>

\* Includes a \$5 million investment in the Community Assistance Fund having a remaining maturity of 8 years.

## *New Braunfels Utilities cash and investments as of July 31, 2020 are shown below:*

DEPOSIT/INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITY IN DAYS	PERCENT OF PORTFOLIO	RATING S&P
U.S. Agency Securities	\$6,000,586	1064	7.50%	AA+
U.S. Treasuries	7,580,038	2533*	9.48%	
Certificates of deposit	2,500,000	38	3.13%	
Demand deposit and money market	23,501,361	1	29.39%	AAAM
Pooled funds	40,383,025	1	50.50%	
Total Cash and Investments	<u>\$79,965,010</u>	325	<u>100.00%</u>	

### Classification

Cash and cash equivalents, unrestricted	\$56,080,498
Cash and cash equivalents, restricted	7,803,888
Investments, short-term unrestricted	2,000,000
Investments, short-term restricted	2,513,438
Investments, long-term restricted	6,000,586
Investments, long-term unrestricted	5,566,600
	<u>\$79,965,010</u>

\* Includes a \$5 million investment in the Community Assistance Fund having a remaining maturity of 9 years.

### Fair Value of Investments

Fair value is defined in GASB Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. Adjustments necessary to record NBU's investments at fair value are recorded in the Statement of Revenues, Expenses, and Changes in Net Position as increases or decreases in the fair value of investments. Fair values may have changed significantly after year end.

As a basis for considering market participant assumptions in fair value measurements, GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

**Level 1:**

Quoted prices for identical investments in active markets. Equity securities and U.S. Government Treasury securities are examples of Level 1 inputs.

**Level 2:**

Observable inputs other than quoted market prices. Government agency and mortgage-backed securities are examples of Level 2 inputs.

**Level 3:**

Unobservable inputs that reflect assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs. NBU's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels.

The valuation method used by NBU for recurring fair value measurements as of July 31, 2021 and 2020 is the matrix pricing technique, which uses interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and also considers the counterparty credit rating. There have been no changes in the methodologies used at July 31, 2021.

NBU's TexPool investments are reported at amortized cost.

### ***At July 31, 2021, NBU had the following recurring fair value measurements:***

	7/31/21	FAIR VALUE MEASUREMENTS USING	
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)
			SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments by fair value level			
Debt securities			
U.S. Agency Securities	\$12,993,481		\$12,993,481
U.S. Treasuries	9,244,260		\$9,244,260
Total investments measured at fair value	<u>\$22,237,741</u>		

**At July 31, 2019, NBU had the following recurring fair value measurements:**

	7/31/20	FAIR VALUE MEASUREMENTS USING		
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments by fair value level				
Debt securities				
U.S. Agency Securities	\$6,000,586		\$6,000,586	
U.S. Treasuries	7,580,038		\$7,580,038	
Total investments measured at fair value	\$13,580,624			

## A. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether NBU was exposed to the following specific investment risks at fiscal year-end 2021 and 2020, and if so, the reporting of certain related disclosures:

### 1. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. State law and NBU's policy place no limit on the amount NBU may invest in any one issuer. At fiscal year-end 2021 and 2020, NBU's portfolio was concentrated as follows:

ISSUER	INVESTMENT TYPE	PERCENTAGE OF PORTFOLIO 2021	PERCENTAGE OF PORTFOLIO 2020
Federal Farm Credit Bank	U.S. Agency Securities	27%	22%
Federal Home Loan Bank	U.S. Agency Securities	0%	0%
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	31%	0%
Federal National Mortgage Association	U.S. Agency Securities	0%	22%

### 2. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. State law dictates that in order to maintain eligibility to receive funds and invest funds on behalf of NBU, an investment pool must be continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized statistical rating organization (NRSRO). State law authorizes investments in obligations guaranteed by the U.S. government and does not require that these investments be rated. NBU's policy is to comply with state law. All of NBU's investments meet the State's requirements.

### 3. Custodial Credit Risk

For a deposit, custodial credit risk is the risk that, in the event of the failure of a depository institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in NBU's name.





For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, NBU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. NBU's Investment Policy requires that securities be registered in the name of NBU. All safekeeping receipts for investment instruments are held in accounts in NBU's name, and all securities are registered in the name of NBU.

Therefore, at July 31, 2021 and 2020, \$0 of NBU's deposits and investments were exposed to custodial credit risk.

#### **4. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NBU manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, NBU manages its interest rate risk by limiting the weighted average maturity and weighted average maturity to first call date of its investment portfolio to a maximum of 450 days and 300 days, respectively. The maximum allowable stated maturity of any one individual investment owned by NBU shall not exceed five years from the time of purchase (with the exception of ten-year maturity solely for investments made pursuant to NBU's Community Assistance Fund). The Board may specifically authorize a longer maturity for a given investment, within legal limits.

At fiscal year-end 2021 and 2020, NBU's exposure to interest rate risk is summarized in the above tables, as indicated in the weighted average maturity

#### **5. Foreign Currency Risk**

Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. At July 31, 2021 and 2020, NBU was not exposed to foreign currency risk.

## NOTE 3. CAPITAL ASSETS

*Capital asset activity for Fiscal Year 2021 was as follows:*

	BALANCE AUGUST 1, 2020	ADDITIONS	RECLASSES AND RETIREMENTS	BALANCE JULY 31, 2021
<b>CAPITAL ASSETS NOT BEING DEPRECIATED:</b>				
Land-electric	\$5,460,939	\$170,800	\$-	\$5,631,739
Land and water rights-water	18,109,061	3,276,092	-	21,385,153
Land-wastewater	5,152,156	6,545,264	-	11,697,420
Land-general	258,883	-	-	258,883
Construction in progress	165,259,978	128,719,532	(207,094,664)	86,884,847
Total capital assets not being depreciated	\$194,241,017	\$138,711,688	\$(207,094,664)	\$125,858,041
<b>CAPITAL ASSETS BEING DEPRECIATED:</b>				
Buildings and structures-electric	\$18,757,626	\$-	\$-	\$18,757,626
Buildings and structures-water	12,493,679	15,572,288	-	28,065,967
Buildings and structures-wastewater	31,974,712	30,685,623	-	62,660,335
Buildings and structures-other	4,523,107	9,688,479	-	14,211,585
Electric transmission/distribution	232,159,656	28,998,863	(2,221,644)	258,936,876
Wells & springs	1,926,640	97,099	-	2,023,739
Pumping equipment	22,603,938	3,923,821	-	26,527,759
Water/wastewater treatment equipment	46,397,846	20,722,027	-	67,119,873
Water/wastewater transmission/distribution	301,186,518	82,493,102	(692,197)	382,987,422
Equipment, vehicles, furniture & fixtures	45,431,324	4,921,207	(162,703)	50,189,828
Total capital assets not being depreciated	\$717,455,045	\$197,102,509	\$(3,076,544)	\$911,481,010
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
Buildings and structures-electric	\$12,490,104	\$367,244	\$-	\$12,857,348
Buildings and structures-water	7,747,158	459,998	-	8,207,157
Buildings and structures-wastewater	8,576,738	830,423	-	9,407,161
Buildings and structures-other	2,780,394	119,217	-	2,899,611
Electric transmission/distribution	95,853,279	8,702,566	(2,045,694)	102,510,152
Wells & springs	541,745	44,924	-	586,669
Pumping equipment	4,040,361	737,745	-	4,778,106
Water/wastewater treatment equipment	10,744,112	1,583,165	-	12,327,277
Water/wastewater transmission/distribution	93,222,261	9,012,658	(335,405)	101,899,514
Equipment, vehicles, furniture & fixtures	31,626,650	2,601,483	(162,704)	34,065,429
Total accumulated depreciation	\$267,622,802	\$24,459,425	\$(2,543,802)	\$289,538,425
Total capital assets, net	\$644,073,260	\$311,354,771	\$(207,627,406)	\$747,800,626

**Capital asset activity for Fiscal Year 2020 was as follows:**

	BALANCE AUGUST 1, 2019	ADDITIONS	RECLASSES AND RETIREMENTS	BALANCE JULY 31, 2020
<b>CAPITAL ASSETS NOT BEING DEPRECIATED:</b>				
Land-electric	\$3,685,464	\$1,775,475	\$-	\$5,460,939
Land and water rights-water	18,109,061	-	-	18,109,061
Land-wastewater	5,152,156	-	-	5,152,156
Land-general	846,784	-	(587,901)	258,883
Construction in progress	82,434,399	126,290,437	(43,464,857)	165,259,978
Total capital assets not being depreciated	\$110,227,864	\$128,065,911	\$(44,052,758)	\$194,241,017
<b>CAPITAL ASSETS BEING DEPRECIATED:</b>				
Buildings and structures-electric	\$18,757,626	\$-	\$-	\$18,757,626
Buildings and structures-water	12,493,679	-	-	12,493,679
Buildings and structures-wastewater	31,974,712	-	-	31,974,712
Buildings and structures-other	12,844,064	-	(8,320,957)	4,523,107
Electric transmission/distribution	217,453,955	16,806,997	(2,101,296)	232,159,656
Wells & springs	1,551,126	375,514	-	1,926,640
Pumping equipment	22,243,999	359,938	-	22,603,938
Water/wastewater treatment equipment	46,244,624	153,222	-	46,397,846
Water/wastewater transmission/distribution	281,240,546	19,996,819	(50,847)	301,186,518
Equipment, vehicles, furniture & fixtures	41,823,899	3,996,892	(389,466)	45,431,324
Total capital assets not being depreciated	\$686,628,230	\$41,689,382	\$(10,862,567)	\$717,455,045
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
Buildings and structures-electric	\$12,116,832	\$373,272	\$-	\$12,490,104
Buildings and structures-water	7,418,474	328,684	-	7,747,158
Buildings and structures-wastewater	7,808,984	767,754	-	8,576,738
Buildings and structures-other	5,879,032	289,137	(3,387,775)	2,780,394
Electric transmission/distribution	89,635,682	8,137,936	(1,920,339)	95,853,279
Wells & springs	507,817	33,928	-	541,745
Pumping equipment	3,331,823	708,538	-	4,040,361
Water/wastewater treatment equipment	9,228,824	1,515,288	-	10,744,112
Water/wastewater transmission/distribution	84,934,595	8,319,517	(31,851)	93,222,261
Equipment, vehicles, furniture & fixtures	29,520,942	2,414,838	(309,130)	31,626,650
Total accumulated depreciation	\$250,383,005	\$22,888,892	\$(5,649,095)	\$267,622,802
Total capital assets, net	\$546,473,089	\$146,866,401	\$(49,266,230)	\$644,073,260

**Depreciation expense for Fiscal Years 2021 and 2020 was charged as follows:**

	2021	2020
Electric	\$10,298,835	\$9,801,862
Water	6,482,470	5,992,802
Wastewater	7,678,120	7,094,228
Total depreciation expense	\$24,459,425	\$22,888,892

## NOTE 4. LONG-TERM DEBT

### CHANGES IN LONG-TERM DEBT FOR FISCAL YEAR 2021 ARE AS FOLLOWS:

	ORIGINAL AMOUNT	RATE	AMOUNT OUTSTANDING JULY 31, 2020	ADDITIONS	RETIREMENTS	AMOUNT OUTSTANDING JULY 31, 2021	AMOUNT DUE WITHIN ONE YEAR
2004 Utility System Revenue Bonds-Capital Appreciation	\$2,572,596	3.10% - 5.16%*	\$1,241,326	\$-	\$(157,322)	\$1,084,004	\$147,475
2012 Utility System Revenue and Refunding Bonds	\$26,870,000	2.0% - 4.0%	25,945,000	-	(220,000)	25,725,000	270,000
2015 Utility System Revenue Bonds	\$62,235,000	2.0% - 5.0%	58,915,000	-	(820,000)	58,095,000	830,000
2016 Utility System Revenue and Refunding Bonds	\$45,200,000	2.0% - 5.0%	40,880,000	-	(1,740,000)	39,140,000	1,715,000
2018 Utility System Revenue Bonds	\$88,100,000	3.0% - 5.0%	87,100,000	-	(1,885,000)	85,215,000	1,975,000
2020 Utility System Refunding Bonds	\$68,250,000	3.0% - 5.0%	-	68,250,000	-	68,250,000	1,000,000
Subtotal			\$214,081,326	\$68,250,000	\$(4,822,322)	\$277,509,004	\$5,937,475
Accretion of interest on Capital Appreciation Bonds			1,589,267	144,101	(207,678)	1,525,691	217,525
			\$215,670,593	\$68,394,101	\$(5,030,000)	\$279,034,694	\$6,155,000
Less current portion						(6,155,000)	
Unamortized net premiums						24,861,488	
Net long-term debt						\$297,741,182	

\*Capital Appreciation Bonds do not pay periodic interest. Rates are stated in the yields to maturity.

### CHANGES IN LONG-TERM DEBT FOR FISCAL YEAR 2020 ARE AS FOLLOWS:

	ORIGINAL AMOUNT	RATE	AMOUNT OUTSTANDING JULY 31, 2019	ADDITIONS	RETIREMENTS	AMOUNT OUTSTANDING JULY 31, 2020	AMOUNT DUE WITHIN ONE YEAR
2004 Utility System Revenue Bonds-Capital Appreciation	\$2,572,596	3.10% - 5.16%*	\$1,411,152	\$-	\$(169,826)	\$1,241,326	\$157,322
2012 Utility System Revenue and Refunding Bonds	\$23,940,000	2.0% - 4.0%	19,690,000	-	(19,690,000)	-	-
2015 Utility System Revenue Bonds	\$26,870,000	2.0% - 4.0%	26,170,000	-	(225,000)	25,945,000	220,000
2016 Utility System Revenue and Refunding Bonds	\$62,235,000	2.0% - 5.0%	59,675,000	-	(760,000)	58,915,000	820,000
2018 Utility System Revenue Bonds	\$45,200,000	2.0% - 5.0%	42,395,000	-	(1,515,000)	40,880,000	1,740,000
2020 Utility System Refunding Bonds	\$88,100,000	3.0% - 5.0%	-	88,100,000	(1,000,000)	87,100,000	1,885,000
Subtotal			\$149,341,152	\$88,100,000	\$(23,359,826)	\$214,081,326	\$4,822,322
Accretion of interest on Capital Appreciation Bonds			1,635,180	154,261	(200,174)	1,589,267	207,678
			\$150,976,332	\$88,254,261	\$(23,560,000)	\$215,670,593	\$5,030,000
Less current portion						(5,030,000)	
Unamortized net premiums						15,860,240	
Net long-term debt						\$226,500,833	

\*Capital Appreciation Bonds do not pay periodic interest. Rates are stated in the yields to maturity.

### THE ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY FOR ALL OUTSTANDING BONDED DEBT ARE AS FOLLOWS:

YEAR ENDING JULY 31	PRINCIPAL	INTEREST	TOTAL
2022	\$6,155,000	\$11,112,831	\$17,267,831
2023	5,400,398	10,863,031	\$16,263,429
2024	6,399,416	10,635,481	\$17,034,897
2025	6,544,346	10,371,731	\$16,916,077
2026	6,795,703	10,087,781	\$16,883,484
2027-2031	38,589,831	45,583,106	\$84,172,937
2032-2036	45,490,000	37,124,163	\$82,614,163
2037-2041	52,850,000	27,863,631	\$80,713,631
2042-2046	61,800,000	17,346,744	\$79,146,744
2047-2051	49,010,000	5,149,600	\$54,159,600
Total	\$279,034,694	\$186,138,099	\$465,172,793

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are refunded, retired or defeased. Principal and interest paid for Fiscal Year 2021 and Fiscal Year 2020 were \$13,648,981 and \$10,687,250, respectively. Total net revenues as defined for the same periods were \$47,771,115 and \$64,509,448. Annual principal and interest payments are expected to require 23 percent of net revenues on average.

*Utility System Revenue Refunding Bonds, Series 2021.* On July 14, 2021, bonds in the amount of \$68,250,000 were issued at an average interest rate of 3.86 percent for the refunding of \$74,750,000 of outstanding Series 2019A Commercial Paper Notes having a maturity of July 15, 2021. The bond ordinance contains a provision that in an event of default the holder of any of the bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City Council and other officers of the City to observe and perform any covenant, condition or obligation prescribed in the ordinance.

*Utility System Program Notes, Taxable Series 2021.* On March 8, 2021, the New Braunfels City Council adopted an ordinance authorizing the issuance of up to \$100,000,000 in revolving notes payable. The current ordinance allows for the issuance of revolving notes payable to provide interim financing to pay project costs for eligible projects. As of July 31, 2021, NBU had \$50,000,000 in unused revolving notes capacity.

The revolving credit agreement contains (1) a provision that in an event of default, the bank may declare the principal of and interest on the notes, loan note and any and all other obligations to the bank thereunder to be due and payable and (2) a provision that in an event of default, the commitment may be immediately terminated, and the bank shall have no obligation to purchase the notes. The revolving credit agreement also contains a subjective acceleration clause that includes the right to declare the loan note and amounts due under the revolving credit agreement due as a result of certain events of default.

### **Fiscal Year 2021**

*Issuances:* NBU issued a total of \$50,000,000 in taxable notes during the year ended July 31, 2021 to pay power costs.

*Reductions:* NBU did not recognize reductions related to the taxable notes during the year ended July 31, 2021.

At July 31, 2021, \$50,000,000 of taxable notes were outstanding. The interest rate on the taxable notes outstanding at July 31, 2021 was 1.28 percent with a maturity of 32 days.

*Commercial Paper.* NBU maintains a commercial paper program to provide tax-exempt financing for capital expenditures. On March 25, 2019, the New Braunfels City Council adopted an ordinance authorizing the issuance of up to \$75,000,000 in tax-exempt commercial paper notes. The current ordinance allows for the issuance of two separate series of commercial paper notes to provide funding to assist in the interim financing of eligible capital improvement projects. In the aggregate, the Series 2019A and Series 2019B commercial paper notes provide \$75,000,000 in interim financing. On July 14, 2021, NBU issued \$68,250,000 Utility System Revenue Refunding Bonds, Series 2021, which refunded \$74,750,000 in outstanding commercial paper notes. As of July 31, 2021, NBU had \$59,750,000 in unused commercial paper capacity.

The revolving credit agreement contains (1) a provision that in an event of default, the bank may declare the principal of and interest on the notes, loan note and any and all other obligations to the bank thereunder to be due and payable and (2) a provision that in an event of default, the commitment may be immediately terminated, and the bank shall have no obligation to purchase the notes. The revolving credit agreement also contains a subjective acceleration clause that includes the right to declare the loan note and amounts due under the revolving credit agreement due as a result of certain events of default.

### **Fiscal Year 2021**

*Issuances:* NBU issued a total of \$89,750,000 in commercial paper notes during the year ended July 31, 2021 to fund capital improvement projects.

*Reductions:* NBU refunded a total of \$74,750,000 in commercial paper notes during the year ended July 31, 2021. The commercial paper notes were refunded by the \$68,250,000 Utility System Revenue Bonds, Series 2021.

At July 31, 2021, \$15,250,000 of commercial paper notes were outstanding, with \$15,000,000 outstanding under the Series 2019A notes and \$250,000 outstanding under the Series 2019B notes. The interest rate on the Series 2019A notes outstanding at July 31, 2021 was 0.10 percent with a maturity of 61 days. The interest rate on the Series 2019B notes outstanding at July 31, 2021 was 1.26 percent with a maturity of 32 days.



## NOTE 5. INTERGOVERNMENTAL EXPENSE

NBU is a semiautonomous entity with a Board of Trustees that is responsible for its operations. The Board is appointed by the City Council.

The Board may authorize NBU to transfer annual payments to the General Fund of the City payable in monthly installments. The calculation is based on a rolling three-year average of electric, water, and sewer operating revenues. The formula percentage is 7.45 percent for electric, 4.35 percent for water, and 4.35 percent for wastewater. The amount is limited to income before extraordinary items less bond principal and any future bond reserve or contingency requirements. These monies can be transferred only if such funds are available after meeting the needs of properly operating and maintaining the system and fulfilling all bonded debt requirements (see Note 4).

## NOTE 6. RETIREMENT SYSTEM

### Defined Benefit Pension Plan

#### A. Plan Description

NBU participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available ACFR that can be obtained online at [www.tmr.com](http://www.tmr.com). All eligible employees of NBU are required to participate in TMRS.

#### B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the Board, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and NBU-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefits as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member's deposits and interest.



**Employees covered by benefit terms**

***At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:***

Inactive employees or beneficiaries currently receiving benefits	133
Inactive employees entitled to, but not yet receiving benefits	92
Active Employees	322
<b>Total Covered Employees</b>	<b>547</b>

***At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:***

Inactive employees or beneficiaries currently receiving benefits	128
Inactive employees entitled to, but not yet receiving benefits	85
Active Employees	306
<b>Total Covered Employees</b>	<b>519</b>

**C. Contributions**

The contribution rates for employees in TMRS are either 5, 6, or 7 percent of employee gross earnings, and the city matching percentages are either 100, 150, or 200 percent, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of NBU were required to contribute 7 percent of their annual gross earnings during the fiscal year. The contribution rates for NBU were 18.02 percent and 17.37 percent in calendar years 2021 and 2020, respectively. NBU's contributions to TMRS for the years ended July 31, 2021 and 2020 were \$4,371,468 and \$3,776,143, respectively, and were equal to the required contributions.

**D. Net Pension Liability**

NBU's Net Pension Liability (NPL) was measured as of December 31, 2020 and 2019, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

**Actuarial Assumptions:**

***The TPL in the December 31, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions:***

ASSUMPTION	DECEMBER 31, 2020	DECEMBER 31, 2021
Inflation	2.5% per year	2.5% per year
Overall payroll growth	2.75% per year	2.75% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future Mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables are used with slight adjustments.

Actuarial assumptions used in the December 31, 2020 and 2019 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension 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 pension 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

***The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:***

ASSET CLASS	TARGET	DECEMBER 31, 2018
Domestic Equity	30.0%	5.00%
Core Fixed Income	20.0%	1.25%
Non-Core Fixed Income	10.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

## Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75 percent. The projection of cash flows used to determine the discount rate assured that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

**Changes in Net Pension Liability**  
**December 31, 2020 Actuarial Valuation**

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (A)	PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A)-(B)
Balance at December 31, 2019	\$97,842,729	\$83,442,519	\$14,400,210
Changes for the year:			
Service Cost	4,031,193	-	4,031,193
Interest	6,625,838	-	6,625,838
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,586,860	-	1,586,860
Changes of assumptions	-	-	-
Contributions - employer	-	3,946,380	(3,946,380)
Contributions - employee	-	1,604,227	(1,604,227)
Net investment income	-	6,336,072	(6,336,072)
Benefit payments, including refunds of employee contributions	(3,395,518)	(3,395,518)	-
Administrative expense	-	(40,984)	40,984
Other changes	-	(1,599)	1,599
Net changes	\$8,848,373	\$8,448,578	\$399,795
Balance at December 31, 2020	\$106,691,102	\$91,891,097	\$14,800,005

**Changes in Net Pension Liability**  
**December 31, 2019 Actuarial Valuation**

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (A)	PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A)-(B)
Balance at December 31, 2018	\$90,601,592	\$71,320,004	\$19,281,588
Changes for the year:			
Service Cost	3,421,658	-	3,421,658
Interest	6,104,485	-	6,104,485
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,260,367	-	1,260,367
Changes of assumptions	205,839	-	205,839
Contributions - employer	-	3,502,065	(3,502,065)
Contributions - employee	-	1,407,263	(1,407,263)
Net investment income	-	11,028,572	(11,028,572)
Benefit payments, including refunds of employee contributions	(3,751,212)	(3,751,212)	-
Administrative expense	-	(62,302)	62,302
Other changes	-	(1,871)	1,871
Net changes	\$7,241,137	\$12,122,515	\$(4,881,378)
Balance at December 31, 2019	\$97,842,729	\$83,442,519	\$14,400,209

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Net Pension Liability of NBU, calculated using the discount rate that was included in the actuarial valuation, as well as what NBU's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

## December 31, 2020 Actuarial Valuation Date:

	1% DECREASE IN DISCOUNT RATE (5.75%)	DISCOUNT RATE (6.75%)	1% INCREASE IN DISCOUNT RATE (7.75%)
NBU's Net Pension Liability	\$30,512,819	\$14,800,005	\$1,933,062

## December 31, 2019 Actuarial Valuation Date:

	1% DECREASE IN DISCOUNT RATE (5.75%)	DISCOUNT RATE (6.75%)	1% INCREASE IN DISCOUNT RATE (7.75%)
NBU's Net Pension Liability	\$28,647,370	\$14,400,209	\$2,718,805

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained online at [www.tmrs.com](http://www.tmrs.com).

### E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended July 31, 2021 and 2020, NBU recognized pension expense of \$4,640,790 and \$5,158,258, respectively.

## At July 31, 2021, NBU reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience - Inflows	-	\$4,745
Differences between expected and actual economic experience - Outflows	\$2,594,135	-
Changes in actuarial assumptions	\$135,347	-
Difference between projected and actual investment earnings	\$-	\$2,374,118
Contributions subsequent to the measurement date (December 31, 2020)	\$2,603,321	-
Total	\$5,332,803	\$2,378,863

## At July 31, 2020, NBU reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience - Inflows	-	\$44,749
Differences between expected and actual economic experience - Outflows	\$1,671,424	-
Changes in actuarial assumptions	\$192,429	-
Difference between projected and actual investment earnings	-	\$2,550,097
Contributions subsequent to the measurement date (December 31, 2019)	\$2,215,333	-
Total	\$4,079,186	\$2,594,846

NBU contributions of \$2,603,321 made subsequent to the measurement date of December 31, 2020, as shown in the table above, are included as part of pension deferred outflows in the Statement of Net Position. These contributions will be recognized as a reduction of the net pension liability for the year ending July 31, 2022. The remaining net amount of \$350,619 is comprised of the difference between (i) the deferred outflows of resources of \$2,729,482 consisting of the difference between expected and actual economic experience and (ii) deferred inflows of \$2,378,863 resulting from differences between projected and actual investment earnings. This amount will be recognized in pension expense as follows:

YEAR ENDED JULY 31:	
2021	\$(182,807)
2022	\$720,645
2023	(\$779,225)
2024	\$336,406
2025	\$255,600
Total	\$350,619

### Supplemental Death Benefits Fund

NBU also participates in the cost sharing multi-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). NBU elected, by ordinance, to provide group life insurance coverage to both current and retired employees. NBU may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

**Benefits** - The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB.

**Contributions** - NBU contributes to the SDBF at a contractually required contribution rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

NBU's contributions for 2021, 2020, and 2019 were \$38,390, \$37,507, and \$31,250, respectively, and equaled the required contributions for those years.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions was deemed not material and has no impact on NBU's financial reporting.

## NOTE 7. REGULATORY DEFERRAL

NBU has taken regulatory action that results in a difference between the recognition of expense for rate-making purposes and the treatment under generally accepted accounting principles for non-regulated entities (see Note 1). As the rate-setting body, City Council must approve the use of each regulatory action.

### Pension Expense

NBU established a regulatory asset for costs incurred in changing the pension plan employer match from 1.5 to 2.0. The one-time charge for the plan change was \$6,881,135. The regulatory asset is amortized through July 31, 2022. As of July 31, 2021, and 2020, the regulatory asset balance was \$1,376,227 and \$2,752,454, respectively.

### Mid-Basin Project

NBU established a regulatory asset for expenses associated with the Guadalupe-Blanco River Authority (GBRA) Mid-Basin Project. As of July 31, 2021, and 2020, the regulatory asset balance was \$1,484,667 and \$893,395, respectively. NBU will begin amortization of the regulatory asset over a 10-year period when the project is complete and water is available for delivery. The project is estimated to be complete in fiscal year 2023.

## NOTE 8. COMPENSATED ABSENCES

NBU employees can earn up to 20 working days of vacation per calendar year depending on years of service. Unused vacation may be carried over from one year to the next limited to the amount earned and unused in the present year. Vacation time may not be converted except upon cessation of employment in good standing.

NBU employees earn 3.69 hours of sick leave for each pay period. Employees may accumulate unused hours of sick leave at a rate of 96 hours per year up to a maximum of 480 hours for use in future years. Each year in January, qualifying employees will be compensated at their base rate of pay for accrued and unused hours of sick pay in excess of 480 hours up to a maximum of 96 hours. An employee who leaves in good standing may be eligible to be compensated for all accrued and unused sick leave. In order to be eligible for compensation of sick leave upon cessation of employment, an employee must leave in good standing and be eligible for retirement under the presently adopted rules of TMRS.

NBU employees, after successfully completing their orientation period, will be credited with 24 hours of personal leave. Full time employees will be credited with 24 hours of personal leave on their employment anniversary date. In order to be eligible for compensation of personal leave upon cessation of employment, an employee must leave in good standing and be eligible for retirement under the presently adopted rules of TMRS.





***The total accrued liability for compensated absences as of July 31, 2021 is as follows:***

	BALANCE AUGUST 1, 2020	EARNED IN FISCAL YEAR 2021	UTILIZED IN FISCAL YEAR 2021	BALANCE AT JULY 31, 2021	DUE WITHIN ONE YEAR
Vacation Leave	\$1,003,134	\$609,164	\$454,309	\$1,157,989	\$1,157,989
Sick Leave	741,067	165,959	156,454	750,572	-
Personal Leave	24,256	122,693	124,105	22,844	22,844
Worker's Compensation	403,600	304,349	280,326	427,623	427,623
Total	\$2,172,057	\$1,202,165	\$1,015,194	\$2,359,028	\$1,608,456

***The total accrued liability for compensated absences as of July 31, 2020 is as follows:***

	BALANCE AUGUST 1, 2019	EARNED IN FISCAL YEAR 2020	UTILIZED IN FISCAL YEAR 2020	BALANCE AT JULY 31, 2020	DUE WITHIN ONE YEAR
Vacation Leave	\$788,364	\$616,632	\$401,862	\$1,003,134	\$1,003,134
Sick Leave	592,824	327,413	179,170	741,067	-
Personal Leave	12,792	101,600	90,136	24,256	24,256
Worker's Compensation	323,624	273,233	193,257	403,600	403,600
Total	\$1,717,604	\$1,318,878	\$864,425	\$2,172,057	\$1,430,990

**NOTE 9. OPERATING LEASE**

NBU has an operating lease with the Lower Colorado River Authority (LCRA) to lease certain transmission assets to LCRA. Payments for the lease facilities are based on the original cost of the facilities, adjusted for depreciation, and are updated annually to reflect additions, retirements, and depreciation. The terms of the leases are perpetual, but may be terminated by either party upon five years written notice. On March 30, 2017, LCRA and NBU executed a Memorandum of Agreement (MOA) to terminate the lease effective on March 31, 2022. The MOA outlines a lease payment freeze that reverts the lease payments to the lease asset value as of NBU's Transmission Cost of Service (TCOS) rate case dated July 7, 2014. The compensable lease asset value at that time was \$10,992,460, which equates to lease revenue of \$855,667 per year. Lease revenues were \$855,667 and \$926,972 in Fiscal Year 2021 and Fiscal Year 2020, respectively. The receipts for Fiscal Year 2022 are expected to be \$855,667.

**NOTE 10. RISK MANAGEMENT**

NBU is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. NBU participates in a risk pool with other municipal entities to cover such risks of loss. There has not been a significant reduction in insurance coverage during Fiscal Year 2021 and 2020 in any risk category.

As of January 1, 2015, NBU pays medical health care benefits claim costs up to the first \$70,000 ("stop loss limit") per covered individual for the plan year.

NBU reported a claims liability of \$76,651 and \$48,575 at July 31, 2021 and 2020, respectively, based on the requirements of GASB Statement No. 10. The claims liability is included in Accounts payable and other current liabilities on the Statement of Net Position.

***The following is the claims liability schedule for the respective fiscal years:***

	BEGINNING BALANCE	CLAIMS INCURRED	PAYMENTS ON CLAIMS	ENDING BALANCE
2019	\$72,024	\$2,755,384	\$2,802,319	\$25,089
2020	\$25,089	\$2,232,053	\$2,208,567	\$48,575
2021	\$48,575	\$2,363,722	\$2,335,647	\$76,651

**NOTE 11. COMMITMENTS AND CONTINGENCIES****Purchased Power Contracts**

In 2014, NBU executed a power purchase agreement (PPA) with Javelina Wind Energy, LLC (Javelina), an indirect subsidiary of NextEra Energy, Inc., for Javelina to provide 50 MW of electricity for 20 years from the commercial commencement of the project, which began in December 2015. The source of this electricity is from a nameplate capacity 250 MW wind energy farm located approximately 35 miles east of Laredo, Texas in Webb County. This agreement represents approximately 10 percent of NBU's purchase power portfolio. Power purchased through the Javelina PPA totaled \$4,047,261 and \$5,501,388 for Fiscal Year 2020 and 2019, respectively.

In 2018, NBU executed two additional PPAs with ENGIE Long Draw Solar, LLC (Long Draw) and Concho Bluff, LLC (Greasewood) to provide 100 MW of electricity and 50 MW of electricity for 15 years from the commercial commencement of the projects respectively. Commercial commencement of Long Draw began in December 2020 and of Greasewood in February 2021. Long Draw's energy is sourced from a nameplate capacity of 225 MW solar energy farm located in Borden County, Texas. Greasewood's energy is sourced from a nameplate capacity of 255 MW solar energy farm located in Pecos County, Texas. Combined, these projects will represent approximately 19 percent of NBU's purchase power portfolio by 2022.

NBU has executed power contracts with multiple counterparties over various terms, generally one to three years, excluding the Javelina wind, Long Draw solar, and Greasewood solar power contracts described above. NBU is continually reviewing the feasibility of additional credit quality counterparties and is in the process of increasing the number of master enabling agreements with such counterparties in order to take advantage of market and pricing opportunities as they arise and to bolster its diversification of power supply sources.

To minimize power portfolio risk, the NBU Board has approved a Credit Risk Policy and an Energy Risk Policy to provide appropriate guidelines in managing NBU's power portfolio.

As of July 31, 2021, NBU has executed forward physical power contracts intended to hedge price volatility in its power supply portfolio through 2023. All non PPA power contracts are intended to cover native load requirements and are considered normal purchases and sales which don't require recognition at fair value under GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Additional portfolio hedges are added over time as near-term hedges expire.

As of July 31, 2021, NBU's forward physical contracts through 2023 reflected an underlying fair value (unfavorable) that was within 3 percent of total expected power costs through 2023.

***NBU's estimated payments for purchased power for 2022 through 2023, undiscounted, are as follows:***

YEARS ENDING JULY 31	ESTIMATED PAYMENTS
2022	\$16,431,894
2023	3,809,284

**Guadalupe-Blanco River Authority Mid-Basin**

On February 6, 2018, NBU executed a contract with the Guadalupe-Blanco River Authority (GBRA) for the Gonzales Carrizo Water Supply Project. GBRA has leased the right to produce groundwater from 42,000 acres located in Gonzales and Caldwell counties, Texas, which NBU has contracted to purchase 8,000 acre-feet per year. For NBU to obtain the water, GBRA will contract with Alliance Regional Water Authority to jointly construct groundwater treatment and transportation facilities. Construction is expected to be completed in 2023. NBU will be responsible for paying its proportionate share of the water lease payments, debt payments, and operating expenses. During Fiscal Year 2021, the water lease payments were the only portion of the project that was incurred. Details of the regulatory asset are included in Note 7.

**Open Contracts**

NBU has open contracts that total approximately \$99,757,503 for various capital projects. As of July 31, 2021, approximately \$55,557,025 has been expended.

## NOTE 12. SUBSEQUENT EVENTS

### Texas Winter Storm Uri 2021

**General** - From February 14, 2021, through February 19, 2021, the State of Texas, including the NBU service territory, experienced severe winter weather that included snowstorms and historically low temperatures. Due to the effects of the 2021 winter storm event (Event), and a reduction in available gas supply, approximately 185 generating units in the Electric Reliability Council of Texas (ERCOT) grid lost roughly 46,000 MW of generation. ERCOT implemented rolling blackouts to conserve electricity and address energy needs across the state. As a result, approximately 4 million Texas residents were without power for significant stretches of the week. Extended subfreezing temperatures caused water pipes to freeze and burst, and combined with the lack of power, eventually led to multiple water system failures across the State that impacted water availability generally and, in some instances, required the issuance of water boil notices.

Energy prices increased to unprecedented levels, and energy demands far exceeding the generation available across the state. Energy price increases had a significant impact on NBU's electric system. On February 15, 2021, ERCOT allowed for the return of normal conditions with the existence of sufficient electric system generation. On February 14, 2021, the Governor of Texas declared a state of disaster declaration in all 254 counties within the state. On February 19, 2021, the President of the United States issued a Major Disaster Declaration for 77 counties in Texas, including Comal and Guadalupe Counties. The Texas Governor, on February 18, 2021, declared an emergency item for the Texas Legislature, in which he requested the Texas Legislature to mandate the winterization of Texas' power system and to ensure the necessary funding for winterization.

**Operation Impact to the System** - NBU's Electric, Water, and Sewer systems performed well throughout the winter storm event. NBU activated its emergency management plan (EMP) before the 2021 Event arrived. NBU's EMP contains procedures and the checklists for winterization of facilities to prepare for a "hard freeze event". NBU activated those procedures and was successful at mitigating the potential impact of the 2021 event on the majority of NBU's infrastructure. NBU conducted an After Action Review (AAR) the first week of March 2021 and has taken action and will continue to take appropriate action on any areas identified for improvement. Because the systems performed so well, NBU experienced only minor after actions following.

The NBU Electric Distribution Network sustained some direct and indirect damage due to the 2021 Event. The vast majority was due to rotating outages. The water and wastewater infrastructure did not suffer any significant damage.

**Financial Impact to the System** -NBU incurred significant purchased power costs due to the change in the ERCOT market. The total cost of power for the month of February was \$93 million, which compares to an average February power cost of \$6 million. As a result, NBU utilized its reserve fund balance, in addition to acquiring a two-year short term taxable note with a maximum capacity of \$100 million. NBU drew down \$50 million in March 2021 and does not anticipate drawing down any additional amounts. This enabled NBU to spread the immediate cost impact of the storm to the customers over a reasonable timeframe. In order to adhere to fundamental accounting principles, expenses and associated revenues were reflected in the same fiscal year. NBU's financial statements reflected an increase in electric revenues, with the booking of an accounts receivable from our customers. As NBU recovers the power costs over time, with the projection of recovery by Fiscal Year 2022, the amount of recovery will be an offset to the accounts receivable balance.

NBU's recovery plan encompasses adjusting the power cost recovery factor, through monitoring and analysis on a monthly basis, and to pay off the short term note payable by Fiscal Year 2023. In addition, the plan includes filling the Power Stabilization Fund to 365 days of power by the end of Fiscal Year 2026.

## REQUIRED SUPPLEMENTARY INFORMATION

## DEFINED BENEFIT PENSION PLAN - REQUIRED SUPPLEMENTARY INFORMATION UNAUDITED

*Schedule of Changes in the Net Pension Liability and Related Ratios*

AS OF DECEMBER 31, PLAN MEASUREMENT DATE	2020	2019	2018	2017	2016
<b>TOTAL PENSION LIABILITY</b>					
Service Cost	\$4,031,193	\$3,421,657	\$3,034,811	\$2,328,445	\$2,063,217
Interest on the Total Pension Liability	6,625,838	6,104,485	5,697,720	5,349,632	4,623,082
Changes of Benefit Terms	-	-	-	6,881,135	-
Differences Between Expected and Actual Experience of the Total Pension Liability	1,586,860	1,260,367	638,332	424,537	(33,315)
Changes of Assumptions	-	205,839	-	-	288,151
Benefit Payments, including Refunds of Employee Contributions	(3,395,518)	(3,751,212)	(3,325,058)	(3,272,818)	(2,533,258)
<b>Net Change in Total Pension Liability</b>	<b>\$8,848,373</b>	<b>\$7,241,136</b>	<b>\$6,045,805</b>	<b>\$11,710,931</b>	<b>\$4,119,726</b>
<b>Total Pension Liability - Beginning</b>	<b>97,842,729</b>	<b>90,601,592</b>	<b>84,555,787</b>	<b>72,844,856</b>	<b>68,725,130</b>
<b>Total Pension Liability - Ending (A)</b>	<b>\$106,691,102</b>	<b>\$97,842,728</b>	<b>\$90,601,592</b>	<b>\$84,555,787</b>	<b>\$72,844,856</b>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions - Employer	\$3,946,380	\$3,502,065	\$3,194,908	\$2,046,699	\$1,811,489
Contributions - Employees	1,604,227	1,407,263	1,259,258	1,151,967	1,018,513
Net Investment Income	6,336,072	11,028,572	(2,169,446)	8,830,361	4,017,620
Benefit Payments, including Refunds of Employee Contributions	(3,395,518)	(3,751,212)	(3,325,058)	(3,272,818)	(2,533,258)
Administrative Expense	(40,984)	(62,302)	(41,917)	(45,751)	(45,360)
Other (Net Transfer)	(1,599)	(1,871)	(2,190)	(2,319)	(2,444)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$8,448,578</b>	<b>\$12,122,515</b>	<b>\$(1,084,445)</b>	<b>\$8,708,139</b>	<b>\$4,266,560</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>83,442,519</b>	<b>71,320,004</b>	<b>72,404,449</b>	<b>63,696,310</b>	<b>59,429,750</b>
<b>Plan Fiduciary Net Position - Ending (B)</b>	<b>\$91,891,097</b>	<b>\$83,442,519</b>	<b>\$71,320,004</b>	<b>\$72,404,449</b>	<b>\$63,696,310</b>
<b>Net Pension Liability - Ending (A) - (B)</b>	<b>\$14,800,005</b>	<b>\$14,400,209</b>	<b>\$19,281,588</b>	<b>\$12,151,338</b>	<b>\$9,148,546</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>86.13%</b>	<b>85.28%</b>	<b>78.72%</b>	<b>85.63%</b>	<b>87.44%</b>
<b>Covered Valuation Payroll</b>	<b>\$22,917,524</b>	<b>\$20,103,751</b>	<b>\$17,989,394</b>	<b>\$16,443,818</b>	<b>\$14,550,190</b>
<b>Net Position as a Percentage of the Total Pension Liability</b>	<b>64.58%</b>	<b>71.63%</b>	<b>107.18%</b>	<b>73.90%</b>	<b>62.88%</b>

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available. Additionally, GASB Statement No. 68 requires that the information on this schedule correspond with the period covered as of December 31, the measurement date of the Utilities' net pension liability.

**DEFINED BENEFIT PENSION PLAN - REQUIRED SUPPLEMENTARY INFORMATION UNAUDITED*****Schedule of Employer Contributions for the Years Ended July 31, 2021, 2020, 2019, 2018, and 2017***

FISCAL YEAR END JULY 31,	ACTUARIALLY DETERMINED CONTRIBUTION	ACTUAL CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED VALUATION PAYROLL	ACTUAL CONTRIBUTION AS A PERCENTAGE OF COVERED VALUATION PAYROLL
2017	\$1,941,283	\$1,941,283	\$-	\$15,599,975	12.44%
2018	\$2,700,430	\$2,700,430	\$-	\$17,387,972	15.53%
2019	\$3,343,248	\$3,343,248	\$-	\$19,038,042	17.56%
2020	\$3,776,143	\$3,776,143	\$-	\$21,832,301	17.30%
2021	\$4,333,080	\$4,333,080	\$-	\$24,621,104	17.60%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available. Additionally, GASB Statement No. 68 requires that the information on this schedule correspond with the period covered as of July 31, the fiscal year end of the Utilities.

**NOTES TO SCHEDULE OF CONTRIBUTIONS*****Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2020 Contribution Rate*****VALUATION DATE:****Notes:**

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later

***Methods and Assumptions Used to Determine 2020 Contribution Rates:***

<b>Actuarial Cost Method:</b>	Entry Age Normal
<b>Amortization Method:</b>	Level Percentage of Payroll, Closed
<b>Remaining Amortization Period:</b>	25 years
<b>Asset Valuation Method:</b>	10-Year smoothed market; 12% soft corridor
<b>Inflation:</b>	2.5%
<b>Salary Increases:</b>	3.50% to 11.5%, including inflation
<b>Investment Rate of Return:</b>	6.75%
<b>Retirement Age:</b>	Experience-based table of rates that are specific to the participant's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2010 - 2018
<b>Mortality:</b>	Post-retirement: 2019 Municipal Retirees of Texas Mortality tables. The rates are projected on a fully generational basis with scale UMP.  Pre-retirement: PUB(10) mortality tables, with Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**OTHER INFORMATION:****Notes:**

There were no benefit changes during the year.

## SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

*For the Fiscal Year Ended July 31, 2021*

	BUDGET	ACTUAL	VARIANCE
<b>OPERATING REVENUES</b>			
Electric services	\$115,132,746	\$190,290,315	\$75,157,569
Water services	24,827,030	24,486,239	(340,791)
Wastewater services	22,145,798	22,466,957	321,159
Transmission system	2,589,000	2,598,655	9,655
Miscellaneous fees and charges	2,229,000	1,975,289	(253,711)
Other operating revenues	10,570,677	2,260,174	(8,310,503)
<b>Total operating revenues</b>	<b>\$177,494,251</b>	<b>\$244,077,629</b>	<b>\$66,583,378</b>
<b>OPERATING EXPENSES</b>			
Purchased power	\$88,481,370	\$172,347,575	\$(83,866,205)
Purchased water	6,951,262	5,808,521	1,142,741
Other operating expenses	42,862,706	37,158,170	5,704,536
Depreciation and amortization	31,520,191	24,459,425	7,060,766
<b>Total operating expenses</b>	<b>\$169,815,529</b>	<b>\$239,773,691</b>	<b>\$(69,958,162)</b>
<b>Net operating income</b>	<b>\$7,678,722</b>	<b>\$4,303,938</b>	<b>\$(3,374,784)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income and investment loss or gain	\$714,984	\$(83,280)	\$(798,264)
Interest expense	(11,047,346)	(8,650,186)	2,397,160
Intergovernmental expense	(8,361,193)	(8,612,231)	(251,038)
Other nonoperating revenues	-	(324,089)	(324,089)
<b>Total nonoperating revenues (expenses)</b>	<b>\$(18,693,556)</b>	<b>\$(17,669,786)</b>	<b>\$1,023,770</b>
<b>Income(loss) before capital contributions</b>	<b>\$(11,014,834)</b>	<b>\$(13,365,848)</b>	<b>\$(2,351,014)</b>

Note: Impact fees are considered a capital contribution for reporting purposes. The fees were budgeted at \$7,781,003. Actual fees received were \$16,629,447.



# STATISTICAL

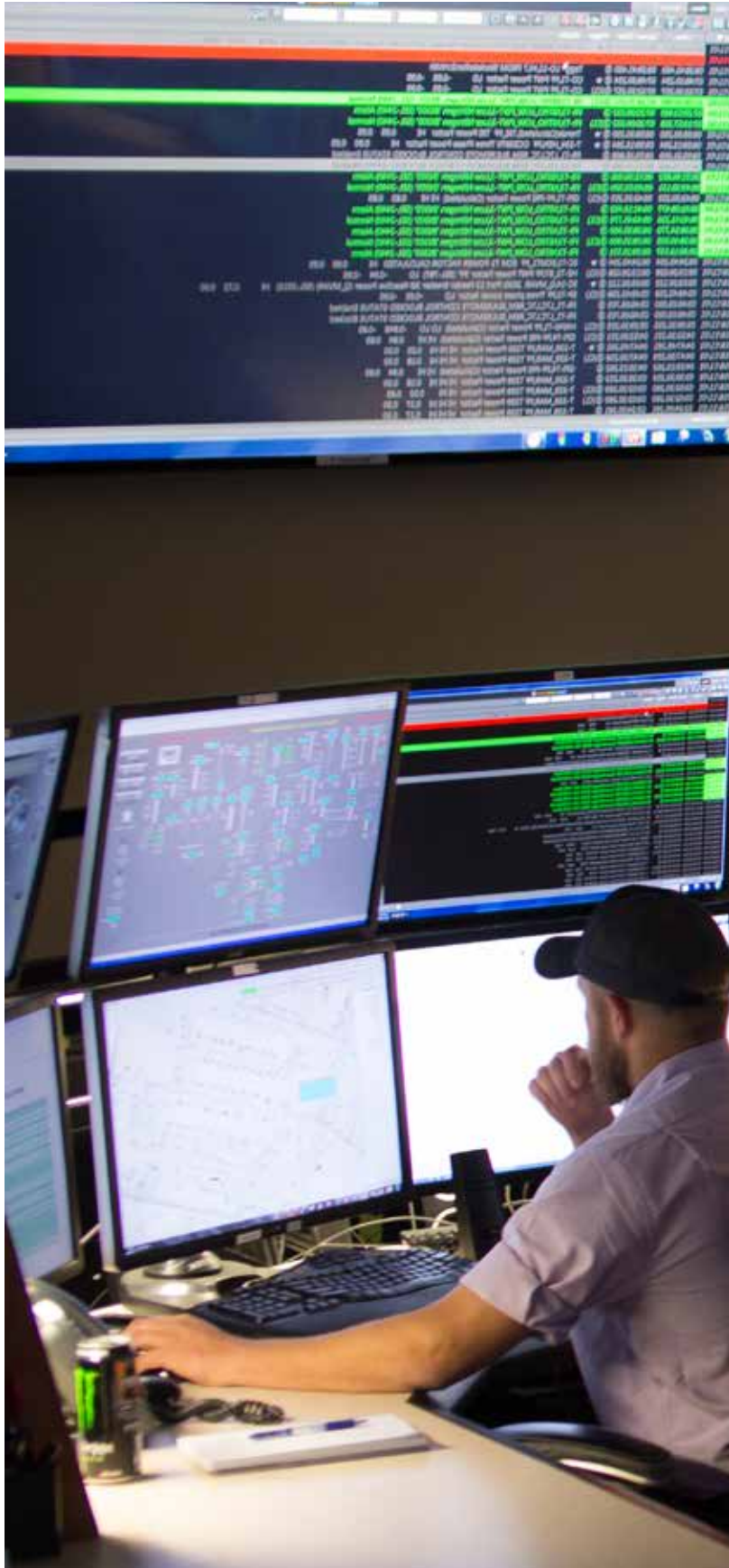


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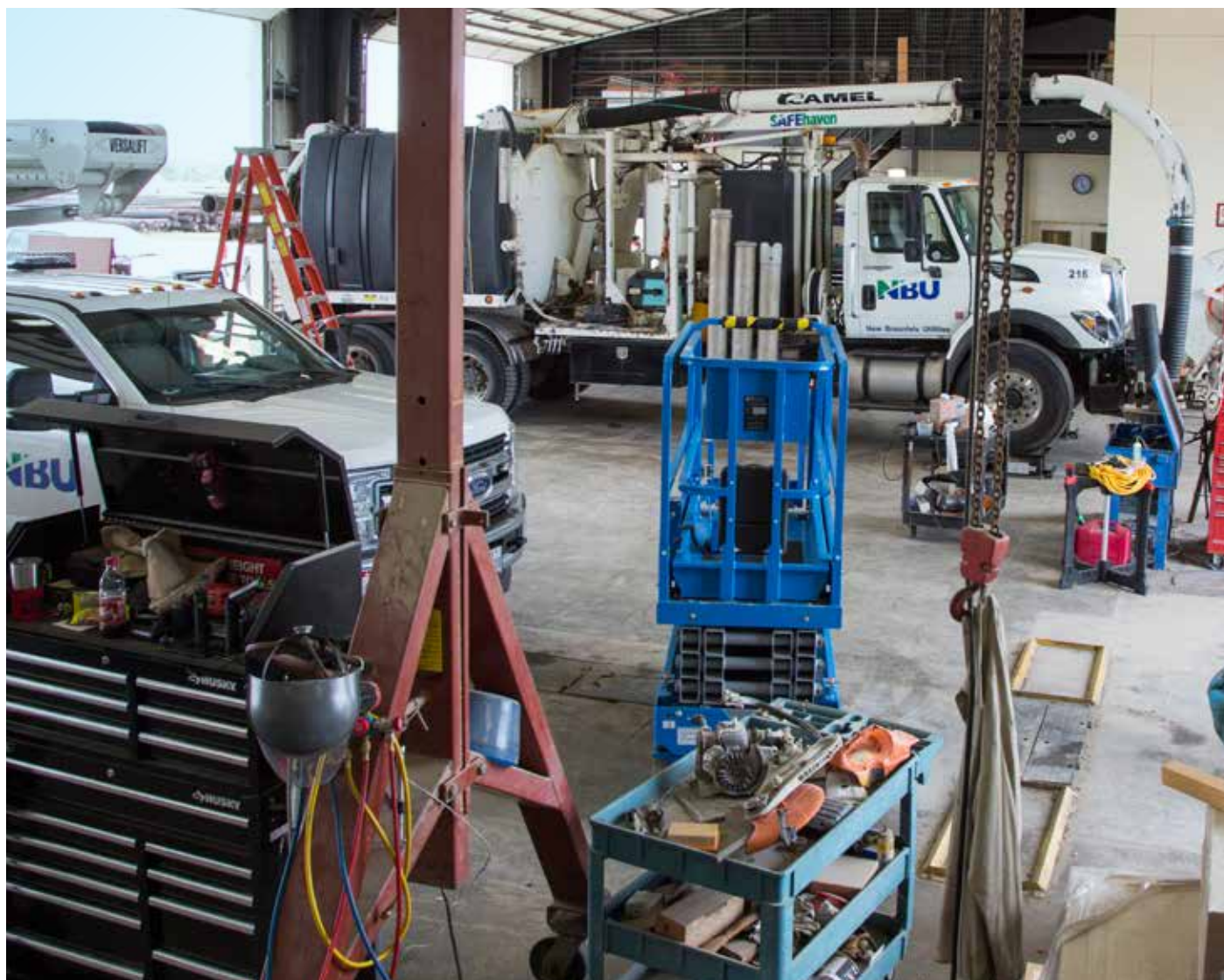
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Totals may not add due to rounding.



**Statements of Net Position by Component for the Fiscal Year Ended July 31, (\$ in Thousands) (Unaudited)**

FISCAL YEAR	NET INVESTMENT IN CAPITAL ASSETS	RESTRICTED	UNRESTRICTED	TOTAL NET POSITION
2012	209,884	9,579	49,078	268,542
2013	224,999	7,664	50,455	283,118
2014	248,841	6,455	73,108	328,404
2015	271,082	743	68,659	340,484
2016	300,781	3,313	59,761	363,855
2017	338,420	8,390	43,241	390,051
2018	370,402	1,218	34,506	406,126
2019	400,068	314	23,538	423,920
2020	423,247	470	52,677	476,394
2021	449,610	2,144	47,374	499,127

Totals may not add due to rounding.



## Statements of Revenue and Expenses for Fiscal Years Ended July 31, (\$ in Thousands) (Unaudited)

	2012	2013	2014	2015	2016
<b>OPERATING REVENUES</b>					
Electric services	\$91,831	\$85,005	\$98,407	\$102,205	\$103,062
Water services	11,738	11,281	11,300	11,676	13,596
Wastewater services	10,401	10,642	11,398	11,974	12,785
Transmission system	1,573	1,531	1,468	2,051	1,974
Other operating revenues	2,476	2,521	2,912	3,317	3,940
<b>Total operating revenues</b>	<b>\$118,019</b>	<b>\$110,980</b>	<b>\$125,485</b>	<b>\$131,223</b>	<b>\$135,356</b>
<b>OPERATING EXPENSES</b>					
Purchased power	\$73,795	\$67,771	\$77,759	\$82,817	\$81,685
Purchased water	1,507	2,124	2,023	2,314	2,223
Transmission and distribution	6,501	5,388	5,802	6,225	7,196
Pumping	1,303	1,317	1,166	1,310	1,306
Water treatment	2,679	2,641	2,765	3,069	3,178
Customer service	1,979	2,219	2,180	2,227	2,623
General and administrative	7,284	7,306	9,101	7,454	8,960
Depreciation	10,571	11,472	12,408	13,256	14,233
<b>Total operating expenses</b>	<b>\$105,618</b>	<b>\$100,238</b>	<b>\$113,206</b>	<b>\$118,673</b>	<b>\$121,404</b>
<b>Net operating income</b>	<b>\$12,401</b>	<b>\$10,742</b>	<b>\$12,279</b>	<b>\$12,550</b>	<b>\$13,951</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	\$297	\$203	\$186	\$246	\$375
Net increase (decrease) in the fair value of investments	(43)	(25)	(32)	29	49
Interest and amortization expense	(1,459)	(1,697)	(2,185)	(2,310)	(3,858)
Intergovernmental expense	(6,047)	(6,171)	(6,478)	(6,406)	(6,786)
Gain (loss) on sale of assets	(72)	(75)	(239)	58	(18)
<b>Total nonoperating revenues/(expenses)</b>	<b>\$(7,324)</b>	<b>\$(7,765)</b>	<b>\$(8,747)</b>	<b>\$(8,383)</b>	<b>\$(10,239)</b>
Income before contributions	\$5,077	\$2,976	\$3,532	\$4,167	\$3,712
<b>CAPITAL CONTRIBUTIONS</b>					
Impact fees	\$1,898	\$3,860	\$3,245	\$4,178	\$5,329
Services	671	1,298	1,005	1,216	1,292
Developer contributions	3,587	6,442	17,005	14,155	13,037
<b>Total capital contributions</b>	<b>\$6,156</b>	<b>\$11,600</b>	<b>\$21,254</b>	<b>\$19,549</b>	<b>\$19,658</b>
<b>SPECIAL ITEM</b>					
Proceeds from LCRA litigation settlement	-	-	-	20,500	-
Change in net position	\$11,233	\$14,577	\$45,286	\$23,716	\$23,370
Total net position - beginning of year	257,308	268,542	283,118	328,404	340,484
Cumulative effect of change in accounting principle	-	-	-	(11,636)	-
<b>Total net position - end of year</b>	<b>\$268,542</b>	<b>\$283,118</b>	<b>\$328,404</b>	<b>\$340,484</b>	<b>\$363,855</b>

Totals may not add due to rounding.

Totals may not add due to rounding.

**Statements of Revenue and Expenses for Fiscal Years Ended July 31, (\$ in Thousands) (Unaudited)**

	2017	2018	2019	2020	2021
<b>OPERATING REVENUES</b>					
Electric services	\$100,007	\$107,493	\$108,666	\$133,029	\$190,290
Water services	13,691	15,428	15,650	23,268	24,486
Wastewater services	13,837	15,148	15,899	18,622	22,467
Transmission system	2,016	2,413	2,542	2,680	2,599
Other operating revenues	3,276	3,789	3,369	3,586	4,235
<b>Total operating revenues</b>	<b>\$132,827</b>	<b>\$144,270</b>	<b>\$146,125</b>	<b>\$181,185</b>	<b>\$244,078</b>
<b>OPERATING EXPENSES</b>					
Purchased power	\$78,328	\$86,723	\$86,319	\$96,566	\$172,471
Purchased water	2,147	2,291	3,523	5,135	5,809
Transmission and distribution	6,279	8,126	7,530	9,474	7,218
Pumping	1,016	1,344	1,578	1,921	1,941
Water treatment	4,146	5,822	6,740	7,062	7,918
Customer service	3,726	4,047	4,674	4,995	5,283
General and administrative	8,682	9,034	8,950	10,597	14,675
Depreciation	18,538	19,502	20,800	22,889	24,459
<b>Total operating expenses</b>	<b>\$122,861</b>	<b>\$136,889</b>	<b>\$140,113</b>	<b>\$158,638</b>	<b>\$239,774</b>
<b>Net operating income</b>	<b>\$9,966</b>	<b>\$7,381</b>	<b>\$6,012</b>	<b>\$22,547</b>	<b>\$4,304</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	\$795	\$1,505	\$1,875	\$1,052	\$236
Net increase (decrease) in the fair value of investments	(178)	(459)	392	605	(320)
Interest and amortization expense	(4,321)	(4,778)	(5,783)	(7,378)	(8,650)
Intergovernmental expense	(7,779)	(7,860)	(8,130)	(8,144)	(8,612)
Gain (loss) on sale of assets	(2,066)	(3,988)	(181)	4,426	(324)
<b>Total nonoperating revenues/(expenses)</b>	<b>\$(13,549)</b>	<b>\$(15,579)</b>	<b>\$(11,827)</b>	<b>\$(9,440)</b>	<b>\$(17,670)</b>
Income before contributions	\$(3,584)	\$(8,198)	\$(5,815)	\$13,107	\$(13,366)
<b>CAPITAL CONTRIBUTIONS</b>					
Impact fees	\$8,861	\$11,369	\$8,079	\$15,634	\$16,629
Services	1,962	1,928	3,205	2,501	2,240
Developer contributions	18,957	10,975	12,324	21,232	17,230
<b>Total capital contributions</b>	<b>\$29,780</b>	<b>\$24,272</b>	<b>\$23,609</b>	<b>\$39,367</b>	<b>\$36,099</b>
<b>SPECIAL ITEM</b>					
Proceeds from LCRA litigation settlement	-	-	-	-	-
Change in net position	\$26,197	\$16,074	\$17,794	\$52,474	\$22,733
Total net position - beginning of year	363,855	390,051	406,126	423,920	476,394
<b>Total net position - end of year</b>	<b>\$390,051</b>	<b>\$406,126</b>	<b>\$423,920</b>	<b>\$476,394</b>	<b>\$499,127</b>

Totals may not add due to rounding.

Totals may not add due to rounding.

## Income by Source for Fiscal Years Ended July 31, (\$ in Thousands) (Unaudited)

FISCAL YEAR	ELECTRIC	WATER	WASTEWATER	OTHER*	TOTAL**
2012	95,080	13,421	11,553	718	120,772
2013	88,523	14,408	12,545	765	116,240
2014	101,702	14,211	12,948	788	129,649
2015	106,678	15,207	13,998	1,067	136,950
2016	107,770	18,059	15,362	1,191	142,381
2017	103,263	15,383	14,077	2,242	134,965
2018	110,965	17,295	15,361	1,965	145,587
2019	114,004	16,901	16,145	3,047	150,097
2020	137,561	25,073	18,755	2,125	183,514
2021	194,223	38,681	28,476	655	262,035

\* Other Income includes interest income, mark-to-market adjustments on investments, miscellaneous service income and gain (loss) on sale of assets.

\*\*Does not include Developer Contributions or Special Item

## Average Revenue Rates for Fiscal Years Ended July 31, (Unaudited)

FISCAL YEAR	ELECTRIC RATE/KWH	WATER RATE/PER THOUSAND GALLONS	WASTEWATER MONTHLY REVENUE/CUSTOMER
2012	\$0.0724	\$3.22	\$41.08
2013	\$0.0658	\$3.37	\$40.42
2014	\$0.0689	\$3.59	\$41.50
2015	\$0.0688	\$3.73	\$41.52
2016	\$0.0694	\$3.64	\$42.49
2017	\$0.0660	\$3.79	\$44.44
2018	\$0.0673	\$3.93	\$45.94
2019	\$0.0668	\$4.22	\$46.51
2020	\$0.0787	\$5.22	\$51.75
2021	\$0.1134	\$5.63	\$59.58

## Revenue By Class for Fiscal Years Ended July 31, (Unaudited)

FISCAL YEAR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>ELECTRIC SERVICES</b>										
Residential	37%	37%	37%	37%	37%	39%	40%	40%	41%	41%
General Service	31%	29%	30%	28%	29%	31%	30%	29%	28%	28%
Industrial	31%	34%	33%	35%	33%	30%	30%	31%	31%	30%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>WATER SERVICES</b>										
Residential/Multi-Unit/Irrigation	81%	81%	82%	82%	84%	84%	84%	84%	84%	81%
General Service	15%	15%	16%	15%	15%	15%	14%	15%	14%	16%
Wholesale	3%	3%	1%	1%	0%	0%	0%	0%	0%	0%
Other	1%	1%	1%	1%	1%	1%	1%	1%	2%	3%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>WASTEWATER SERVICES</b>										
Residential/Multi-Unit	69%	69%	70%	69%	69%	70%	70%	71%	72%	73%
General Service	30%	30%	29%	30%	31%	30%	29%	29%	28%	27%
Other	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Totals may not add due to rounding.



**Total Indebtedness Per Customer for Fiscal Years Ended July 31, (Unaudited)**

FISCAL YEAR	TOTAL BONDS* (IN THOUSANDS)	TOTAL ELECTRIC WATER AND WASTEWATER CUSTOMERS	DEBT PER CUSTOMER	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
2011	35,085	75,176	467	7.04%	315
2012	33,200	77,746	427	6.33%	290
2013	46,094	81,649	565	8.03%	395
2014	43,738	85,949	509	7.13%	354
2015	70,361	90,904	774	10.15%	545
2016	117,099	95,536	1,226	16.29%	869
2017	114,548	101,301	1,131	14.52%	812
2018	161,398	108,564	1,487	18.73%	1,088
2019	155,968	113,455	1,375	18.78%	1,128
2020	231,531	119,889	1,931	22.32%	1,406
2021	297,741	127,349	2,338	N/A <sup>1</sup>	N/A <sup>1</sup>

\* Total Bonds includes Bonded Debt and the GBRA Capital Lease (which was paid off in FY 2014) and is net of unamortized premium and discount.

<sup>1</sup> Some 2021 Information was not available at time of publication.

**Revenue Bond Coverage for Fiscal Years Ended July 31, (\$ in Thousands) (Unaudited)**

FISCAL YEAR	TOTAL REVENUES <sup>2</sup>	TOTAL EXPENSES <sup>2</sup>	NET REVENUES AVAILABLE FOR DEBT SERVICE	BOND DEBT SERVICE REQUIREMENTS <sup>3</sup>	COVERAGE <sup>x</sup>
2012	120,772	95,048	25,724	2,836	9.07
2013	116,240	88,766	27,474	2,313	11.88
2014	129,649	100,798	28,851	3,149	9.16
2015	136,950	105,417	31,533	3,618	8.72
2016	142,381	107,171	35,210	4,728	7.45
2017	142,201	104,324	37,877	6,377	5.94
2018	154,625	117,387	37,238	6,875	5.42
2019	159,285	119,313	39,972	10,866	3.68
2020	200,372	135,862	64,509	10,687	6.04
2021	263,183	215,314	47,869	13,649	3.51

<sup>1</sup> Includes interest income, net increase (decrease) in the fair value of investments, gain (loss) on sale of assets, impact fees, and services.

<sup>2</sup> Excludes depreciation, interest and amortization expense, and intergovernmental expense

<sup>3</sup> Includes principal and interest of revenue bonds

**Number of Customers by Service for Fiscal Years Ended July 31, (Unaudited)**

FISCAL YEAR	ELECTRIC	WATER	WASTEWATER	TOTAL
2011	30,252	24,436	20,488	75,176
2012	31,061	25,588	21,097	77,746
2013	32,404	27,303	21,942	81,649
2014	33,975	29,089	22,885	85,949
2015	35,455	31,415	24,034	90,904
2016	36,914	33,550	25,072	95,536
2017	38,867	36,140	26,294	101,301
2018	41,729	39,060	27,775	108,564
2019	43,606	41,074	28,775	113,455
2020	45,893	43,811	30,185	119,889
2021	48,600	46,994	31,755	127,349

Totals may not add due to rounding.

## Comal County Demographic and Economic Statistics Last Ten Years \* (Unaudited)

CALENDAR YEAR	COMAL COUNTY POPULATION <sup>3</sup>	PERSONAL INCOME (IN 000'S) <sup>1</sup>	PER CAPITA PERSONAL INCOME <sup>1</sup>	UNEMPLOYMENT RATE <sup>2</sup>
2011	109,428	4,984,481	44,519	6.9%
2012	114,384	5,248,803	45,888	6.0%
2013	116,559	5,742,217	48,466	6.0%
2014	123,694	6,138,500	49,626	4.5%
2015	129,048	6,931,196	53,783	3.7%
2016	134,788	7,188,696	55,428	3.6%
2017	141,009	7,891,500	55,965	3.4%
2018	148,373	8,615,549	58,067	3.1%
2019	156,209	9,381,221	60,056	2.8%
2020	164,812	10,382,141	62,994	5.1%

1 Source: <https://www.bea.gov/data/income-saving/personal-income-county-metro-and-other-areas>

2 Source: <http://www.co.comal.tx.us/Transparency/Comprehensive-Annual-Financial-Report.htm>

3 Source: <https://www.census.gov/quickfacts/comalcountytexas>

New Braunfels Utilities services area is approximately 169 square miles which includes the City of New Braunfels and the surrounding area. The majority of the service area is within Comal County, with some customer service in Hays, Guadalupe, and Bexar counties. The population amounts were obtained from the U. S. Census Bureau.

<https://www.bea.gov/regional/bearfacts/action.cfm?geotype=4&fips=48091&areatype=48091>

<https://apps.bea.gov/regional/bearfacts/action.cfm>

## Comal County Principal Employers Current and Ten Years Ago (Unaudited)

EMPLOYER	2020			2011		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Comal ISD - School District	3,132	1	4.37%	2,300	1	4.2%
Schlitterbahn Water Park	2,300	2	3.21%	1,689	3	3.1%
New Braunfels ISD - School District	1,238	3	1.73%	928	5	1.7%
Walmart Distribution Center	1,215	4	1.69%	1,065	4	2.0%
Rush Enterprises	859	5	1.20%	-	n/a	n/a
Hunter Industries, Ltd.	826	6	1.15%	500	10	0.9%
Comal County	792	7	1.10%	613	7	1.1%
Taskus	700	8	0.98%	-	n/a	n/a
Sysco	570	9	0.79%	-	n/a	n/a
City of New Braunfels	480	10	0.67%	508	9	0.9%
The Scooter Store	-	n/a	n/a	1,784	2	3.3%
Christus Santa Rosa Hospital	-	n/a	n/a	692	6	1.3%
HEB Retail Grocery	-	n/a	n/a	561	8	1.0%
	12,112		16.9%	10,640		19.4%

Source - Comal County Comprehensive Annual Financial Report

n/a - data not available

Totals may not add due to rounding.

**Full-Time Equivalent Employees By Function (Budgeted Positions)  
For Fiscal Years Ended July 31, (Unaudited)**

FISCAL YEAR	ELECTRIC	WATER	WASTEWATER	SUPPORT	TOTAL
2012	64.0	41.5	41.0	82.5	229.0
2013	64.0	41.5	42.0	83.5	231.0
2014	66.0	42.5	43.5	86.0	238.0
2015	70.0	42.0	43.5	90.5	246.0
2016	85.0	43.5	38.0	88.5	255.0
2017	95.0	44.0	39.5	96.0	274.5
2018	92.0	47.0	45.0	99.5	283.5
2019	95.0	48.0	45.0	111.0	299.0
2020	103.5	57.5	41.5	118.0	320.5
2021	77.0	52.5	47.5	162.0	339.0



Totals may not add due to rounding.

## Net Capital Assets by Function for Fiscal Years Ended July 31, (\$ in Thousands) (Unaudited)

	2012	2013	2014	2015	2016
<b>ELECTRIC</b>					
Land and right-of-ways	\$3,236	\$3,334	\$3,353	\$3,353	\$3,353
Buildings and structures	9,251	8,841	8,503	8,118	7,752
Transmission/distribution	72,119	77,659	88,211	90,335	100,198
<b>Total Electric</b>	<b>\$84,606</b>	<b>\$89,834</b>	<b>\$100,067</b>	<b>\$101,807</b>	<b>\$111,303</b>
<b>WATER/WASTEWATER</b>					
Land and right-of-ways	\$17,311	\$22,110	\$22,172	\$22,172	\$22,144
Buildings and structures	6,598	7,734	7,656	7,533	7,069
Wells & springs	115	107	99	91	83
Pumping equipment	1,237	5,841	5,731	5,481	5,371
Treatment equipment	3,788	3,586	3,383	17,513	4,104
Transmission/distribution	81,306	92,265	104,058	100,456	122,459
<b>Total Water/Wastewater</b>	<b>\$110,355</b>	<b>\$131,642</b>	<b>\$143,100</b>	<b>\$153,247</b>	<b>\$161,231</b>
<b>GENERAL</b>					
Land and right-of-ways	\$816	\$816	\$816	\$816	\$844
Buildings and structures	7,839	7,604	7,339	7,046	6,994
Equipment, vehicles, furniture & fixtures	5,328	5,827	5,860	4,593	7,932
<b>Total General</b>	<b>\$13,983</b>	<b>\$14,247</b>	<b>\$14,015</b>	<b>\$12,454</b>	<b>\$15,770</b>
Construction in progress	\$31,340	\$31,894	\$32,545	\$72,779	\$94,641
<b>Total capital assets net of depreciation</b>	<b>\$240,285</b>	<b>\$267,618</b>	<b>\$289,727</b>	<b>\$340,287</b>	<b>\$382,945</b>

## Net Capital Assets by Function for Fiscal Years Ended July 31, (\$ in Thousands) (Unaudited)

	2017	2018	2019	2020	2021
<b>ELECTRIC</b>					
Land and right-of-ways	\$3,353	\$3,650	\$3,685	\$5,461	\$5,632
Buildings and structures	7,371	7,016	6,641	6,268	5,900
Transmission/distribution	108,309	118,939	127,818	136,306	156,427
<b>Total Electric</b>	<b>\$119,033</b>	<b>\$129,605</b>	<b>\$138,145</b>	<b>\$148,035</b>	<b>\$167,959</b>
<b>WATER/WASTEWATER</b>					
Land and right-of-ways	\$22,144	\$22,144	\$23,261	\$23,261	\$33,083
Buildings and structures	26,419	26,617	29,241	28,144	73,112
Wells & springs	147	720	1,043	1,385	1,437
Pumping equipment	9,258	9,111	18,912	18,564	21,750
Treatment equipment	36,900	37,084	37,016	35,654	54,793
Transmission/distribution	160,355	165,204	196,306	207,964	281,088
<b>Total Water/Wastewater</b>	<b>\$255,224</b>	<b>\$260,880</b>	<b>\$305,779</b>	<b>\$314,972</b>	<b>\$465,262</b>
<b>GENERAL</b>					
Land and right-of-ways	\$844	\$844	\$847	\$259	\$259
Buildings and structures	7,280	7,268	6,965	1,743	11,312
Equipment, vehicles, furniture & fixtures	11,658	12,003	12,303	13,805	16,124
<b>Total General</b>	<b>\$19,782</b>	<b>\$20,115</b>	<b>\$20,115</b>	<b>\$15,806</b>	<b>\$27,695</b>
Construction in progress	\$29,100	\$66,967	\$82,434	\$165,260	\$86,885
<b>Total capital assets net of depreciation</b>	<b>\$423,140</b>	<b>\$477,567</b>	<b>\$546,473</b>	<b>\$644,073</b>	<b>\$747,801</b>

Totals may not add due to rounding.



***Electric Sales and Peak Demand for Fiscal Years Ended July 31, (Unaudited)***

FISCAL YEAR	MWH SALES	PEAK DEMAND (KW)
2011	1,227,844	240,109
2012	1,268,084	246,380
2013	1,291,324	257,164
2014	1,429,897	266,642
2015	1,486,036	279,817
2016	1,484,725	279,855
2017	1,512,675	287,963
2018	1,598,405	306,719
2019	1,626,679	298,587
2020	1,690,927	310,477
2021	1,678,480	326,859

*Totals may not add due to rounding.*







# COMPLIANCE



## **REPORT OF INDEPENDENT AUDITORS 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***

The Board of Trustees  
New Braunfels Utilities

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, the financial statements of New Braunfels Utilities (the "Utility") as of and for the year ended July 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2021.

### **Internal Control Over Financial Reporting**

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Utility'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Portland, Oregon  
December 8, 2021





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