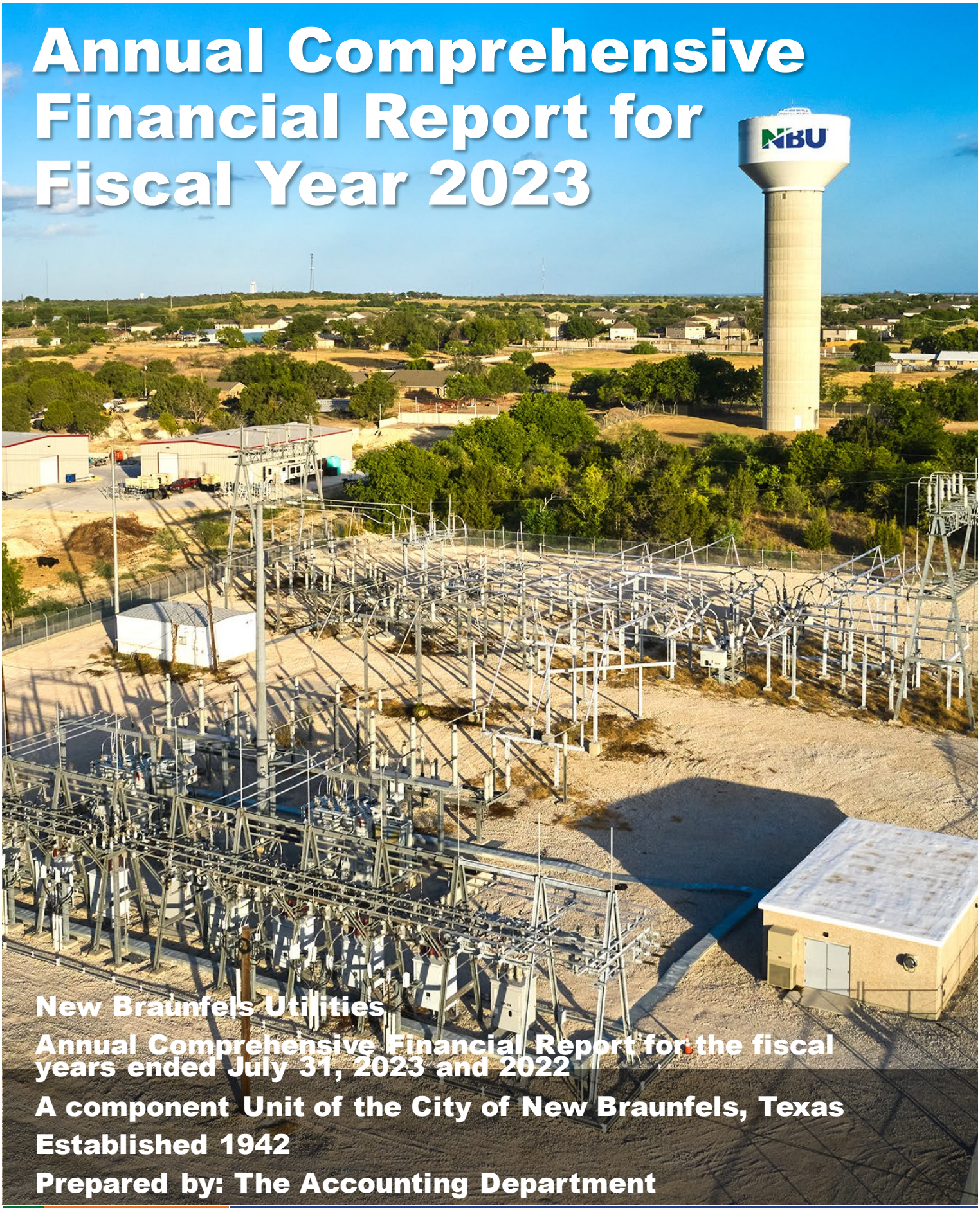
Annual Comprehensive Financial Report for Fiscal Year 2023



New Braunfels Utilities

Annual Comprehensive Financial Report for the fiscal years ended July 31, 2023 and 2022

A component Unit of the City of New Braunfels, Texas

Established 1942

Prepared by: The Accounting Department

nbutexas.com

NBU NEW BRAUNFELS UTILITIES

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INTRODUCTION

Members of the Board of Trustees

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Vice President ..... Wayne Peters

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

Trustee ..... John Harrell

Trustee ..... Yvette Villanueva Barrera

Executive Staff

Interim Chief Executive Officer ..... Ryan Kelso

Chief Financial Officer ..... Dawn Schriewer

Chief Operations Officer ..... Vacant

Chief Strategic Communications and Security Officer ..... Melissa Krause

Chief Technology Officer ..... Greg Brown

Chief Administrative Officer ..... David Hubbard

General Counsel and Chief Ethics Officer ..... Connie Lock

Chief of Staff ..... Laura Rivers

Consultants and Advisors

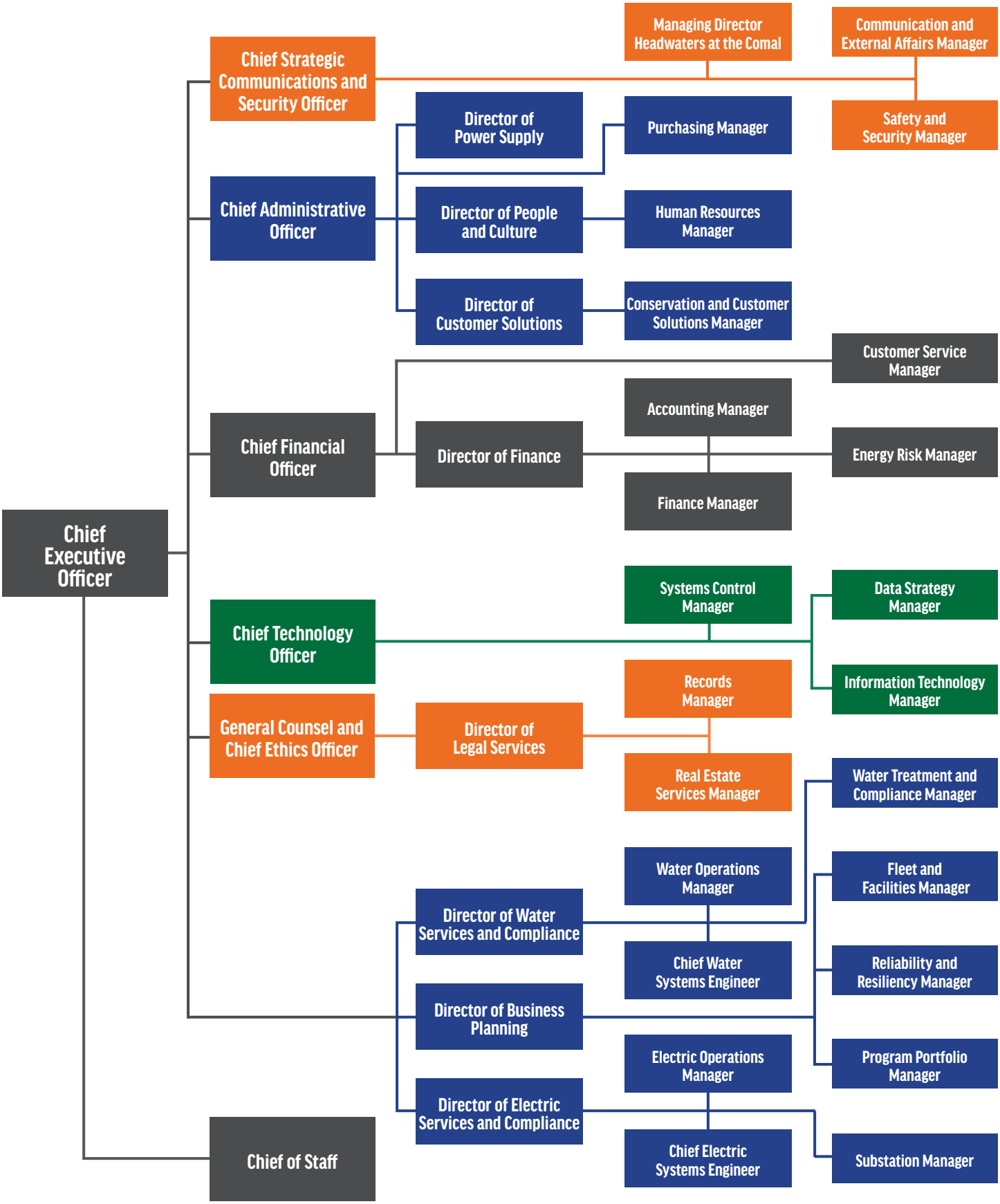
Auditors ..... MOSS ADAMS LLP
Portland, OR

Financial Advisor ..... SAMCO CAPITAL MARKETS, INC.
San Antonio, TX

Bond Counsel ..... NORTON ROSE FULBRIGHT US LLP
Dallas, TX

Organizational Chart

NEW BRAUNFELS UTILITIES



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, 2022

Christopher P. Morrill

Executive Director/CEO

December 18, 2023

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, 2023, is submitted pursuant to Article XI of the City of New Braunfels Charter. Moss Adams LLP served as NBU's independent financial statement auditor for the year ended July 31, 2023. 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. Moss Adams LLP, performed the audit for the fiscal year that ended July 31, 2023, 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 626 miles of overhead distribution line, 439 miles of underground distribution line, 11 substation/metering points on the transmission system, and other buildings, equipment, and related facilities. On July 31, 2023,

NBU served 53,732 metered electric customers. The electric system capacity is 726.0 MVA, and the peak demand was attained on July 31, 2023, at 357.7 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 651 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 25 pump stations. The storage capacity of approximately 28.5 Million Gallons ("MG"), split between elevated water storage, ground storage, and standpipes. As of July 31, 2023, NBU served 52,637 water meters. The total water system capacity is 34.82 MGD, and the maximum daily production for FY 2023 was 25.5 MGD.

The NBU wastewater system service area comprises approximately 65 square miles and includes the City. The municipal wastewater system contains approximately 477 miles of sanitary sewer lines and is served by four water reclamation facilities with a combined treatment capacity of 12.3 MGD, with 28 lift stations, and the total average daily flow was 6.8 MGD. As of July 31, 2023, NBU served 34,695 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: The mission of a municipally-owned utility is to provide value to its community. New Braunfels Utilities accomplishes this goal through strong fiscal responsibility, progressive planning, and its employees' commitment to enhancing the quality of the community by providing resilient essential services.

Since 2001, employees of NBU have contributed more than 12,000 hours of their time to community service programs. 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 16th consecutive year in 2022. The combined generosity of the NBU employees assisted the United Way of Comal County to move forward in providing direction and funding to approximately 33 health and human service non-profit organizations throughout the county in 2022, raising a total of $57,173 A total of 66% of NBU employees gave selflessly to help others. The United Way campaign is entirely supported by NBU employees who raise money without NBU matching funds.

The 19th Annual Kinderschuhe 5K Run/Walk was held on March 4, 2023, in support of Communities in Schools. The event hosted 275 race participants and 34 NBU volunteers. The total amount raised in 2023 was $2,852, bringing the total amount raised by this event to $111,092 since 2004.

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 Arbor Day. Employee volunteers host NBU facilities' tours, 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. In 2018, NBU University was established to educate community participants on how their municipally-owned utility company operates and plans for the future. By May 2023, 75 students had completed the classes.

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, audits, and educational information through communication efforts and hands-on experiences during community and school-sponsored events.

New Braunfels Utilities' commitment to community involvement remains strong. In 2022, the American Public Power Association ("APPA") awarded NBU the Excellence in Public Power Communications Award of Merit in Web and Social Media for communicating why utility bills were higher in the summer of 2022 and how customers could mitigate costs through conservation and rebates. Additionally, the APPA bestowed the Excellence in Public Power Communications Award of Merit for Print and Digital efforts to keep customers informed about how utility rates were calculated and how rate changes impacted utility bills.

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 2024 through 2028, approved by the Board of Trustees in March 2023, includes a plan to invest 2.5% of distribution assets each year for replacement of aging infrastructure. This amount totaled $3.0 million for fiscal year 2024 and aggregates to $17.8 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 2025. New Braunfels Utilities continues to replace all aerial copper conductors within the system. In particular, nearly all three-phase copper construction has now been replaced with Aluminum-Steel conductor ("ACSR"). Finally, NBU is focused on replacing aging utility poles 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 utility poles being installed have a service life of 80 years compared to 35 years for traditional wood poles.

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

will closely monitor these changes for continued compliance. New Braunfels Utilities is now scheduled be audited once more November 2023.

New Braunfels Utilities achieved the diamond level designation for the Reliable Public Power Provider (RP3) program through the APPA during fiscal year 2023. 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 275 of the nation's 2000 plus public power utilities.

New Braunfels Utilities' System Average Interruption Duration Index ("SAIDI") for fiscal year 2023 was 43.7 minutes per customer, which was lower than that of fiscal year 2022, at 62.8 minutes. New Braunfels Utilities' Customer Average Interruption Duration Index ("CAIDI"), or average restoration time, was 63.7 minutes per occurrence in fiscal year 2023. NBU's Utilities' reliability metrics compare favorably to other neighboring utilities and the national average. According to the most recently published Energy Information Administration survey (Calendar Year 2022), the average customer across the nation experienced a SAIDI of 335.2 minutes and a CAIDI of 241.4 minutes. The survey included data from 960 utilities serving 151.6 million customers.

Electric System Growth: Electric system load continues to increase along the IH-35 and Highway 46 corridors within the NBU service territory, and within the 2,400-acre Veramendi development off of Loop 337. New Braunfels Utilities experienced a customer growth rate of 4.0% (as measured by electric meter connections) during fiscal year 2023. This trend is expected to continue over the near term. Total energy consumption decreased by 1.8% (measured in MWh sales) in fiscal year 2023, driven mostly by higher retail rates and lower consumption per customer.

New Braunfels Utilities completed the Sheriff's Posse Ring Bus upgrade project at the Sheriff's Posse Substation in fiscal year 2022. 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. NBU's Hueco Springs substation remains budgeted within FY24 to help serve the Veramendi development East sectors. Power Transformer procurement and delivery contracts are executed. In addition, NBU is planning for addition of a 13th substation, northeast of the City to serve the proposed Mayfair (formerly Government Land Office) development. New Braunfels Utilities' 20-year master plan now includes the 14th, 15th, and 16th substations.

In fiscal year 2023, NBU continued utilizing contract construction crews to supplement NBU crews, both with overhead and underground construction. Contractors replaced aging utility poles with the Oasis-Ridgewood-Porter St. area of the system, which included using Chromated Copper Arsenate ("CCA") treated poles versus Creosote only. Contract crews also constructed underground feeder exits at the Freiheit and Weltner Rd. substation, including pulling in 1000MCM cable. Lastly within FY23, contract crews completed all primary installation for NBU's first residential underground distribution conversion project, within the Rivertree Subdivision along Hwy. 46. South. Over the past 10 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 it most recent master plan in 2021 to achieve regulatory compliance and provide capacity as needed to meet growth demands and customer service expectations. Fiscal year 2023 saw the completion of many significant projects that added capacity to the system. The major capital projects completed in fiscal year 2023 was a new 24-inch waterline in the downtown area along Castell Avenue, a new 24-inch waterline on McQueeney Road, and a new 24-inch waterline from the SWTP to the FM 306 Ground Storage Tank ("GST"), which greatly improved connectivity in the Downtown Pressure Zone. 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 began on the Trinity

Water Treatment Plant ("WTP") Expansion and Well Field Expansion, which will add an additional four Trinity wells to the NBU water system and expand the capacity of the Trinity WTP from 3.75 MGD to approximately 7.5 MGD.

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") began, and design is underway for the full rehabilitation of both the North and South Kuehler WRF's. The relocated and expanded Gruene WRF was completed in September 2020, with a permitted treatment capacity of 2.5 MGD. A major interceptor project is the North Kuehler Interceptor, which was completed in fiscal year 2022. This project consisted of three individual sewer main projects that total 22,000 feet and vary in pipe size from 30-inch to 42-inch and were completed in January 2022. NBU is currently under construction to double the permitted treatment capacity of the McKenzie Water Reclamation Facility from 2.5 MGD to 5.0 MGD. Construction of that expansion is scheduled to be complete in fiscal year 2026.

State Water Planning: Senate Bill 1, passed by the Texas Legislature in 1995, created the basis for a statewide water plan. The legislation established the framework for creating regional water planning groups to develop local area plans throughout the state. These would be brought together by the Texas Water Development Board ("TWDB") to create the new statewide Texas Water Plan. The TWDB approved the first state water plan developed by this process in December 2001, and State law requires water plans to be updated every five years. The 16 water regional planning groups submitted the latest update throughout the State of Texas in 2021 (i.e., the 2022 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 Affairs department, provides complementary residential and commercial energy, water, and irrigation assessments, interactive school programs, social and traditional media communication, civic organization presentations, hosts Earth Day celebrations, and participates in numerous public events.

Commercial and residential energy and water rebate programs are promoted to incentivize customers to purchase resource-saving appliances, such as ultra-high efficiency washing machines. The 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 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 AmaTerra Environmental, 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 certified by Laura Bush's organization, Texan by Nature, as an organization committed to conservation efforts benefitting people, prosperity, and natural resources and is a certified Monarch Habitat waystation, providing milkweed nectar plants, and shelter for monarchs through their annual cycle of reproduction and migration. The Headwaters at the Comal non-profit received the McKenna non-profit of the year award in 2023 and is designated as a stop along Texas Parks and Wildlife's "Heart of Texas Wildlife Trail".

See Independent Auditors' Report

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 is 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 50,375 acre-feet per year ("AFY") of raw and treated drinking water. An acre-foot is equivalent to the amount of water that would cover one acre of land to a one-foot depth. One acre-foot is 325,851 gallons and is generally considered to be enough water to supply four families with water for one year. Potable water is provided to NBU's customers from a combination of surface water, groundwater, and purchased water. For many years, NBU supplied its customers solely with Edwards Aquifer groundwater, and NBU still has five active wells in the aquifer. In 1991, NBU constructed the 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 next full update will be completed in 2024.

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 the drilling of four 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 2024.

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 is complete; however, construction has been delayed to 2026 through 2028. New Braunfels Utilities is continuing permitting discussions with the City and TCEQ.

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

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

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

Aquifer Storage Recovery (ASR) Program: Although NBU has a diverse inventory of water supply sources totaling approximately 50,375 AFY, about half of the supply is subject to curtailment during periods of drought and low river flow. At present, the availability of NBU's water sources during severe drought (the "firm yield supply") is approximately 30,293 AFY, and the (the "Deliverable firm yield") is approximately 20,223 AFY as noted in the NBU 2021 WRP update.

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 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, and is currently ongoing. 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 2022 and based on the results of Cycle 1, piping modifications were made to allow injection of NBU system water into both the Upper and Lower Edwards Saline Zones. 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 and Cycle 3 Recovery is currently planned for Fall 2024. 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.

The accounting records for NBU are reported on the accrual basis of accounting. In the development and modification of NBU's accounting system, consideration is given to internal accounting controls

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

Budgetary Controls: The annual budget serves as the foundation for NBU's financial planning and control. New Braunfels Utilities is required by Board policy to adopt an annual financial plan, which covers the upcoming fiscal year in detail and incorporates a plan for an additional 19 fiscal years. Monthly revenue and expense reports and quarterly capital expenditure reports provide information to evaluate actual results against budget projections. A formal presentation of financial activity is given to the Board of Trustees at each 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 Revenue and Expenses: For the fiscal year ended July 31, 2023, operating revenues totaled $271.7 million, and operating expenses totaled $234.4 million. Purchased power costs represented 60.8%, or $142.4 million, of total operating expenses. Transmission and distribution expenses were approximately $9.8 million, or 4.2%, of operating expenses, and all direct water-related expenditures totaled $20.6 million, or 8.8%, of operating expenses. The remaining operating expenses included $34.4 million for depreciation and amortization and $27.0 million for customer service and general and administrative expenses. Net non-operating expense (including interest) was $22.5 million, resulting in total net income before contributions of $14.8 million. The reported net income is mainly due to the higher revenues which were attributable to increased usage and higher power costs for the year. New Braunfels Utilities experienced customer growth over the past fiscal year as electric, and water meters increased by 2,007, or 3.9%, and 1,586, or 3.10%, respectively.

Working Capital: At July 31, 2023, NBU's current assets of $256.0 million were 2.0 times its current liabilities of $127.5 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 $128.5 million at July 31, 2023, compared to a net positive working capital of $85.3 million at July 31, 2022. NBU collected from its customers $15.0 million in fiscal year 2023, along with the previously collected $35.0 million in fiscal year 2022, in order to pay off the $50.0 million taxable note in March of 2023.

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 2023, net interest income from investments (including mark-to-market adjustments) was $5,025,113, while the market to market adjustments resulted in a net decrease in the fair value of investments of $69,182.

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, 2023, NBU had $405.5 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.

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 $1.0 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 $187.6 million for electric systems, $310.4 million for water systems, $286.6 million for wastewater systems, $195.2 million for support systems, and $23.5 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 represents approximately 10% of NBU's purchase power portfolio. Power purchased through the Javelina PPA totaled $5,246,274 and $5,944,858 for Fiscal Year 2023 and 2022, 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 20% of NBU's purchase power portfolio in Fiscal Year 2023.

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

As of July 31, 2023, NBU has executed forward physical power contracts intended to hedge price volatility in its power supply portfolio through 2025. 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. 5, *Accounting and Financial Reporting for Derivative Instruments*. Additional portfolio hedges are added over time as near-term hedges expire.

As of July 31, 2023, NBU's forward physical contracts through 2025 reflected an underlying fair value (favorable) that was within 14% of total expected power costs through 2025.

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 2023, NBU purchased for its customers 1,826,215 MWh in comparison to 1,834,068 MWh during fiscal year 2022, representing a decrease of 7,853 MWh or 0.4%.

Water and wastewater rates charged to NBU's customers are comparable to other rates in the region. Efficient long-term operations and planning have achieved these low rates. However, as water resources become scarcer throughout the state, NBU anticipates that its customers will see moderate price increases for this service over time. On April 10, 2023, New Braunfels City Council approved the Board of Trustees recommendation for system average increases on (i) water rates of 9.1% effective August 1, 2023, and 13.4% effective August 1, 2024; (ii) wastewater rates of 7.3% effective August 1, 2023, and 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, 2023, and 5.9% on the delivery and electric availability charge components of a customer's bill effective August 1, 2024.

Legislative Responses: In October of 2021, the EPA ("Environmental Protection Agency") issued a Strategic Roadmap to address per- and poly-fluoroalkyl substances ("PFAS"). Since that time, the EPA has utilized a whole-of-agency approach to PFAS by taking multiple actions, including revising non-regulatory health advisory limits for PFOA and PFOS; proposed a rule to include PFAS as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), also known as Superfund; and established requirements for monitoring of PFAS in drinking water under the fifth Unregulated Contaminant Monitoring Rule ("UCMR"). The UCMR requires all public water systems in the country to test for 29 PFAS substances between 2023 and 2025. Test results will be reported to the EPA and eventually made available to the public. In March 2023, the EPA announced proposed national primary drinking water regulations and a Maximum Contaminant Limit for PFOA and PFOS of 4 parts per trillion, and a mixed hazard index for PFNA, HFPO-DA, PFHxS, and PFBS. The proposed rule requires monitoring of public water supplies and reports of PFAS levels. It is expected that the EPA will finalize the PFAS rule by the end of 2023. At this time, the PFAS Rule only applies to drinking water and does not address wastewater or its treatment. A compliance date for the PFAS Rule will likely have an effective date three (3) years from promulgation of the final rule. Additionally, in April 2023, the EPA issued an Advance Notice of Proposed Rulemaking asking for public input regarding the designation of an additional seven (7) PFAS substances as hazardous substances under CERCLA. Generally, CERCLA imposes liability on any party responsible for, in whole or in part, the presence of hazardous substances at a specific site. It is unclear how this model of liability applies to passive recipients of contamination from manufacturers and users of products containing PFAS substance.

On June 8, 2021, the Governor signed Senate Bill 3 ("SB 3") into law to address issues that arose during a severe winter storm (the "2021 Event"). The new law requires weather emergency preparedness and the identification of critical public utilities facilities, including in the natural gas supply chain and

electric utilities. The new law also creates Section 13.1394 of the Texas Water Code that requires water utilities to ensure the emergency operation of its water system during a power outage that lasts longer than 24 hours at a minimum water pressure of 20 pounds per square inch, or at a water pressure level approved by the TCEQ, as soon as safe and practicable following the occurrence of a natural disaster. This section also requires that a water utility adopt and submit an emergency preparedness plan to the TCEQ for its approval that includes a timeline for implementing the plan. The submitted plan must provide for one, or a combination, of fourteen options and approaches to provide service as required by this section. The options provided include, but are not limited to: backup or on-site power generation; designation of the water system as a critical load facility or redundant, isolated or dedicated electrical feeds; the ability to provide water through artesian pressure; redundant interconnectivity between pressure zones; and any other alternative determined by the TCEQ to be acceptable.

State Response to 2021 Event

In the aftermath created by the 2021 Event, the ERCOT market faced many challenges. The storm exposed deficiencies in the natural gas supply as well as deficiencies in the winterization programs implemented by the generator owners. As a result, numerous changes occurred at both the PUCT and ERCOT, including the following:

All three commissioners of the PUCT resigned their positions. The PUCT was expanded from three to five commissioners and four new commissioners have been appointed by the Governor and confirmed by the Texas Senate: Peter Lake, Chair, Will McAdams, Lori Cobos, and Jimmy Glotfelty.

- All out-of-state board members of the ERCOT Board of Directors submitted letters of resignation from the ERCOT board; shortly thereafter, three other ERCOT board members resigned.
- The ERCOT board voted to terminate its CEO, Bill Magness.
- The ERCOT board selected Brad Jones to serve as interim President and CEO effective May 4, 2021.
- Paul Foster was named Chair of the ERCOT board.
- Bill Flores and Zin Smati were appointed to the ERCOT board.
- As of December 29, 2021, all seats on the ERCOT board have been filled.

Among other items, SB 3 requires electric and other energy companies to implement a number of reforms, including (i) engaging in winterization measures for natural gas, electric generating facilities, water production, and supply systems, (ii) the mapping and identification of the electricity supply chain, including natural gas facilities, (iii) identification and processing of such systems and process as "critical loads", and (iv) implementing a statewide energy outage alert system. The City and NBU are affected by a provision in the legislation that adds Section 38.075 to the Utilities Code. This new section (i) applies to municipal owned utilities ("MOUs") that provide transmission service in the ERCOT power region, (ii) requires the PUCT to adopt weatherization standards to prepare for weather emergencies, (iii) requires ERCOT to inspect the covered entities for compliance, (iv) requires ERCOT to inform the PUCT of violations, and (v) authorizes the PUCT to impose an administrative penalty for each violation, not to exceed $1 million for each day of noncompliance. SB 3 requires the PUCT to adopt the reliability standards within six (6) months after June 8, 2021. The PUCT is implementing weatherization regulations in two phases. The first phase was completed in 2021 and the second phase was implemented in 2022. In addition, SB 3 calls on the PUCT to implement certain market reforms to increase the reliability of the ERCOT grid. On January 18, 2022, ERCOT issued an alert that it was ready for winter weather. The Governor directed the regulatory agency to rely on existing legislative authority to make additional market reforms to incentivize investment in new dispatchable generation.

Rulemaking proceedings at the PUCT for electric and water utilities needed to implement the mandates of SB 3 began the summer of 2021. As the PUCT, ERCOT and other oversight bodies continue and complete their investigations, the ERCOT market continues to implement additional rules to mitigate market and fuel risks. The adopted rules became effective December 20, 2021.

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, 2022. This was the 33rd 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
Interim Chief Executive Officer

Dawn Schriewer
Chief Financial Officer

See Independent Auditors' Report

Financial

MOSSADAMS

Report of Independent Auditors

The Board of Trustees
New Braunfels Utilities

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of New Braunfels Utilities (the Utility). which comprise the statements of net position as of July 31, 2023 and 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the New Braunfels Utilities as of July 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utility 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 opinions.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison schedule and the introduction and statistical sections as listed in the table of contents and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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 11, 2023 on our consideration of the Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
December 11, 2023

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, 2023, 2022 and 2021. 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 2023, total assets and deferred outflows of $1.2 billion exceeded liabilities and deferred inflows by $632.2 million. This compares to total assets and deferred outflows of $1.1 billion at fiscal year-end 2022, which exceeded liabilities and deferred inflows by $556.0 million. Total assets and deferred outflows of $929.9 million for fiscal year-end 2021 exceeded liabilities and deferred inflows by $499.1 million.

• Total net position at fiscal year-end 2023 was $632.2 million, an increase of $76.2 million, or 13.7%, from fiscal year-end 2022. Fiscal year-end 2022 total net position of $556.0 million reflected an increase of $56.9 million from fiscal year-end 2021. The increase in net position at fiscal year-end 2023 and fiscal year-end 2022 was primarily attributable to increases in capital additions in NBU's electric, water, and wastewater infrastructure as well as accounts receivables from customers.

• At fiscal year-end 2023, $99.5 million in unrestricted net position was available to meet NBU's ongoing obligations, as compared to $71.9 million at fiscal year-end 2022 and $47.4 million at fiscal year-end 2021. These balances reflect $27.6 million increase in unrestricted net position from fiscal year-end 2022 to fiscal year-end 2023 and $24.5 million increase in unrestricted net position from fiscal year-end 2021 to fiscal year-end 2022.

• In Fiscal Year 2023, NBU completed $133.4 million in capital projects. This compares to $108.7 million and $207.1 million in Fiscal Years 2022 and 2021, respectively. Capital additions, net of depreciation, amounted to $102.9 million, $84.3 million, and $184.2 million in Fiscal Years 2023, 2022, and 2021, respectively.

• Total operating revenues in Fiscal Year 2023 were $271.7 million compared to $220.6 million in Fiscal Year 2022, an increase of $51.1 million, or 23.2%. The increase in operating revenue consisted primarily of an increase in electric services revenue of $44.1 million. Fiscal Year 2022 operating revenues decreased $23.5 million, or 9.6%, compared to Fiscal Year 2021 operating revenues of $244.1 million. During the winter months of fiscal year 2021, NBU experienced colder weather, including ice storms. NBU incurred higher power costs associated with the weather event and are visible in our electric purchase power costs. As a result, NBU recorded the matching revenues which accounts for the increased revenue amount from the previous year, along with booking an accounts receivable from our customers.

• Electric sales for Fiscal Year 2023 were 1,752,465 MWh, which was 0.7% less than the 1,765,123 MWh sales in Fiscal Year 2022. Electric MWh sales in Fiscal Year 2022 were 5.2% greater than Fiscal Year 2021 sales of 1,678,480 MWh. For Fiscal Year 2023, electric services revenue of $196.9 million was $44.1 million greater than Fiscal Year 2022's electric services revenue of $152.8 million. For Fiscal Year 2022, electric services revenue was $37.4 million less than Fiscal Year 2021's electric services revenue of $190.3 million.

• NBU delivered 4.2 billion gallons of water in Fiscal Year 2023, which was a 2.2% decrease from Fiscal Year 2022 water sales of 4.3 billion gallons. Water sales in Fiscal Year 2022 reflected a 3.0% decrease from Fiscal Year 2021 water sales of 4.5 billion gallons. For Fiscal Year 2023, water services revenue of $34.4 million was $2.9 million greater than Fiscal Year 2022's water services revenue of $31.5 million. For Fiscal Year 2022, water services revenue was $7.0 million greater than Fiscal Year 2021's water services revenue of $24.5 million. There was a total of 22.7 inches of rain for the NBU service area for Fiscal Year 2023, which was greater than the 20.7 inches and less than 33.0 inches received in Fiscal Years 2022 and 2021, respectively.

• Wastewater services revenue in Fiscal Year 2023 was $32.3 million compared to Fiscal Year 2022 revenue of $27.3 million, an increase of $4.9 million, or 18.1%. Fiscal Year 2022 wastewater services revenue was $4.9 million more than Fiscal Year 2021 wastewater services revenue of $22.5 million, resulting in a 21.6% increase.

See Independent Auditors' Report

• Total operating expenses in Fiscal Year 2023 were $234.4 million compared to Fiscal Year 2022 operating expenses of $195.3 million, an increase of $39.1 million, or 20.0%. Total operating expenses in Fiscal Year 2022 decreased by $44.5 million, or 18.5%, from Fiscal Year 2021 total operating expenses of $239.8 million attributable to a decrease in purchased power expenses.

• At July 31, 2023, NBU served 53,732 electric customers, 52,637 water customers, and 34,695 wastewater customers.

New Braunfels Utilities

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

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

Overview of the Financial Statements

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

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

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

Financial Analysis

NBU's financial position at fiscal year-end 2023 showed total net position of $632.2 million, compared to $556.0 million at fiscal year-end 2022 and $499.1 million at fiscal year-end 2021. Of these amounts, the net positions that were unrestricted for meeting NBU's ongoing obligations were $99.5 million, $71.9 million, and $47.4 million at the fiscal years ended 2023, 2022, and 2021, respectively. The net investment in capital assets represented 74.8%, or $472.8 million, of total net position at fiscal year-end 2023, compared to 84.8% at fiscal year-end 2022 and 90.0% at fiscal year-end 2021.

Current assets at fiscal year-end 2023 of $256.0 million increased by $64.4 million, or 33.6%, from current assets at fiscal year-end 2022 of $191.6 million, which was primarily due to an increase in investments and restricted assets. Current assets at fiscal year-end 2022 increased by $38.0 million, or 24.7%, from fiscal year-end 2021 current assets of $153.6 million, primarily due to an increase cash and cash equivalents and accounts receivable.

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 2023 was $59.9 million, in comparison to the prior fiscal year-end 2022 amount of $12.6 million and $2.1 million at fiscal year-end 2021. These amounts represented 9.5%, 2.3% and 0.4% of total net position for their respective fiscal year ends. Water and wastewater funds reserved for future system development and construction comprised 36.8% of NBU's restricted net position at fiscal year-end 2023. This percentage was 94.6% at fiscal year-end 2022 and 71.4% at fiscal year-end 2021.

The following condensed Statements of Total Net Position and Statements of Changes in Net Position reflect the summary performance of NBU over fiscal years 2021-2023.

Total Net Position

	2023	2022	2021
Current and other non-capital assets	$ 273,616,470	$ 219,106,906	$ 176,768,930
Capital assets	910,869,321	831,317,640	747,800,625
Total assets	$ 1,184,485,791	$ 1,050,424,546	$ 924,569,555
Deferred outflows of resources	16,754,946	8,262,710	5,332,804
Total assets and deferred outflows	$ 1,201,240,737	$ 1,058,687,256	$ 929,902,359
Current liabilities	$ 127,542,870	$ 106,318,496	$ 114,095,341
Non-current liabilities	441,462,868	390,212,135	314,300,798
Total liabilities	$ 569,005,738	$ 496,530,631	$ 428,396,139
Deferred inflows of resources	-	6,123,885	2,378,863
Total liabilities and deferred inflows	$ 569,005,738	$ 502,654,516	$ 430,775,002
Total net position	$ 632,234,999	$ 556,032,740	$ 499,127,357
Net investment in capital assets	$ 472,846,729	$ 471,515,162	$ 449,609,691
Restricted	59,896,508	12,607,656	2,144,043
Unrestricted	99,491,762	71,909,922	47,373,622
Total net position	$ 632,234,999	$ 556,032,740	$ 499,127,357

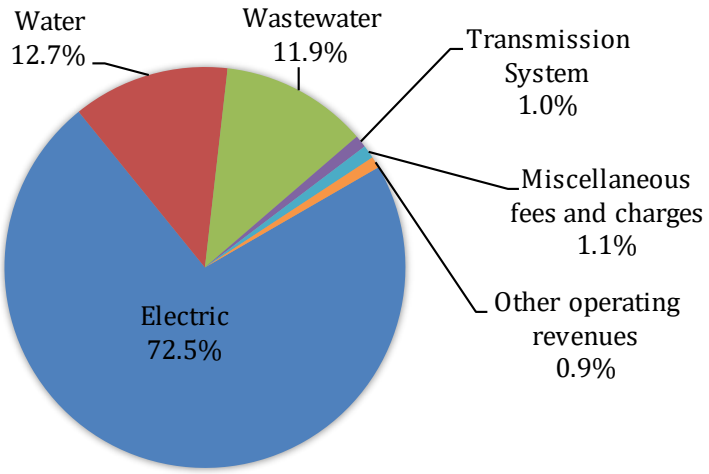
Changes in Net Position

	2023	2022	2021
Operating revenues			
Electric services	$ 196,926,513	$ 152,843,309	$ 190,290,315
Water services	34,373,389	31,509,992	24,486,239
Wastewater services	32,266,780	27,325,201	22,466,957
Transmission system	2,704,874	2,555,121	2,598,655
Miscellaneous fees and charges	2,903,801	3,325,498	1,975,289
Other operating revenues	2,490,253	2,995,858	2,260,174
Total operating revenues	$ 271,665,610	$ 220,554,979	$ 244,077,629
Investment income	5,025,113	470,618	236,496
Net decrease in the fair value of investments	(69,182)	(1,275,207)	(319,776)
Loss on sale of assets	(349,575)	(234,378)	(324,089)
Total revenues	$ 276,271,966	$ 219,516,012	$ 243,670,260
Expenses			
Operating expenses	$ 234,413,446	$ 195,297,770	$ 239,773,691
Interest and amortization expense	16,393,228	11,035,192	8,650,186
Intergovernmental expense	10,687,216	9,763,158	8,612,231
Total expenses	$ 261,493,890	$ 216,096,120	$ 257,036,108
Net income (loss) before capital contributions	$ 14,778,076	$ 3,419,892	$ (13,365,848)
Capital contributions	61,424,183	53,485,491	36,099,266
Change in net position	$ 76,202,259	$ 56,905,383	$ 22,733,418
Total net position-beginning of year	556,032,740	499,127,357	476,393,939
Total net position-end of year	$ 632,234,999	$ 556,032,740	$ 499,127,357

Total operating revenues for fiscal year 2023 were $271.7 million, an increase of $51.1 million, or 23.2%, over the previous fiscal year. An increase in electric services revenues of $44.0 million, or 28.8%, an increase of water services revenue of $2.9 million, or 9.1%, and an increase in wastewater services revenue of $4.9 million, or 18.1%, contributed to the total increase. Total operating revenues for fiscal year 2022 were $220.6 million, a decrease of $23.5 million from the previous fiscal year.

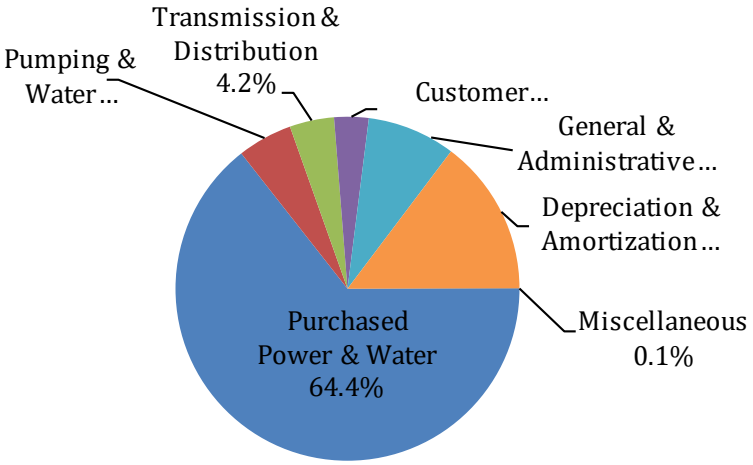
Total operating revenues in fiscal year 2023 consisted of 72.5% from electric retail customer fees and charges and 24.6% from water and wastewater retail customer fees and charges. The remainder consisted of transmission system income, miscellaneous fees and charges, and other operating revenues.

Operating Revenue by Source
Fiscal Year 2023



Total operating expenses for fiscal year 2023 were $234.4 million. Of this amount, approximately $151.0 million, or 64.4%, consisted of purchased power and purchased water costs. The total operating expenses increased by $39.1 million, or 20.0%, over fiscal year 2022 total operating expenses of $195.3 million. This operating expense increase was primarily attributable to an increase in purchased power and supply source costs. Total operating expenses in fiscal year 2022 decreased by $44.5 million, or 18.6%, over fiscal year 2021 total operating expenses of $239.8 million.

Operating Expenses by Source
Fiscal Year 2023



Capital Assets

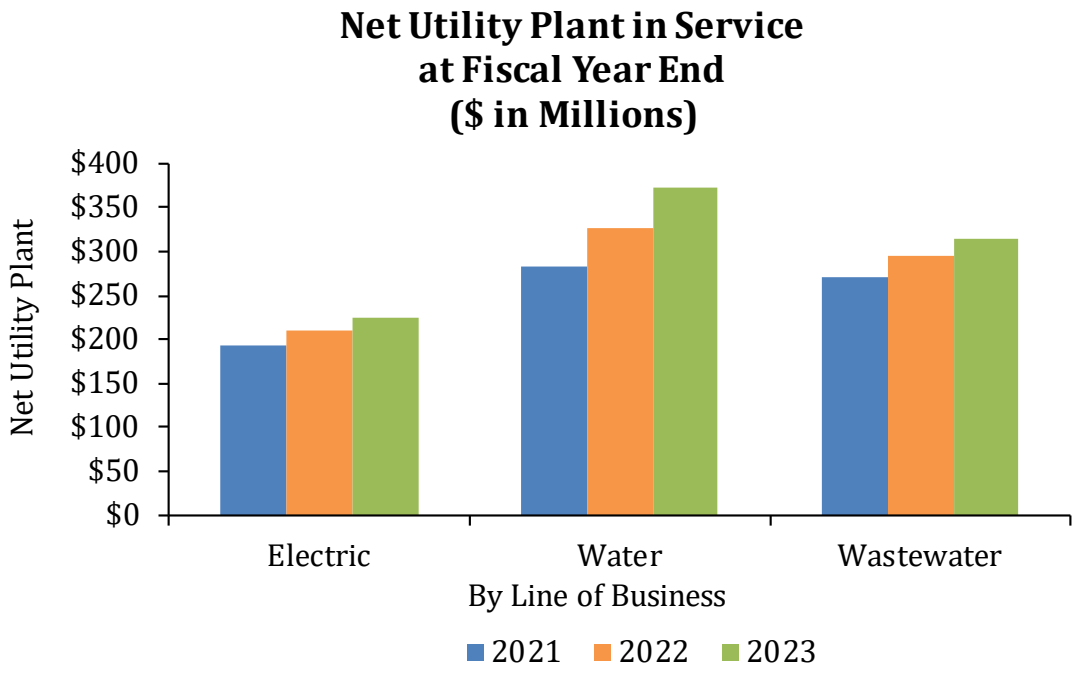
At fiscal year-end 2023, NBU's net capital assets totaled $910.9 million. Included in capital assets are eleven electric substation/metering points, four water reclamation facilities, a surface water treatment plant (SWTP), 28 lift stations and 26 pump stations. Net capital assets totaled $831.3 million at fiscal year-end 2022 and $747.8 million at fiscal year-end 2021.

See Independent Auditors' Report

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

Capital Assets
(net of accumulated depreciation)

	2023	2022	2021
Land and water rights	$ 43,698,650	$ 41,856,107	$ 38,973,194
Buildings and structures	111,607,375	108,348,352	90,324,236
Electric transmission/distribution	193,026,284	173,301,621	156,426,724
Wells & springs	3,266,961	1,528,973	1,437,070
Pumping equipment	22,251,768	21,718,685	21,749,653
Water/wastewater treatment equipment	52,555,698	52,830,922	54,792,596
Water/wastewater transmission/distribution	386,238,787	323,223,806	281,087,907
Equipment, vehicles, furniture & fixtures	20,604,849	16,074,975	16,124,398
Net plant in service	$ 833,250,372	$ 738,883,441	$ 660,915,778
Construction work in progress	77,618,949	92,434,199	86,884,847
Net utility plant after accumulated depreciation	$ 910,869,321	$ 831,317,640	$ 747,800,625



In Fiscal Year 2023, there were $133.4 million in capital additions and $39.0 million of retirements and depreciation, for an overall increase in net plant in service of $94.4 million. In Fiscal Year 2022, there were $108.7 million in capital additions and $30.8 million of retirements and depreciation, for an overall increase in net plant in service of $78.0 million.

The following is a summary of capital additions and retirements for Fiscal Year 2023:

	Electric	Water	Wastewater	Total
Plant in service, beginning of year	$ 197,972,784	$ 270,455,425	$ 270,455,232	$ 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	$ 215,433,601	$ 328,389,676	$ 289,427,095	$ 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	$ 224,794,548	$ 372,259,754	$ 313,815,019	$ 910,869,321

For comparison, the following is a summary of capital additions and retirements for Fiscal Year 2022:

	Electric	Water	Wastewater	Total
Plant in service, beginning of year	$ 179,595,203	$ 239,094,204	$ 242,226,371	$ 660,915,778
Additions	30,549,889	38,845,606	39,352,821	108,748,316
Retirements	(1,275,611)	(144,291)	(19,871)	(1,439,773)
Depreciation/gain (loss) on sale of assets	(10,509,322)	(8,093,119)	(10,738,439)	(29,340,880)
Plant in service, end of year	$ 198,360,159	$ 269,702,400	$ 270,820,882	$ 738,883,441
Construction work in progress	10,909,766	56,725,674	24,798,759	92,434,199
Net utility plant after accumulated depreciation	$ 209,269,925	$ 326,428,074	$ 295,619,641	$ 831,317,640

For comparison, the following is a summary of capital additions and retirements for Fiscal Year 2021:

	Electric	Water	Wastewater	Total
Plant in service, beginning of year	$ 154,828,680	$ 176,647,718	$ 147,336,883	$ 478,813,281
Additions	35,241,309	69,267,361	102,585,994	207,094,664
Retirements	(2,266,118)	(589,018)	(221,410)	(3,076,546)
Depreciation / Loss on Sale of Assets	(8,208,668)	(6,231,857)	(7,475,096)	(21,915,621)
Plant in service, end of year	$ 179,595,203	$ 239,094,204	$ 242,226,371	$ 660,915,778
Construction work in progress	14,331,995	43,477,668	29,075,184	86,884,847
Net Utility Plant After Accumulated Depreciation	$ 193,927,198	$ 282,571,872	$ 271,301,555	$ 747,800,625

Additions to plant (excluding construction work in progress) in Fiscal Year 2023 were:

Electric distribution system improvements	$ 30,930,492
Water/wastewater distribution system enhancements and rehabilitation	76,558,800
Water/wastewater treatment equipment	1,979,586
Equipment, vehicles, furniture & fixtures	7,957,735
Other capital projects	15,944,245
Total	$ 133,370,858

In Fiscal Year 2023, NBU budgeted $135.3 million of capital expenditures consisting of $134.3 million in capital projects and $1.0 million in capital equipment. It is anticipated that approximately 37.0%, or $57.9 million, of the capital plan is projected to be financed with the issuance of new debt. Another $60 million, or approximately 39.0% with commercial paper, and the remainder of the capital plan with revenues, impact fees, and contributions.

See Independent Auditors' Report

Total budgeted capital expenditures in Fiscal Year 2023 are as follows:

Electric distribution system improvements and extensions	$	18,444,715
Electric substation improvements		3,589,609
Water/wastewater extensions and enhancements		12,130,403
Water plant improvements		35,656,921
Wastewater plant improvements		8,937,137
Other capital projects		55,554,007
Capital equipment		1,008,930
Total	$	135,321,721

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

Debt

At fiscal year-end 2023, NBU's outstanding debt totaled $405.5 million.

The following summarizes the debt outstanding:

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	$	405,520,629

*Includes accumulated accretion through July 31, 2023 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 2022:

The following summarizes the debt outstanding:		
2004 Utility System Revenue Bonds-Capital Appreciation*	$	2,378,045
2015 Utility System Revenue Bonds		25,455,000
2016 Utility System Revenue and Refunding Bonds		57,265,000
2018 Utility System Revenue Bonds		37,425,000
2020 Utility System Refunding Bonds		83,240,000
2021 Utility System Refunding Bonds		67,250,000
2022 Utility System Refunding Bonds		73,855,000
Total Revenue Bonds	$	346,868,045
Unamortized net premiums		27,983,170
Net Debt	$	374,851,215

*Includes accumulated accretion through July 31, 2022 as well as the current portion of debt outstanding

For comparison, the following is a summary of the debt outstanding for Fiscal Year 2021:

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

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

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 2024 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.

FINANCIAL:

Basic Financial Statements

BASIC FINANCIAL STATEMENTS
STATEMENTS OF NET POSITION - JULY 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents - unrestricted	$ 88,712,441	$ 97,763,763
Investments	25,605,997	6,936,436
Accounts receivable-customers (net of allowances for uncollectibles, $390,364 for 2023 and $416,852 for 2022)	40,667,285	44,481,451
Accounts receivable-other	7,286,926	7,811,948
Interest receivable	94,702	53,417
Inventory	6,536,822	4,337,011
Prepaid items	1,785,249	1,763,827
Other current assets	4,016,963	4,070,859
Restricted assets:		
Cash and cash equivalents	65,617,640	21,442,511
Investments	15,689,095	2,926,042
Total current assets	$ 256,013,120	$ 191,587,265
Noncurrent assets		
Capital assets:		
Plant in service	$ 1,174,866,918	$ 1,057,762,745
Less accumulated depreciation	(341,616,546)	(318,879,304)
Construction in progress	77,618,949	92,434,199
Net capital assets	$ 910,869,321	$ 831,317,640
Other noncurrent assets:		
Investments:		
Restricted	$ 1,868,058	$ 8,576,380
Unrestricted	4,366,602	10,526,200
Regulatory asset - Gonzales Carrizo	2,845,334	2,189,333
Other noncurrent assets	8,523,356	6,227,728
Total other noncurrent assets	$ 17,603,350	$ 27,519,641
Total noncurrent assets	$ 928,472,671	$ 858,837,281
Total assets	$ 1,184,485,791	$ 1,050,424,546
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferred outflows	$ 16,754,946	$ 8,262,710
Total assets and deferred outflows of resources	$ 1,201,240,737	$ 1,058,687,256

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

STATEMENTS OF NET POSITION - JULY 31, 2023 AND 2022
(CONTINUED)

	2023	2022
LIABILITIES		
Accounts payable and other current liabilities	$ 41,439,631	$ 47,016,225
Consumer deposit payable	12,089,562	10,363,403
Compensated absences	2,092,014	1,732,965
Generation and transmission cost recovery over-collection	11,997,387	4,226,317
Commerical paper	50,000,000	250,000
Revolving notes payable	-	35,000,000
Payable from restricted assets:		
Accrued interest payable	1,879,276	1,214,586
Current portion of long term debt	8,045,000	6,515,000
Total current liabilities	$ 127,542,870	$ 106,318,496
Noncurrent liabilities		
Compensated absences	$ 1,062,900	$ 834,120
Long-term debt, net of premium and discount	397,475,629	368,336,215
Net pension liability	29,067,501	12,319,133
Contribution in aid of construction-refundable	13,856,838	8,722,667
Total noncurrent liabilities	$ 441,462,868	$ 390,212,135
Total liabilities	$ 569,005,738	$ 496,530,631
DEFERRED INFLOWS OF RESOURCES		
Pension deferred inflows	$ -	$ 6,123,885
NET POSITION		
Net investment in capital assets	$ 472,846,729	$ 471,515,162
Restricted:		
Debt service	37,836,322	677,356
Impact fees	22,060,186	11,930,300
Unrestricted	99,491,762	71,909,922
Total net position	$ 632,234,999	$ 556,032,740
Total liabilities, deferred inflows of resources, and net position	$ 1,201,240,737	$ 1,058,687,256

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, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Electric services	$ 196,926,513	$ 152,843,309
Water services	34,373,389	31,509,992
Wastewater services	32,266,780	27,325,201
Transmission system	2,704,874	2,555,121
Miscellaneous fees and charges	2,903,801	3,325,498
Other operating revenues	2,490,253	2,995,858
Total operating revenues	$ 271,665,610	$ 220,554,979
OPERATING EXPENSES		
Purchased power	$ 142,445,728	$ 117,880,189
Purchased water	8,533,300	6,709,034
Transmission and distribution	9,794,971	7,089,045
Supply source	82,381	29,899
Pumping	2,346,265	2,057,036
Water treatment	9,757,467	8,898,865
Customer service	7,591,529	5,957,117
General and administrative	19,445,905	16,246,258
Depreciation and amortization	34,415,900	30,430,327
Total operating expenses	$ 234,413,446	$ 195,297,770
Net operating income	$ 37,252,164	$ 25,257,209
NONOPERATING REVENUES (EXPENSES)		
Investment income	$ 5,025,113	$ 470,618
Decrease in the fair value of investments	(69,182)	(1,275,207)
Interest and amortization expense	(16,393,228)	(11,035,192)
Intergovernmental expense	(10,687,216)	(9,763,158)
Loss on sale of assets	(349,575)	(234,378)
Total nonoperating revenues (expenses)	$ (22,474,088)	$ (21,837,317)
Income before capital contributions	$ 14,778,076	$ 3,419,892
CAPITAL CONTRIBUTIONS		
Impact fees	$ 25,303,673	$ 27,331,013
Services	4,446,366	5,314,392
Developer contributions	31,674,144	20,840,086
Total capital contributions	$ 61,424,183	$ 53,485,491
Change in net position	$ 76,202,259	$ 56,905,383
Total net position - beginning of year	556,032,740	499,127,357
Total net position - end of year	$ 632,234,999	$ 556,032,740

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments received from customers	$ 282,797,153	$ 204,317,288
Payments to suppliers for goods and services	(174,424,614)	(74,192,795)
Payments for salaries and benefits	(41,195,121)	(36,542,909)
Net cash provided by operating activities	$ 67,177,418	$ 93,581,584
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to City of New Braunfels	$ (10,687,216)	$ (9,763,158)
Net cash used by noncapital related financing activities	$ (10,687,216)	$ (9,763,158)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transmission system fees	$ 2,704,874	$ 2,555,121
Impact and service fees	39,750,900	42,044,486
Acquisition and construction of capital assets	(84,101,446)	(90,168,096)
Proceeds from sale of assets	4,238,450	115,949
Proceeds from bond premium	-	5,585,348
Proceeds from long-term debt, commercial paper, and revolving notes payable issued	89,870,971	73,988,351
Debt issuance costs	(930,604)	(706,759)
Principal paid on bond and debt	(41,765,000)	(36,155,000)
Interest paid on bond and debt	(17,484,491)	(12,502,215)
Net cash used by capital and related financing activities	$ (7,716,346)	$ (15,242,815)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 40,000,000	$ 9,000,000
Purchase of investments	(58,564,695)	(15,727,316)
Interest paid (received)	4,914,646	(833,098)
Net cash used by investing activities	$ (13,650,049)	$ (7,560,414)
Net increase in cash and cash equivalents	$ 35,123,807	$ 61,015,197
Cash and cash equivalents at beginning of period	$ 119,206,274	$ 58,191,077
Cash and cash equivalents at end of period	$ 154,330,081	$ 119,206,274

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

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JULY 31, 2023 AND 2022

	2023	2022
RECONCILIATION OF UTILITY OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 37,252,164	$ 25,257,209
Depreciation	34,415,900	30,430,327
Transmission system fees	(2,704,874)	(2,555,121)
(Increase) decrease in assets:		
Generation and transmission cost recovery under-collection	-	35,794,318
Accounts receivable, customer and other	4,339,188	(18,683,176)
Inventory	(2,199,811)	(1,606,701)
Prepaid items	(21,422)	(245,189)
Regulatory asset	(656,001)	671,561
Other assets	(2,241,731)	9,502,233
Increase (decrease) in liabilities:		
Generation and transmission cost recovery over-collection	7,771,070	3,930,389
Accounts payable	(13,223,300)	11,473,216
Post retirement obligation	2,132,247	(1,665,756)
Customer deposits	1,726,159	1,070,217
Compensated absences	587,829	208,057
Net cash provided by operating activities	$ 67,177,418	$ 93,581,584
Schedule of cash and cash equivalents		
Beginning of period:		
Unrestricted cash and cash equivalents	$ 97,763,763	$ 41,531,348
Restricted cash and cash equivalents-current	21,442,511	16,659,729
	$ 119,206,274	$ 58,191,077
End of period:		
Unrestricted cash and cash equivalents	$ 88,712,441	$ 97,763,763
Restricted cash and cash equivalents-current	65,617,640	21,442,511
	$ 154,330,081	$ 119,206,274
NON-CASH INVESTING, CAPITAL, AND FINANCE ACTIVITIES		
Accretion of interest on capital appreciation bonds	$ 120,971	$ 133,351
Fair-value adjustment	$ (69,182)	$ (1,275,207)
Contributed electric, water, and sewer systems	$ 31,674,144	$ 20,840,086
Loss on sale of assets	$ (349,575)	$ (234,378)
Bond proceeds used in refunding	$ -	$ 73,855,000

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, 2023 and 2022, the allowance was $390,364 and $416,852, 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, 2023 and 2022 were $17.4 million and $17.4 million respectively.

During fiscal year ended July 31, 2020, NBU completed the transaction for the sale of the service center facility in the amount of $10,180,000 contributing to the larger accounts receivable-other account. NBU received the first year payment in the amount of $5,180,000 in fiscal year 2022 reducing the accounts receivable-other account. As of July 31, 2023, the outstanding receivable is $5,000,000.

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, 2023 and 2022 are as follows:

	2023	2022
Congestion revenue rights - current	$ 4,016,963	$ 4,070,859
Congestion revenue rights - non-current	985,173	2,398,499
Collateral deposits - ERCOT-non-current	3,964,288	3,829,229
Total	$ 8,966,424	$ 10,298,587

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:

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

7. Regulatory Asset

As a municipally owned utility, NBU's financial statements are prepared in accordance with GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, which allows for effects of the rate-making process

be recorded in the financial statements. Accordingly, certain expenses that are normally reflected in Change in Net Position as incurred are recognized when included in rates and recovered from customers. Details of the account can be found in Note 7.

8. Deferred Outflows of Resources

A deferred outflow of resources represent 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, 2023 and 2022, NBU over-collected by $11,997,387 and $4,226,317, 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 represent 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. The Utility has $59,896,508 and $12,607,656 classified as restricted net position at July 31, 2023 and 2022, respectively. In fiscal year 2023, NBU was awarded funding from the Texas Water Development Board in the amount of $40,000,000, which are designated for water projects.

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

18. Capital Contributions

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

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

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

19. Use of Estimates

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

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

In fiscal year 2022, NBU implemented GASB Statement No. 87, Leases. Leases are recognized in accordance with GASB 87. A lessor is required to recognize a lease receivable and a deferred inflow

of resources. A lease receivable is recognized at the net present value of the leased asset at a borrowing rate either explicitly described in the agreement or implicitly determined by NBU, and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments related to a future period in which were received prior to the lease commencement; these deferred inflows of resources are amortized equal to the amount of the annual payments.

A lease is required to recognize to recognize a lease payable and an intangible right-to-use lease asset. A lease payable is recognized at the net present value of future lease payments, and is adjusted over time by interest and payments. Future lease payments include fixed payments, variable, payments based on index or rate, reasonably certain residual guarantees. The right-to-use asset is initially recorded at the time of the lease liability plus prepayments less any lease incentives received prior to lease commencement, and is subsequently amortized over the life of the lease. NBU currently has not lease payables or right-to-use assets for the fiscal year ended July 31, 2023.

GASB has approved Statement No. 93, *Replacement of Interbank Offered Rates.* This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate as the notable, London Interbank Offered Rate, is expected to cease to exist in current form at the end of calendar year 2021. This Statement will provide exceptions to the existing provisions for hedge accounting termination and lease modifications. There was no impact to NBU.

GASB has approved Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This requirement of this Statement are effective for fiscal years beginning after June 15, 2022. This Statement was adopted by NBU in the current year and there was no impact noted.

GASB has approved Statement No 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPP's). The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023. This Statement was adopted by NBU in the current year and there was no impact.

GASB Statement No. 99, *Omnibus 2022.* This Statement objective is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement including the following: derivative instruments, leases, public-private and public-public partnerships, subscription-based information technology arrangements, disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, focus of government-wide financial statements, and terminology updates. This Statement is for financial statements starting with the fiscal year that ends June 30, 2023. NBU was not impacted.

The following additional GASB pronouncements will be implemented in the future.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement is an amendment of GASB Statement No. 62 with the primary objective to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirement of this Statement will take effect for financial statements starting in the fiscal year that ends June 30, 2024.

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. The requirement of this Statement will take effect for financial statements starting in the fiscal year that ends December 31, 2024.

Note 2. Deposits and Investments

As of July 31, 2023, the carrying amount of NBU's deposits (checking accounts and money markets) was $23,946,854. The balance per the bank at July 31, 2023 was $14,416,068. As of July 31, 2022, the carrying amount of NBU's deposits (checking accounts and money markets) was $51,976,032. The balance per the bank at July 31, 2022 was $42,419,839. The entire balance was guaranteed by FDIC Insurance and pledged collateral of $30,677,135 and $76,994,569 held by NBU's agent bank in NBU's name for Fiscal Year 2023 and Fiscal Year 2022, 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 2023 and Fiscal Year 2022 was a decrease of $69,182 and decrease of $1,275,207 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, 2023 are shown below:

Custodial Credit Risk and Interest Rate Risk:
July 31, 2023

Deposit/Investment Type		Fair Value	Weighted Average Maturity in Days	Percent of Portfolio	Rating S & P
U.S. Agency Securities	$	27,529,318	122	13.64%	AA+
U.S. Treasuries		20,000,434	621*	9.91%	AA+
Escrow Funds		37,511,261	91	18.58%	N/A
Demand deposit and money market		23,946,852	1	11.86%	N/A
Pooled funds		92,871,968	1	46.01%	AAAm
Total Cash and Investments	$	201,859,833	98	100.00%	

Classification		
Cash and cash equivalents, unrestricted	$	88,712,441
Cash and cash equivalents, restricted		65,617,640
Investments, short-term unrestricted		25,605,997
Investments, short-term restricted		15,689,095
Investments, long-term restricted		1,868,058
Investments, long-term unrestricted		4,366,602
	$	201,859,833

* Includes a $5 million investment in the Community Assistance Fund having a remaining maturity of 6 years.

NBU's cash and investments as of July 31, 2022 are shown below:

July 31, 2022

Deposit/Investment Type		Fair Value	Weighted Average Maturity in Days	Percent of Portfolio	Rating S & P AA+
U.S. Agency Securities	$	14,535,604	438	9.81%	AA+
U.S. Treasuries		14,429,454	1131*	9.74%	AA+
State & local bonds		-	0	0.00%	N/A
Demand deposit and money market		51,976,031	1	35.08%	N/A
Pooled funds	$	67,230,243	1	45.37%	AAAm
Total Cash and Investments		148,171,332	72	100%	

Classification		
Cash and cash equivalents, unrestricted	$	97,763,763
Cash and cash equivalents, restricted		21,442,511
Investments, short-term unrestricted		6,936,436
Investments, short-term restricted		2,926,042
Investments, long-term restricted		8,576,380
Investments, long-term unrestricted	$	10,526,200
		148,171,332

* Includes a $5 million investment in the Community Assistance Fund having a remaining maturity of 7 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, 2023 and 2022 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, 2023.

NBU's TexPool investments are reported at amortized cost.

At July 31, 2023, NBU had the following recurring fair value measurements:

		Fair Value Measurements Using		
	7/31/2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Agency Securities	$ 27,529,319	$ -	$ 27,529,319	$ -
U.S. Treasuries	20,000,434	20,000,434	-	-
Total debt securities	$ 47,529,753	$ 20,000,434	$ 27,529,319	$ -

At July 31, 2022, NBU had the following recurring fair value measurements:

		Fair Value Measurements Using		
	7/31/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Agency Securities	$ 14,535,604	$ -	$ 14,535,604	$ -
U.S. Treasuries	14,429,454	14,429,454	-	-
Total debt securities	$ 28,965,058	14,429,454	$ 14,535,604	$ -

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 2023 and 2022, 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 2023 and 2022, NBU's portfolio was concentrated as follows:

		Percentage of Portfolio	
Issuer	**Investment Type**	**2023**	**2022**
Federal Farm Credit Bank	U.S. Agency Securities	5%	20%
Federal Home Loan Bank	U.S. Agency Securities	40%	20%
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	0%	10%

2. Credit Risk

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

3. Custodial Credit Risk

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

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

Therefore, at July 31, 2023 and 2022, $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 2023 and 2022, 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, 2023 and 2022, NBU was not exposed to foreign currency risk.

Note 3. Capital Assets

Capital asset activity for Fiscal Year 2023 was as follows:

	Balance August 1, 2022	Additions	Reclasses and Retirements	Balance July 31, 2023
Capital assets not being depreciated:				
Land-electric	$ 5,816,051	$ 478,851	$ -	$ 6,294,902
Land and water rights-water	21,923,348	1,220,628	-	23,143,976
Land-wastewater	13,857,826	145,934	-	14,003,760
Land-general	258,882	-	-	258,882
Construction in progress	92,434,199	118,555,607	(133,370,857)	77,618,949
Total capital assets not being depreciated	$ 134,290,306	$ 120,401,020	$ (133,370,857)	$ 121,320,469
Capital assets being depreciated:				
Buildings and structures-electric	$ 20,575,688	$ 629,994	$ (13,990,000)	$ 7,215,682
Buildings and structures-water	40,071,576	3,853,633	-	43,925,209
Buildings and structures-wastewater	69,991,067	6,437,004	-	76,428,071
Buildings and structures-other	14,211,586	-	-	14,211,586
Electric transmission/distribution	284,574,004	30,930,495	(1,703,740)	313,800,759
Wells & springs	2,163,985	1,790,887	-	3,954,872
Pumping equipment	27,333,359	1,387,311	-	28,720,670
Water/wastewater treatment equipment	67,380,159	1,979,586	-	69,359,745
Water/wastewater transmission/distribution	436,560,821	76,558,800	(361,895)	512,757,726
Equipment, vehicles, furniture & fixtures	53,044,392	7,957,735	(211,049)	60,791,078
Total capital assets, being depreciated	$ 1,015,906,637	$ 131,525,445	$ (16,266,684)	$ 1,131,165,398
Less accumulated depreciation for:				
Buildings and structures-electric	$ 13,229,120	$ 388,736	$ -	$ 13,617,856
Buildings and structures-water	9,034,862	1,171,313	-	10,206,175
Buildings and structures-wastewater	10,957,007	1,734,897	-	12,691,904
Buildings and structures-other	3,280,576	379,849	-	3,660,425
Electric transmission/distribution	111,272,383	10,774,510	(11,271,080)	110,775,813
Wells & springs	635,012	52,899	-	687,911
Pumping equipment	5,614,674	854,227	-	6,468,901
Water/wastewater treatment equipment	14,549,237	2,232,877	-	16,782,114
Water/wastewater transmission/distribution	113,337,015	13,378,970	(197,047)	126,518,938
Equipment, vehicles, furniture & fixtures	36,969,417	3,447,622	(210,530)	40,206,509
Total accumulated depreciation	$ 318,879,303	$ 34,415,900	$ (11,678,657)	$ 341,616,546
Total capital assets, net	$ 831,317,640	$ 217,510,565	$ (137,958,884)	$ 910,869,321

Capital asset activity for Fiscal Year 2022 was as follows:

	Balance August 1, 2021	Additions	Reclasses and Retirements	Balance July 31, 2022
Capital assets not being depreciated:				
Land-electric	$ 5,631,739	$ 184,312	$ -	$ 5,816,051
Land and water rights-water	21,385,153	538,195	-	21,923,348
Land-wastewater	11,697,420	2,160,406	-	13,857,826
Land-general	258,882	-	-	258,882
Construction in progress	86,884,847	114,297,668	(108,748,316)	92,434,199
Total capital assets not being depreciated	$ 125,858,041	$ 117,180,581	$ (108,748,316)	$ 134,290,306
Capital assets being depreciated:				
Buildings and structures-electric	$ 18,757,626	$ 1,818,062	$ -	$ 20,575,688
Buildings and structures-water	28,065,967	12,005,609	-	40,071,576
Buildings and structures-wastewater	62,660,335	7,330,732	-	69,991,067
Buildings and structures-other	14,211,586	-	-	14,211,586
Electric transmission/distribution	258,936,875	26,908,945	(1,271,816)	284,574,004
Wells & springs	2,023,739	140,246	-	2,163,985
Pumping equipment	26,527,759	805,600	-	27,333,359
Water/wastewater treatment equipment	67,119,873	260,286	-	67,380,159
Water/wastewater transmission/distribution	382,987,422	53,732,921	(159,522)	436,560,821
Equipment, vehicles, furniture & fixtures	50,189,827	2,863,002	(8,437)	53,044,392
Total capital assets, being depreciated	$ 911,481,009	$ 105,865,403	$ (1,439,775)	$ 1,015,906,637
Less accumulated depreciation for:				
Buildings and structures-electric	$ 12,857,348	$ 371,772	$ -	$ 13,229,120
Buildings and structures-water	8,207,157	827,705	-	9,034,862
Buildings and structures-wastewater	9,407,161	1,549,846	-	10,957,007
Buildings and structures-other	2,899,611	380,965	-	3,280,576
Electric transmission/distribution	102,510,153	9,759,168	(996,938)	111,272,383
Wells & springs	586,669	48,343	-	635,012
Pumping equipment	4,778,106	836,568	-	5,614,674
Water/wastewater treatment equipment	12,327,277	2,221,960	-	14,549,237
Water/wastewater transmission/distribution	101,899,514	11,525,542	(88,041)	113,337,015
Equipment, vehicles, furniture & fixtures	34,065,429	2,908,458	(4,470)	36,969,417
Total accumulated depreciation	$ 289,538,425	$ 30,430,327	$ (1,089,449)	$ 318,879,303
Total capital assets, net	$ 747,800,625	$ 192,615,657	$ (109,098,642)	$ 831,317,640

Depreciation and amortization expense for Fiscal Years 2023 and 2022 was charged as follows:

	2023	2022
Electric	$ 12,526,914	$ 11,508,270
Water	9,502,725	8,164,932
Wastewater	12,386,261	10,757,125
Total depreciation and amortizatio	$ 34,415,900	$ 30,430,327

Note 4. Long-Term Debt

Changes in long-term debt for Fiscal Year 2023 are as follows:

	Original Amount	Rate	Amount Outstanding July 31, 2022	Additions	Retirements	Amount Outstanding July 31, 2023	Amount due Within One Year
2004 Utility System Revenue Bonds-Capital Appreciation	$ 2,572,596	3.10% - 5.16%*	$ 936,529	$ -	$ (209,132)	$ 727,397	$ 197,368
2015 Utility System Revenue Bonds	$ 26,870,000	2.0% - 4.0%	25,455,000	-	(750,000)	24,705,000	775,000
2016 Utility System Revenue and Refunding Bonds	$ 62,235,000	2.0% - 5.0%	57,265,000	-	(820,000)	56,445,000	860,000
2018 Utility System Revenue Bonds	$ 45,200,000	2.0% - 5.0%	37,425,000	-	(435,000)	36,990,000	1,175,000
2020 Utility System Revenue Refunding Bonds	$ 88,100,000	3.0% - 5.0%	83,240,000	-	(1,870,000)	81,370,000	1,955,000
2021 Utility System Revenue Refunding Bonds	$ 68,250,000	3.0% - 5.0%	67,250,000	-	(1,000,000)	66,250,000	1,135,000
2022 Utility System Revenue Refunding Bonds	$ 73,855,000	5.00%	73,855,000	-	(1,090,000)	72,765,000	1,095,000
2022A Utility System Revenue Bonds	$ 40,000,000	0.6% - 2.9%	-	40,000,000	(250,000)	39,750,000	500,000
Subtotal			$ 345,426,529	$ 40,000,000	$ (6,424,132)	$ 379,002,397	$ 7,692,368
Accretion of interest on Capital Appreciation Bonds			1,441,517	120,970	(340,868)	1,221,619	352,633
			$ 346,868,046	$ 40,120,970	$ (6,765,000)	$ 380,224,016	$ 8,045,000
Less current portion						(8,045,000)	
Unamortized net premiums						25,296,613	
Net long-term debt						$ 397,475,629	

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

Changes in long-term debt for Fiscal Year 2022 are as follows:

	Original Amount	Rate	Amount Outstanding July 31, 2021	Additions	Retirements	Amount Outstanding July 31, 2022
2004 Utility System Revenue Bonds-Capital Appreciation	$ 2,572,596	3.10% - 5.16%*	$ 1,084,004	$ -	$ (147,475)	$ 936,529
2015 Utility System Revenue Bonds	$ 26,870,000	2.0% - 4.0%	25,725,000	-	(270,000)	25,455,000
2016 Utility System Revenue and Refunding Bonds	$ 62,235,000	2.0% - 5.0%	58,095,000	-	(830,000)	57,265,000
2018 Utility System Revenue Bonds	$ 45,200,000	2.0% - 5.0%	39,140,000	-	(1,715,000)	37,425,000
2020 Utility System Revenue Refunding Bonds	$ 88,100,000	3.0% - 5.0%	85,215,000	-	(1,975,000)	83,240,000
2021 Utility System Revenue Refunding Bonds	$ 68,250,000	3.0% - 5.0%	68,250,000	-	(1,000,000)	67,250,000
2022 Utility System Revenue Refunding Bonds	73855000	5%	-	73,855,000	-	73,855,000
Subtotal			$ 277,509,004	$ 73,855,000	$ (5,937,475)	$ 345,426,529
Accretion of interest on Capital Appreciation Bonds			$ 1,525,691	$ 133,351	$ (217,525)	$ 1,441,517
			279,034,695	73,988,351	(6,155,000)	346,868,046
Less current portion						(6,515,000)
Unamortized net premiums						$ 27,983,170
Net long-term debt						368,336,216

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

The annual debt service requirements to maturity for all outstanding bonded debt are as follows:

Year Ending July 31	Principal	Interest	Total
2024	$ 8,045,000	$ 15,177,664	$ 23,222,664
2025	8,245,021	14,856,164	23,101,185
2026	8,598,950	14,513,914	23,112,864
2027	8,875,045	14,157,054	23,032,099
2028	9,335,000	13,783,254	23,118,254
2029-2033	51,950,000	62,760,246	114,710,246
2034-2038	60,575,000	52,306,560	112,881,560
2039-2043	70,445,000	40,170,673	110,615,673
2044-2048	79,685,000	26,459,690	106,144,690
2049-2053	74,470,000	9,713,680	84,183,680
	$ 380,224,016	$ 263,898,899	$ 644,122,915

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 2023 and Fiscal Year 2022 were $22,019,976 and $17,267,831, respectively. Total net revenues as defined for the same periods were $106,443,216 and $88,803,559. Annual principal and interest payments are expected to require 20% of net revenues on average.

Utility System Revenue Bonds, Series 2022A. On September 23, 2022, bonds in the amount of $40,000,000 were issued at an average rate of 2.55%. These private placements bonds were obtained from 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, 2023, NBU had $37,511,261 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. 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, 2023, NBU had $100,000,000 in unused taxable note capacity.

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

Fiscal Year 2023

Issuances: NBU did not issue any notes during the year ended July 31, 2023.

Reductions: NBU recognized reductions of $35,000,000 related to the taxable notes during the year ended July 31, 2023.

At July 31, 2023, NBU had no taxable notes outstanding.

Commercial Paper. NBU maintains a commercial paper program to provide tax-exempt financing for capital expenditures. On March 25, 2019, the New Braunfels City Council adopted an ordinance authorizing the issuance of up to $75,000,000 in tax-exempt commercial paper notes. The current ordinance allows for the issuance of two separate series of commercial paper notes to provide funding to assist in the interim financing of eligible capital improvement projects. In the aggregate, the Series 2019A and Series 2019B commercial paper notes provide $75,000,000 in interim financing. On July 13, 2022, NBU issued $73,855,000 Utility System Revenue Refunding Bonds, Series 2022, which refunded $74,750,000 in outstanding commercial paper notes. As of July 31, 2023, NBU had $50,000,000 in unused commercial paper capacity. NBU did not recognize any economic gain or loss as a result of this refunding.

Fiscal Year 2023

Issuances: NBU issued a total of $50,000,000 in commercial paper notes during the year ended July 31, 2023 to fund capital improvement projects.

Reductions: NBU recognized reductions of $250,000 related to the Series 2019B commercial paper notes during the year ended July 31, 2023.

At July 31, 2023, $50,000,000 in Series 2019A commercial paper notes were outstanding. The interest rate on the Series 2019A notes outstanding at July 31, 2023 was 3.65% with a maturity of 19 days.

Utility System Revenue Bonds, Series 2022A. On September 23, 2022, bonds in the amount of $40,000,000 were issued at an average rate of 2.55%. These private placements bonds were obtained from the Texas Water Development Board (TWDB) for the purpose of funding the costs of planning, design and 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. 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.

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*. 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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	145
Inactive employees entitled to, but not yet receiving benefits	115
Active Employees	349
Total Covered Employees	609

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	144
Inactive employees entitled to, but not yet receiving benefits	92
Active Employees	342
Total Covered Employees	578

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 18.4% and 17.8% in calendar years 2023 and 2022, respectively. NBU's contributions to TMRS for the years ended July 31, 2023 and 2022 were $5,424,316 and $4,774,121, respectively, and were equal to the required contributions.

D. Net Pension Liability

NBU's Net Pension Liability (NPL) was measured as of December 31, 2022 and 2021, 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, 2022 and 2021 actuarial valuations were determined using the following actuarial assumptions:

Assumption	December 31, 2022	December 31, 2021
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 gender-distinct RP2000 Combined Healthy Mortality Table, with both male and female rates multiplied by 107.5%. The rates are projected on a fully generational basis by scale BB to account for future Mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables are used with slight adjustments.

Actuarial assumptions used in the December 31, 2022 and 2021 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public & Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
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, 2022 Actuarial Valuation**	**Increase (Decrease)**		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balance at December 31, 2021	$ 117,748,902	$ 105,429,769	$ 12,319,133
Changes for the year:			
Service Cost	4,870,192	-	4,870,192
Interest	7,974,728	-	7,974,728
Change of benefit terms	-	-	-
Difference between expected and actual experience	3,043,437	-	3,043,437
Changes of assumptions	-	-	-
Contributions - employer	-	4,886,836	(4,886,836)
Contributions - employee	-	1,942,527	(1,942,527)
Net investment income	-	(7,702,247)	7,702,247
Benefit payments, including refunds of employee contributions	(4,079,746)	(4,079,746)	-
Administrative expense	-	-	-
Other changes	-	12,873	(12,873)
Net changes	$ 11,808,611	$ (4,939,757)	$ 16,748,368
Balance at December 31, 2022	$ 129,557,513	$ 100,490,012	$ 29,067,501

Changes in Net Pension Liability December 31, 2021 Actuarial Valuation	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2020	$ 106,691,102	$ 91,891,097	$ 14,800,005
Changes for the year:			
Service Cost	4,465,895	-	4,465,895
Interest	7,191,514	-	7,191,514
Change of benefit terms	-	-	-
Difference between expected and actual experience	4,166,579	-	4,166,579
Changes of assumptions	-	-	-
Contributions - employer	-	4,578,667	(4,578,667)
Contributions - employee	-	1,794,562	(1,794,562)
Net investment income	-	11,986,679	(11,986,679)
Benefit payments, including refunds of employee contributions	(4,766,188)	(4,766,188)	-
Administrative expense	-	(55,428)	55,428
Other changes	-	380	(380)
Net changes	$ 11,057,800	$ 13,538,672	$ (2,480,872)
Balance at December 31, 2021	$ 117,748,902	$ 105,429,769	$ 12,319,133

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

December 31, 2022 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	$ 48,211,209	$ 29,067,501	$ 13,413,267

December 31, 2021 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	$ 29,709,782	$ 12,319,133	$ (1,902,785)

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

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained online at *www.tmrs.com*.

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

For the years ended July 31, 2023 and 2022, NBU recognized pension expense of $7,490,502 and $4,441,835, respectively.

At July 31, 2023, NBU reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

GASB 68 - 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience - Inflows	-	$ -
Differences between expected and actual economic experience - Outflows	$ 6,601,445	-
Changes in actuarial assumptions	$ 64,855	-
Difference between projected and actual investment earnings	$ 6,860,208	
Contributions subsequent to the measurement date (December 31, 2021)	$ 3,228,438	-
Total	$ 16,754,946	$ -

At July 31, 2022, NBU reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

GASB 68 - 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience - Inflows	-	$ -
Differences between expected and actual economic experience - Outflows	$ 5,405,590	-
Changes in actuarial assumptions	$ 100,101	-
Difference between projected and actual investment earnings	-	$ 6,123,885
Contributions subsequent to the measurement date (December 31, 2020)	$ 2,757,019	-
Total	$ 8,262,710	$ 6,123,885

NBU contributions of $3,228,438 made subsequent to the measurement date of December 31, 2022, 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, 2024. The remaining amount of $13,525,508 is comprised the deferred outflows of resources of $6,666,300 consisting of the difference between expected and actual economic experience, and the deferred outflows of $6,859,208 resulting from differences between projected and actual investment earnings. This amount will be recognized in pension expense as follows:

Year ended July 31:	
2023	$2,217,621
2024	$3,333,252
2025	$3,252,446
2026	$4,153,648
2027	$519,654
Thereafter	$49,887
Total	$13,526,508

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 2023, 2022, and 2021 were $63,962, $42,737, and $38,390, 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, 2023, and 2022, the regulatory asset balance was $2,845,334 and $2,189,333, respectively. NBU will begin amortization of the regulatory asset over a 10-year period when the project is complete and water is available for delivery. The project is estimated to be complete in fiscal year 2024.

Note 8. Compensated Absences

NBU employees can earn up to 20 working days of vacation per calendar year depending on years of service. Any unused vacation leave earned in the present employment anniversary year can be carried over from one year to the next. Therefore, the maximum vacation that can be carried over each year is the amount accrued per employment anniversary year based on the employee's length of continuous service. 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 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.

NBU employees earn 3.69 hours of sick leave for each pay period. Employees may accumulate unused hours of sick leave at a rate of 96 hours per year up to a maximum of 480 hours for use in future years. Each 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 change is ongoing. 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, 2023 is as follows:

	Balance at August 1, 2022	Earned in Fiscal Year 2023	Utilized in Fiscal Year 2023	Balance at July 31, 2023	Due within One Year
Vacation Leave	$ 1,151,071	$ 783,200	$ 610,003	$ 1,324,268	$ 1,324,268
Sick Leave	834,120	587,735	358,955	1,062,900	-
Personal Leave	25,054	157,397	155,925	26,526	26,526
Worker's Compensation	556,840	377,836	193,456	741,220	741,220
Total	$ 2,567,085	$ 1,906,168	$ 1,318,339	$ 3,154,914	$ 2,092,014

The total accrued liability for compensated absences as of July 31, 2022 is as follows:

	Balance at August 1, 2021	Earned in Fiscal Year 2022	Utilized in Fiscal Year 2022	Balance at July 31, 2022	Due within One Year
Vacation Leave	$ 1,157,989	$ 586,137	$ 593,055	$ 1,151,071	$ 1,151,071
Sick Leave	750,572	340,311	256,763	834,120	-
Personal Leave	22,844	137,946	135,736	25,054	25,054
Worker's Compensation	427,623	356,592	227,375	556,840	556,840
Total	$ 2,359,028	$ 1,420,986	$ 1,212,929	$ 2,567,085	$ 1,732,965

Note 9. Short-Term Lease

NBU has 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 agrees 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 $855,667 and $855,667 in Fiscal Year 2023 and Fiscal Year 2022, respectively. The receipts for fiscal year 2023 are expected to be $855,667.

Under GASB 87, *Leases,* short-term leases are not recognized on the statement of net position as a lease receivable or as a deferred outflow. 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 2022 and 2021 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 $258,333 and $40,743 at July 31, 2023 and 2022, respectively, based on the requirements of GASB Statement No. 10. The claims liability is included in accounts payable and other current liabilities on the Statement of Net Position.

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

	Beginning Balance	Claims Incurred	Payments On Claims	Ending Balance
2021	$ 48,575	$ 2,363,722	$ 2,335,647	$ 76,650
2022	$ 76,651	$ 3,474,425	$ 3,510,333	$ 40,743
2023	$ 40,743	$ 4,444,499	$ 4,226,909	$ 258,333

Note 11. Commitments and Contingencies

Purchased Power Contracts

In 2014, NBU executed a power purchase agreement ("PPA") with Javelina Wind Energy, LLC ("Javelina"), an indirect subsidiary of NextEra Energy, Inc., for Javelina to provide 50 MW of electricity for 20 years from the commercial commencement of the project, which began in December 2015. The source of this electricity is from a nameplate capacity 250 MW wind energy farm located approximately 35 miles east of Laredo, Texas in Webb County. This agreement represents approximately 10% of NBU's purchase power portfolio. Power purchased through the Javelina PPA totaled $5,246,274 and $5,944,858 for Fiscal Year 2023 and 2022, 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 17% of NBU's purchase power portfolio in Fiscal Year 2023.

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 Management Policy and an Energy Risk Management Policy to provide appropriate guidelines in managing NBU's power portfolio.

As of July 31, 2023, NBU has executed forward physical power contracts intended to hedge price volatility in its power supply portfolio through 2025. All non-PA 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, 2023, NBU's forward physical contracts through 2025 reflected an underlying fair value (favorable) that was within 14% of total expected power costs through 2025.

NBU's estimated payments for purchased power for Fiscal Year 2024 through 2025, undiscounted, are as follows:

Years Ending July 31	Estimated Payments
2024	$ 42,386,648
2025	$ 3,251,582

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 is expected to be completed in 2023. NBU will be responsible for paying its proportionate share of the water lease payments, debt payments, and operating expenses. During Fiscal Year 2023, water lease and debt payments were incurred for the project. Details of the regulatory asset are included in Note 7.

Open Contracts

NBU has open contracts that total approximately $120,772,116 for various capital projects. As of July 31, 2023, approximately $65,168,582 has been expended.

Note 12. Subsequent Events

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. The agreed market value of the property is $2,900,000 requiring NBU to pay $400,000 as a down payment on August 1, 2023 at closing of the transaction. The remaining balance of $2,500,000 would be credited against the balance of $5,000,000 that the City owes to NBU for the transfer of the Service Center in fiscal year 2020.

FINANCIAL:

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	2022	2021	2020	2019
Total Pension Liability				
Service Cost	$ 4,870,192	$ 4,465,895	$ 4,031,193	$ 3,421,657
Interest on the Total Pension Liability	7,974,728	7,191,514	6,625,838	6,104,485
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	3,043,437	4,166,579	1,586,860	1,260,367
Changes of Assumptions	-	-	-	205,839
Benefit Payments, including Refunds of Employee Contributic	(4,079,746)	(4,766,188)	(3,395,518)	(3,751,212)
Net Change in Total Pension Liability	$ 11,808,611	$ 11,057,800	$ 8,848,373	$ 7,241,136
Total Pension Liability - Beginning	117,748,902	106,691,102	97,842,729	90,601,592
Total Pension Liability - Ending (A)	$ 129,557,513	$ 117,748,902	$ 106,691,102	$ 97,842,728
Plan Fiduciary Net Position				
Contributions - Employer	$ 4,886,836	$ 4,578,667	$ 3,946,380	$ 3,502,065
Contributions - Employees	1,942,527	1,794,562	1,604,227	1,407,263
Net Investment Income	(7,702,247)	11,986,679	6,336,072	11,028,572
Benefit Payments, including Refunds of Employee Contributic	(4,079,746)	(4,766,188)	(3,395,518)	(3,751,212)
Administrative Expense	(66,597)	(55,428)	(40,984)	(62,302)
Other (Net Transfer)	79,470	380	(1,599)	(1,871)
Net Change in Plan Fiduciary Net Position	$ (4,939,757)	$ 13,538,672	$ 8,448,578	$ 12,122,515
Plan Fiduciary Net Position - Beginning	105,429,769	91,891,097	83,442,519	71,320,004
Plan Fiduciary Net Position - Ending (B)	$ 100,490,012	$ 105,429,769	$ 91,891,097	$ 83,442,519
Net Pension Liability - Ending (A) - (B)	$ 29,067,501	$ 12,319,133	$ 14,800,005	$ 14,400,209
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.56%	89.54%	86.13%	85.28%
Covered Valuation Payroll	$ 27,750,383	$ 25,636,594	$ 22,917,524	$ 20,103,751
Net Pension Liability as a Percentage of Covered Valuation Payroll	104.75%	48.05%	64.58%	71.63%

Notes to Schedule:

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

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	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	$ 3,034,811	$ 2,328,445	$ 2,063,217	$ 1,852,821	$ 1,525,007
Interest on the Total Pension Liability	5,697,720	5,349,632	4,623,082	4,534,158	4,334,207
Changes of Benefit Terms	-	6,881,135	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	638,332	424,537	(33,315)	(452,450)	(678,647)
Changes of Assumptions	-	-	-	288,151	-
Benefit Payments, including Refunds of Employee Contributions	(3,325,058)	(3,272,818)	(2,533,258)	(2,689,654)	(2,286,395)
Net Change in Total Pension Liability	$ 6,045,805	$ 11,710,931	$ 4,119,726	$ 3,533,026	$ 2,894,172
Total Pension Liability - Beginning	84,555,787	72,844,856	68,725,130	65,192,104	62,297,932
Total Pension Liability - Ending (A)	$ 90,601,592	$ 84,555,787	$ 72,844,856	$ 68,725,130	$ 65,192,104
Plan Fiduciary Net Position					
Contributions - Employer	$ 3,194,908	$ 2,046,699	$ 1,811,489	$ 1,827,177	$ 1,827,595
Contributions - Employees	1,259,258	1,151,967	1,018,513	944,629	869,696
Net Investment Income	(2,169,446)	8,830,361	4,017,620	87,534	3,189,875
Benefit Payments, including Refunds of Employee Contributions	(3,325,058)	(3,272,818)	(2,533,258)	(2,689,654)	(2,286,395)
Administrative Expense	(41,917)	(45,751)	(45,360)	(53,311)	(33,298)
Other (Net Transfer)	(2,190)	(2,319)	(2,444)	(2,634)	(2,738)
Net Change in Plan Fiduciary Net Position	$ (1,084,445)	$ 8,708,139	$ 4,266,560	$ 113,741	$ 3,564,735
Plan Fiduciary Net Position - Beginning	72,404,449	63,696,310	59,429,750	59,316,009	55,751,274
Plan Fiduciary Net Position - Ending (B)	$ 71,320,004	$ 72,404,449	$ 63,696,310	$ 59,429,750	$ 59,316,009
Net Pension Liability - Ending (A) - (B)	$ 19,281,588	$ 12,151,338	$ 9,148,546	$ 9,295,380	$ 5,876,095
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.72%	85.63%	87.44%	86.47%	90.99%
Covered Valuation Payroll	$ 17,989,394	$ 16,443,818	$ 14,550,190	$ 13,494,694	$ 12,424,223
Net Pension Liability as a Percentage of Covered Valuation Payroll	107.18%	73.90%	62.88%	68.88%	47.30%

Notes to Schedule:

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NEW BRAUNFELS UTILITIES
Defined Benefit Pension Plan - Required Supplementary Information
Unaudited

Schedule of Employer Contributions
For the Years Ended July 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Fiscal Year End July 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2014	$ 1,827,595	$ 1,827,595	$ -	$ 12,424,223	14.71%
2015	$ 1,844,552	$ 1,875,807	$ (31,255)	$ 13,177,417	14.24%
2016	$ 1,842,516	$ 1,838,178	$ 4,337	$ 14,029,305	13.10%
2017	$ 1,941,283	$ 1,969,363	$ (28,080)	$ 15,539,867	12.67%
2018	$ 2,700,430	$ 2,730,439	$ (30,009)	$ 17,387,972	15.70%
2019	$ 3,343,248	$ 3,374,501	$ (31,253)	$ 19,038,042	17.73%
2020	$ 3,776,143	$ 3,811,074	$ (34,931)	$ 21,832,301	17.46%
2021	$ 4,333,080	$ 4,371,468	$ (38,389)	$ 24,621,104	17.75%
2022	$ 4,731,381	$ 4,774,121	$ (42,739)	$ 26,710,661	17.87%
2023	$ 5,360,354	$ 5,424,316	$ (63,962)	$ 29,942,959	18.12%

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

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2022 Contribution Rate

Valuation Date:

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

Methods and Assumptions Used to Determine 2022 Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	23 years
Asset Valuation Method:	10-Year smoothed market; 12% soft corridor
Inflation:	2.50%
Salary Increases:	3.50% to 11.50%, including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience-based table of rates that are specific to the participant's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018
Mortality:	Post-retirement: 2019 Municipal Retirees of Texas Mortality tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes:	There were no benefit changes during the year.

NEW BRAUNFELS UTILITIES
Budgetary Comparison Schedule
For the Fiscal Year Ended July 31, 2023

	Budget	Actual	Variance
Operating revenues			
Electric services	$ 170,627,495	$ 196,926,513	$ 26,299,018
Water services	40,758,444	34,373,389	(6,385,055)
Wastewater services	32,277,015	32,266,780	(10,235)
Transmission system	2,602,511	2,704,874	102,363
Miscellaneous fees and charges	5,555,523	2,903,801	(2,651,722)
Other operating revenues	2,069,981	2,490,253	420,272
Total operating revenues	$ 253,890,969	$ 271,665,610	$ 17,774,641
Operating expenses			
Purchased power	$ 116,114,166	$ 142,445,728	$ (26,331,562)
Purchased water	10,680,576	8,533,300	2,147,276
Other operating expenses	49,216,387	49,018,518	197,869
Depreciation and amortization	39,191,237	34,415,900	4,775,337
Total operating expenses	$ 215,202,366	$ 234,413,446	$ (19,211,080)
Net operating income	$ 38,688,603	$ 37,252,164	$ (1,436,439)
Nonoperating revenues (expenses)			
Investment income and investment loss or gain	$ 1,439,188	$ 4,955,931	$ 3,516,743
Interest expense	(14,414,845)	(16,393,228)	(1,978,383)
Intergovernmental expense	(10,771,915)	(10,687,216)	84,699
Other nonoperating revenues/(expenses)	(951,910)	(349,575)	602,335
Total nonoperating revenues (expenses)	$ (24,699,482)	$ (22,474,088)	$ 2,225,394
Income before capital contributions	$ 13,989,121	$ 14,778,076	$ 788,955

Note: Impact fees are considered a capital contribution for reporting purposes. The fees were budgeted at $19,392,713. Actual fees received were $25,303,673.

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

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2013	224,999	7,664	50,455	283,118
2014	248,841	6,455	73,108	328,404
2015	271,082	743	68,659	340,484
2016	300,781	3,313	59,761	363,855
2017	338,420	8,390	43,241	390,051
2018	370,402	1,218	34,506	406,126
2019	400,068	314	23,538	423,920
2020	423,247	470	52,677	476,394
2021	449,610	2,144	47,374	499,127
2022	471,515	12,608	71,910	556,033
2023	472,847	59,897	99,492	632,235

Totals may not add due to rounding.

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

	2014	2015	2016	2017	2018
Operating revenues					
Electric services	$ 98,407	$102,205	$ 103,062	$ 100,007	$ 107,493
Water services	11,300	11,676	13,596	13,691	15,428
Wastewater services	11,398	11,974	12,785	13,837	15,148
Transmission system	1,468	2,051	1,974	2,016	2,413
Other operating revenues	2,912	3,317	3,940	3,276	3,789
Total operating revenues	$125,485	$131,223	$ 135,356	$ 132,827	$ 144,270
Operating expenses					
Purchased power	$ 77,759	$ 82,817	$ 81,685	$ 78,328	$ 86,723
Purchased water	2,023	2,314	2,223	2,147	2,291
Transmission and distribution	5,802	6,225	7,196	6,279	8,126
Pumping	1,166	1,310	1,306	1,016	1,344
Water treatment	2,765	3,069	3,178	4,146	5,822
Customer service	2,180	2,227	2,623	3,726	4,047
General and administrative	9,101	7,454	8,960	8,682	9,034
Depreciation	12,408	13,256	14,233	18,538	19,502
Total operating expenses	$113,206	$118,673	$ 121,404	$ 122,861	$ 136,889
Net operating income	$ 12,279	$ 12,550	$ 13,951	$ 9,966	$ 7,381
Nonoperating revenues (expenses)					
Interest income	$ 186	$ 246	$ 375	$ 795	$ 1,505
Net increase (decrease) in the fair value of investments	(32)	29	49	(178)	(459)
Interest and amortization expense	(2,185)	(2,310)	(3,858)	(4,321)	(4,778)
Intergovernmental expense	(6,478)	(6,406)	(6,786)	(7,779)	(7,860)
Gain (loss) on sale of assets	(239)	58	(18)	(2,066)	(3,988)
Total nonoperating revenues/(expenses)	$ (8,747)	$ (8,383)	$ (10,239)	$ (13,549)	$ (15,579)
Income before contributions	$ 3,532	$ 4,167	$ 3,712	$ (3,584)	$ (8,198)
Capital contributions					
Impact fees	$ 3,245	$ 4,178	$ 5,329	$ 8,861	$ 11,369
Services	1,005	1,216	1,292	1,962	1,928
Developer contributions	17,005	14,155	13,037	18,957	10,975
Total capital contributions	$ 21,254	$ 19,549	$ 19,658	$ 29,780	$ 24,272
Change in net position	$ 45,286	$ 23,716	$ 23,370	$ 26,197	$ 16,074
Total net position - beginning of year	283,118	328,404	340,484	363,855	390,051
Cumulative effect of change in accounting principle	-	(11,636)	-	-	-
Total net position - end of year	$328,404	$340,484	$ 363,855	$ 390,051	$ 406,126

Totals may not add due to rounding.

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

	2019	2020	2021	2022	2023
Operating revenues					
Electric services	$ 108,666	$ 133,029	$ 190,290	$ 152,843	$ 196,927
Water services	15,650	23,268	24,486	31,510	34,373
Wastewater services	15,899	18,622	22,467	27,325	32,267
Transmission system	2,542	2,680	2,599	2,555	2,705
Other operating revenues	3,369	3,586	4,235	6,321	5,394
Total operating revenues	$ 146,125	$ 181,185	$ 244,078	$ 220,555	$ 271,666
Operating expenses					
Purchased power	$ 86,319	$ 96,566	$ 172,471	$ 117,910	$ 142,528
Purchased water	3,523	5,135	5,809	6,709	8,533
Transmission and distribution	7,530	9,474	7,218	7,089	9,795
Pumping	1,578	1,921	1,941	2,057	2,346
Water treatment	6,740	7,062	7,918	8,899	9,757
Customer service	4,674	4,995	5,283	5,957	7,592
General and administrative	8,950	10,597	14,675	16,246	19,446
Depreciation	20,800	22,889	24,459	30,430	34,416
Total operating expenses	$ 140,113	$ 158,638	$ 239,774	$ 195,298	$ 234,413
Net operating income	$ 6,012	$ 22,547	$ 4,304	$ 25,257	$ 37,252
Nonoperating revenues (expenses)					
Interest income	$ 1,875	$ 1,052	$ 236	$ 471	$ 5,025
Net increase (decrease) in the fair value of investments	392	605	(320)	(1,275)	(69)
Interest and amortization expense	(5,783)	(7,378)	(8,650)	(11,035)	(16,393)
Intergovernmental expense	(8,130)	(8,144)	(8,612)	(9,763)	(10,687)
Gain (loss) on sale of assets	(181)	4,426	(324)	(234)	(350)
Total nonoperating revenues/(expenses)	$ (11,827)	$ (9,440)	$ (17,670)	$ (21,837)	$ (22,474)
Income before contributions	$ (5,815)	$ 13,107	$ (13,366)	$ 3,420	$ 14,778
Capital contributions					
Impact fees	$ 8,079	$ 15,634	$ 16,629	$ 27,331	$ 25,304
Services	3,205	2,501	2,240	5,314	4,446
Developer contributions	12,324	21,232	17,230	20,840	31,674
Total capital contributions	$ 23,609	$ 39,367	$ 36,099	$ 53,485	$ 61,424
Change in net position	$ 17,794	$ 52,474	$ 22,733	$ 56,905	$ 76,202
Total net position - beginning of year	406,126	423,920	476,394	499,127	556,033
Cumulative effect of change in accounting principle	-	-	-	-	-
Total net position - end of year	$ 423,920	$ 476,394	$ 499,127	$ 556,033	$ 632,235

Totals may not add due to rounding.

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

Fiscal Year	Electric	Water	Wastewater	Other*	Total**
2014	101,702	14,211	12,948	788	129,649
2015	106,678	15,207	13,998	1,067	136,950
2016	107,770	18,059	15,362	1,191	142,381
2017	103,263	15,383	14,077	2,242	134,965
2018	110,965	17,295	15,361	1,965	145,587
2019	114,004	16,901	16,145	3,047	150,097
2020	137,561	25,073	18,755	2,125	183,514
2021	194,223	38,681	28,476	655	262,035
2022	160,245	53,090	36,586	300	250,222
2023	203,570	58,907	39,343	6,033	307,853

** Other Income includes interest income, mark-to-market adjustments on investments, miscellanous 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)

Fiscal Year	Electric Rate/kWh	Water Rate/per Thousand Gallons	Wastewater Monthly Revenue/Customer
2014	$0.0689	$3.59	$41.50
2015	$0.0688	$3.73	$41.52
2016	$0.0694	$3.64	$42.49
2017	$0.0660	$3.79	$44.44
2018	$0.0673	$3.93	$45.94
2019	$0.0668	$4.22	$46.51
2020	$0.0787	$5.22	$51.75
2021	$0.1134	$5.63	$59.58
2022	$0.0866	$7.51	$67.83
2023	$0.1124	$8.41	$77.96

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Electric Services										
Residential	37%	37%	37%	39%	40%	40%	41%	41%	41%	42%
General Service	30%	28%	29%	31%	30%	29%	28%	28%	28%	28%
Industrial	33%	35%	33%	30%	30%	31%	31%	30%	30%	29%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Water Services										
Residential/Multi-Unit/Irrigation	82%	82%	84%	84%	84%	84%	84%	81%	77%	77%
General Service	16%	15%	15%	15%	14%	15%	14%	16%	19%	19%
Wholesale	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Other	1%	1%	1%	1%	1%	1%	2%	3%	3%	4%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Wastewater Services										
Residential/Multi-Unit	70%	69%	69%	70%	70%	71%	72%	73%	71%	72%
General Service	29%	30%	31%	30%	29%	29%	28%	27%	28%	28%
Other	1%	1%	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* (in thousands)	Total Commercial Paper (in thousands)	Total Electric Water and Wastewater Customers	Debt Per Customer	Percentage of Personal Income	Per Capita
2014	43,738	-	85,949	509	7.13%	354
2015	70,361	-	90,904	774	10.15%	545
2016	117,099	-	95,536	1,226	16.29%	869
2017	114,548	-	101,301	1,131	14.52%	812
2018	161,398	-	108,564	1,487	18.73%	1,088
2019	155,968	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 [1]	405,521	50,000	141,064	2,875	N/A [1]	N/A [1]

** 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.*

[1] *Some 2023 Information was not available at time of publication.*

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

Fiscal Year	Total Revenues [1]	Total Expenses [2]	Net Revenues Available for Debt Service	Bond Debt Service Requirements [3]	Coverage (x)
2013	116,240	88,766	27,474	2,313	11.88
2014	129,649	100,798	28,851	3,149	9.16
2015	136,950	105,417	31,533	3,618	8.72
2016	142,381	107,171	35,210	4,728	7.45
2017	142,201	104,324	37,877	6,377	5.94
2018	154,625	117,387	37,238	6,875	5.42
2019	159,285	119,313	39,972	10,866	3.68
2020	200,372	135,862	64,509	10,687	6.04
2021	263,183	215,314	47,869	13,649	3.51
2022	253,671	164,867	88,804	17,268	5.14
2023	306,441	199,998	106,443	22,020	4.83

[1] Includes investment income, impact fees, and services.

[2] Excludes depreciation, interest and amortization expense, and intergovernmental expense

[3] Includes principal and interest of revenue bonds

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

Fiscal Year	Electric	Water	Wastewater	Total
2013	32,404	27,303	21,942	81,649
2014	33,975	29,089	22,885	85,949
2015	35,455	31,415	24,034	90,904
2016	36,914	33,550	25,072	95,536
2017	38,867	36,140	26,294	101,301
2018	41,729	39,060	27,775	108,564
2019	43,606	41,074	28,775	113,455
2020	45,893	43,811	30,185	119,889
2021	48,600	46,994	31,755	127,349
2022	51,725	51,051	33,896	136,672
2023	53,732	52,637	34,695	141,064

Totals may not add due to rounding.

COMAL COUNTY
Demographic and Economic Statistics
Last Ten Years
(Unaudited)

Calendar Year	Comal County Population [3]	Personal Income (in 000's) [1]	Per Capita Personal Income [1]	Unemployment Rate [2]
2013	116,559	5,742,217	48,466	6.0%
2014	123,694	6,138,500	49,626	4.5%
2015	129,048	6,931,196	53,783	3.7%
2016	134,788	7,188,696	55,428	3.6%
2017	141,009	7,891,500	55,965	3.4%
2018	148,373	8,615,549	58,067	3.1%
2019	156,209	9,381,221	60,056	2.8%
2020	164,812	10,382,141	62,994	5.1%
2021	174,986	11,735,054	67,063	3.3%
2022	184,642	13,861,893	75,074	3.5%

[1] Source: https://www.bea.gov/data/income-saving/personal-income-county-metro-and-other-areas
[2] Source: http://www.co.comal.tx.us/Transparency
[3] Source: https://www.census.gov/quickfacts/comalcountytexas

New Braunfels Utilities services area is approximately 175 square miles which includes the City of New Braunfels and the surrounding area. The majority of the service area is within Comal County, with some customer service in Hays, Guadalupe, and Bexar counties. The population amounts were obtained from the U. S. Census Bureau.

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

	2022			2013		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
Comal ISD - School District	3,374	1	4.08%	2,300	1	4.33%
Schlitterbahn Waterpark	3,000	2	3.63%	1,689	2	3.18%
New Braunfels ISD - School District	1,320	3	1.60%	928	4	1.75%
Walmart Distribution Center	1,189	4	1.44%	1,065	3	2.00%
Sysco	794	5	0.96%			
City of New Braunfels	780	6	0.94%	508	8	0.96%
Comal County	734	7	0.89%	587	6	1.10%
Christus Santa Rosa Hospital	620	8	0.75%	692	5	1.30%
Taskus	612	9	0.74%			
Rush Enterprises	528	10	0.64%			
HEB Retail Grocery				561	7	1.05%
Hunter Industries, Ltd.				500	8	0.94%
Walmart Super Center Retail Store				435	10	0.82%
	12,951		15.67%	9,265		17.42%

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, 2023
(Unaudited)

Fiscal Year	Electric	Water	Wastewater	Support	Total
2013	64.0	41.5	42.0	83.5	231.0
2014	66.0	42.5	43.5	86.0	238.0
2015	70.0	42.0	43.5	90.5	246.0
2016	85.0	43.5	38.0	88.5	255.0
2017	95.0	44.0	39.5	96.0	274.5
2018	92.0	47.0	45.0	99.5	283.5
2019	95.0	48.0	45.0	111.0	299.0
2020	103.5	57.5	41.5	118.0	320.5
2021	77.0	52.5	47.5	162.0	339.0
2022	76.0	55.0	49.0	165.0	345.0
2023	80.0	56.5	51.5	181.0	369.0

Totals may not add due to rounding.

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

	2014	2015	2016	2017	2018
Electric					
Land and right-of-ways	$ 3,353	$ 3,353	$ 3,353	$ 3,353	$ 3,650
Buildings and structures	8,503	8,118	7,752	7,371	7,016
Transmission/distribution	88,211	90,335	100,198	108,309	118,939
Total Electric	$ 100,067	$ 101,807	$ 111,303	$ 119,033	$ 129,605
Water/Wastewater					
Land and right-of-ways	$ 22,172	$ 22,172	$ 22,144	$ 22,144	$ 22,144
Buildings and structures	7,656	7,533	7,069	26,419	26,617
Wells & springs	99	91	83	147	720
Pumping equipment	5,731	5,481	5,371	9,258	9,111
Treatment equipment	3,383	17,513	4,104	36,900	37,084
Transmission/distribution	104,058	100,456	122,459	160,355	165,204
Total Water/Wastewater	$ 143,100	$ 153,247	$ 161,231	$ 255,224	$ 260,880
General					
Land and right-of-ways	$ 816	$ 816	$ 844	$ 844	$ 844
Buildings and structures	7,339	7,046	6,994	7,280	7,268
Equipment, vehicles, furniture & fixtures	5,860	4,593	7,932	11,658	12,003
Total General	$ 14,015	$ 12,454	$ 15,770	$ 19,782	$ 20,115
Construction in progress	$ 32,545	$ 72,779	$ 94,641	$ 29,100	$ 66,967
Total capital assets net of depreciation	$ 289,727	$ 340,287	$ 382,945	$ 423,140	$ 477,567

	2019	2020	2021	2022	2023
Electric					
Land and right-of-ways	$ 3,685	$ 5,461	$ 5,632	$ 5,816	$ 6,295
Buildings and structures	6,641	6,268	5,900	7,347	(6,402)
Transmission/distribution	127,818	136,306	156,427	173,302	203,025
Total Electric	$ 138,145	$ 148,035	$ 167,959	$ 186,464	$ 202,919
Water/Wastewater					
Land and right-of-ways	$ 23,261	$ 23,261	$ 33,083	$ 35,781	$ 37,148
Buildings and structures	29,241	28,144	73,112	90,071	97,455
Wells & springs	1,043	1,385	1,437	1,529	3,267
Pumping equipment	18,912	18,564	21,750	21,719	22,252
Treatment equipment	37,016	35,654	54,793	52,831	52,578
Transmission/distribution	196,306	207,964	281,088	323,224	386,239
Total Water/Wastewater	$ 305,779	$ 314,972	$ 465,262	$ 525,154	$ 598,938
General					
Land and right-of-ways	$ 847	$ 259	$ 259	$ 259	$ 259
Buildings and structures	6,965	1,743	11,312	10,931	10,551
Equipment, vehicles, furniture & fixtures	12,303	13,805	16,124	16,075	20,585
Total General	$ 20,115	$ 15,806	$ 27,695	$ 27,265	$ 31,395
Construction in progress	$ 82,434	$ 165,260	$ 86,885	$ 92,434	$ 77,619
Total capital assets net of depreciation	$ 546,473	$ 644,073	$ 747,801	$ 831,318	$ 910,870

Totals may not add due to rounding.

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

Fiscal Year	MWh Sales	Peak Demand (kW)
2012	1,268,084	246,380
2013	1,291,324	257,164
2014	1,429,897	266,642
2015	1,486,036	279,817
2016	1,484,725	279,855
2017	1,512,675	287,963
2018	1,598,405	306,719
2019	1,626,679	298,587
2020	1,690,927	310,477
2021	1,678,480	326,859
2022	1,765,123	336,420
2023	1,752,465	357,744

Totals may not add due to rounding.

MOSSADAMS

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

The Board of Trustees
New Braunfels Utilities

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Braunfels Utilities (the Utility) as of and for the year ended July 31, 2023, and the related notes to the financial statements, which collectively comprise New Braunfels Utilities basic financial statements, and have issued our report thereon dated December 11, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Portland, Oregon
December 11, 2023

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En Español:
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Si usted necesita más información en español, llame al 830.608.8901.