

# Annual Comprehensive Financial Report for Fiscal Year 2025



**For the fiscal years ended July 31, 2025 and 2024**

**A component Unit of the City of New Braunfels, Texas**

**Established 1942**

**Prepared by: The Accounting Department**

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### Supplementary Information

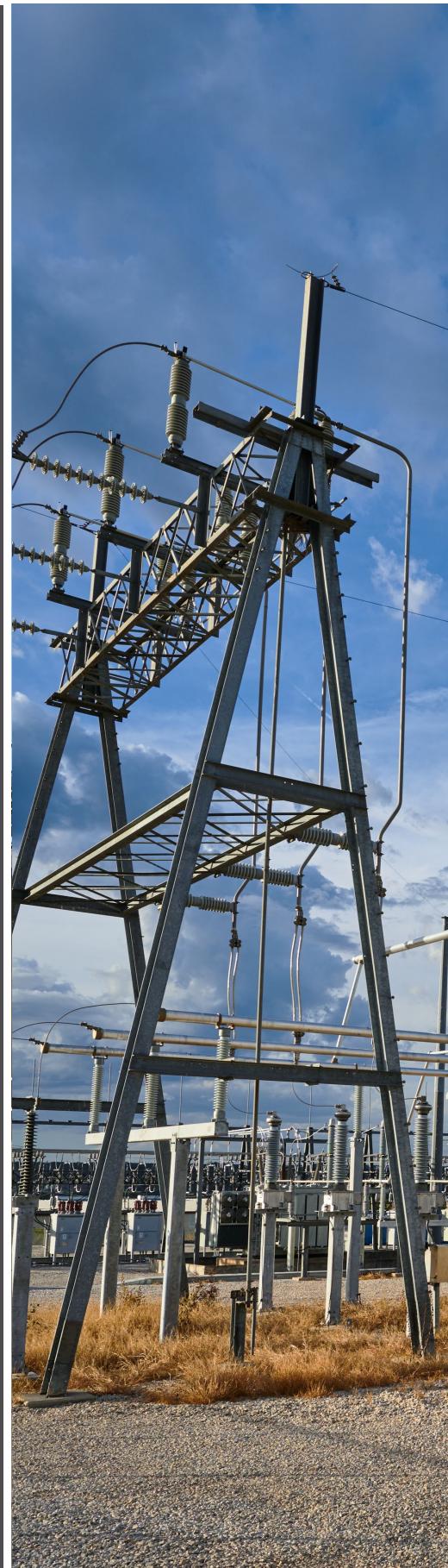
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## Members of the Board of Trustees



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



**Neal Linnartz**  
Mayor of the City of  
New Braunfels and Trustee



**Stuart Blythin**  
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**Yvette Villanueva Barrera**  
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## Executive Staff

Chief Executive Officer .....	Ryan Kelso
Chief Financial Officer .....	Jessica Williams
Chief Operations Officer .....	Mark Steelman
Chief Communications Officer .....	Ragan Dickens
Chief Technology Officer .....	Greg Brown
Chief Administrative Officer .....	David Hubbard
General Counsel and Chief Ethics Officer .....	Connie Lock
Chief of Staff .....	Rocio Gallegos
Chief Customer Officer .....	Andrew Cummings (Interim)

## Consultants and Advisors

Auditor .....	Baker Tilly US LLP   Austin, TX
Financial Advisor .....	SAM CO CAPITALMARKETS, INC.   San Antonio, TX
Bond Counsel .....	NORTON ROSE FULBRIGHTUS 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, 2024

*Christopher P. Morill*

Executive Director/CEO



December 15, 2025

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, 2025, is submitted pursuant to Article XI of the City of New Braunfels Charter. Baker Tilly US, LLP served as NBU's independent financial statement auditor for the year ended July 31, 2025. 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 in all material respects. 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. Baker Tilly US, LLP, performed the audit for the fiscal year that ended July 31, 2025, 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:** The NBU electric system, comprising a service area of approximately 161 square miles, includes the city and the surrounding area. The electric system consists of 628 miles of

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overhead distribution line, 494 miles of underground distribution line, 11 substation/metering points on the transmission system, and other buildings, equipment, and related facilities. On July 31, 2025, NBU served 61,990 metered electric customers. The electric system capacity is 759.3 MVA, and the peak demand was attained on July 24, 2025, at 367.8 MW.

The NBU water system, comprising a service area of approximately 89 square miles, includes the city and the surrounding area. The water system consists of 700 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 3.75 MGD membrane treatment facility, 10 active groundwater wells, and 24 pump stations. The storage capacity of approximately 31.6 Million Gallons ("MG"), split between elevated water storage, ground storage, and standpipes. As of July 31, 2025, NBU served 58,813 water meters. The total water system capacity is 43.7 MGD, and the maximum daily production for FY 2025 was 20.3 MGD.

The NBU wastewater system service area comprises approximately 65 square miles and includes the City. The municipal wastewater system contains approximately 515 miles of sanitary sewer lines and is served by four water reclamation facilities with a combined treatment capacity of 12.3 MGD, with 24 lift stations, and the total average daily flow was 7.44 MGD. As of July 31, 2025, NBU served 37,985 wastewater customers.

Each year NBU prepares a long-term plan of action which encompasses 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 demonstrating 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:** New Braunfels Utilities (NBU) is a municipally owned, not-for-profit utility providing electric, water and wastewater services within its designated service areas. NBU is dedicated to enhancing the quality of our community through strong fiscal responsibility, progressive planning and its employees' commitment to serving the community by providing reliable essential services.

In 2025, NBU supported 15 community events, with 107 employee volunteers contributing 48 hours. In addition to community service, many employees actively participate in numerous civic, service, church and youth organizations. Serving those in need enriches our community, and NBU employees consider it an honor to give back.

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 19th consecutive year in 2025. The combined generosity of NBU employees enabled the United Way of Comal County to move forward in 2025, providing direction and funding for local health and human service non-profit organizations throughout the county. The United Way campaign is entirely supported by NBU employees who raise money without NBU matching funds.

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The first annual KinderKraft donation drive, in partnership with Communities in Schools of South Central Texas (CIS), launched in March 2025, receiving nearly 900 items to support local students in need. KinderKraft, a public drive benefiting New Braunfels-area students in need, encouraged the public to donate new school supplies, hygiene items, clothing and nonperishable snacks. Items were collected through at multiple drop-off sites across the city. Local businesses and organizations played a key role in the program's success, helping increase access and awareness throughout the six-week campaign. The KinderKraft program builds on NBU's 20-year partnership with Communities In Schools and complements the longstanding Kinderschuhe 5K.

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 and assisting in educational programs at schools, science fairs, community centers, libraries, the local food bank and City of New Braunfels-sponsored events like Spooktacular. Employee volunteers host tours of NBU facilities, educating the public on how the utility system operates and serving as experts for professional training exercises. These activities help to create additional community awareness and knowledge of the utility's operations.

The Monster Detective program is an interactive educational initiative that NBU began providing to local elementary schools in 2024, reaching 1,600 students across 10 schools. It is in presentation style and aims to educate children in grades 1-5 on some essential electrical basics, such as: How electricity is made, what is energy, how is electricity used, electricity in your community, public power heroes and electrical safety.

NBU aligns its mission to enhance the quality of the community and 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, free home assessments and educational information through communication efforts and hands-on experiences during community and school-sponsored events.

**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 2026 through 2030, approved by the Board of Trustees in May 2025, includes a plan to invest 2.5% of distribution assets each year for replacement of distribution system aging infrastructure. This amount totaled \$3.4 million for fiscal year 2026 and aggregates to \$20.6 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% 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 2026. 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 and replacing legacy underground cables in both 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

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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 the applicable NERC standards again July 2017. NBU was audited once more November 2023, with the vast majority of NERC requirements readily achieved but with certain opportunities for improvement identified during the process. As an example, one 138kV switch system rating inaccuracy was self-identified by NBU and was corrected by the time of the audit, but remained included within the audit.

New Braunfels Utilities achieved the diamond level designation for the Reliable Public Power Provider (RP3) program through the American Public Power Association (APPA) during fiscal year 2025. 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 is one of 105 RP3 Diamond awardees, out of the nation's 200 plus public power utilities.

New Braunfels Utilities' System Average Interruption Duration Index (SAIDI) for fiscal year 2025 was 64.3 minutes per customer, which was higher than that of fiscal year 2024, at 39.7 minutes. New Braunfels Utilities' Customer Average Interruption Duration Index (CAIDI), or average restoration time, was 70.7 minutes per occurrence in fiscal year 2025. Several larger outages at NBU's substations impacted the reliability metrics during the time period. That said, NBU's reliability metrics compare favorably to other neighboring utilities and the national average. According to the most recently published Energy Information Administration survey (Calendar Year 2024), the average customer across the nation experienced a SAIDI of 611.2 minutes and a CAIDI of 405.8 minutes. The survey included data from 971 utilities serving 155.6 million customers.

**Electric System Growth:** Electric system load continues to increase along the IH-35 and Highway 46 corridors within the NBU service territory, both within the 2,400-acre Veramendi development off of Loop 337 and the 2,000-acre Mayfair Development off of IH-35. New Braunfels Utilities experienced a customer growth rate of 6.8% (as measured by electric meter connections) during fiscal year 2025. This continued spike in growth, primarily driven by multi-family metered services, is expected to moderate in the near term. Total energy consumption increased by 3.3% (measured in MWh sales) in fiscal year 2025, driven mostly by the residential (RES) and transmission service rate (TSR) rate classes.

New Braunfels Utilities completed the E.C. Mornhinweg (ECM) T2 upgrade project at the ECM Substation in fiscal year 2025. The project provides increased resiliency to the electric system and helps serve the growing territory between New Braunfels and Schertz along the IH-35 corridor. The ECM T2 also permitted E.C. Mornhinweg T1 to be taken out of service for critical identified

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maintenance. NBU's Hueco Springs substation remains budgeted within fiscal year 2026 to help serve the Veramendi development East sectors. The Power Transformer Hueco Springs T1 (HST1) is delivered and remaining construction is ongoing. In addition, NBU is also planning for addition of a 13th substation, Kohlenberg Rd. Substation, northeast of the city to serve the expanding Mayfair development. New Braunfels Utilities' 20-year master plan now includes the 14th, 15th, and 16th substations.

In fiscal year 2025, NBU continued utilizing contract construction crews to supplement NBU crews, primarily with overhead construction. Contractors adjusted and reconstructed 4,700' of overhead distribution three-phase fronting IH-35, near County Club Blvd. This relocation was requested by TxDOT to facilitate the IH-35 NEX roadway expansion project in the corridor. Over the past 20 years, NBU has utilized contract crews for both overhead and underground construction to support aging infrastructure and system growth demands.

**Water System Investments:** New Braunfels Utilities completed its most recent master plan in 2021 to achieve regulatory compliance and provide capacity as needed to meet growth demands and customer service expectations. The 2026 Master Plan is currently in process and expected to be complete by the end of fiscal year 2026. Fiscal year 2025 saw the completion of many significant projects that added capacity to the system. The major linear capital projects completed in fiscal year 2025 were a new 24/30-inch waterline along Old FM 306 and Goodwin Lane, which greatly improved transmission capacity from the ongoing expansion of the FM 306 Pump Station. A new two-million-gallon elevated storage tank (EST) was completed within the Kohlenberg Pressure Zone, which bolstered this area for expected future growth. New Braunfels Utilities continued work on the Emergency Preparedness Plan to comply with Texas Senate Bill 3 requirements with the design of generators at all critical sites within the water system. Construction neared completion on the Trinity Water Treatment Plant ("WTP") Expansion and Well Field Expansion, which will add an additional three Trinity wells to the NBU water system and expand the capacity of the Trinity WTP from 3.75 MGD to approximately 7.5 MGD. The FM 1044 EST is currently under construction, another two-million-gallon tank to add capacity to the Morningside Pressure Zone.

**Wastewater System Investments:** New Braunfels Utilities is in the process of implementing its master plan to achieve regulatory compliance and provide capacity as needed to meet growth demands and customer service expectations. Replacement of the clarifier at the Kuehler Water Reclamation Facilities ("WRF") was completed along with the design for the full rehabilitation of both the North and South Kuehler WRF's. Scoping of the Gruene WRF expansion began in FY25 and design is expected to commence in Spring 2026. The North Kuehler Segment 3 Interceptor is currently under design which is expected to greatly reduce inflow and infiltration of the aging and under sized infrastructure. NBU is currently under construction of both the 36" McKenzie Interceptor, a 7-mile replacement and upgrade, and the McKenzie Water Reclamation Facility Expansion, doubling the capacity from 2.5 MGD to 5.0 MGD. Construction of that expansion is scheduled to be complete in early fiscal year 2027.

**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

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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 State 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 provides 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. Early 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 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 the 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 in their early years, the importance of conservation. The Texas Commission of Environmental Quality ("TCEQ") awarded the coveted Texas Environmental Excellence Award in 2020, the state's highest environmental award for 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, in unison with NBU's Communications and External Relations departments, 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 program is 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 solar installation. New Braunfels Utilities

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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. The Master Plan report and architectural drawings are being completed in phases.

Phase one of the Headwaters at the Comal was completed and includes 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 maintain the native landscape as an immersive outdoor classroom.

Phase two of the master plan includes public amenities, including meeting spaces, education pods, public restroom facilities, an all-abilities main entrance and on-site water re-use demonstration facilities. Archeological discoveries were made on the property, and the Headwaters at Comal non-profit organization and NBU continue their work with the U.S. Army Corps of Engineers, the Texas Historical Commission, and ERG/AmaTerra, Inc., to preserve artifacts found on the property. The discovered artifacts have been cataloged for exhibition and learning, a full report of the discoveries is also available to the public. A variety of educational programs are offered for 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 the work done to restore the Headwaters property to its natural environment. In 2019, the organization was awarded the E. Mott Davis Award for Excellence in Public Outreach for its education around the archaeology excavation. The Headwaters at the Comal is a certified Texan by Nature organization, a certified Monarch Habitat waystation, a Certified Lightning Bug Habitat a certified Native Plant habitat. The property is also a registered stop along Texas Parks and Wildlife Department's "Heart of Texas Wildlife Trail". The Headwaters at the Comal non-profit received the McKenna non-profit of the year award in 2023.

**Future Water Supply:** Water resources planning and implementation are among the most important elements of a well-managed water utility. NBU's water treatment, storage, and distribution objective are to meet the customers' immediate and future demands. NBU's 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 54,575 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

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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 Surface Water Treatment Plant ("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 the 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 NBU does not have to purchase. NBU, in conjunction with the City and the Guadalupe Blanco River Authority, implemented a One Water program in fiscal year 2023. 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 WRP and makes minor updates annually, summarized in a technical memorandum. A full-scale update of the plan is conducted every five years; the most recent was completed in fiscal year 2025.

#### **Critical NBU Water Supply Projects Include:**

**Trinity Water Supply Facilities:** This project will increase the production and treatment capacity of NBU's Trinity Wellfield and Water Treatment Plant. It includes three new Trinity Aquifer production wells, an expansion of the existing Treatment Plant from 3.75 to 7.5 million gallons per day MGD, a new 1.5 MG ground storage tank, and an upgrade to the existing pump station. Project completion is expected in late 2025.

**NBU Surface Water Treatment Plant Expansion:** The NBU Surface Water Treatment Plant 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 NBU customers. Detailed design was completed in 2021; however, construction has been delayed to 2026 through 2029. A design update is nearly complete to prepare for the upcoming permitting and construction.

**Gonzales Carrizo Water Supply (CWSP):** The first phase of the GBRA Carrizo Groundwater Supply Project extracts and delivers to NBU treated groundwater from the Carrizo Well Field in Gonzales County. Water is transported from the treatment plant, located in Gonzales County, via a 40-mile water pipeline to a delivery point in the NBU service area, the Weltner Pump Station. New Braunfels Utilities has contracted for 8,000 AFY, and delivery began in mid-2024.

**Aquifer Storage Recovery (ASR) Program:** Although NBU has a diverse inventory of water supply sources totaling approximately 54,575 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 38,123 AFY, and the (the "Deliverable firm yield") is approximately 30,774 AFY as noted in the NBU 2025 WRP.

The NBU ASR program is being developed in five Phases. Phase 1 (Feasibility Study), Phase 2 (Test Well and Wireline Core), and Phase 3 (Demonstration Well Construction) are complete, and Phase 4 (Cycle Testing) is ongoing. The ASR demonstration well and four monitoring wells have been drilled

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and are in operation. New Braunfels Utilities conducted formation testing using the ASR well from March 25 until June 30, 2020. During this period, approximately 70 million gallons of treated water were placed in the formation. Phase 4 (Cycle Testing) began October 27, 2020. During this phase, water is injected into the formation to prove the capability of the formation for storage and recovery of drinking water. The results of Cycle Testing will be used to request an ASR operating permit from the TCEQ. Cycle 1 recovery occurred between November 2021 to January. Cycle 2 recharge began in January 2022 and continued through October 2022. Cycle Two Recovery was initiated in October 2022, and was paused in November 2022. Cycle Three Recharge began in December 2022, at 600 gpm combined total recharge rate into all three wells. Recharge was interrupted December 23 during a hard freeze and then resumed in February 2023. Cycle 3 Recharge continued through June 2023. Construction of the deepening of Well D1 began in FY 25 and is nearly completed, which will allow injection of NBU system water into both the Upper and Lower Edwards Saline Zones. Resuming of Cycle 3 Testing is expected to begin in Fall of 2025. Currently there is approximately 500 MG stored in the NBU ASR System.

Phase 5 (Full Wellfield Implementation) will commence after satisfactory demonstration of aquifer capabilities.

#### FINANCIAL INFORMATION

New Braunfels Utilities management is responsible for establishing and maintaining an internal control structure to ensure that assets are protected 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 on [nbutexas.com](http://nbutexas.com).

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 four fiscal years.

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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 scheduled 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 of Revenue and Expenses:** For the fiscal year ended July 31, 2025, operating revenues totaled \$279.0 million, and operating expenses totaled \$226.1 million. Purchased power costs represented 50.0%, or \$112.6 million, of total operating expenses. Transmission and distribution expenses were approximately \$10.8 million, or 4.8%, of operating expenses, and all direct water-related expenditures totaled \$29.5 million, or 13.1%, of operating expenses. The remaining operating expenses included \$37.0 million for depreciation and amortization and \$36.2 million for customer service and general and administrative expenses. Net non-operating expense (including interest) was (\$22.3) million, resulting in total net income before contributions of \$30.6 million. The reported net income is mainly due to the lower operating expenses which were attributable to lower power costs for the year. New Braunfels Utilities experienced customer growth over the past fiscal year as electric, and water meters increased by 3,861 or 6.6%, and 2,872, or 5.1%, respectively.

**Working Capital:** At July 31, 2025, NBU's current assets of \$219.6 million were 1.9 times its current liabilities of \$110.7 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 \$108.9 million at July 31, 2025, compared to a net positive working capital of \$84.8 million at July 31, 2024.

**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 2025, net interest income from investments (including mark-to-market adjustments) was \$9.1 million, while the market to market adjustments resulted in a net increase in the fair value of investments of \$166.4 thousand.

**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, including electric substations, electric transmission and distribution line expansions, water, and wastewater 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, 2025, NBU had \$563.4 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. These ratios 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.

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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 \$1.1 billion 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, and multiple water reclamation facility expansions, and construction of a new headquarters facility. In total, these expenditures include \$211.6 million for electric systems, \$346.4 million for water systems, \$331.6 million for wastewater systems, \$188.0 million for support systems, and \$20.3 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 strategies such as: 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 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 represented approximately 10% of NBU's purchase power portfolio in Fiscal Year 2025. Power purchased through the Javelina PPA totaled \$5,648,767 and \$5,246,824 for Fiscal Year 2025 and 2024, 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 represented approximately 15% of NBU's purchase power portfolio in Fiscal Year 2025.

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, 2025, NBU has executed forward physical power contracts intended to hedge price volatility in its power supply portfolio through 2026. All non PPA power contracts are intended to cover native load requirements and are considered normal purchases and sales which don't require

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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, 2025, NBU's forward physical contracts through Fiscal Year 2028 reflected an underlying fair value (favorable) that was within 13% of total expected power costs through Fiscal Year 2028.

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 2025, NBU purchased for its customers 2,054,063 MWh in comparison to 1,920,443 MWh during fiscal year 2024, representing an increase of 133,620 MWh or 7.0%.

Rates charged to NBU's customers are comparable, and generally competitive to other rates in the region. NBU balances affordability with properly maintained infrastructure to provide our community with safe reliable electric, water and wastewater service. On April 10, 2023, New Braunfels City Council approved the Board of Trustees recommendation of a two-year rate plan for system average increases on (i) water rates of 13.4% effective August 1, 2024; (ii) wastewater rates at 7.3% effective August 1, 2024; and (iii) electric rates of 4.8% on the delivery and electric availability charge components of a customer's bill effective August 1, 2024.

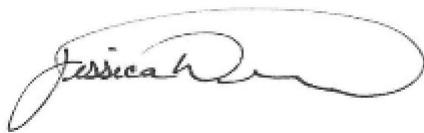
**Awards and Acknowledgements:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to NBU for its ACFR for the fiscal year ended July 31, 2024. This was the 35<sup>th</sup> consecutive year that 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,



Ryan Kelso  
Chief Executive Officer



Jessica Williams  
Chief Financial Officer

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# Financial

## **Independent Auditors' Report**

To the Board of Trustees of  
New Braunfels Utilities

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the accompanying financial statements of New Braunfels Utilities (NBU), a component unit of the City of New Braunfels, Texas, as of and for the year ended July 31, 2025, and the related notes to the financial statements, which collectively comprise NBU's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of NBU as of July 31, 2025, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NBU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in Note 13 to the financial statements, certain balances have been restated as of, and for the year ended July 31, 2024 to correct classification errors. Our opinion is not modified with respect to this matter.

#### *Other Matters*

The financial statements of NBU as of and for the year ended July 31, 2024, prior to restatement, were audited by other auditors whose report dated December 9, 2024, expressed an unmodified opinion on those statements.

As part of the audit of the July 31, 2025 financial statements, we also audited the adjustments described in Note 13, that were applied to restate the July 31, 2024 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the July 31, 2024 financial statements of NBU other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the July 31, 2024 financial statements as a whole.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

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## ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

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### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introduction and statistical sections as identified in the table of contents in the annual report but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025 on our consideration of NBU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NBU'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 NBU's internal control over financial reporting and compliance.



Austin, Texas  
December 15, 2025

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## **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, 2025 and 2024. 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 2025, total assets and deferred outflows of \$1.5 billion exceeded liabilities and deferred inflows by \$818.6 million. This compares to total assets and deferred outflows of \$1.4 billion at fiscal year-end 2024, which exceeded liabilities and deferred inflows by \$718.6 million. Total assets and deferred outflows of \$1.2 billion for fiscal year-end 2023 exceeded liabilities and deferred inflows by \$632.2 million.
- Total net position at fiscal year-end 2025 was \$818.6 million, an increase of \$100.0 million, or 13.9%, from fiscal year-end 2024. Fiscal year-end 2024 total net position of \$718.6 million reflected an increase of \$86.4 million from fiscal year-end 2023. The increase in net position at fiscal year-end 2025 and fiscal year-end 2024 was primarily attributable to increases in capital additions in NBU's electric, water, and wastewater infrastructure.
- At fiscal year-end 2025, \$121.4 million in unrestricted net position was available to meet NBU's ongoing obligations, as compared to \$103.0 million at fiscal year-end 2024 and \$99.5 million at fiscal year-end 2023. These balances reflect \$18.4 million increase in unrestricted net position from fiscal year-end 2024 to fiscal year-end 2025 and \$3.5 million increase in unrestricted net position from fiscal year-end 2023 to fiscal year-end 2024.
- In Fiscal Year 2025, NBU completed \$191.3 million in capital projects. This compares to \$112.5 million and \$133.4 million in Fiscal Years 2024 and 2023, respectively. Capital additions, net of depreciation, amounted to \$153.9 million, \$71.3 million, and \$94.4 million in Fiscal Years 2025, 2024, and 2023, respectively.
- Total operating revenues in Fiscal Year 2025 were \$279.0 million compared to \$287.6 million in Fiscal Year 2024, a decrease of \$8.7 million, or 3.0%. The decrease in operating revenue consisted primarily of a decrease in electric services revenue of \$15.3 million, an increase of \$3.7 million in water services revenues and \$3.8 million in wastewater services revenues. Fiscal Year 2024 operating revenues increased \$16.0 million, or 5.9%, compared to Fiscal Year 2023 operating revenues of \$271.7 million.
- Electric sales for Fiscal Year 2025 were 1,807,683 MWh, which was 3.4% more than the 1,748,575 MWh sales in Fiscal Year 2024. Electric MWh sales in Fiscal Year 2024 were 0.2% less than Fiscal Year 2023 sales of 1,752,465 MWh. For Fiscal Year 2025, electric services revenue of \$186.3 million was \$15.3 million lesser than Fiscal Year 2024's electric services revenue of \$201.6 million. For Fiscal Year 2024, electric services revenue was \$4.7 million greater than Fiscal Year 2023's electric services revenue of \$196.9 million.
- NBU delivered 4.3 billion gallons of water in Fiscal Year 2025, which was a 1.8% decrease from Fiscal Year 2024 water sales of 4.4 billion gallons. Water sales in Fiscal Year 2024 reflected a 4.1% increase from Fiscal Year 2023 water sales of 4.2 billion gallons. For Fiscal Year 2025, water services revenue of \$43.2 million was \$3.7 million greater than Fiscal Year 2024's water services revenue of \$39.5 million. For Fiscal Year 2024, water services revenue was \$5.1 million greater than Fiscal Year 2023's water services revenue of \$34.4 million. There was a total of 24.0 inches of rain for the NBU service area for Fiscal Year 2025, which was lesser than the 25.4 inches and greater than 22.7 inches received in Fiscal Years 2024 and 2023, respectively.
- Wastewater services revenue in Fiscal Year 2025 was \$39.5 million compared to Fiscal Year 2024 revenue of \$35.7 million, an increase of \$3.8 million, or 10.7%. Fiscal Year 2024 wastewater services revenue was \$3.5 million more than Fiscal Year 2023 wastewater services revenue of \$32.3 million, resulting in a 10.7% increase.
- Total operating expenses in Fiscal Year 2025 were \$226.1 million compared to Fiscal Year 2024 operating expenses of \$242.5 million, a decrease of \$16.4 million, or 6.7%. Total operating expenses in Fiscal Year 2024 increased by \$8.1

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million, or 3.5%, from Fiscal Year 2023 total operating expenses of \$234.4 million attributable to an increase in purchased power expenses.

- At July 31, 2025, NBU served 61,990 electric customers, 58,813 water customers, and 37,985 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 31-35 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 36 of this report.

### **Financial Analysis**

NBU's financial position at fiscal year-end 2025 showed total net position of \$818.6 million, compared to \$718.6 million at fiscal year-end 2024 and \$632.2 million at fiscal year-end 2023. Of these amounts, the net positions that were unrestricted for meeting NBU's ongoing obligations were \$121.4 million, \$103.0 million, and \$84.3 million at the fiscal years ended 2025, 2024, and 2023, respectively. The net investment in capital assets represented 81.6%, or \$689.8 million, of total net position at fiscal year-end 2025, compared to 85.1% at fiscal year-end 2024 and 74.8% at fiscal year-end 2023.

Current assets at fiscal year-end 2025 of \$219.6 million increased by \$27.8 million, or 14.5%, from current assets at fiscal year-end 2024 of \$191.8 million, which was primarily due to an increase in cash and cash equivalents and restricted assets. Current assets at fiscal year-end 2024 increased by \$9.9 million, or 3.9%, from fiscal year-end 2023 current assets of \$256.0 million.

A 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 2025 was \$7.5 million, in comparison to the prior fiscal year-end 2024 amount of \$4.0 million and \$59.9 million at fiscal year-end 2023. These amounts represented 0.9%, 0.6% and 9.5% of total net position for their respective fiscal year ends. Water and wastewater funds reserved for future system development and construction comprised 84.5% of NBU's restricted net position at fiscal year-end 2025. This percentage was 76.7% at fiscal year-end 2024 and 36.8% at fiscal year-end 2023.

The following condensed Statements of Total Net Position and Statements of Changes in Net Position reflect the summary performance of NBU over fiscal years 2023-2025.

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**Total Net Position**

	RESTATED		
	2025	2024	2023
Current and other non-capital assets	\$ 308,536,703	\$ 289,241,552	\$ 273,616,470
Capital assets	1,207,516,257	1,061,200,955	910,869,321
<b>Total assets</b>	<b>\$ 1,516,052,960</b>	<b>\$ 1,350,442,507</b>	<b>\$ 1,184,485,791</b>
Deferred outflows of resources	12,587,085	14,157,920	16,754,946
<b>Total assets and deferred outflows</b>	<b>\$ 1,528,640,045</b>	<b>\$ 1,364,600,427</b>	<b>\$ 1,201,240,737</b>
Current liabilities	\$ 110,715,672	\$ 106,982,727	\$ 127,542,870
Non-current liabilities	597,415,123	538,558,724	441,462,868
<b>Total liabilities</b>	<b>\$ 708,130,795</b>	<b>\$ 645,541,451</b>	<b>\$ 569,005,738</b>
Deferred inflows of resources	1,876,336	437,161	-
<b>Total liabilities and deferred inflows</b>	<b>\$ 710,007,131</b>	<b>\$ 645,978,612</b>	<b>\$ 569,005,738</b>
<b>Total net position</b>	<b>\$ 818,632,914</b>	<b>\$ 718,621,815</b>	<b>\$ 632,234,999</b>
Net investment in capital assets	\$ 689,785,703	\$ 611,570,618	\$ 472,846,729
Restricted	7,467,998	4,049,671	59,896,508
Unrestricted	121,379,213	103,001,526	99,491,762
<b>Total net position</b>	<b>\$ 818,632,914</b>	<b>\$ 718,621,815</b>	<b>\$ 632,234,999</b>

**Changes in Net Position**

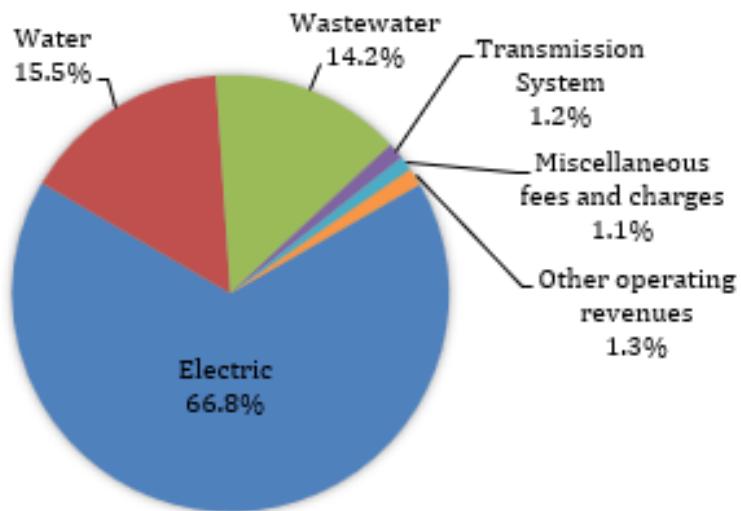
	2025	2024	2023
<b>Operating revenues</b>			
Electric services	\$ 186,267,866	\$ 201,616,449	\$ 196,926,513
Water services	43,197,170	39,517,060	34,373,389
Wastewater services	39,526,950	35,720,988	32,266,780
Transmission system	3,421,687	2,848,899	2,704,874
Miscellaneous fees and charges	2,956,720	4,539,035	2,903,801
Other operating revenues	3,583,261	3,398,253	2,490,253
<b>Total operating revenues</b>	<b>\$ 278,953,654</b>	<b>\$ 287,640,684</b>	<b>\$ 271,665,610</b>
Investment income	8,924,319	9,413,098	5,025,113
Net increase (decrease) in the fair value of investments	166,366	549,742	(69,182)
Gain (loss) on sale of assets	(126,402)	4,327,957	(349,575)
<b>Total revenues</b>	<b>\$ 287,917,937</b>	<b>\$ 301,931,481</b>	<b>\$ 276,271,966</b>
<b>Expenses</b>			
Operating expenses	\$ 226,140,062	\$ 242,503,589	\$ 234,413,446
Interest and amortization expense	19,408,608	17,747,975	16,393,228
Intergovernmental expense	11,809,369	11,323,540	10,687,216
<b>Total expenses</b>	<b>\$ 257,358,039</b>	<b>\$ 271,575,104</b>	<b>\$ 261,493,890</b>
Net income (loss) before capital contributions	\$ 30,559,898	\$ 30,356,377	\$ 14,778,076
Capital contributions	69,451,201	56,030,439	61,424,183
Change in net position	\$ 100,011,099	\$ 86,386,816	\$ 76,202,259
Total net position-beginning of year	718,621,815	632,234,999	556,032,740
<b>Total net position-end of year</b>	<b>\$ 818,632,914</b>	<b>\$ 718,621,815</b>	<b>\$ 632,234,999</b>

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Total operating revenues for fiscal year 2025 were \$279.0 million, a decrease of \$8.7 million, or 3.0%, over the previous fiscal year. A decrease in electric services revenues of \$15.3 million, or 7.6%, an increase of water services revenue of \$3.7 million, or 9.3%, and an increase in wastewater services revenue of \$3.8 million, or 10.7%, contributed to the total increase. Total operating revenues for fiscal year 2024 were \$287.6 million, an increase of \$16.0 million from the previous fiscal year.

Total operating revenues in fiscal year 2025 consisted of 66.8% from electric retail customer fees and charges and 29.7% from water and wastewater retail customer fees and charges. The remainder consisted of transmission system income, miscellaneous fees and charges, and other operating revenues.

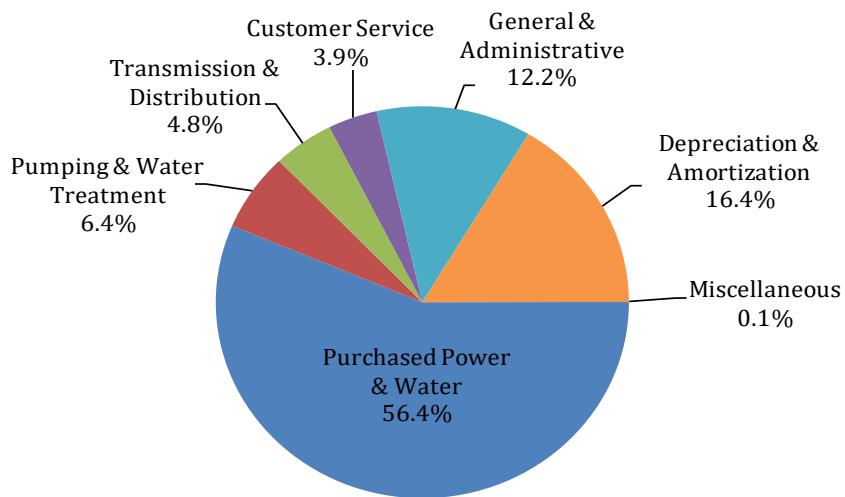
### **Operating Revenue by Source Fiscal Year 2025**



Total operating expenses for fiscal year 2025 were \$226.1 million. Of this amount, approximately \$127.5 million, or 56.4%, consisted of purchased power and purchased water costs. The total operating expenses decreased by \$16.4 million, or 6.7%, over fiscal year 2024 total operating expenses of \$242.5 million. This operating expense decrease was primarily attributable to a decrease in purchased power. Total operating expenses in fiscal year 2024 increased by \$8.1 million, or 3.5%, over fiscal year 2023 total operating expenses of \$234.4 million.

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## Operating Expenses by Source Fiscal Year 2025



## Capital Assets

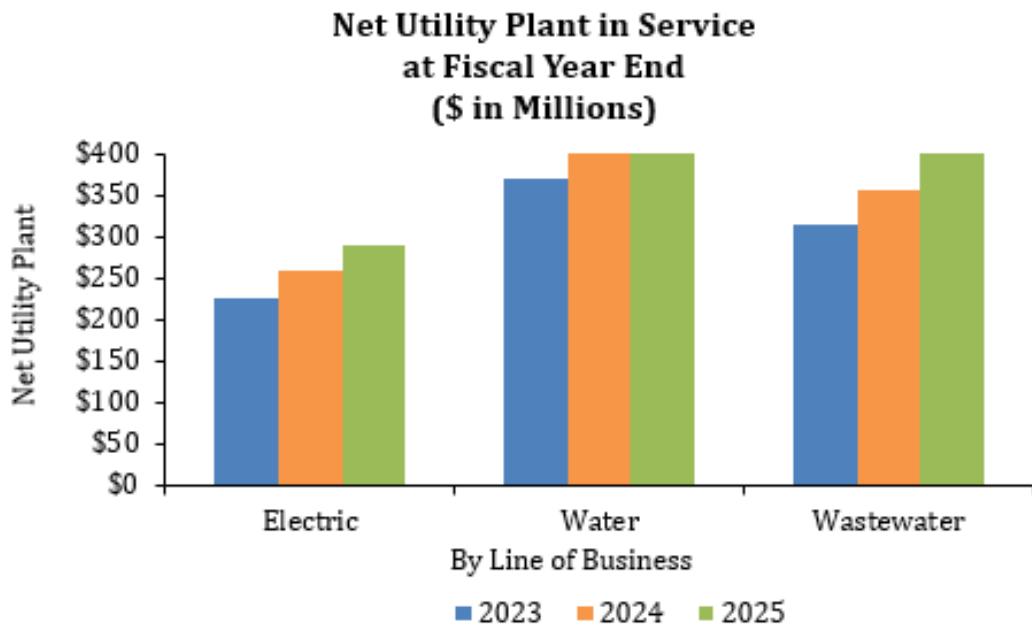
At fiscal year-end 2025, NBU's net capital assets totaled \$1.2 billion. Included in capital assets are 11 electric substation/metering points, four water reclamation facilities, a surface water treatment plant (SWTP), 24 lift stations and 24 pump stations. Net capital assets totaled \$1.1 billion at fiscal year-end 2024 and \$910.9 million at fiscal year-end 2023.

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

### Capital Assets (net of accumulated depreciation)

	<b>2025</b>	<b>2024</b>	<b>2023</b>
Land and water rights	\$ 61,319,730	\$ 56,876,015	\$ 43,698,650
Buildings and structures	158,575,406	111,595,385	111,607,375
Electric transmission/distribution	235,511,217	216,360,146	193,026,284
Wells & springs	11,406,289	3,177,397	3,266,961
Pumping equipment	31,704,734	21,985,843	22,251,768
Water/wastewater treatment equipment	58,783,450	51,065,246	52,555,698
Water/wastewater transmission/distribution	470,137,395	419,069,567	386,238,787
Equipment, vehicles, furniture & fixtures	<u>31,036,865</u>	<u>24,449,642</u>	<u>20,604,849</u>
Net plant in service	\$ 1,058,475,086	\$ 904,579,241	\$ 833,250,372
Construction work in progress	149,041,171	156,621,714	77,618,949
Net utility plant after accumulated depreciation	<u>\$ 1,207,516,257</u>	<u>\$ 1,061,200,955</u>	<u>\$ 910,869,321</u>

*See Independent Auditors' Report*



In Fiscal Year 2025, there were \$191.3 million in capital additions and \$37.4 million of retirements and depreciation, for an overall increase in net plant in service of \$153.9 million. In Fiscal Year 2024, there were \$112.5 million in capital additions and \$41.2 million of retirements and depreciation, for an overall increase in net plant in service of \$71.3 million.

The following is a summary of capital additions and retirements for Fiscal Year 2025:

	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
Plant in service, beginning of year	\$ 241,913,511	\$ 362,796,552	\$ 299,869,178	\$ 904,579,241
Additions	33,431,478	121,078,437	36,741,714	191,251,629
Retirements	(2,887,495)	(427,543)	(736,286)	(4,051,324)
Depreciation/gain (loss) on sale of assets	(7,088,292)	(12,769,204)	(13,446,964)	(33,304,460)
Plant in service, end of year	\$ 265,369,202	\$ 470,678,242	\$ 322,427,642	\$ 1,058,475,086
Construction work in progress	24,829,616	29,819,377	94,392,178	149,041,171
Net utility plant after accumulated depreciation	<u>\$ 290,198,818</u>	<u>\$ 500,497,619</u>	<u>\$ 416,819,820</u>	<u>\$ 1,207,516,257</u>

For comparison, the following is a summary of capital additions and retirements for Fiscal Year 2024:

	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
Plant in service, beginning of year	\$ 215,820,976	\$ 327,636,651	\$ 289,792,745	\$ 833,250,372
Additions	40,857,737	46,821,331	24,846,229	112,525,297
Retirements	(4,377,016)	(1,023,437)	(1,467,323)	(6,867,776)
Depreciation/gain (loss) on sale of assets	(10,388,186)	(10,637,993)	(13,302,473)	(34,328,652)
Plant in service, end of year	\$ 241,913,511	\$ 362,796,552	\$ 299,869,178	\$ 904,579,241
Construction work in progress	18,440,382	80,350,850	57,830,482	156,621,714
Net utility plant after accumulated depreciation	<u>\$ 260,353,893</u>	<u>\$ 443,147,402</u>	<u>\$ 357,699,660</u>	<u>\$ 1,061,200,955</u>

*See Independent Auditors' Report*

For comparison, the following is a summary of capital additions and retirements for Fiscal Year 2023:

	Electric	Water	Wastewater	Total
Plant in service, beginning of year	\$ 198,360,159	\$ 269,702,400	\$ 270,820,882	\$ 738,883,441
Additions	34,410,526	67,596,728	31,363,604	133,370,858
Retirements	(15,796,398)	(299,874)	(170,412)	(16,266,684)
Depreciation/gain (loss) on sale of assets	(1,153,311)	(9,362,603)	(12,221,329)	(22,737,243)
Plant in service, end of year	\$ 215,820,976	\$ 327,636,651	\$ 289,792,745	\$ 833,250,372
Construction work in progress	9,360,947	43,870,078	24,387,924	77,618,949
Net utility plant after accumulated depreciation	<u>\$ 225,181,923</u>	<u>\$ 371,506,729</u>	<u>\$ 314,180,669</u>	<u>\$ 910,869,321</u>

Additions to plant (excluding construction work in progress) in Fiscal Year 2025 were:

Electric distribution system improvements	\$ 27,847,330
Water/wastewater distribution system enhancements and rehabilitation	74,383,934
Water/wastewater treatment equipment	18,684,222
Equipment, vehicles, furniture & fixtures	24,725,432
Other capital projects	<u>45,610,711</u>
Total	<u>\$ 191,251,629</u>

In Fiscal Year 2026, NBU budgeted \$283.9 million of capital expenditures consisting of \$276.8 million in capital projects and \$7.1 million in capital equipment. It is anticipated that approximately 49.2%, or \$140.1 million, of the capital plan is projected to be financed with the issuance of new debt. Another \$75.0 million, or approximately 26.3% with commercial paper, \$19.0 million, or approximately 6.7%, in funding from the Texas Water Development Board, and the remainder of the capital plan with revenues, impact fees, and contributions.

Total budgeted capital expenditures in Fiscal Year 2026 are as follows:

Electric distribution system improvements and extensions	\$ 27,473,524
Electric substation improvements	17,172,889
Water/wastewater extensions and enhancements	20,583,443
Water plant improvements	4,188,903
Wastewater plant improvements	68,970,358
Other capital projects	138,399,970
Capital equipment	<u>7,115,000</u>
Total	<u>\$ 283,904,087</u>

Additional information on NBU's capital assets can be found in Note 3.

*See Independent Auditors' Report*

## Debt

At fiscal year-end 2025, NBU's outstanding debt totaled \$563.4 million.

The following summarizes the debt outstanding:

The following summarizes the debt outstanding:	
2004 Utility System Revenue Bonds-Capital Appreciation*	\$ 1,023,838
2015 Utility System Revenue Bonds	8,650,000
2016 Utility System Revenue and Refunding Bonds	47,980,000
2018 Utility System Revenue Bonds	34,660,000
2020 Utility System Refunding Bonds	77,355,000
2021 Utility System Refunding Bonds	63,970,000
2022 Utility System Refunding Bonds	70,570,000
2022A Utility System Revenue Bonds (Direct Placement)	38,700,000
2024 Utility System Revenue and Refunding Bonds	116,700,000
2025 Utility System Refunding Bonds	<u>81,225,000</u>
Total Revenue Bonds	\$ 540,833,838
Unamortized net premiums	<u>22,588,144</u>
Net Debt	<u><u>\$ 563,421,982</u></u>

\*Includes accumulated accretion through July 31, 2025 as well as the current portion of debt outstanding

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

For comparison, the following is a summary of the debt outstanding for Fiscal Year 2024:

The following summarizes the debt outstanding:	
2004 Utility System Revenue Bonds-Capital Appreciation*	\$ 1,498,062
2015 Utility System Revenue Bonds	8,650,000
2016 Utility System Revenue and Refunding Bonds	55,585,000
2018 Utility System Revenue Bonds	35,815,000
2020 Utility System Refunding Bonds	79,415,000
2021 Utility System Refunding Bonds	65,115,000
2022 Utility System Refunding Bonds	71,670,000
2022A Utility System Revenue Bonds	39,250,000
2024 Utility System Revenue and Refunding Bonds	<u>117,930,000</u>
Total Revenue Bonds	\$ 474,928,062
Unamortized net premiums	<u>26,022,455</u>
Net Debt	<u><u>\$ 500,950,517</u></u>

\*Includes accumulated accretion through July 31, 2024 as well as the current portion of debt outstanding

For comparison, the following is a summary of the debt outstanding for Fiscal Year 2023:

The following summarizes the debt outstanding:

2004 Utility System Revenue Bonds-Capital Appreciation*	\$	1,949,016
2015 Utility System Revenue Bonds		24,705,000
2016 Utility System Revenue and Refunding Bonds		56,445,000
2018 Utility System Revenue Bonds		36,990,000
2020 Utility System Refunding Bonds		81,370,000
2021 Utility System Refunding Bonds		66,250,000
2022 Utility System Refunding Bonds		72,765,000
2022A Utility System Revenue Bonds		39,750,000
Total Revenue Bonds	\$	380,224,016
Unamortized net premiums		25,296,613
Net Debt	\$	<u>405,520,629</u>

\*Includes accumulated accretion through July 31, 2023 as well as the current portion of debt outstanding

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

#### **Economic Factors and Next Year's Budgets and Rates**

The objective of NBU's Fiscal Year 2026 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 Main Plaza, New Braunfels, Texas, 78130.

*See Independent Auditors' Report*

# Financial

## Basic Financial Statements



**BASIC FINANCIAL STATEMENTS**  
**STATEMENTS OF NET POSITION - JULY 31, 2025 AND 2024**

	<b>RESTATED</b>	
	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 128,591,425	\$ 90,701,469
Investments	7,959,917	20,938,583
Accounts receivable-customers (net of allowances for uncollectibles, \$478,268 for 2025 and \$334,138 for 2024)	39,935,415	38,192,165
Accounts receivable-other	3,303,254	3,070,241
Interest receivable	504,632	318,507
Inventory	8,227,177	8,365,563
Prepaid items	3,012,179	1,609,303
Other current assets	18,476,916	18,451,065
Restricted assets:		
Cash and cash equivalents	<u>3,043,601</u>	<u>2,559,524</u>
<b>Total current assets</b>	<u>\$ 213,054,516</u>	<u>\$ 184,206,420</u>
<b>Noncurrent assets</b>		
Capital assets:		
Plant in service	\$ 1,467,724,742	\$ 1,280,524,438
Less accumulated depreciation	(409,249,656)	(375,945,197)
Construction in progress	<u>149,041,171</u>	<u>156,621,714</u>
Net capital assets	<u>\$ 1,207,516,257</u>	<u>\$ 1,061,200,955</u>
Other noncurrent assets:		
Cash and cash equivalents-restricted	\$ 35,927,059	\$ 53,531,373
Investments:		
Restricted	27,476,732	26,620,403
Unrestricted	13,575,161	4,472,656
Accounts receivable-other	6,550,000	7,550,000
Regulatory asset - Gonzales Carrizo	3,316,800	3,685,334
Other noncurrent assets	<u>8,636,435</u>	<u>9,175,366</u>
Total other noncurrent assets	<u>\$ 95,482,187</u>	<u>\$ 105,035,132</u>
<b>Total noncurrent assets</b>	<u>\$ 1,302,998,444</u>	<u>\$ 1,166,236,087</u>
<b>Total assets</b>	<u>\$ 1,516,052,960</u>	<u>\$ 1,350,442,507</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferred outflows	\$ 12,587,085	\$ 14,157,920
<b>Total assets and deferred outflows of resources</b>	<u>\$ 1,528,640,045</u>	<u>\$ 1,364,600,427</u>

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

**STATEMENTS OF NET POSITION - JULY 31, 2025 AND 2024  
(CONTINUED)**

	<u>2025</u>	<u>RESTATED 2024</u>
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	\$ 56,557,885	\$ 51,356,559
Consumer deposit payable	15,717,293	13,851,204
Compensated absences	3,190,117	2,296,800
Generation and transmission cost recovery over-collection	23,833,237	14,160,796
Commerical paper	-	15,000,000
Payable from restricted assets:		
Accrued interest payable	1,887,140	1,617,368
Current portion of long term debt	9,530,000	8,700,000
<b>Total current liabilities</b>	<b>\$ 110,715,672</b>	<b>\$ 106,982,727</b>
 <b>Noncurrent liabilities</b>		
Compensated absences	\$ 1,203,316	\$ 1,121,488
Long-term debt, net of premium and discount	553,891,982	492,250,517
Net pension liability	24,612,467	26,716,411
Contribution in aid of construction-refundable	17,707,358	18,470,308
<b>Total noncurrent liabilities</b>	<b>\$ 597,415,123</b>	<b>\$ 538,558,724</b>
<b>Total liabilities</b>	<b>\$ 708,130,795</b>	<b>\$ 645,541,451</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferred inflows	<u>\$ 1,876,336</u>	<u>\$ 437,161</u>
 <b>NET POSITION</b>		
Net investment in capital assets	\$ 689,785,703	\$ 611,570,618
Restricted:		
Debt service	1,156,483	943,135
Impact fees	6,311,515	3,106,536
Unrestricted	121,379,213	103,001,526
<b>Total net position</b>	<b>\$ 818,632,914</b>	<b>\$ 718,621,815</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 1,528,640,045</u></b>	<b><u>\$ 1,364,600,427</u></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, 2025 AND 2024**

	<b>2025</b>	<b>2024</b>
<b>OPERATING REVENUES</b>		
Electric services	\$ 186,267,866	\$ 201,616,449
Water services	43,197,170	39,517,060
Wastewater services	39,526,950	35,720,988
Transmission system	3,421,687	2,848,899
Miscellaneous fees and charges	2,956,720	4,539,035
Other operating revenues	<u>3,583,261</u>	<u>3,398,253</u>
<b>Total operating revenues</b>	<u>\$ 278,953,654</u>	<u>\$ 287,640,684</u>
<b>OPERATING EXPENSES</b>		
Purchased power	\$ 112,577,483	\$ 137,875,581
Purchased water	14,919,915	12,070,950
Transmission and distribution	10,768,088	9,689,038
Supply source	64,903	92,125
Pumping	2,632,212	2,538,163
Water treatment	11,917,271	10,373,680
Customer service	8,726,320	8,516,194
General and administrative	27,488,779	22,525,564
Depreciation and amortization	<u>37,045,091</u>	<u>38,822,294</u>
<b>Total operating expenses</b>	<u>\$ 226,140,062</u>	<u>\$ 242,503,589</u>
<b>Net operating income</b>	<u>\$ 52,813,592</u>	<u>\$ 45,137,095</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	\$ 8,924,319	\$ 9,413,098
Increase (decrease) in the fair value of investments	166,366	549,742
Interest and amortization expense	(19,408,608)	(17,747,975)
Intergovernmental expense	(11,809,369)	(11,323,540)
Gain (loss) on sale of assets	<u>(126,402)</u>	<u>4,327,957</u>
<b>Total nonoperating revenues (expenses)</b>	<u>\$ (22,253,694)</u>	<u>\$ (14,780,718)</u>
Income before capital contributions	<u>\$ 30,559,898</u>	<u>\$ 30,356,377</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Impact fees	\$ 28,180,369	\$ 25,509,547
Services	4,637,201	3,578,921
Developer contributions	<u>36,633,631</u>	<u>26,941,971</u>
<b>Total capital contributions</b>	<u>\$ 69,451,201</u>	<u>\$ 56,030,439</u>
Change in net position	\$ 100,011,099	\$ 86,386,816
Total net position - beginning of year	<u>718,621,815</u>	<u>632,234,999</u>
<b>Total net position - end of year</b>	<u>\$ 818,632,914</u>	<u>\$ 718,621,815</u>

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JULY 31, 2025 AND 2024**

	RESTATED	
	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments received from customers	\$ 289,515,921	\$ 290,707,540
Payments to suppliers for goods and services	(133,520,473)	(155,741,575)
Payments for salaries and benefits	<u>(58,881,267)</u>	<u>(50,221,127)</u>
<b>Net cash provided by operating activities</b>	<u>\$ 97,114,181</u>	<u>\$ 84,744,838</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to City of New Braunfels	\$ (11,809,369)	\$ (11,323,540)
<b>Net cash used by noncapital related financing activities</b>	<u>\$ (11,809,369)</u>	<u>\$ (11,323,540)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Impact and service fees	35,760,064	34,534,658
Acquisition and construction of capital assets	(141,232,014)	(169,852,912)
Proceeds from sale of assets	679,836	6,702,091
Proceeds from long-term debt, commercial paper, and revolving notes payable issued	60,970,776	118,844,046
Debt issuance costs	(808,136)	(1,086,429)
Principal paid on bond and debt	(10,065,000)	(59,140,000)
Interest paid on bond and debt	<u>(21,765,011)</u>	<u>(16,197,612)</u>
<b>Net cash used by capital and related financing activities</b>	<u>\$ (76,459,485)</u>	<u>\$ (86,196,158)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	\$ 61,000,000	\$ 83,999,841
Purchase of investments	(57,980,168)	(88,501,731)
Interest received	<u>8,904,560</u>	<u>9,739,035</u>
<b>Net cash provided by (used in) investing activities</b>	<u>\$ 11,924,392</u>	<u>\$ 5,237,145</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 20,769,719</b>	<b>\$ (7,537,715)</b>
Cash and cash equivalents at beginning of period	\$ 146,792,366	\$ 154,330,081
<b>Cash and cash equivalents at end of period</b>	<b><u>\$ 167,562,085</u></b>	<b><u>\$ 146,792,366</u></b>

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

**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED JULY 31, 2025 AND 2024**

	<b>RESTATED</b>	
	<b><u>2025</u></b>	<b><u>2024</u></b>
<b>RECONCILIATION OF UTILITY OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 52,813,592	\$ 45,137,095
Depreciation and amortization	37,045,091	38,822,294
(Increase) decrease in assets:		
Accounts receivable, customer and other	(976,263)	(858,195)
Inventory	138,386	(1,828,741)
Prepaid items	(1,402,876)	175,946
Regulatory asset	368,534	(840,000)
Other assets	513,080	(15,086,112)
Increase (decrease) in liabilities:		
Generation and transmission cost recovery over-collection	9,672,441	2,163,409
Accounts payable	(4,805,104)	14,351,029
Post retirement obligation	906,066	683,097
Customer deposits	1,866,089	1,761,642
Compensated absences	975,145	263,374
<b>Net cash provided by operating activities</b>	<b><u>\$ 97,114,181</u></b>	<b><u>\$ 84,744,838</u></b>
<b>Schedule of cash and cash equivalents</b>		
Beginning of period:		
Unrestricted cash and cash equivalents	\$ 90,701,469	\$ 88,712,441
Restricted cash and cash equivalents	<u>56,090,897</u>	<u>65,617,640</u>
	<b><u>\$146,792,366</u></b>	<b><u>\$154,330,081</u></b>
End of period:		
Unrestricted cash and cash equivalents	\$128,591,425	\$ 90,701,469
Restricted cash and cash equivalents	<u>38,970,660</u>	<u>56,090,897</u>
	<b><u>\$167,562,085</u></b>	<b><u>\$146,792,366</u></b>
<b>NON-CASH INVESTING, CAPITAL, AND FINANCE ACTIVITIES</b>		
Accretion of interest on capital appreciation bonds	\$ 75,776	\$ 99,046
Fair-value adjustment	\$ 166,366	\$ 549,742
Contributed electric, water, and sewer systems	\$ 36,633,631	\$ 26,941,971
Bond proceeds used in refunding	\$ 81,695,000	\$ 84,645,792

**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 of New Braunfels, Texas (the City). The financial statements of NBU are included in the City's Texas Annual Comprehensive 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, escrow funds, 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% of its monthly average fund balance, excluding bond proceeds and reserves and other funds held or 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 10% 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.
- c. Yield shall be calculated in accordance with regulations governing the registration of open-ended management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the Federal Securities and Exchange Commission.

## 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, 2025 and 2024, the allowance was \$478,268 and \$334,138, 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, 2025 and 2024 were \$19.1 million and \$18.2 million respectively.

In the fiscal year ended July 31, 2020, NBU completed the transaction for the sale of the service center facility in the amount of \$10,180,000. Per the transfer agreement with the City, the City paid the first-year installment in the amount of \$5,180,000 in the fiscal year ended 2022 leaving an accounts receivable-other balance of \$5,000,000. The balance will be paid \$500,000 annually on October 1, no later than the commencement of construction of NBU's new headquarters. As of July 31, 2025, the outstanding receivable is \$4,000,000, with \$500,000 as current, compared to the outstanding balance of \$4,500,000 as of July 31, 2024.

In fiscal year ended July 31, 2024, NBU completed the transaction for the sale of the main plaza building in the amount of \$4,550,000. Per the transfer agreement with the City, NBU conveyed the property on the transfer date in exchange for which the City agrees to pay the transfer price with \$500,000 paid on the transfer date, with a balance of \$4,050,000. Thereafter, the balance of \$4,050,000 will be paid by the City in four (4) installments on or before the following dates:

1. \$500,000 on October 1, 2024;
2. \$500,000 on October 1, 2025;
3. \$500,000 on October 1, 2026; and
4. \$2,550,000 on the sooner of the following to occur (i) the date that NBU turns over possession to the City under the lease agreement; or (ii) the lease termination date per the lease agreement.

This transaction contributed to the larger accounts receivable- other account. As of July 31, 2025, the outstanding balance is \$3,550,000, with \$500,000 as current, compared to the outstanding balance of \$4,050,000 as of July 31, 2024.

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). Balances as of July 31, 2025 and 2024 are as follows:

	<b>2025</b>	<b>2024</b>
Congestion revenue rights - current	\$ 18,476,916	\$ 18,451,065
Congestion revenue rights - non-current	5,895,293	6,882,678
Collateral deposits - ERCOT-non-current	-	(1,281,207)
Canyon Hydro Asset-non-current	2,741,142	3,573,895
<b>Total</b>	<b><u>\$ 27,113,351</u></b>	<b><u>\$ 27,626,431</u></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. TWDB funds deposited into an escrow account are also considered restricted funds for the purpose of specific eligible water capital projects. 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 departments. Accumulated depreciation is reported on the Statement of Net Position. The following estimated useful lives are used to compute depreciation:

<u>Assets</u>	<u>Years</u>
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 assets 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 – *Accounting and Financial Reporting for Pensions*. 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**

NBU's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. 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, 2025 and 2024, NBU over-collected by \$23,833,237 and \$14,160,796, 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 and discounts are amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed as they are incurred.

## **16. Deferred Inflows of Resources**

A deferred inflow of resources represents an acquisition of net assets 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 – *Accounting and Financial Reporting for Pensions*. 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.

*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, deferred outflows of resources, liabilities and deferred inflows of resources 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 Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement were effective for financial statements beginning after December 15, 2023. Implementation of this standard did not result in a material change in the financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, requires a government to assess whether a concentration or constraint makes the primary government reporting unit that reports a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or a more likely than not to begin to occur within 12 months of the date the financial statements are used. The requirements of this Statement were effective for the fiscal years beginning after June 15, 2024. There was no impact to the financials in 2025.

The following additional GASB pronouncements will be implemented in the future. When they become effective, application of these standards may restate portions of these financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class.

The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

## **21. Reclassifications**

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

## **Note 2. Deposits and Investments**

As of July 31, 2025, the carrying amount of NBU's deposits (checking accounts and money markets) was \$58,300,876. The balance per the bank at July 31, 2025 was \$68,280,189. As of July 31, 2024, the carrying amount of NBU's deposits (checking accounts and money markets) was \$40,295,127. The balance per the bank at July 31, 2024 was \$33,260,461. The entire balance was guaranteed by FDIC Insurance and pledged collateral of \$59,919,130 and \$33,892,444 held by NBU's agent bank in NBU's name for Fiscal Year 2025 and Fiscal Year 2024, 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 2025 and Fiscal Year 2024 was an increase of \$166,366 and increase of \$549,742 over the prior year, respectively.

All four investment pools (TexPool, TexSTAR, Texas Range, and Texas CLASS) 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.

NBU's cash and investments as of July 31, 2025 are shown below:

**Custodial Credit Risk and Interest Rate Risk:**

**July 31, 2025**

<b>Deposit/Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity in Days</b>	<b>Percent of Portfolio</b>	<b>Rating S &amp; P</b>
U.S. Agency Securities	\$ 32,958,464	241	15.20%	AA+
U.S. Treasuries	16,053,347	847*	7.40%	AA+
Escrow Funds	21,405,765	1	9.90%	N/A
Demand deposit and money market	58,300,876	1	26.90%	N/A
Pooled funds	87,855,443	1	40.60%	AAAm
<b>Total Cash and Investments</b>	<b>\$ 216,573,895</b>	<b>99</b>	<b>100%</b>	

**Classification**

Cash and cash equivalents, unrestricted	\$ 128,591,425
Cash and cash equivalents, short-term restricted	3,043,601
Investments, short-term unrestricted	7,959,917
Cash and Cash Equivalents, long-term restricted	35,927,059
Investments, long-term restricted	27,476,732
Investments, long-term unrestricted	13,575,161
<b>Total Cash and Investments</b>	<b>\$ 216,573,895</b>

\* Includes a \$5 million investment in the Community Assistance Fund having a remaining maturity of 4 years.

NBU's cash and investments as of July 31, 2024 are shown below:

<b>Deposit/Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity in Days</b>	<b>Percent of Portfolio</b>	<b>Rating S &amp; P</b>
U.S. Agency Securities	\$ 30,923,975	297	15.60%	AA+
U.S. Treasuries	21,107,668	536*	10.60%	AA+
Escrow Funds	39,061,676	1	19.60%	N/A
Demand deposit and money market	40,295,127	1	20.30%	N/A
Pooled funds	67,435,562	1	33.90%	AAAm
<b>Total Cash and Investments</b>	<b>\$ 198,824,008</b>	<b>104</b>	<b>100%</b>	

**Classification**

Cash and cash equivalents, unrestricted	\$ 90,701,469
Cash and cash equivalents, short-term restricted	2,559,524
Investments, short-term unrestricted	20,938,583
Cash and Cash Equivalents, long-term restricted	53,531,373
Investments, long-term restricted	26,620,403
Investments, long-term unrestricted	4,472,656
<b>Total Cash and Investments</b>	<b>\$ 198,824,008</b>

\* Includes a \$5 million investment in the Community Assistance Fund having a remaining maturity of 5 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, 2025 and 2024 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, 2025.

NBU's TexPool investments are reported at amortized cost.

At July 31, 2025, NBU had the following recurring fair value measurements:

	Fair Value Measurements Using			
	7/31/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Debt securities				
U.S. Agency Securities	\$ 32,958,464	\$ -	\$ 32,958,464	\$ -
U.S. Treasuries	16,053,347	16,053,347	-	-
Total debt securities	<u>\$ 49,011,811</u>	<u>\$ 16,053,347</u>	<u>\$ 32,958,464</u>	<u>\$ -</u>

At July 31, 2024, NBU had the following recurring fair value measurements:

	7/31/2024	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)
<b>Investments by fair value level</b>				
Debt securities				
U.S. Agency Securities	\$ 30,923,975	\$ -	\$ 30,923,975	\$ -
U.S. Treasuries	21,107,668	21,107,668	-	-
Total debt securities	\$ 52,031,643	\$ 21,107,668	\$ 30,923,975	\$ -

## 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 2025 and 2024, 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 2025 and 2024, NBU's portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2025	2024
Federal Farm Credit Bank	U.S. Agency Securities	10%	7%
Federal Home Loan Bank	U.S. Agency Securities	5%	13%
Federal Home Loan Mortgage Corp	U.S. Agency Securities	6%	0%

### 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 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, 2025 and 2024, \$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 2025 and 2024, NBU's exposure to interest rate risk is summarized in the above tables in Section 2A.1, 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, 2025 and 2024, NBU was not exposed to foreign currency risk.

### Note 3. Capital Assets

Capital asset activity for Fiscal Year 2025 was as follows:

	Balance August 1, 2024	Additions	Reclasses and Retirements	Balance July 31, 2025
<b>Capital assets not being depreciated:</b>				
Land-electric	\$ 6,340,086	\$ 597,959	\$ -	\$ 6,938,045
Land and water rights-water	24,443,153	2,982,242	-	27,425,395
Land-wastewater	13,877,262	863,513	-	14,740,775
Land-general	12,215,514	-	-	12,215,514
Construction in progress	156,621,714	183,671,086	(191,251,629)	149,041,171
<b>Total capital assets not being depreciated</b>	<b>\$ 213,497,729</b>	<b>\$ 188,114,800</b>	<b>\$ (191,251,629)</b>	<b>\$ 210,360,900</b>
<b>Capital assets being depreciated:</b>				
Buildings and structures-electric	\$ 7,220,699	\$ -	\$ -	\$ 7,220,699
Buildings and structures-water	44,535,161	35,188,017	-	79,723,178
Buildings and structures-wastewater	76,582,091	1,858,164	-	78,440,255
Buildings and structures-other	16,419,572	13,653,202	-	30,072,774
Electric transmission/distribution	347,204,972	27,822,908	(2,563,948)	372,463,932
Wells & springs	3,954,872	8,334,269	-	12,289,141
Pumping equipment	29,372,302	10,740,646	-	40,112,948
Water/wastewater treatment equipment	70,131,795	10,042,691	-	80,174,486
Water/wastewater transmission/distribution	560,937,903	68,095,789	(854,145)	628,179,547
Equipment, vehicles, furniture & fixtures	67,289,056	11,072,229	(633,232)	77,728,053
<b>Total capital assets, being depreciated</b>	<b>\$1,223,648,423</b>	<b>\$ 186,807,915</b>	<b>\$ (4,051,325)</b>	<b>\$ 1,406,405,013</b>
<b>Less accumulated depreciation for:</b>				
Buildings and structures-electric	\$ 3,759,378	\$ 83,441	\$ -	\$ 3,842,819
Buildings and structures-water	11,485,319	1,281,347	-	12,766,666
Buildings and structures-wastewater	14,580,396	1,873,245	-	16,453,641
Buildings and structures-other	3,337,045	484,788	-	3,821,833
Electric transmission/distribution	130,844,825	8,471,519	(2,363,542)	136,952,802
Wells & springs	777,475	105,378	-	882,853
Pumping equipment	7,386,459	1,021,755	-	8,408,214
Water/wastewater treatment equipment	19,066,550	2,302,554	-	21,369,104
Water/wastewater transmission/distribution	141,868,336	16,917,675	(743,858)	158,042,153
Equipment, vehicles, furniture & fixtures	42,839,414	4,503,389	(633,232)	46,709,571
<b>Total accumulated depreciation</b>	<b>\$ 375,945,197</b>	<b>\$ 37,045,091</b>	<b>\$ (3,740,632)</b>	<b>\$ 409,249,656</b>
<b>Total capital assets, net</b>	<b>\$1,061,200,955</b>	<b>\$ 337,877,624</b>	<b>\$ (191,562,322)</b>	<b>\$ 1,207,516,257</b>

Capital asset activity for Fiscal Year 2024 was as follows:

	Balance August 1, 2023	Additions	Reclasses and Retirements	Balance July 31, 2024
Capital assets not being depreciated:				
Land-electric	\$ 6,294,902	\$ 45,184	\$ -	\$ 6,340,086
Land and water rights-water	23,143,976	1,299,177	\$ -	24,443,153
Land-wastewater	14,003,760	6,183	(132,681)	13,877,262
Land-general	258,882	12,037,437	(80,805)	12,215,514
Construction in progress	77,618,949	191,528,062	(112,525,297)	156,621,714
<b>Total capital assets not being depreciated</b>	<b>\$ 121,320,469</b>	<b>\$ 204,916,043</b>	<b>\$ (112,738,783)</b>	<b>\$ 213,497,729</b>
Capital assets being depreciated:				
Buildings and structures-electric	\$ 7,215,682	\$ 5,017	\$ -	\$ 7,220,699
Buildings and structures-water	43,925,209	609,952		44,535,161
Buildings and structures-wastewater	76,428,071	154,020	\$ -	76,582,091
Buildings and structures-other	14,211,586	3,484,092	(1,276,106)	16,419,572
Electric transmission/distribution	313,800,759	36,296,424	(2,892,211)	347,204,972
Wells & springs	3,954,872	-		3,954,872
Pumping equipment	28,720,670	651,632	\$ -	29,372,302
Water/wastewater treatment equipment	69,359,745	772,050	\$ -	70,131,795
Water/wastewater transmission/distribution	512,757,726	48,823,239	(643,062)	560,937,903
Equipment, vehicles, furniture & fixtures	60,791,078	8,340,890	(1,842,912)	67,289,056
<b>Total capital assets, being depreciated</b>	<b>\$ 1,131,165,398</b>	<b>\$ 99,137,316</b>	<b>\$ (6,654,291)</b>	<b>\$ 1,223,648,423</b>
Less accumulated depreciation for:				
Buildings and structures-electric	\$ 3,618,127	\$ 141,251	\$ -	\$ 3,759,378
Buildings and structures-water	10,206,175	1,279,144	\$ -	11,485,319
Buildings and structures-wastewater	12,691,904	1,888,492	\$ -	14,580,396
Buildings and structures-other	3,660,425	468,059	(791,439)	3,337,045
Electric transmission/distribution	120,775,542	11,930,671	(1,861,388)	130,844,825
Wells & springs	687,911	89,564	\$ -	777,475
Pumping equipment	6,468,901	917,558	\$ -	7,386,459
Water/wastewater treatment equipment	16,782,114	2,284,436	\$ -	19,066,550
Water/wastewater transmission/distribution	126,518,938	15,487,689	(138,291)	141,868,336
Equipment, vehicles, furniture & fixtures	40,206,509	4,335,430	(1,702,525)	42,839,414
<b>Total accumulated depreciation</b>	<b>\$ 341,616,546</b>	<b>\$ 38,822,294</b>	<b>\$ (4,493,643)</b>	<b>\$ 375,945,197</b>
<b>Total capital assets, net</b>	<b>\$ 910,869,321</b>	<b>\$ 265,231,065</b>	<b>\$ (114,899,431)</b>	<b>\$ 1,061,200,955</b>

Depreciation and amortization expense for Fiscal Years 2025 and 2024 was charged as follows:

	2025	2024
Electric	\$ 9,775,379	\$ 13,502,092
Water	13,109,628	11,309,069
Wastewater	14,160,084	14,011,133
<b>Total depreciation and amortization expense</b>	<b>\$ 37,045,091</b>	<b>\$ 38,822,294</b>

In the fiscal year ended July 31, 2024, the land purchase for the new headquarters, sale of the main plaza building and purchase of the real property from the City for additional office space contributed to the significant change in reclasses and retirements and additions amounts for the fiscal year.

NBU entered into a real estate transfer agreement with the City on April 24, 2023 for the transfer of real property located at 1488 South Seguin Avenue, New Braunfels, Texas, in order to maximize office space at each of its various facilities across the City that was effective August 1, 2023. The agreed market value of the property was \$2,900,000 that required NBU to pay \$400,000 at closing on August 1, 2023. The remaining balance of \$2,500,000 is to be credited over the next five years against the balance of the \$5,000,000 that the City owes to NBU for the transfer of the service center in fiscal year 2020. A receivable balance of \$2,500,000 will be remaining from the City of from the sale of the service center. Payments will commence on or about October 1, 2027 from the City.

On November 1, 2023, NBU entered into a real estate transaction for the purchase of land for the new headquarters site in the amount of \$12,005,504.

#### Note 4. Long-Term Debt

Changes in long-term debt for Fiscal Year 2025 are as follows:

	Original Amount	Rate	Amount Outstanding July 31, 2024	Additions	Retirements	Amount Outstanding July 31, 2025	Amount due Within One Year
2004 Utility System Revenue Bonds-Capital Appreciation	\$ 2,572,596	3.10% - 5.16%*	\$ 530,029	\$ -	\$ (186,120)	\$ 343,909	\$ 176,522
2015 Utility System Revenue Bonds	\$ 26,870,000	2.0% - 4.0%	8,650,000	\$ -	\$ -	8,650,000	\$ -
2016 Utility System Revenue and Refunding Bonds	\$ 62,235,000	2.0% - 5.0%	55,585,000	\$ -	\$ (7,605,000)	47,980,000	\$ 970,000
2018 Utility System Revenue Bonds	\$ 45,200,000	2.0% - 5.0%	35,815,000	\$ -	\$ (1,155,000)	34,660,000	\$ 1,145,000
2020 Utility System Revenue Refunding Bonds	\$ 88,100,000	3.0% - 5.0%	79,415,000	\$ -	\$ (2,060,000)	77,355,000	\$ 2,140,000
2021 Utility System Revenue Refunding Bonds	\$ 68,250,000	3.0% - 5.0%	65,115,000	\$ -	\$ (1,145,000)	63,970,000	\$ 1,255,000
2022 Utility System Revenue Refunding Bonds	\$ 73,855,000	5.00%	71,670,000	\$ -	\$ (1,100,000)	70,570,000	\$ 1,105,000
2022A Utility System Revenue Bonds (Direct Placement)	\$ 40,000,000	0.6% - 2.9%	39,250,000	\$ -	\$ (550,000)	38,700,000	\$ 650,000
2024 Utility System Revenue and Refunding Bonds	\$ 118,745,000	5.00%	117,930,000	\$ -	\$ (1,230,000)	116,700,000	\$ 1,315,000
2025 Utility System Revenue and Refunding Bonds	\$ 82,590,000	4.75% - 5.00%	\$ 82,590,000	\$ (1,365,000)	\$ 81,225,000	\$ 400,000	\$ -
Subtotal			\$ 473,960,029	\$ 82,590,000	\$ (16,396,120)	\$ 540,153,909	\$ 9,156,522
Accretion of interest on							
Capital Appreciation Bonds			968,033	75,776	(363,880)	679,929	373,478
			\$ 474,928,062	\$ 82,665,776	\$ (16,760,000)	\$ 540,833,838	\$ 9,530,000
Less current portion						\$ (9,530,000)	
Unamortized net premiums						22,588,144	
Net long-term debt						\$ 553,891,982	

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

Changes in long-term debt for Fiscal Year 2024 are as follows:

	Original Amount	Rate	Amount Outstanding July 31, 2023	Additions	Retirements	Amount Outstanding July 31, 2024	Amount due Within One Year
2004 Utility System Revenue Bonds-Capital Appreciation	\$ 2,572,596	3.10% - 5.16%*	\$ 727,397	\$ -	\$ (197,368)	\$ 530,029	\$ 186,120
2015 Utility System Revenue Bonds	\$ 26,870,000	2.0% - 4.0%	24,705,000	\$ -	\$ (16,055,000)	8,650,000	\$ -
2016 Utility System Revenue and Refunding Bonds	\$ 62,235,000	2.0% - 5.0%	56,445,000	\$ -	\$ (860,000)	55,585,000	\$ 910,000
2018 Utility System Revenue Bonds	\$ 45,200,000	2.0% - 5.0%	36,990,000	\$ -	\$ (1,175,000)	35,815,000	\$ 1,155,000
2020 Utility System Revenue Refunding Bonds	\$ 88,100,000	3.0% - 5.0%	81,370,000	\$ -	\$ (1,955,000)	79,415,000	\$ 2,060,000
2021 Utility System Revenue Refunding Bonds	\$ 68,250,000	3.0% - 5.0%	66,250,000	\$ -	\$ (1,135,000)	65,115,000	\$ 1,145,000
2022 Utility System Revenue Refunding Bonds	\$ 73,855,000	5.00%	72,765,000	\$ -	\$ (1,095,000)	71,670,000	\$ 1,100,000
2022A Utility System Revenue Bonds (Direct Placement)	\$ 40,000,000	0.6% - 2.9%	39,750,000	\$ -	\$ (500,000)	39,250,000	\$ 550,000
2024 Utility System Revenue and Refunding Bonds	\$ 118,745,000	5.00%	\$ 118,745,000	\$ (815,000)	\$ 117,930,000	\$ 1,230,000	\$ -
Subtotal			\$ 379,002,397	\$ 118,745,000	\$ (23,787,368)	\$ 473,960,029	\$ 8,336,120
Accretion of interest on							
Capital Appreciation Bonds			1,221,619	99,046	(352,632)	968,033	363,880
			\$ 380,224,016	\$ 118,844,046	\$ (24,140,000)	\$ 474,928,062	\$ 8,700,000
Less current portion						\$ (8,700,000)	
Unamortized net premiums						26,022,455	
Net long-term debt						\$ 492,250,517	

\*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	Revenue Bonds			Direct Placement Bonds			Total
	Principal	Interest		Principal	Interest		
2026	\$ 8,880,000	\$ 21,748,043		\$ 650,000	\$ 897,633		32,175,676
2027	9,168,838	21,342,994		750,000	893,473		32,155,305
2028	9,600,000	20,918,543		775,000	888,223		32,181,766
2029	10,045,000	20,450,143		800,000	881,248		32,176,391
2030	10,515,000	19,970,843		875,000	873,408		32,234,251
2031-2035	59,145,000	92,704,138		5,100,000	4,200,390		161,149,528
2036-2040	71,615,000	79,365,794		7,750,000	3,603,405		162,334,199
2041-2045	88,510,000	62,764,087		7,700,000	2,654,568		161,628,655
2046-2050	101,755,000	43,307,744		9,150,000	1,578,000		155,790,744
2051-2055	121,235,000	19,634,700		5,150,000	225,700		146,245,400
2056	11,665,000	554,088		-	-		12,219,088
	\$ 502,133,838	\$ 402,761,117		\$ 38,700,000	\$ 16,696,048		960,291,003

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 2025 and Fiscal Year 2024 were \$29,818,685 and \$25,340,880, respectively. Total net revenues as defined for the same periods were \$131,600,572 and \$122,460,955. Annual principal and interest payments are expected to require 20% of net revenues on average.

*Utility System Revenue Refunding Bonds, Series 2025.* On June 17, 2025, bonds in the amount of \$82,590,000 were issued at an average interest rate of 4.83%. This issuance refunded \$75,000,000 of outstanding Series 2019A Commercial Paper Notes, refunded \$6,695,000 of outstanding Series 2016 bonds. The refunding of the Series 2016 bonds reduced future debt service by approximately \$478,453 and resulted in an economic gain of \$346,139. 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 Revenue Refunding Bonds, Series 2024.* On February 1, 2024, bonds in the amount of \$118,745,000 were issued at an average interest rate of 4.36%. This issuance refunded \$75,000,000 of outstanding Series 2019A Commercial Paper Notes, refunded \$14,185,000 of outstanding Series 2015 bonds, and issued \$26,255,000 in new money proceeds. The refunding of the Series 2015 bonds reduced future debt service by approximately \$1,037,588, and resulted in an economic gain of \$1,067,243. 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 Revenue Bonds, Series 2022A.* On September 23, 2022, direct placement bonds in the amount of \$40,000,000 were issued at an average rate of 2.55%. These direct placement bonds were obtained from the Texas Water Development Board (TWDB) for the purpose of funding the construction of certain water system improvements. A condition of the obligations is the deposit of the proceeds in escrow subject to being withdrawn only with the approval of TWDB. As of July 31, 2025, NBU had \$21,405,765 left in the escrow account. 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 taxable notes. On December 12, 2024, NBU's Board approved the reduction of the taxable notes from \$100,000,000 to \$75,000,000. The current ordinance allows for the issuance of taxable notes to provide interim financing to pay project costs for eligible projects. As of July 31, 2025, NBU had \$75,000,000 in unused taxable note capacity.

#### Taxable Note

##### **Fiscal Year 2025**

Issue Description	Outstanding Notes at Beginning of Year	Notes Issued	Notes Retired	Outstanding Notes at End of Year
Taxable Series 2021	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

##### **Fiscal Year 2024**

Issue Description	Outstanding Notes at Beginning of Year	Notes Issued	Notes Retired	Outstanding Notes at End of Year
Taxable Series 2021	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

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.

*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 February 1, 2024, NBU issued \$82,590,000 Utility System Revenue Refunding Bonds, Series 2025, which refunded \$75,000,000 in outstanding commercial paper notes. As of July 31, 2025, NBU had \$75,000,000 in unused commercial paper capacity. NBU did not recognize any economic gain or loss as a result of this refunding.

## Commercial Paper

### Fiscal Year 2025

Issue Description	Outstanding Notes at Beginning of	Notes Issued	Notes Retired	Outstanding Notes at End of Year
Series 2019A	\$ 15,000,000	\$ 60,000,000	\$ 75,000,000	\$ -
Series 2019B (Direct Placement)	-	-	-	-
<b>Total</b>	<b>\$ 15,000,000</b>	<b>\$ 60,000,000</b>	<b>\$ 75,000,000</b>	<b>\$ -</b>

### Fiscal Year 2024

Issue Description	Outstanding Notes at Beginning of	Notes Issued	Notes Retired	Outstanding Notes at End of Year
Series 2019A	\$ 50,000,000	\$ 40,000,000	\$ 75,000,000	\$ 15,000,000
Series 2019B (Direct Placement)	-	-	-	-
<b>Total</b>	<b>\$ 50,000,000</b>	<b>\$ 40,000,000</b>	<b>\$ 75,000,000</b>	<b>\$ 15,000,000</b>

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.

### **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% for electric, 4.35% for water, and 4.35% 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 913 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the 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.tmrs.com](http://www.tmrs.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% of the member's deposits and interest.

### **Employees covered by benefit terms**

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	165
Inactive employees entitled to, but not yet receiving benefits	119
Active Employees	<u>414</u>
Total Covered Employees	698

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	156
Inactive employees entitled to, but not yet receiving benefits	122
Active Employees	<u>388</u>
Total Covered Employees	666

## **C. Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, 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% of their annual gross earnings during the fiscal year. The contribution rates for NBU were 19.2% and 18.4% in calendar years 2024 and 2023, respectively. NBU's contributions to TMRS for the years ended July 31, 2025 and 2024 were \$7,884,826 and \$6,612,073, respectively, and were in excess of the required contributions.

## **D. Net Pension Liability**

NBU's Net Pension Liability (NPL) was measured as of December 31, 2024 and 2023, 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, 2024 and 2023 actuarial valuations were determined using the following actuarial assumptions:

Assumption	December 31, 2024	December 31, 2023
Inflation	2.50% per year	2.50% 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 PUB (10) Mortality Tables, with male and female rates multiplied by 110% and 100%, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021. For disabled annuitants, the Gender-distinct 2019 Municipal Retirees of Texas Mortality Tables are used. The rates are projected on a fully generational basis with Scale MP-2021.

Actuarial assumptions used in the December 31, 2024 and 2023 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2018 through December 31, 2022. 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:

For Fiscal Year 2025:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
Total	100.0%	

For Fiscal Year 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Real Estate	12.0%	7.60%
Other Public & Private Markets	12.0%	8.00%
Total	100.0%	

#### Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. 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, 2024 Actuarial Valuation**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2023	\$ 141,475,470	\$ 114,759,059	\$ 26,716,411
Changes for the year:			
Service Cost	6,882,838	-	6,882,838
Interest	9,588,408	-	9,588,408
Change of benefit terms	-	-	-
Difference between expected and actual experience	3,054,189	-	3,054,189
Changes of assumptions	-	-	-
Contributions - employer	-	7,127,701	(7,127,701)
Contributions - employee	-	2,637,103	(2,637,103)
Net investment income	-	11,942,837	(11,942,837)
Benefit payments, including refunds of employee contributions	(5,732,815)	(5,732,815)	-
Administrative expense	-	-	-
Other changes	-	(78,262)	78,262
Net changes	\$ 13,792,620	\$ 15,896,564	\$ (2,103,944)
Balance at December 31, 2024	\$ 155,268,090	\$ 130,655,623	\$ 24,612,467

**Changes in Net Pension Liability**  
**December 31, 2023 Actuarial Valuation**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2022	\$ 129,557,513	\$ 100,490,012	\$ 29,067,501
Changes for the year:			
Service Cost	5,663,924	-	5,663,924
Interest	8,757,241	-	8,757,241
Change of benefit terms	-	-	-
Difference between expected and actual experience	3,364,943	-	3,364,943
Changes of assumptions	(563,012)	-	(563,012)
Contributions - employer	-	5,769,106	(5,769,106)
Contributions - employee	-	2,231,146	(2,231,146)
Net investment income	-	11,648,442	(11,648,442)
Benefit payments, including refunds of employee contributions	(5,305,139)	(5,305,139)	-
Administrative expense	-	-	-
Other changes	-	(74,508)	74,508
Net changes	\$ 11,917,957	\$ 14,269,047	\$ (2,351,090)
Balance at December 31, 2023	\$ 141,475,470	\$ 114,759,059	\$ 26,716,411

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

December 31, 2024 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	\$ 47,608,890	\$ 24,612,467	\$ 5,813,172

December 31, 2023 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	\$ 47,424,945	\$ 26,716,411	\$ 9,756,026

The above 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.

### 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.tmrss.com](http://www.tmrss.com).

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

For the years ended July 31, 2025 and 2024, NBU recognized pension expense of \$8,706,554 and \$7,204,960 respectively.

At July 31, 2025, NBU reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

#### GASB 68 - 2025

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience - Inflows	\$ -	\$ -
Differences between expected and actual economic experience - Outflows	7,933,100	-
Changes in actuarial assumptions	-	370,528
Difference between projected and actual investment earnings	-	1,505,808
Contributions subsequent to the measurement date (December 31, 2024)	4,653,985	-
<b>Total</b>	<b>\$ 12,587,085</b>	<b>\$ 1,876,336</b>

At July 31, 2024, NBU reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

**GASB 68 - 2024**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience - Inflows	\$ -	\$ -
Differences between expected and actual economic experience - Outflows	7,632,119	-
Changes in actuarial assumptions	-	437,161
Difference between projected and actual investment earnings	2,544,602	-
Contributions subsequent to the measurement date (December 31, 2023)	3,981,199	-
<b>Total</b>	<b>\$ 14,157,920</b>	<b>\$ 437,161</b>

NBU contributions of \$4,653,985 made subsequent to the measurement date of December 31, 2024, 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, 2026. The remaining net amount of \$6,056,764 is comprised of the difference between (i) the deferred outflow of resources of \$7,933,100 consisting of the difference between expected and actual economic experience and (ii) deferred inflows of \$1,876,336 comprised of changes in actuarial assumptions and the difference between projected and actual investment earnings. This amount will be recognized in pension expense as follows:

Year ended July 31:	
2025	\$2,459,579
2026	\$3,360,781
2027	\$(273,209)
2028	\$158,253
2029	\$351,364
<b>Total</b>	<b>\$6,056,764</b>

### **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 2025, 2024, and 2023 were \$89,595, \$87,731, and \$63,962, 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.

## **Guadalupe-Blanco River Authority Project**

NBU established a regulatory asset for expenses associated with the Guadalupe-Blanco River Authority (GBRA) Gonzales Carrizo Water Supply Project. As of July 31, 2025, and 2024, the regulatory asset balance was \$3,316,800 and \$3,685,334, respectively. NBU began amortization of the regulatory asset over a 10-year period in fiscal year 2025 when the project was complete and water was available for delivery. The project was completed in July 2024 with the successful integration of 8,000 acre-feet of new water supply.

## **Note 8. Compensated Absences**

Full-time NBU employees can earn up to 20 working days of vacation per calendar year depending on years of service. Part-time NBU employee can earn up to 10 working days of vacation per calendar year depending on years of service. Employees will continue to accrue up to a maximum of 400 vacation hours. NBU made a temporary policy change effective July 1, 2020 during the COVID-19 Pandemic allowing employees to cash in any amount of vacation hours as many times as they want as long as they maintain at least 40 hours in their vacation balance. This policy change is ongoing. Employees who retire under TMRS guidelines or resign with a minimum of one year of service and in "good standing" are eligible to receive payment for accrued and unused vacation up to a maximum of 320 hours, upon separation of employment.

"Good standing" is defined in the "Performance Counseling and Disciplinary Action" section under termination of employment. Employees will be considered to have separated employment in "good standing" if they: Provided required written notice of intent to separate employment; Successfully fulfilled notice based on the requirement of their position; Fulfilled notice requires that hours are actually worked and not supplemented with paid or unpaid leave hours; and did not separate as a result of disciplinary action for conduct, attendance or poor performance.

Full-time NBU employees earn 3.69 hours of sick leave for each pay period. Part-time NBU employees earn 1.85 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 January, qualifying full-time employees will be compensated for accrued and unused sick leave in excess of 480 hours up to a maximum of 96 hours at the employee's base rate of pay. Remaining hours will continue to be available for future use. An employee who voluntarily retires under the presently adopted rules of the Texas Municipal Retirement System (TMRS) and in "good standing", is eligible for payment of all accrued and unused sick leave. An employee who resigns, other than under TMRS qualifying retirement, are not paid any accrued and unused sick leave.

At the time of hire, full-time NBU employees will be credited with 24 hours of personal leave. Personal leave must be used within the employee's anniversary year or is forfeited. NBU made a temporary policy change effective July 1, 2020 during the COVID-19 Pandemic allowing employees to cash in any number of personal hours as many times as they want as long as they maintain at least 40 hours in their vacation balance. This

policy has been discontinued as of August 11, 2024. As of August 12, 2024, employees cannot cash in any personal hours. 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, 2025 is as follows:

	Balance at August 1, 2024	Earned in Fiscal Year 2025	Utilized in Fiscal Year 2025	Balance at July 31, 2025	Due within One Year
Vacation Leave	\$ 1,324,383	\$ 1,327,826	\$ 708,191	\$ 1,944,018	\$ 1,944,018
Sick Leave	1,121,488	506,703	424,875	1,203,316	-
Personal Leave	20,788	201,648	200,512	21,924	21,924
Worker's Compensation	951,629	473,638	201,092	1,224,175	1,224,175
<b>Total</b>	<b>\$ 3,418,288</b>	<b>\$ 2,509,815</b>	<b>\$ 1,534,670</b>	<b>\$ 4,393,433</b>	<b>\$ 3,190,117</b>

The total accrued liability for compensated absences as of July 31, 2024 is as follows:

	Balance at August 1, 2023	Earned in Fiscal Year 2024	Utilized in Fiscal Year 2024	Balance at July 31, 2024	Due within One Year
Vacation Leave	\$ 1,324,268	\$ 729,075	\$ 728,960	\$ 1,324,383	\$ 1,324,383
Sick Leave	1,062,900	479,084	420,496	1,121,488	-
Personal Leave	26,526	174,292	180,030	20,788	20,788
Worker's Compensation	741,220	423,646	213,237	951,629	951,629
<b>Total</b>	<b>\$ 3,154,914</b>	<b>\$ 1,806,097</b>	<b>\$ 1,542,723</b>	<b>\$ 3,418,288</b>	<b>\$ 2,296,800</b>

#### Note 9. Short-Term Lease

NBU had a short-term 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 was amended to change the termination date so as to continue payments made by LCRA until a final order is issued the Public Utility Commission of Texas (PUC) in a future LCRA Transmission Services Corporation ("TSC") rate case that recognizes the dissolution of the lease. NBU agreed to accept its transmission asset list and values represented in the NBU interim TCOS rate case and freeze its compensable lease asset value at \$10,992,460, which corresponds to \$855,667 per year. Lease revenues were \$285,222 in Fiscal Year 2025 and \$855,667 in Fiscal Year 2024, respectively. In April of 2024, NBU began conducting a full Transmission Cost of Service (TCOS) study, which was then followed by the filing of an application with the PUC to change its TCOS and wholesale transmission rates.

On December 5, 2023, New Braunfels Utilities (NBU) filed an application with the Public Utility Commission of Texas (PUCT) under Docket No. 55950 to amend its Transmission Cost of Service (TCOS) rates and wholesale transmission tariff. The filing requested removal of the facilities lease payment offset and the establishment of a separate NBU wholesale transmission service tariff, independent of the LCRA Transmission Services Corporation (LCRA TSC) tariff. This request became effective on November 14, 2024, under Docket No. 55867-209.

Under GASB 87, *Leases*, short-term leases are not recognized on the statement of net position as a lease receivable or as a deferred inflow. The LCRA lease is cancellable and does not meet GASB 87 requirements.

## **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 2025 and 2024 in any risk category.

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 \$140,671 and \$186,805 at July 31, 2025 and 2024, 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:

	<b>Beginning Balance</b>	<b>Claims Incurred</b>	<b>Payments On Claims</b>	<b>Ending Balance</b>
2023	\$ 40,743	\$ 4,444,499	\$ 4,226,909	\$ 258,333
2024	\$ 258,333	\$ 3,450,165	\$ 3,521,693	\$ 186,805
2025	\$ 186,805	\$ 2,691,174	\$ 2,737,308	\$ 140,671

## **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 represented approximately 10% of NBU's purchase power portfolio in Fiscal Year 2025. Power purchased through the Javelina PPA totaled \$5,648,767 and \$5,246,824 for Fiscal Year 2025 and 2024, 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 represented approximately 15% of NBU's purchase power portfolio in Fiscal Year 2025.

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, 2025, NBU has executed forward physical power contracts intended to hedge price volatility in its power supply portfolio through 2028. 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, 2025, NBU's forward physical contracts through Fiscal Year 2028 reflected an underlying fair value (favorable) that was within 13% of total expected power costs through Fiscal Year 2028.

NBU's estimated payments for purchased power for Fiscal Year 2026 through 2027, undiscounted, are as follows:

<b>Years Ending July 31</b>	<b>Estimated Payments</b>
2026	\$ 55,502,392
2027	\$ 16,452,946

### **Guadalupe-Blanco River Authority Gonzales Carrizo Water Supply Project**

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 contracted with Alliance Regional Water Authority to jointly construct groundwater treatment and transportation facilities. Construction was completed in fiscal year 2023. GBRA financed the acquisition of groundwater leases and the construction of the facilities to pump, treat, and transport the groundwater from the well fields in Gonzales and Caldwell counties to the customer. NBU will be responsible for paying its proportionate share of the water lease payments, debt payments, and operating expenses. During Fiscal Year 2025, water lease and debt payments were incurred for the project. Details of the regulatory asset are included in Note 7.

This transaction is not considered a GASB 87 lease for NBU. NBU only pays the prorated share of the construction, treatment and delivery of water to GBRA.

### **Open Contracts**

NBU has open contracts that total approximately \$229,711,426 for various capital projects. As of July 31, 2025, approximately \$141,995,468 has been expended.

### **Note 12. SUBSEQUENT EVENTS**

NBU evaluated subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements.

On June 23, 2025, New Braunfels City Council approved the Board of Trustees recommendation of a two-year rate plan for system average increases on (i) water rates of 9.9% effective August 1, 2025, and 9.9% effective August 1, 2026; (ii) wastewater rates of 7.7% effective August 1, 2025, and 7.7% effective August 1, 2026; and (iii) electric rates of 4.7% effective August 1, 2025, and 3.2% effective August 1, 2026.

### **Note 13. RESTATEMENTS**

Beginning balances of restricted and unrestricted net position, and the net investment in capital assets have been restated to correct an error related to the reclassification of the Texas Water Development Board Escrow account from the restricted net position to net investment in capital assets. An additional change was

made to the restricted net position calculation for impact fees. This change pertained to the unearned impact fee accounts which are considered liability accounts as the impact fees are collected in advance, prior to setting a customer's meter. The unearned impact fees are recorded in accounts payable and other current liabilities and are considered to be payables from restricted assets. The balances in these accounts lower the restricted net position and increases the unrestricted net position for fiscal year 2024.

The following balances were adjusted:

	<b>Balances Previously Reported at July 31, 2024</b>	<b>Restatement</b>	<b>Restated Balances at July 31, 2024</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 571,540,910	\$ 40,029,708	\$ 611,570,618
Restricted:			
Debt service	40,004,811	(39,061,676)	943,135
Impact fees	9,457,029	(6,350,493)	3,106,536
Unrestricted	97,619,065	5,382,461	103,001,526
<b>Total net position</b>	<b>\$ 718,621,815</b>	<b>\$ -</b>	<b>\$ 718,621,815</b>

During fiscal year 2025, changes in the restricted cash and investments between current and noncurrent resulted in adjustments and restatements to total current assets and total noncurrent assets. Certain restricted assets that are used for construction or acquisition of non-current assets, or any amounts restricted for long-term debt, that is not expected to be liquidated within one-year were analyzed. Specifically, we reclassified Bond Reserved funds, Texas Water Development Board Escrow funds, Impact Fee and Commercial Paper accounts from current to noncurrent restricted assets.

The Changes to Statement of Net Position restricted assets for cash and cash equivalents included reclassifying current cash and equivalents in the amount of \$53,531,373 to noncurrent restricted assets for fiscal year 2024. Additionally, there was a reclassification in the amount of \$20,622,130 from current restricted investments to noncurrent restricted investments for fiscal year 2024.

	<b>Previously Reported at July 31, 2024</b>	<b>Restatement</b>	<b>Restated Balances at July 31, 2024</b>
Cash and Cash equivalents, unrestricted	\$ 90,701,469	\$ -	\$ 90,701,469
Investments, short-term unrestricted	20,938,583	-	20,938,583
Cash and Cash equivalents short-term, restricted	56,090,897	(53,531,373)	2,559,524
Cash and Cash equivalents long-term, restricted	-	53,531,373	53,531,373
Investments, short-term restricted	20,622,130	(20,622,130)	-
Investments, long-term restricted	5,998,273	20,622,130	26,620,403
Investments, long-term unrestricted	4,472,656	-	4,472,656
<b>Total</b>	<b>\$ 198,824,008</b>	<b>\$ -</b>	<b>\$ 198,824,008</b>

There was a restatement in the Statements of Cash Flows for transmission system fees from Capital and Related Financing Activities to Operating Activities. The Statements of Revenues, Expenses, and Changes in Net Position reflect transmission systems revenues as an operating revenue. The amount restated for fiscal year 2024 was \$2,848,899.

	Previously Reported at July 31, 2024	Restatement	Restated Balances at July 31, 2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments received from customers	\$ 287,858,641	\$ 2,848,899	\$ 290,707,540
Payments to suppliers for goods and services	(155,741,575)	-	(155,741,575)
Payments for salaries and benefits	(50,221,127)	-	(50,221,127)
<b>Net cash provided by operating activities</b>	<b>\$ 81,895,939</b>	<b>\$ 2,848,899</b>	<b>\$ 84,744,838</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transmission system fees	\$ 2,848,899.00	\$ (2,848,899)	\$ -
Impact and service fees	34,534,658	-	34,534,658
Contributions in aid of construction	-	-	-
Acquisition and construction of capital assets	(169,852,912)	-	(169,852,912)
Proceeds from sale of assets	6,702,091	-	6,702,091
Proceeds from bond premium	-	-	-
Bond issue costs	-	-	-
Proceeds from long-term debt, commercial paper, and revolving notes payable issued	118,844,046	-	118,844,046
Debt issuance costs	(1,086,429)	-	(1,086,429)
Principal paid on bond and debt	(59,140,000)	-	(59,140,000)
Principal paid on capital leases	-	-	-
Interest paid on bond and debt	(16,197,612)	-	(16,197,612)
<b>Net cash used by capital and related financing activities</b>	<b>\$ (83,347,259)</b>	<b>\$ (2,848,899)</b>	<b>\$ (86,196,158)</b>

The transmission system fees were also removed out of the Reconciliation of Utility Operating Income to Net Cash Provided by Operating Activities in the Statement of Cash Flows.

	Previously Reported at July 31, 2024	Restatement	Restated Balances at July 31, 2024
<b>RECONCILIATION OF UTILITY OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 45,137,095	\$ -	\$ 45,137,095
Depreciation	38,822,294	-	38,822,294
Transmission system fees (REMOVED)	(2,848,899)	2,848,899	-
(Increase) decrease in assets:			
Accounts receivable, customer and other	(858,195)	-	(858,195)
Inventory	(1,828,741)	-	(1,828,741)
Prepaid items	175,946	-	175,946
Regulatory asset	(840,000)	-	(840,000)
Other assets	(15,086,112)	-	(15,086,112)
Increase (decrease) in liabilities:			
Generation and transmission cost recovery over-collection	2,163,409	-	2,163,409
Accounts payable	14,351,029	-	14,351,029
Post retirement obligation	683,097	-	683,097
Customer deposits	1,761,642	-	1,761,642
Compensated absences	263,374	-	263,374
<b>Net cash provided by operating activities</b>	<b>\$ 81,895,939</b>	<b>\$ 2,848,899</b>	<b>\$ 84,744,838</b>

For fiscal year 2025, there was a reclassification for a portion of the accounts receivable-other from current to noncurrent assets related to the service center and main plaza facility sale transactions. Per the transfer agreements, an installment is paid by the City of New Braunfels each fiscal year that totals \$1,000,000 combined. The remaining portion was reclassified to noncurrent assets on the balance sheet. Reference footnote 1, Receivables, for additional information.

For fiscal year 2024, the amount restated from current accounts receivable-other to noncurrent \$7,550,000.

	Previously Reported at July 31, 2024	Restatement	Restated Balances at July 31, 2024
<b>ASSETS</b>			
Accounts receivable-other	10,620,241	(7,550,000)	3,070,241
<b>Noncurrent assets</b>			
Accounts receivable - other	\$ -	\$ 7,550,000	\$ 7,550,000

# **Required Supplementary Information**

**NEW BRAUNFELS UTILITIES**  
**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	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Total Pension Liability</b>					
Service Cost	\$ 6,882,838	\$ 5,663,924	\$ 4,870,192	\$ 4,465,895	\$ 4,031,193
Interest on the Total Pension Liability	9,588,408	8,757,241	7,974,728	7,191,514	6,625,838
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience					
of the Total Pension Liability	3,054,189	3,364,943	3,043,437	4,166,579	1,586,860
Changes of Assumptions		(563,012)			
Benefit Payments, including Refunds of Employee Contributions	(5,732,815)	(5,305,139)	(4,079,746)	(4,766,188)	(3,395,518)
<b>Net Change in Total Pension Liability</b>	<b>\$ 13,792,620</b>	<b>\$ 11,917,957</b>	<b>\$ 11,808,611</b>	<b>\$ 11,057,800</b>	<b>\$ 8,849,373</b>
<b>Total Pension Liability - Beginning</b>	<b>141,475,470</b>	<b>129,557,513</b>	<b>117,748,902</b>	<b>106,691,102</b>	<b>97,842,729</b>
<b>Total Pension Liability - Ending (A)</b>	<b>\$155,268,090</b>	<b>\$141,475,470</b>	<b>\$129,557,513</b>	<b>\$117,748,902</b>	<b>\$106,691,102</b>

**Plan Fiduciary Net Position**

Contributions - Employer	\$ 7,127,701	\$ 5,769,106	\$ 4,886,836	\$ 4,578,667	\$ 3,946,380
Contributions - Employees	2,637,103	2,231,146	1,942,527	1,794,562	1,604,227
Net Investment Income	11,942,837	11,648,442	(7,702,247)	11,986,679	6,336,072
Benefit Payments, including Refunds of Employee Contributions	(5,732,815)	(5,305,139)	(4,079,746)	(4,766,188)	(3,395,518)
Administrative Expense	(76,473)	-	(66,597)	(55,428)	(40,984)
Other (Net Transfer)	(1,789)	(74,508)	79,470	380	(1,599)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 15,896,564</b>	<b>\$ 14,269,047</b>	<b>\$ (4,939,757)</b>	<b>\$ 13,538,672</b>	<b>\$ 8,448,578</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>114,759,059</b>	<b>100,490,012</b>	<b>105,429,769</b>	<b>91,891,097</b>	<b>83,442,519</b>
<b>Plan Fiduciary Net Position - Ending (B)</b>	<b>\$130,655,623</b>	<b>\$114,759,059</b>	<b>\$100,490,012</b>	<b>\$105,429,769</b>	<b>\$ 91,891,097</b>
<b>Net Pension Liability - Ending (A) - (B)</b>	<b>\$ 24,612,467</b>	<b>\$ 26,716,411</b>	<b>\$ 29,067,501</b>	<b>\$ 12,319,133</b>	<b>\$ 14,800,005</b>

**Plan Fiduciary Net Position as a Percentage**

<b>of the Total Pension Liability</b>	84.15%	81.12%	77.56%	89.54%	86.13%
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**Covered Valuation Payroll**

\$ 37,672,894	\$ 31,873,518	\$ 27,750,383	\$ 25,636,594	\$ 22,917,524
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**Net Pension Liability as a Percentage**

<b>of Covered Valuation Payroll</b>	65.33%	83.82%	104.75%	48.05%	64.58%
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**Notes to Schedule:**

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.

**NEW BRAUNFELS UTILITIES**  
**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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>					
Service Cost	\$ 3,421,657	\$ 3,034,811	\$ 2,328,445	\$ 2,063,217	\$ 1,852,821
Interest on the Total Pension Liability	6,104,485	5,697,720	5,349,632	4,623,082	4,534,158
Changes of Benefit Terms	-	-	6,881,135	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	1,260,367	638,332	424,537	(33,315)	(452,450)
Changes of Assumptions	205,839	-	-	-	288,151
Benefit Payments, including Refunds of Employee Contributions	(3,751,212)	(3,325,058)	(3,272,818)	(2,533,258)	(2,689,654)
<b>Net Change in Total Pension Liability</b>	<b>\$ 7,241,136</b>	<b>\$ 6,045,805</b>	<b>\$11,710,931</b>	<b>\$ 4,119,726</b>	<b>\$ 3,533,026</b>
<b>Total Pension Liability - Beginning</b>	<b>90,601,592</b>	<b>84,555,787</b>	<b>72,844,856</b>	<b>68,725,130</b>	<b>65,192,104</b>
<b>Total Pension Liability - Ending (A)</b>	<b>\$97,842,728</b>	<b>\$90,601,592</b>	<b>\$84,555,787</b>	<b>\$72,844,856</b>	<b>\$68,725,130</b>
 <b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 3,502,065	\$ 3,194,908	\$ 2,046,699	\$ 1,811,489	\$ 1,827,177
Contributions - Employees	1,407,263	1,259,258	1,151,967	1,018,513	944,629
Net Investment Income	11,028,572	(2,169,446)	8,830,361	4,017,620	87,534
Benefit Payments, including Refunds of Employee Contributions	(3,751,212)	(3,325,058)	(3,272,818)	(2,533,258)	(2,689,654)
Administrative Expense	(62,302)	(41,917)	(45,751)	(45,360)	(53,311)
Other (Net Transfer)	(1,871)	(2,190)	(2,319)	(2,444)	(2,634)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$12,122,515</b>	<b>(\$1,084,445)</b>	<b>\$ 8,708,139</b>	<b>\$ 4,266,560</b>	<b>\$ 113,741</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>71,320,004</b>	<b>72,404,449</b>	<b>63,696,310</b>	<b>59,429,750</b>	<b>59,316,009</b>
<b>Plan Fiduciary Net Position - Ending (B)</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>Net Pension Liability - Ending (A) - (B)</b>	<b>\$14,400,209</b>	<b>\$19,281,588</b>	<b>\$12,151,338</b>	<b>\$ 9,148,546</b>	<b>\$ 9,295,380</b>
 <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>					
	85.28%	78.72%	85.63%	87.44%	86.47%
<b>Covered Valuation Payroll</b>	<b>\$20,103,751</b>	<b>\$17,989,394</b>	<b>\$16,443,818</b>	<b>\$14,550,190</b>	<b>\$13,494,694</b>
 <b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>					
	71.63%	107.18%	73.90%	62.88%	68.88%

**Notes to Schedule:**

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.

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**Schedule of Employer Contributions**

<b>Fiscal Year End July 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Valuation Payroll</b>	<b>Actual Contribution as a Percentage of Covered Valuation Payroll</b>
<b>2016</b>	\$ 1,842,516	\$ 1,838,178	\$ 4,338	\$ 14,029,305	13.10%
<b>2017</b>	\$ 1,941,283	\$ 1,969,363	\$ (28,080)	\$ 15,539,867	12.67%
<b>2018</b>	\$ 2,700,430	\$ 2,730,439	\$ (30,009)	\$ 17,387,972	15.70%
<b>2019</b>	\$ 3,343,248	\$ 3,374,501	\$ (31,253)	\$ 19,038,042	17.73%
<b>2020</b>	\$ 3,776,143	\$ 3,811,074	\$ (34,931)	\$ 21,832,301	17.46%
<b>2021</b>	\$ 4,333,080	\$ 4,371,468	\$ (38,388)	\$ 24,621,104	17.75%
<b>2022</b>	\$ 4,731,381	\$ 4,774,121	\$ (42,740)	\$ 26,710,661	17.87%
<b>2023</b>	\$ 5,360,354	\$ 5,424,316	\$ (63,962)	\$ 29,942,959	18.12%
<b>2024</b>	\$ 6,524,342	\$ 6,612,073	\$ (87,731)	\$ 35,092,788	18.84%
<b>2025</b>	\$ 7,801,611	\$ 7,884,826	\$ (83,215)	\$ 40,605,916	19.42%

**Notes to Schedule**

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.

## NEW BRAUNFELS UTILITIES

## NOTES TO SCHEDULE OF CONTRIBUTIONS

## ***Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2024 Contribution Rate***

**Valuation Date:**

## **Methods and Assumptions Used to Determine 2024 Contribution Rates:**

<i>Actuarial Cost Method:</i>	Entry Age Normal
<i>Amortization Method:</i>	Level Percentage of Payroll, Closed
<i>Remaining Amortization Period:</i>	21 Years (longest amortization ladder)
<i>Asset Valuation Method:</i>	10-Year smoothed fair value; 12% soft corridor
<i>Inflation:</i>	2.50%
<i>Salary Increases:</i>	3.60% to 11.85%, including inflation
<i>Investment Rate of Return:</i>	6.75%
<i>Retirement Age:</i>	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
<i>Mortality:</i>	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

***Other Information:***

*Notes:* There were no benefit changes during the year.

**NEW BRAUNFELS UTILITIES**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended July 31, 2025**

	Budget	Actual	Variance
<b>Operating revenues</b>			
Electric services	\$ 226,196,429	\$ 186,267,866	\$ (39,928,563)
Water services	43,436,716	43,197,170	(239,546)
Wastewater services	39,360,395	39,526,950	166,555
Transmission system	3,698,142	3,421,687	(276,455)
Miscellaneous fees and charges	2,766,102	2,956,720	190,618
Other operating revenues	2,885,491	3,583,261	697,770
<b>Total operating revenues</b>	<b>\$ 318,343,275</b>	<b>\$ 278,953,654</b>	<b>\$ (39,389,621)</b>
<b>Operating expenses</b>			
Purchased power	\$ 152,645,097	\$ 112,577,483	\$ 40,067,614
Purchased water	14,994,842	14,919,915	74,927
Other operating expenses	66,542,950	61,597,573	4,945,377
Depreciation and amortization	43,164,761	37,045,091	6,119,670
<b>Total operating expenses</b>	<b>\$ 277,347,650</b>	<b>\$ 226,140,062</b>	<b>\$ 51,207,588</b>
<b>Net operating income</b>	<b>\$ 40,995,625</b>	<b>\$ 52,813,592</b>	<b>\$ 11,817,967</b>
<b>Nonoperating revenues (expenses)</b>			
Investment income and investment loss or gain	\$ 6,174,289	\$ 9,090,685	\$ 2,916,396
Interest expense	(20,455,958)	(19,408,608)	1,047,350
Intergovernmental expense	(11,906,962)	(11,809,369)	97,593
Other nonoperating revenues/(expenses)	1,060,142	(126,402)	(1,186,544)
<b>Total nonoperating revenues (expenses)</b>	<b>\$ (25,128,489)</b>	<b>\$ (22,253,694)</b>	<b>\$ 2,874,795</b>
<b>Income before capital contributions</b>	<b>\$ 15,867,136</b>	<b>\$ 30,559,898</b>	<b>\$ 14,692,762</b>

Note: Impact fees are considered a capital contribution for reporting purposes. The fees were budgeted at \$25,178,989  
 Actual impact fee revenue was \$28,180,369.

# **Statistical**

## **Table of Contents and Explanations**

This part of NBU's ACFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about NBU's overall financial health.

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These schedules contain trend information to help the reader understand how NBU's financial performance has changed over time.

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**NEW BRAUNFELS UTILITIES**  
**Statements of Net Position by Component**  
**For Fiscal Years Ended July 31, 2025**  
**(\$ in Thousands)**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total Net Position</u>
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
2022	471,515	12,608	71,910	556,033
2023	472,847	59,897	99,492	632,235
2024*	611,571	4,050	103,002	718,622
2025	689,786	7,468	121,379	818,633

\*Restated

**Totals may not add due to rounding.**

**NEW BRAUNFELS UTILITIES**  
**Statements of Revenues and Expenses**  
**For Fiscal Years Ended July 31, 2025**  
**(\$ in Thousands)**  
**(Unaudited)**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Operating revenues</b>					
Electric services	\$ 103,062	\$ 100,007	\$ 107,493	\$ 108,666	\$ 133,029
Water services	13,596	13,691	15,428	15,650	23,268
Wastewater services	12,785	13,837	15,148	15,899	18,622
Transmission system	1,974	2,016	2,413	2,542	2,680
Other operating revenues	3,940	3,276	3,789	3,369	3,586
<b>Total operating revenues</b>	<b>\$ 135,357</b>	<b>\$ 132,827</b>	<b>\$ 144,271</b>	<b>\$ 146,126</b>	<b>\$ 181,185</b>
<b>Operating expenses</b>					
Purchased power	\$ 81,685	\$ 78,328	\$ 86,723	\$ 86,319	\$ 96,566
Purchased water	2,223	2,147	2,291	3,523	5,135
Transmission and distribution	7,196	6,279	8,126	7,530	9,474
Pumping	1,306	1,016	1,344	1,578	1,921
Water treatment	3,178	4,146	5,822	6,740	7,062
Customer service	2,623	3,726	4,047	4,674	4,995
General and administrative	8,960	8,682	9,034	8,950	10,597
Depreciation	14,233	18,538	19,502	20,800	22,889
<b>Total operating expenses</b>	<b>\$ 121,404</b>	<b>\$ 122,862</b>	<b>\$ 136,889</b>	<b>\$ 140,114</b>	<b>\$ 158,638</b>
<b>Net operating income</b>	<b>\$ 13,953</b>	<b>\$ 9,965</b>	<b>\$ 7,382</b>	<b>\$ 6,012</b>	<b>\$ 22,547</b>
<b>Nonoperating revenues (expenses)</b>					
Interest income	\$ 375	\$ 795	\$ 1,505	\$ 1,875	\$ 1,052
Net increase (decrease) in the fair value of investments	49	(178)	(459)	392	605
Interest and amortization expense	(3,858)	(4,321)	(4,778)	(5,783)	(7,378)
Intergovernmental expense	(6,786)	(7,779)	(7,860)	(8,130)	(8,144)
Gain (loss) on sale of assets	(18)	(2,066)	(3,988)	(181)	4,426
<b>Total nonoperating revenues/(expenses)</b>	<b>\$ (10,238)</b>	<b>\$ (13,549)</b>	<b>\$ (15,580)</b>	<b>\$ (11,827)</b>	<b>\$ (9,440)</b>
Income before contributions	\$ 3,715	\$ (3,584)	\$ (8,198)	\$ (5,815)	\$ 13,107
<b>Capital contributions</b>					
Impact fees	\$ 5,329	\$ 8,861	\$ 11,369	\$ 8,079	\$ 15,634
Services	1,292	1,962	1,928	3,205	2,501
Developer contributions	13,037	18,957	10,975	12,324	21,232
<b>Total capital contributions</b>	<b>\$ 19,658</b>	<b>\$ 29,780</b>	<b>\$ 24,272</b>	<b>\$ 23,608</b>	<b>\$ 39,367</b>
Change in net position	\$ 23,373	\$ 26,196	\$ 16,074	\$ 17,793	\$ 52,474
Total net position - beginning of year	340,486	363,855	390,051	406,125	423,920
<b>Total net position - end of year</b>	<b>\$ 363,858</b>	<b>\$ 390,051</b>	<b>\$ 406,125</b>	<b>\$ 423,919</b>	<b>\$ 476,394</b>

**Totals may not add due to rounding.**

**NEW BRAUNFELS UTILITIES**  
**Statements of Revenues and Expenses**  
**For Fiscal Years Ended July 31, 2025**  
**(\$ in Thousands)**  
**(Unaudited)**

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Operating revenues</b>					
Electric services	\$ 190,290	\$ 152,843	\$ 196,927	\$ 201,616	\$ 186,268
Water services	24,486	31,510	34,373	39,517	43,197
Wastewater services	22,467	27,325	32,267	35,721	39,527
Transmission system	2,599	2,555	2,705	2,849	3,422
Other operating revenues	4,235	6,321	5,394	7,937	6,540
<b>Total operating revenues</b>	<b>\$ 244,078</b>	<b>\$ 220,555</b>	<b>\$ 271,666</b>	<b>\$ 287,641</b>	<b>\$ 278,954</b>
<b>Operating expenses</b>					
Purchased power	\$ 172,471	\$ 117,910	\$ 142,528	\$ 137,968	\$ 112,642
Purchased water	5,809	6,709	8,533	12,071	14,920
Transmission and distribution	7,218	7,089	9,795	9,689	10,768
Pumping	1,941	2,057	2,346	2,538	2,632
Water treatment	7,918	8,899	9,757	10,374	11,917
Customer service	5,283	5,957	7,592	8,516	8,726
General and administrative	14,675	16,246	19,446	22,526	27,489
Depreciation	24,459	30,430	34,416	38,822	37,045
<b>Total operating expenses</b>	<b>\$ 239,774</b>	<b>\$ 195,298</b>	<b>\$ 234,413</b>	<b>\$ 242,504</b>	<b>\$ 226,140</b>
<b>Net operating income</b>	<b>\$ 4,304</b>	<b>\$ 25,257</b>	<b>\$ 37,252</b>	<b>\$ 45,137</b>	<b>\$ 52,814</b>
<b>Nonoperating revenues (expenses)</b>					
Interest income	\$ 236	\$ 471	\$ 5,025	\$ 9,413	\$ 8,924
Net increase (decrease) in the fair value of investments	(320)	(1,275)	(69)	550	166
Interest and amortization expense	(8,650)	(11,035)	(16,393)	(17,748)	(19,409)
Intergovernmental expense	(8,612)	(9,763)	(10,687)	(11,324)	(11,809)
Gain (loss) on sale of assets	(324)	(234)	(350)	4,328	(126)
<b>Total nonoperating revenues/(expenses)</b>	<b>\$ (17,670)</b>	<b>\$ (21,837)</b>	<b>\$ (22,474)</b>	<b>\$ (14,781)</b>	<b>\$ (22,254)</b>
Income before contributions	\$ (13,366)	\$ 3,420	\$ 14,778	\$ 30,356	\$ 30,560
<b>Capital contributions</b>					
Impact fees	\$ 16,629	\$ 27,331	\$ 25,304	\$ 25,510	\$ 28,180
Services	2,240	5,314	4,446	3,579	4,637
Developer contributions	17,230	20,840	31,674	26,942	36,634
<b>Total capital contributions</b>	<b>\$ 36,099</b>	<b>\$ 53,485</b>	<b>\$ 61,424</b>	<b>\$ 56,030</b>	<b>\$ 69,451</b>
Change in net position	\$ 22,733	\$ 56,905	\$ 76,202	\$ 86,387	\$ 100,011
Total net position - beginning of year	476,394	499,127	556,033	632,235	718,622
<b>Total net position - end of year</b>	<b>\$ 499,127</b>	<b>\$ 556,033</b>	<b>\$ 632,235</b>	<b>\$ 718,622</b>	<b>\$ 818,633</b>

**Totals may not add due to rounding.**

**NEW BRAUNFELS UTILITIES**  
**Income by Source**  
**For Fiscal Years Ended July 31, 2025**  
**(*\$* in Thousands)**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Other*</b>	<b>Total**</b>
2016	\$ 107,770	\$ 18,059	\$ 15,362	\$ 1,191	\$ 142,382
2017	103,263	15,383	14,077	2,242	134,965
2018	110,965	17,295	15,361	1,965	145,586
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	26,795	22,705	655	244,378
2022	160,245	34,706	27,590	300	222,842
2023	203,570	37,155	32,457	6,033	279,215
2024	207,493	43,133	36,061	11,268	297,955
2025	194,353	46,995	39,896	11,252	292,497

*\* 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*

**Totals may not add due to rounding.**

**NEW BRAUNFELS UTILITIES**  
**Average Revenue Rates**  
**For Fiscal Years Ended July 31,**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Electric Rate/kWh</b>	<b>Water Rate/per Thousand Gallons</b>	<b>Wastewater Monthly Revenue/Customer</b>
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
2022	\$0.0866	\$7.51	\$67.83
2023	\$0.1124	\$8.41	\$77.96
2024	\$0.1153	\$9.19	\$82.42
2025	\$0.1031	\$10.26	\$87.53

**NEW BRAUNFELS UTILITIES**  
**Revenue By Class**  
**For Fiscal Years Ended July 31,**  
**(Unaudited)**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Electric Services</b>										
Residential	37%	39%	40%	40%	41%	41%	42%	42%	45%	46%
General Service	29%	31%	30%	29%	28%	28%	29%	29%	29%	29%
Industrial	33%	30%	30%	31%	31%	30%	30%	29%	26%	25%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Water Services</b>										
Residential/Multi-Unit/Irrigation	84%	84%	84%	84%	84%	81%	77%	77%	81%	81%
General Service	15%	15%	14%	15%	14%	16%	19%	19%	16%	16%
Wholesale	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	1%	1%	1%	1%	2%	3%	3%	4%	3%	3%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Wastewater Services</b>										
Residential/Multi-Unit	69%	70%	70%	71%	72%	73%	71%	72%	73%	77%
General Service	31%	30%	29%	29%	28%	27%	28%	28%	27%	23%
Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

**Totals may not add due to rounding.**

**NEW BRAUNFELS UTILITIES**  
**Total Indebtedness Per Customer**  
**For Fiscal Years Ended July 31,**  
**(Unaudited)**

Fiscal Year	Total Bonds*	Total Commercial Paper	Total Electric Water and Wastewater Customers	Debt Per Customer	Percentage of Personal Income	Per Capita
	(in thousands)	(in thousands)				
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	20,250	113,455	1,375	18.78%	1,128
2020	231,531	250	119,889	1,931	22.32%	1,406
2021	303,896	15,250	127,349	2,386	27.20%	1,824
2022	374,851	250	136,672	2,743	27.06%	2,032
2023	405,521	50,000	141,064	2,875	30.42%	2,349
2024 <sup>1</sup>	500,951	15,000	150,531	3,328	N/A <sup>1</sup>	N/A <sup>1</sup>
2025 <sup>1</sup>	563,422	-	158,788	3,548	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 2024 & 2025 Information was not available at time of publication.

**NEW BRAUNFELS UTILITIES**  
**Revenue Bond Coverage**  
**For Fiscal Years Ended July 31,**  
**(\$ in Thousands)**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Total</b>		<b>Net Revenues Available for Debt Service</b>		<b>Bond Debt Service Requirements <sup>(3)</sup></b>	<b>Coverage (x)</b>
	<b>Revenues <sup>(1)</sup></b>	<b>Expenses <sup>(2)</sup></b>	<b>Debt Service</b>			
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	64,510		10,687	6.04
2021	263,183	215,314	47,869		13,649	3.51
2022	253,671	164,867	88,804		17,268	5.14
2023	306,441	199,998	106,443		22,020	4.83
2024	326,142	203,681	122,461		25,341	4.83
2025	320,696	189,095	131,601		29,819	4.41

<sup>(1)</sup> Includes investment income, 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

**NEW BRAUNFELS UTILITIES**  
**Number of Customers by Service**  
**For Fiscal Years Ended July 31, 2025**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
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
2022	51,725	51,051	33,896	136,672
2023	53,732	52,637	34,695	141,064
2024	58,129	55,941	36,461	150,531
2025	61,990	58,813	37,985	158,788

**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>
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%
2021	174,986	11,735,054	67,063	3.3%
2022	184,642	13,861,893	75,074	3.5%
2023	193,928	14,975,806	77,224	3.6%
2024	203,107	n/a	n/a	3.3%

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

<sup>2</sup> Source: <http://www.co.comal.tx.us/Transparency>

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

**COMAL COUNTY**  
**Principal Employers**  
**Current and Nine Years Ago**  
**(Unaudited)**

<b>Employer</b>	<b>2024</b>			<b>2015</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>
Comal ISD	3,699	1	4.20%	2,588	1	5.90%
Schlitterbahn	2,140	2	2.43%	1,689	2	3.85%
Taskus	1,397	3	1.59%			
New Braunfels ISD	1,351	4	1.54%	1,040	4	2.37%
Walmart Distribution Center	1,050	5	1.19%	1,218	3	2.78%
City of New Braunfels	900	6	1.02%	550	10	1.25%
Comal County	838	7	0.95%	683	8	1.56%
Christus Santa Rosa Hospital	600	8	0.68%			
Rush Enterprises	600	9	0.68%			
Resolute Baptist Hospital	513	10	0.58%	593	9	1.4%
Sysco				864	5	1.97%
IBEX Corporation				750	6	1.71%
Hunter Industries/Colorado Materials, Inc.				705	7	1.61%
	<b><u>13,088</u></b>		<b><u>14.88%</u></b>	<b><u>10,680</u></b>		<b><u>24.34%</u></b>

Source - Comal County Annual Comprehensive Financial Report

**Totals may not add due to rounding.**

**NEW BRAUNFELS UTILITIES**  
**Full-Time Equivalent Employees By Function**  
**(Budgeted Positions)**  
**For Fiscal Years Ended July 31, 2025**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Support</b>	<b>Total</b>
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
2022	76.0	55.0	49.0	165.0	345.0
2023	80.0	56.5	51.5	181.0	369.0
2024	84.0	65.0	55.0	214.5	418.5
2025	92.0	68.5	58.5	231.0	450.0

**Totals may not add due to rounding.**

**NEW BRAUNFELS UTILITIES**  
**Net Capital Assets by Function**  
**For Fiscal Years Ended July 31, 2025**  
**(\$ in Thousands)**  
**(Unaudited)**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Electric</b>					
Land and right-of-ways	\$ 3,353	\$ 3,353	\$ 3,650	\$ 3,685	\$ 5,461
Buildings and structures	7,752	7,371	7,016	6,641	6,268
Transmission/distribution	100,198	108,309	118,939	127,818	136,306
<b>Total Electric</b>	<b>\$ 111,303</b>	<b>\$ 119,033</b>	<b>\$ 129,605</b>	<b>\$ 138,144</b>	<b>\$ 148,035</b>
<b>Water/Wastewater</b>					
Land and right-of-ways	\$ 22,144	\$ 22,144	\$ 22,144	\$ 23,261	\$ 23,261
Buildings and structures	7,069	26,419	26,617	29,241	28,144
Wells & springs	83	147	720	1,043	1,385
Pumping equipment	5,371	9,258	9,111	18,912	18,564
Treatment equipment	4,104	36,900	37,084	37,016	35,654
Transmission/distribution	122,459	160,355	165,204	196,306	207,964
<b>Total Water/Wastewater</b>	<b>\$ 161,230</b>	<b>\$ 255,223</b>	<b>\$ 260,880</b>	<b>\$ 305,779</b>	<b>\$ 314,972</b>
<b>General</b>					
Land and right-of-ways	\$ 844	\$ 844	\$ 844	\$ 847	\$ 259
Buildings and structures	6,994	7,280	7,268	6,965	1,743
Equipment, vehicles, furniture & fixtures	7,932	11,658	12,003	12,303	13,805
<b>Total General</b>	<b>\$ 15,770</b>	<b>\$ 19,782</b>	<b>\$ 20,115</b>	<b>\$ 20,115</b>	<b>\$ 15,807</b>
Construction in progress	\$ 94,641	\$ 29,100	\$ 66,967	\$ 82,434	\$ 165,260
<b>Total capital assets net of depreciation</b>	<b>\$ 382,944</b>	<b>\$ 423,138</b>	<b>\$ 477,567</b>	<b>\$ 546,472</b>	<b>\$ 644,074</b>

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Electric</b>					
Land and right-of-ways	\$ 5,632	\$ 5,816	\$ 6,295	\$ 6,340	\$ 6,938
Buildings and structures	5,900	7,347	(6,402)	3,461	3,378
Transmission/distribution	156,427	173,302	203,025	216,360	235,511
<b>Total Electric</b>	<b>\$ 167,959</b>	<b>\$ 186,465</b>	<b>\$ 202,918</b>	<b>\$ 226,161</b>	<b>\$ 245,827</b>
<b>Water/Wastewater</b>					
Land and right-of-ways	\$ 33,083	\$ 35,781	\$ 37,148	\$ 38,320	\$ 42,166
Buildings and structures	73,112	90,071	97,455	95,052	128,943
Wells & springs	1,437	1,529	3,267	3,177	11,406
Pumping equipment	21,750	21,719	22,252	21,986	31,705
Treatment equipment	54,793	52,831	52,578	51,065	58,805
Transmission/distribution	281,088	323,224	386,239	419,070	470,137
<b>Total Water/Wastewater</b>	<b>\$ 465,263</b>	<b>\$ 525,155</b>	<b>\$ 598,939</b>	<b>\$ 628,670</b>	<b>\$ 743,163</b>
<b>General</b>					
Land and right-of-ways	\$ 259	\$ 259	\$ 259	\$ 12,216	\$ 12,216
Buildings and structures	11,312	10,931	10,551	13,083	26,251
Equipment, vehicles, furniture & fixtures	16,124	16,075	20,585	24,450	31,018
<b>Total General</b>	<b>\$ 27,695</b>	<b>\$ 27,265</b>	<b>\$ 31,395</b>	<b>\$ 49,749</b>	<b>\$ 69,485</b>
Construction in progress	\$ 86,885	\$ 92,434	\$ 77,619	\$ 156,622	\$ 149,041
<b>Total capital assets net of depreciation</b>	<b>\$ 747,802</b>	<b>\$ 831,319</b>	<b>\$ 910,871</b>	<b>\$ 1,061,201</b>	<b>\$ 1,207,516</b>

**Totals may not add due to rounding.**

**NEW BRAUNFELS UTILITIES**  
**Electric Sales and Peak Demand**  
**For Fiscal Years Ended July 31, 2025**  
**(Unaudited)**

<b><u>Fiscal Year</u></b>	<b><u>MWh Sales</u></b>	<b><u>Peak Demand (kW)</u></b>
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
2022	1,765,123	336,420
2023	1,752,465	357,744
2024	1,748,575	359,827
2025	1,807,683	367,849

**Totals may not add due to rounding.**

# Compliance



**Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With Government Auditing Standards**

**Independent Auditors' Report**

To the Board of Trustees of  
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 (*Government Auditing Standards*), the financial statements of New Braunfels Utilities (NBU), which comprise NBU's statement of net position as of July 31, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2025. Our report included an emphasis of matter paragraph referring to the correction of classification errors in the financial statements as of, and for the year ending July 31, 2024. Our opinion is not modified with respect to this matter.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NBU's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NBU's internal control. Accordingly, we do not express an opinion on the effectiveness of NBU'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. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NBU'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*.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

### NBU's Response to Finding

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

### 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.

*Baker Tilly US, LLP*

Austin, Texas  
December 15, 2025

**New Braunfels Utilities**

Schedule of Findings and Responses  
Year Ended July 31, 2025

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**Financial Statement Findings Required to Be Reported in Accordance With  
Government Auditing Standards**

**Finding 2025-001: Audit Adjustment - Financial Statement Reclassifications**

*Criteria:* "AU-C Section 315 requires entities to maintain internal controls that ensure financial statements are prepared in accordance with generally accepted accounting principles and are free from material misstatement."

*Condition:* During the audit, we identified material classification errors related to the prior year financial statements including 1) net investment in capital assets, restricted and unrestricted net position, 2) current and noncurrent restricted cash and investments, 3) current and noncurrent other accounts receivables and 4) operating and capital financing activities within the statement of cash flows. Additional effects on the financial statements are as follows:

- 1) Classification of net position:
  - Net investments in capital assets understated by \$40,029,000
  - Restricted net position overstated by \$45,415,169
  - Unrestricted net position understated by \$5,382,461
  - Overall net position did not change
- 2) Classification of current and noncurrent restricted cash and investments:
  - Current restricted cash and cash equivalents overstated by \$53,531,373
  - Noncurrent restricted cash and cash equivalents understated by \$53,531,373
  - Current restricted investments overstated by \$20,622,130
  - Noncurrent restricted investments understated by \$20,622,130
- 3) Classification of other current and noncurrent accounts receivable:
  - Current other accounts receivable overstated by \$7,550,000
  - Noncurrent other accounts receivable understated by \$7,550,000
- 4) Classification of cash flows between operating and capital financing activities:
  - Cash inflows from operating activities understated by \$2,848,899
  - Cash inflows from capital and related financing activities overstated by \$2,848,899

*Cause:* NBU did not identify the incorrect classification of funds within the financial statements.

*Effect or Potential Effect:* This resulted in a material misstatement of the financial statements and impacted compliance with GASB reporting requirements.

*Recommendation:* We recommend NBU include additional procedures within the financial statement review process to identify any necessary classification changes based on the nature or timing of when funds will be paid and to specifically examine new restricted cash and investment accounts.

## **Management's Response to Fiscal Year 2025 ("FY25") Audit Reclassifications and FY24 Restatements**

Management appreciates the auditor's feedback and concurs with the recommended reclassifications for FY25. The items identified during the audit stemmed from long-standing reporting practices carried forward from prior periods and did not impact the accuracy of NBU's total cash position, financial integrity, or overall net position. All underlying transactions were recorded properly; however, certain balances were not classified in accordance with the most current interpretation of GASB guidance.

NBU remains strongly committed to high-quality financial reporting and internal control. To further strengthen our processes and ensure consistent compliance with GASB requirements, management has implemented targeted improvements in the following areas:

### ***Restricted Cash and Investments***

- Implemented enhanced review steps to ensure restricted accounts are evaluated and classified correctly.
- Integrated a full review of the chart of accounts in preparation for the new ERP implementation to reduce ambiguity and better align accounts with GASB definitions.

### ***Net Position Components***

- Updated internal guidance to ensure new or unique funding sources—such as bond proceeds, escrow accounts, and impact fee-related balances—are properly classified upon creation and confirmed at year-end.
- Increased cross-departmental coordination for transactions that influence net position or the statement of cash flows.

### ***Current vs. Noncurrent Receivables***

- Expanded periodic reviews of receivable balances to ensure items tied to multi-year agreements are appropriately split between current and noncurrent.

### ***Statement of Cash Flow Classification***

- Strengthened cross-departmental review to ensure revenues and expenditures are properly categorized within operating, capital, and financing activities.

These enhancements reinforce NBU's commitment to continuous improvement, strong financial stewardship, and transparency in reporting. Management will continue monitoring these controls and will make further refinements as needed to support effective governance and audit readiness.

Thank you.



Jessica Williams  
Chief Financial Officer  
New Braunfels Utilities



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