This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT
Dated May 5, 2026

NEW ISSUE
BOOK-ENTRY-ONLY

RATING: Moody's - "Aa1"
(See "OTHER PERTINENT INFORMATION
Municipal Bond Ratings" herein)

In the opinion of Bond Counsel (defined herein), assuming continuing compliance by the City (defined herein) after the date of initial delivery of the Bonds (defined herein) with certain covenants contained in the Ordinance (defined herein) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See "TAX MATTERS" herein.

$295,805,000*
CITY OF NEW BRAUNFELS, TEXAS
(*A political subdivision of the State of Texas located in Comal and Guadalupe Counties*)
UTILITY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2026

Dated Date: May 15, 2026

Interest Accrues from Dated Date **Due: July 1, as shown on inside cover page**

The City of New Braunfels, Texas Utility System Revenue and Refunding Bonds, Series 2026 (the "Bonds") are special obligations of the City of New Braunfels, Texas (the "City" or the "Issuer") payable solely from the revenues derived from the operation and ownership of the City's electric, waterworks and sewer systems (the "System") operated by the Board of Trustees of the New Braunfels Utilities (the "NBU"). The Bonds, together with certain outstanding Previously Issued Bonds, are payable solely from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System. The Bonds do not constitute general obligations of the City, the State of Texas or any political subdivision of the State of Texas. **The holder or owner of the Bonds shall never have the right to demand payment out of funds raised or to be raised from taxation**. The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly the Texas Government Code, Chapters 1207, 1371 and 1502, as amended, and a bond ordinance authorizing the issuance of the Bonds to be adopted by the City Council of the City on May 11, 2026 (the "Bond Ordinance") in which the City Council will delegate to certain City and NBU officials (the "Pricing Officers") the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate", which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance"). **Excerpts of certain provisions of the Ordinance appear in Appendix E attached hereto**.

The Bonds initially will be issued in book-entry form only and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), and only beneficial interests in the Bonds held by DTC are offered hereby. While the Bonds are held in the DTC book-entry system, payments of principal of and interest on the Bonds will be made by the Paying Agent/Registrar, which initially is Zions Bancorporation, National Association, Houston, Texas, to Cede & Co., and payments of such principal and interest to the purchasers of such beneficial interests will be the responsibility of the Participants in DTC and not the City, NBU, the Paying Agent/Registrar, or their agents. The registration of the Bonds under the DTC book-entry system may be terminated as described herein and the Bonds subsequently will be registered in the names of the beneficial owners at their direction. The Bonds will be issued in fully registered form in the denomination of $5,000 principal amount, or any integral multiple thereof within a stated maturity. Interest on the Bonds will accrue from May 15, 2026 and be payable on January 1 and July 1 of each year commencing July 1, 2026 until maturity or prior redemption. The principal or redemption price of the Bonds will be payable upon presentation and surrender of the Bonds at the designated office of the Paying Agent/Registrar.

Proceeds from the sale of the Bonds will be used to (i) improve, extend and repair the System, (ii) provide funds sufficient for the discharge and final payment of certain outstanding obligations relating to the System, as identified in Schedule I attached hereto (the "Refunded Bonds") and to convert short-term, variable rate obligations into long-term fixed rate obligations (the "Refunded Notes", and together with the Refunded Bonds, the "Refunded Obligations"), (iii) fund the Reserve Fund, and (iv) pay for the costs of issuing the Bonds. (See "SOURCES AND USES OF FUNDS" and "PLAN OF FINANCING" herein.)

SEE PAGE II HEREIN FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS

The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and Dallas, Texas, Bond Counsel. See "LEGAL MATTERS" herein for a discussion of Bond Counsel's opinion. Certain legal matters also will be passed upon for the Underwriters by McCall, Parkhurst & Horton, L.L.P., San Antonio, Texas. It is expected the Bonds will be available for delivery through the services of The Depository Trust Company, New York, New York, on or about May 26, 2026.

HilltopSecurities

Frost Bank **RBC Capital Markets** **Texas Capital Securities**

* *Preliminary, subject to change*

MATURITY SCHEDULE, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS AND REDEMPTION PROVISIONS

$295,805,000*

CITY OF NEW BRAUNFELS, TEXAS
(A political subdivision of the State of Texas located in Comal and Guadalupe Counties)
UTILITY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2026

CUSIP No. Prefix 642577[1]

Stated Maturity July 1	Principal Amounts ($)	Interest Rates (%)	Initial Yields (%)	CUSIP No. Suffix(1)
2027	1,560,000			
2028	1,655,000			
2029	1,450,000			
2030	1,545,000			
2031	2,055,000			
2032	2,155,000			
2033	2,280,000			
2034	2,700,000			
2035	2,850,000			
2036	4,030,000			
2037	4,265,000			
2038	4,525,000			
2039	5,620,000			
2040	4,605,000			
2041	4,920,000			
2042	7,830,000			
2043	8,220,000			
2044	8,360,000			
2045	8,710,000			
2046	9,075,000			
2047	13,460,000			
2048	14,090,000			
2049	9,000,000			
2050	9,660,000			
2051	10,710,000			
2052	11,890,000			
2053	14,000,000			
2054	14,710,000			
2055	10,535,000			
2056	24,340,000			
2057	30,000,000			
2058	30,000,000			
2059	15,000,000			

(Interest to accrue from the Dated Date)

The Bonds stated to mature on and after July 1, 203_ are subject to optional redemption, in whole or in part, in principal amounts of $5,000 (and if less than all within a stated maturity by lot, by the Paying Agent/Registrar), on July 1, 203_, or any date thereafter, at a price of par (100%) plus accrued interest to the date fixed for redemption. If two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance. See "THE BONDS - Redemption Provisions of the Bonds" herein.

* *Preliminary, subject to change*

[1] *CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriters, the City, NBU, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein*.

MEMBERS OF CITY COUNCIL

Neal Linnartz, Mayor[1]

Toni Carter, District 1 Councilmember	Mike Capizzi, District 2 Councilmember
D. Lee Edwards, District 3 Councilmember	Lawrence Spradley, District 4 Councilmember
Mary Ann Labowski, District 5 Councilmember	April Ryan, District 6 Councilmember[2]

[1] A runoff election will be conducted for the Mayoral seat between incumbent Neal Linnartz and Michael French.
[2] A runoff election will be conducted for the District 6 seat between incumbent April Ryan and Nikki L. Shaw.

ADMINISTRATORS - CITY OF NEW BRAUNFELS

Robert Camareno, City Manager	Jared Werner, Assistant City Manager
Gayle Wilkinson, City Secretary	Jordan Matney, Deputy City Manager
Sandy Paulos, Director of Finance	Valeria Acevedo, City Attorney

MEMBERS OF UTILITY BOARD

Wayne Peters, President

Judith Dykes-Hoffmann, PhD, Vice-President	Stuart Blythin, Trustee
Yvette Villanueva Barrera, Trustee	Neal Linnartz, Mayor and Ex-Officio Trustee

SENIOR MANAGEMENT - NEW BRAUNFELS UTILITIES[1]

Ryan Kelso, Chief Executive Officer	David Hubbard, Chief Administrative Officer
Mark Steelman, Chief Operations Officer	Connie Lock, General Counsel and Chief Ethics Officer
Jessica Williams, Chief Financial Officer	Amanda Collins, Chief Customer Officer
Ragan Dickens, Chief Communications Officer	Rocio Hilliard, Chief of Staff
Greg Brown, Chief Technology and Security Officer	

[1] NBU has hired a new Chief Energy Supply Officer that will start on May 18, 2026.

CONSULTANTS AND ADVISORS

Baker Tilly US, LLP Austin, Texas	Auditors
Norton Rose Fulbright US LLP Austin and Dallas, Texas	Bond Counsel
SAMCO Capital Markets, Inc. San Antonio, Texas	Financial Advisor

For Additional Information Contact:

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San Antonio, Texas 78209
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Email: dwesterman@samcocapital.com

or

Jessica Williams, CFO
New Braunfels Utilities
263 Main Plaza
New Braunfels, Texas 78130
Phone (830) 460-3331
Email: jwilliams@nbutexas.com

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with the United States Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule"), this document constitutes an "official statement" of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the City, the Financial Advisor, NBU, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system described under the caption "BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by DTC.

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement, nor any other statement made in connection with the offer or sale of the Bonds, is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

(The remainder of this page has been left blank intentionally)

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The cover page hereof, the appendices and schedule attached hereto, and any addenda, supplement or amendment hereto are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY INFORMATION

The following information is qualified in its entirety by more detailed information and financial statements appearing elsewhere in this Official Statement:

THE ISSUER ……..……	The City of New Braunfels, Texas (the "Issuer" or the "City") and New Braunfels Utilities ("NBU").
THE BONDS …….	$295,805,000* City of New Braunfels, Texas Utility System Revenue and Refunding Bonds, Series 2026 (the "Bonds"). The Bonds will mature on the dates indicated on page -ii- hereof. Interest shall accrue from the Dated Date and is payable initially on July 1, 2026 and semiannually on January 1 and July 1 thereafter until the earlier of maturity or prior redemption.
DATED DATE ……	May 15, 2026.
REDEMPTION ……..	The Bonds stated to mature on and after July 1, 203_ are subject to optional redemption on July 1, 203_ or any date thereafter, at a price of par (100%) plus accrued interest to the date fixed for redemption. If two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance. See "THE BONDS - Redemption Provisions of the Bonds" herein.
PAYING AGENT/REGISTRAR …..	The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas.
SECURITY FOR THE BONDS……	The Bonds constitute special obligations of the City and, together with certain Previously Issued Bonds, are payable solely from, and equally and ratably secured by a first lien on and pledge of, the Net Revenues of the System. See "THE BONDS - Security for Payment" herein.
BOOK-ENTRY-ONLY SYSTEM ….	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York, relating to the method and timing of payment as to principal and interest of the Bonds and the method of transfer.
TAX MATTERS …….	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes under existing law subject to matters described under the caption "TAX MATTERS" and "APPENDIX D - Form of Opinion of Bond Counsel" herein.
USE OF BOND PROCEEDS ……..	Proceeds from the sale of the Bonds will be used to (i) improve, extend, and repair the System, (ii) provide funds sufficient for the discharge and final payment of certain outstanding obligations relating to the System, as identified in Schedule I attached hereto (the "Refunded Bonds") and to convert short-term, variable rate obligations into long-term fixed rate obligations (the "Refunded Notes", and together with the Refunded Bonds, the "Refunded Obligations"), (iii) fund the Reserve Fund, and (iv) pay for the costs of issuing the Bonds. (See "SOURCES AND USES OF FUNDS" and "PLAN OF FINANCING" herein.)
RATING ……..……....	Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "Aa1" to the Bonds. See "OTHER PERTINENT INFORMATION - Municipal Bond Rating" herein.
FUTURE OBLIGATION ISSUES ...	The Issuer maintains an active Commercial Paper Program (the "Program"). In close proximity to the issuance of the Bonds, the Issuer will be terminating its existing commercial paper program and reestablishing the Program, with increased capacity of $125,000,000*. The Issuer's commercial paper notes (the "Commercial Paper Notes") that are issued pursuant to the Program will be the subject of a separate Offering Memorandum, dated June 11, 2026. This Official Statement relates only to the Bonds and not the Commercial Paper Notes. All commercial paper notes under the existing commercial paper program will be refunded with the issuance of the Bonds. The Issuer expects to issue Commercial Paper Notes from time to time under the Program, within its authorized capacity, over the next 12 months. See APPENDIX A - "Three to Five Year Capital Project Requirements."
PAYMENT RECORD ……	The Issuer has never defaulted on the payment of its bonded indebtedness.
DELIVERY …….	When issued, anticipated on or about May 26, 2026.
LEGALITY …….	The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and Dallas, Texas, Bond Counsel. See "APPENDIX D - Form of Opinion of Bond Counsel" herein.

** Preliminary, subject to change.*

FINANCIAL HIGHLIGHTS*

Net Income Available for Debt Service for Fiscal Year Ending 7/31/2025 ……..	$131,600,572
Annual NBU Debt Service Requirement for Fiscal Year 2025……..	$29,818,685
Coverage of Net Revenues Available Over all NBU Debt ……	4.41x

Number of Customers (at 7-31-2025): Electric - 61,990; Water - 58,813; Sewer - 37,985

* *See Appendix A for financial information*.

PRELIMINARY OFFICIAL STATEMENT

relating to

$295,805,000*
CITY OF NEW BRAUNFELS, TEXAS
(*A political subdivision of the State of Texas located in Comal and Guadalupe Counties*)
UTILITY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2026

INTRODUCTION

General

This Official Statement, which includes the cover page, the Schedule, and the appendices hereto, provides certain information in connection with the issuance by the City of New Braunfels, Texas (the "City" or the "Issuer") of its Utility System Revenue and Refunding Bonds, Series 2026 (the "Bonds") in the aggregate principal amount of $295,805,000.* Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined herein), except as otherwise indicated herein. See "APPENDIX E - EXCERPTS OF CERTAIN PROVISIONS OF THE BOND ORDINANCE."

There follows in this Official Statement a description of the plan of financing, the Bonds and certain information about the Issuer and its finances. ***All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document***. Copies of such documents may be obtained from the Issuer and, during the offering period from the Financial Advisor to New Braunfels Utilities ("NBU"), upon payment of reasonable copying, handling, and delivery charges.

In accordance with authority conferred by Texas Government Code, Section 1502.070, as amended, the complete management and control of the City's electric, waterworks, and sanitary sewer system (the "System") has been placed in the hands of the New Braunfels Utilities Board of Trustees (the "Board") consisting of five members. Whenever a reference is made herein to the City with respect to the operations, management or control of the System, such reference shall be deemed to be the Board unless otherwise specified.

The Ordinance (defined below) authorizes the issuance and prescribes the terms, conditions and provisions for payment of the principal of and interest on the Bonds. Set forth below is a description of the Bonds and a summary of certain provisions of the Ordinance. Such summary is not a complete description of the entire Ordinance and is qualified by reference to the Ordinance, copies of which are available from the Board or the Financial Advisor. See APPENDIX E - "EXCERPTS OF CERTAIN PROVISIONS OF THE BOND ORDINANCE."

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement pertaining to the Bonds will be filed by the Underwriters with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access ("EMMA") system. See "CONTINUING DISCLOSURE" herein for a description of the City's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Ordinance (defined below).

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used to (i) improve, extend, and repair the System, (ii) provide funds sufficient for the discharge and final payment of certain outstanding obligations relating to the System, as identified in Schedule I attached hereto (the "Refunded Bonds") and to convert short-term, variable rate obligations into long-term fixed rate obligations (the "Refunded Notes", and together with the Refunded Bonds, the "Refunded Obligations"), (iii) fund the Reserve Fund, and (iv) pay for the costs of issuing the Bonds.

Refunded Obligations

A description and identification of the Refunded Obligations appears in Schedule I attached hereto. The Refunded Obligations are to be paid in full on the maturity or redemption dates specified on Schedule I from funds to be deposited

* *Preliminary, subject to change*.

pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the Issuer and Zions Bancorporation, National Association, Houston, Texas (the "Escrow Agent").

The City will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the City, if any, with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their respective scheduled maturity date and date of early redemption (the "Redemption Date"), respectively. Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the City, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Obligations, when due, on the Redemption Date (the "Sufficiency Certificate"). Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose be held uninvested in cash and/or invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Ordinance was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA". Cash and investments, if any, held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

Prior to, or simultaneously with the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of certain of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate provided by SAMCO Capital Markets, Inc., that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from the Net Revenues of the System nor for the purpose of applying any limitation on the issuance of debt.

The Issuer covenants in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to authority conferred by the Constitution and the general laws of the State of Texas, including Texas Government Code, Chapters 1207, 1371, and 1502 as amended, and a bond ordinance to be adopted on May 11, 2026, by the City Council of the City authorizing the issuance and sale of the Bonds (the "Bond Ordinance"), in which the City Council will delegate to certain City and NBU officials the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate", which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance"). **Excerpts of certain provisions of the Ordinance appears in APPENDIX E attached hereto**.

General Description

The Bonds will be dated May 15, 2026 (the "Dated Date"). The Bonds will accrue interest from the Dated Date, and such interest shall be payable on January 1 and July 1 in each year, commencing July 1, 2026, until maturity or prior redemption. The Bonds will mature on the dates, in the principal amounts and will bear interest at the rates set forth on the inside cover page of this Official Statement.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully registered form in any

integral multiple of $5,000 principal amount for any one maturity; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

Initially the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof**. Notwithstanding the foregoing, as long as the Bonds are held in the Book-Entry-Only System, principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Security for Payment

The Bonds constitute special obligations of the City and, together with certain outstanding Previously Issued Bonds, are payable solely from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System. The owners of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation. The Ordinance does not create a lien or mortgage on properties of the System, except for the Net Revenues. See APPENDIX E - "EXCERPTS OF CERTAIN PROVISIONS OF THE BOND ORDINANCE - Security for the Bonds."

Reserve Fund

The Ordinance reaffirms the establishment and maintenance of a Reserve Fund for the payment of the principal of and interest on the Bonds Similarly Secured (which includes the Bonds) when money in the interest and sinking fund maintained for such purposes is insufficient on any payment date. The amount to be accumulated and maintained as a reserve amount in the Reserve Fund shall be equal to at least the average annual principal and interest requirement of the Bonds Similarly Secured (calculated on a Fiscal Year basis as of the date the last series of Bonds Similarly Secured then Outstanding was delivered). The amount on deposit to the credit of the Reserve Fund equals or exceeds $30,979,586 (the "Current Reserve"), and by reason of the issuance of the Bonds, the amount to be accumulated and maintained in such fund shall be $_____ (the "Required Reserve"). The difference between the Current Reserve and the Required Reserve will be deposited into the Reserve Fund on the date of the delivery of the Bonds from proceeds received from the sale of the Bonds. When and if the Reserve Fund at any time contains less than the Required Reserve, the City covenants and agrees, and the Board is directed by the Ordinance, to cure the deficiency in the Required Reserve within twelve months from the date the deficiency in funds occurred with available Net Revenues of the System pledged to the payment of the Bonds, and the City, acting through the Board, covenants and agrees in the Ordinance that, subject to the required payments to the Bond Fund for Bonds Similarly Secured, the Net Revenues of the System remaining in the Utility System Fund shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amount, as required by the terms of the Ordinance authorizing the issuance of the Bonds and any other ordinance pertaining to Bonds Similarly Secured.

Certain Provisions of the Bond Ordinance

The Ordinance authorizing the issuance of the Bonds provides, among other things, for the following:

(1) The Bonds Similarly Secured are payable from and secured by a parity first lien on and a pledge of the Net Revenues (as defined in the Ordinance) of the System; and

(2) Substantially all income and revenues derived from the operation and ownership of the System are required to be deposited into a Utility System Fund.

The first priority on monies expended from the Utility System Fund is the payment of all the reasonable expenses of maintenance and operations of the System including contractual payment for the purchase of power, supply of water or other materials, goods or services to the extent authorized by law and the provisions of applicable contracts.

The second priority on money from the Utility System Fund is the payment of debt service requirements of the Bonds Similarly Secured in equal monthly payments to meet the principal payment and the semi-annual payments of interest as they come due and the payment of the amounts to be deposited into the Reserve Fund maintained for the Bonds Similarly Secured to accumulate the Required Reserve.

The third priority on money is to the payment of other obligations or indebtedness payable from and secured by a lien on and pledge of the Net Revenues of the System that is junior and subordinate to the lien and pledge securing the payment of the Bonds Similarly Secured.

Any Net Revenues remaining in the Utility System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used by the Board for any purpose now or hereafter permitted by law, including a transfer to the City's general fund as permitted by Texas Government Code, Section 1502.058, as amended.

(3) Among the conditions required to be satisfied for the issuance of additional parity revenue bonds (i.e., on parity with the Bonds and the other Bonds Similarly Secured) is the requirement that the Net Earnings (as defined in the Ordinance) of the System for the previous fiscal year or for any consecutive twelve month period out of the fifteen months preceding the passage of the ordinance authorizing the issuance of such additional parity bonds, equal to at least 1.40 times the average annual debt service requirements of the Bonds Similarly Secured then Outstanding, plus the additional parity bonds then being issued.

(4) While the Bonds are Outstanding, rates and charges will be established, revised and modified to provide revenues sufficient to pay the costs of operation and maintenance of the System, and to pay the principal and interest of all of the Bonds Similarly Secured, all subordinate utility system revenue obligations and to maintain the Required Reserve as provided in their authorizing ordinances.

(5) Insurance coverage on property of the System is to be maintained of a kind and in an amount normally carried by municipalities in Texas operating a similar business or businesses.

See APPENDIX E attached hereto for selected portions of the Ordinance and a more detailed description of covenants, agreements and provisions pertaining to the Bonds and with respect to the System.

Redemption Provisions of the Bonds

The City reserves the right to redeem the Bonds maturing on and after July 1, 20__ in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on July 1, 20__ or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. The years of maturity of the Bonds called for redemption shall be selected by the City. If two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance.

Selection of Bonds for Redemption

If less than all of the Bonds are redeemed within a stated maturity at any time, the Bonds to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of $5,000 within any stated maturity.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books relating to the Bonds kept by the Paying Agent/Registrar (the "Security Register") at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption

thereof has been duly given or waived as provided in the Ordinance, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Bond (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bond shall not be deemed to be Outstanding.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Bonds, will mail any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds held by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Payment Record

The Issuer has never defaulted on the payment of its bonded indebtedness.

Legality

The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and Dallas, Texas, Bond Counsel. The legal opinion of Bond Counsel will accompany the global certificates deposited with DTC or be printed on the Bonds. A form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

Delivery

When issued; anticipated on or about May 26, 2026.

Future Issues

The Issuer maintains an active Commercial Paper Program (the “Program”). In close proximity to issuance of the Bonds, the Issuer will terminating the existing commercial paper program and will be reestablishing the Program, with an increased capacity of $125,000,000. The Issuer’s commercial paper notes (the “Commercial Paper Notes”) that are issued pursuant to the Program will be the subject of a separate Offering Memorandum, dated June 11, 2026. This Official Statement relates only to the Bonds and not the Commercial Paper Notes. The refunding of the Refunded Obligations that are Commercial Paper Notes will restore issuance capacity within the Program. The Issuer expects to issue Commercial Paper Notes from time to time under the Program, within its authorized capacity, over the next 12 months to fund the costs of System improvements, ultimately refunding those commercial paper notes with additional parity lien revenue bonds that, upon issuance, will be Bonds Similarly Secured.

Defeasance

Any Bond shall be deemed paid and shall no longer be considered to be outstanding within the meaning of the Ordinance when payment of the principal of and interest on such Bond to its stated maturity or redemption date shall

have been made or shall have been provided by depositing with the Paying Agent/Registrar, or an authorized escrow agent, (i) money in an amount sufficient to make such payment, (ii) Government Obligations certified by an independent or accounting firm of national reputation, the City's Financial or Municipal Advisor, or another qualified party to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (iii) a combination of money and Government Obligations together so certified sufficient to make such payment.

The term "Government Obligations" means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America and (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the Issuer are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the Issuer are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable law of the State of Texas. An authorized official of the City or NBU may limit the foregoing Government Obligations in connection with the sale of the Bonds.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City, with the written consent of holders of Bonds aggregating in principal amount more than 50% of the aggregate principal amount of then Outstanding Bonds, shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City, provided, however, that without the consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition, or rescission may (i) change the date specified as the date on which the principal of, or any installment of interest on any Bond is due and payable, reduce the principal amount of the Bonds, or the rate of interest thereon, change the coin or currency in which any Bond or interest thereon is payable, or in any other way modify the terms of payment of the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of the Bonds required to be held by Holders for consent to any amendment, addition, or waiver.

Defaults and Remedies

The Ordinance does not specify events of default with respect to the Bonds. If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners of the Bonds may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the applicable Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages outside of Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or covenants contained in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property.

On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) ("Wasson I"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify Wasson I, Wasson Interests, Ltd. v. City of Jacksonville, 559 S.W.3d 142 (Tex. 2018) ("Wasson II", and together with Wasson I, "Wasson"), ruled that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged

breach. In Wasson, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

Chapter 1371, which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but the City has not waived sovereign immunity pursuant to Chapter 1371 in connection with the issuance of the Bonds.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenue, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity that has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER, AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas. The Bonds will be issued in fully registered form in multiples of $5,000 principal or integral multiple thereof for any one stated maturity, and principal and interest will be paid by the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Successor Paying Agent/Registrar

The Issuer covenants that until the Bonds are paid it will at all times maintain and provide a paying agent/registrar. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the Issuer shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the Issuer will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the party to whom is payable the payment of interest on a Bond is the fifteenth (15th) day of the month next preceding each interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the

address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration, Transfer and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount and having the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.)

Limitation on Transferability of Bonds Called for Redemption

Neither the Issuer nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed principal balance of a Bond called for redemption in part.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen, or lost, such new Bond will be delivered only (i) upon filing with the Issuer and the Paying Agent/Registrar evidence satisfactory to establish to the Issuer and the Paying Agent/Registrar that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (ii) upon furnishing the Issuer and the Paying Agent/Registrar with bond or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

General

The following describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer, the Financial Advisor, NBU, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of these regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates for each maturity of the Bonds are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates for each maturity of the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer, NBU, the Financial Advisor, and the Underwriters take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of This Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Issuer, printed certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds, along with a contribution from the City, if any, will be applied approximately as follows:

Sources	
Par Amount of Bonds	$ _____
[Net] Reoffering Premium on the Bonds	
Issuer Contribution	
Accrued Interest	
Total Sources	$_____
Uses	
Deposit to Construction Fund	$_____
Deposit to Commercial Paper Redemption Fund	
Deposit to Escrow Fund	
Deposit to Debt Service Reserve Fund (DSRF)	
Deposit to Debt Service Fund	
Underwriters' Discount	
Cost of Issuance	
Contingency	
Total Uses	$_____

INVESTMENT POLICIES

The funds of NBU are controlled, managed and invested by NBU separate and apart from other funds of the City, which are under the control and management of other City officials. Texas law governs and regulates the type of investments eligible for public funds, including but not limited to the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code. The Board of NBU approves investment policies and guidelines for the investment of funds of NBU, while the City Council of the City approves the investment policies and guidelines for the other funds. Both state law and NBU investment policies are subject to change.

Legal Investment

Under Texas law, NBU is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) 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 or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025 Texas Government Code; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for NBU deposits, or (ii) where (a) the funds are invested by NBU through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by NBU as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by NBU; (b) the broker or the depository institution selected by NBU arranges for the deposit of the 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, and (d) NBU appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for NBU with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to NBU, held in NBU's name, and deposited at the time the investment is made with NBU or with a third party selected and approved by NBU and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to NBU, held in NBU's name and deposited at the time the investment is made with NBU or a third party designated by NBU; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with a stated maturity

of 270 days or less will be liquidated in full at maturity, is eligible for collateral for borrowing from a Federal Reserve Bank, and, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides NBU with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract and is pledged to NBU and is deposited with NBU or with a third party approved by NBU other than the prohibited obligations described in the next succeeding paragraph.

NBU may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than “AAA” or “AAA-m” or an equivalent by at least one nationally recognized rating service. NBU is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas law, NBU is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for NBU funds, maximum allowable stated maturity of any individual investment, the maximum average dollar weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All NBU funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, NBU investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of NBU shall submit an investment report detailing: (1) the investment position of NBU, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy policy and (b) state law. No person may invest NBU funds without express written authority from the Board.

Additional Provisions

Under Texas law NBU is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in said ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to NBU to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with NBU to: (a) receive and review NBU's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between NBU and the business organization that are not authorized by NBU’s

investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of NBU's entire portfolio or requires an interpretation of subjective investment standards or relates to investment transactions of NBU that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to NBU and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to NBU's investment policy; (6) provide specific investment training for the Chief Financial Officer and other investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of NBU's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with NBU.

Current Investments

As of February 28, 2026* NBU's investable funds were invested as indicated below:

Category of Investments	Amount ($ Thousands)	Percentage	Weighted Average Maturity
U.S. Treasuries **	$ 35,374,388	2.94%	268 days
U.S. Agencies	6,001,318	17.30%	12 days
Investment Pools and Money Markets	97,421,121	47.65%	1 day
Cash Equivalents	44,194,845	21.61%	1 day
TWDB Escrow Funds	21,474,700	10.50%	1 day
Total	$204,466,372	100.00%	

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** Unaudited.*

*** Weighted Average Maturity excludes a $5 million investment in the Community Assistance Fund having a remaining maturity of 8.6 years.*

As of such date, the market value of such investments (as determined by NBU by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of NBU are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

LEGAL MATTERS

Legal Opinions

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect the Bonds are valid and legally binding special obligations of the City payable from a lien on and pledge of Net Revenues of the System and secured in the manner provided in the Ordinance and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto in Appendix D. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Bond Counsel was engaged by, and only represents, the City. Other than as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions and subcaptions "PLAN OF FINANCING – Refunded Obligations," "THE BONDS" (except for the subcaptions "Payment Record," "Defaults and Remedies," and "Future Issues"), "REGISTRATION, TRANSFER AND EXCHANGE," "LEGAL MATTERS" (except for the subcaption "Litigation" and the last sentence of the next-to-last paragraph under "Legal Opinions," as to which no opinion is expressed), "TAX MATTERS," and "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior

Agreements," as to which no opinion is expressed), and APPENDIX E in the Official Statement, and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

Neither the Issuer nor NBU is a party to any litigation or other proceedings pending or, to their knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer or NBU, would have a material adverse effect on the financial conditions of the Issuer or NBU.

At the time of initial delivery of the Bonds, the Issuer will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the delivery of the opinion of Norton Rose Fulbright US LLP, Austin and Dallas, Texas, Bond Counsel, to the effect that interest on the Bonds under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), of the owners thereof for federal income tax purposes, pursuant to Section 103 of the Code, and will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statutes, regulations, rulings, and court decisions on which such opinion will be based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the City and NBU made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds of the City and NBU, and will assume continuing compliance with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City and NBU, on behalf of the City, with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of any arbitrage "profits" from the investment of the proceeds of the Bonds and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof for federal income tax purposes from the date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City and NBU described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer", and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial

institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "TAX MATTERS - Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although

no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Municipal Bond Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

CONTINUING DISCLOSURE OF INFORMATION

The Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information from MSRB".

Annual Reports

Under Texas law, including but not limited to Chapter 103, as amended, Texas Local Government Code, the City and NBU must each keep their fiscal records in accordance with generally accepted accounting principles, must have their financial accounts and records audited by a certified public accountant, and must file each audit report in the office of the City Secretary within 180 days after the close of their respective fiscal years. The City and NBU's fiscal records and audit reports are available for public inspection during the regular business hours, and the City and NBU are each required to provide a copy of the audit report to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

NBU, on behalf of the City, will also provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement and included in APPENDIX A under the headings "UTILITY SYSTEM INDEBTEDNESS," "UTILITY SYSTEM REVENUE BONDS CONSOLIDATED DEBT REQUIREMENT SCHEDULE," "THE NEW BRAUNFELS UTILITIES - 'The Electric System,' 'The Water System,' 'The Sewer System'," "HISTORICAL OPERATING RESULTS" and in APPENDIX C. NBU will provide the updated information to the MSRB within 6 months after the end of each fiscal year ending in or after 2026. Additionally, NBU, on behalf of the City, will provide audited financial statements (if NBU commissions an audit and it is completed by the required time) when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2026. If the audit of such financial statements is not complete within 12 months after any such fiscal year, NBU will file unaudited financial statements

within such 12-month period and audited financial statements for the applicable fiscal year when and if the audit report or such statements become available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as NBU may be required to employ from time to time pursuant to State law or regulation.

The current fiscal year-end for NBU is July 31. Accordingly, NBU must provide updated financial information by January 31 in each year and the audited financial statements (or unaudited financial statements if the audit is not available) by July 31 of each year, unless NBU changes its fiscal year. If NBU changes its fiscal year, it will notify the MSRB.

Notice of Certain Events

In the Ordinance, NBU, on behalf of the City, will file with the MSRB notice of any of the following events with respect to the Bonds not more than 10 business days after occurrence of the event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of NBU, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving NBU or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of NBU, if material, for agreement to covenant, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of NBU, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of NBU, any of which reflect financial difficulties. Neither the Bonds nor the Ordinance makes any provision for credit enhancement or liquidity enhancement. In addition, NBU will provide timely notice of any failure thereby to provide information, data, or financial statements in accordance with its respective agreement described above under "Annual Reports." NBU will provide each notice described in this paragraph to the MSRB.

For these purposes, an event described in clause (12) of the immediately preceding paragraph is considered to have occurred upon the happening of any of the following: the appointment of a receiver, fiscal agent, or similar officer for NBU in a proceeding under the United States Bankruptcy Code or in any other proceeding under the state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of NBU, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of NBU. NBU intends the words used in the immediately preceding clauses (15) and (16) and the definition of a Financial Obligation in this section to have the meanings ascribed to them in SEC RELEASE NO. 34-83885, dated August 20, 2018. In addition, NBU will provide timely notice of any failure by NBU to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

NBU has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Effective July 1, 2009 ("EMMA Effective Date"), the SEC implemented amendments to the Rule approving the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective

Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the Board in accordance with its undertakings, including its undertaking for the Bonds, will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the City secured by revenues of the System and issued prior to the EMMA Effective Date, the City, acting by and through the Board, remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure undertakings relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository ("SID")). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas ("Texas MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the Texas MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the Texas MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the City receives notice of a change in this contractual agreement between the Texas MAC and EMMA or of a failure of either party to perform as specified thereunder, the City has determined, in reliance on guidance from the Texas MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

Limitations and Amendments

NBU, on behalf of the City, has agreed to update information and provide notices of certain specified events only as described above. NBU has not agreed to provide other information that may be relevant or material to a complete presentation of the financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither the City nor NBU makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City and NBU disclaim any contractual or tort liability for damages resulting in whole or in part from any breach of the continuing disclosure agreement or from any statement made pursuant to the agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the City and NBU to comply with its agreement.

NBU may amend the continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City or NBU, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. NBU may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If NBU amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

Over the last five years, NBU has complied in all material respects with all previous continuing disclosure agreements made by the City for which NBU has agreed to comply on the City's behalf, in accordance with the Rule.

OTHER PERTINENT INFORMATION

Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Municipal Bond Rating

Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "Aa1" to the Bonds.

An explanation of the significance of such rating may be obtained from Moody's. The rating of the Bonds by Moody's reflects only the view of the company at the time the rating is given, and the Issuer makes no representation as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by Moody's, if, in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the Issuer, acting by and through NBU. A revision in a rating agency's rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

Qualification of Bonds for Sale in Respective States

The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Bonds have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. Neither the Issuer nor NBU assumes any responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agreed to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that neither the City nor NBU shall be required to qualify as a foreign corporation or to execute a general or special consent to service in any jurisdiction.

Financial Advisor

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as the Financial Advisor to NBU in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the Bond documentation with respect to the federal income tax status of the Bonds.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Issuer at the price equal to the initial offering prices to the public, as shown on the inside cover hereof, less an underwriters' discount of $_____, plus accrued interest on the Bonds to their date of initial delivery. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if the Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City, NBU, and to persons and entities with relationships with the City and NBU, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City and NBU (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City and NBU.

RBC Capital Markets, LLC ("RBCCM"), has provided the following information for inclusion in this Official Statement: RBCCM and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of NBU. RBCCM and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of NBU. RBCCM and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

RBCCM has entered into a distribution arrangement with its affiliate RBC Securities, Inc. ("RBC Securities") (formerly known as City National Securities, Inc.). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of RBC Securities. As part of this arrangement, RBCCM may compensate RBC Securities for its selling efforts with respect to the Bonds.

Cybersecurity Risks

The City relies on its information systems to provide security for processing, transmission and storage of confidential personal, health-related, credit and other information. It is possible that the City's security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the City and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the City may incur significant costs to remediate possible injury to the affected persons, and the City may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of information systems could interrupt the City's operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

Use of Information in Official Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer.

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward looking statements. All forward looking statements included in this Official Statement are based on information available to the Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the

underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Issuer. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Authorization of the Official Statement

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in the Rule.

The Pricing Certificate will approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and will authorize its further use in the reoffering of the Bonds by the Underwriters.

City Manager and Pricing Officer
City of New Braunfels, Texas

Chief Financial Officer and Pricing Officer
New Braunfels Utilities

SCHEDULE I
Schedule of Refunded Obligations*

City of New Braunfels, Texas Utility System Commercial Paper Notes, Series 2019A

Dealer: Piper Sandler & Co.

Issue Date	Maturity Date	Principal Amount($)	Interest Amount($)	Interest Rate (%)	Payment Amount($)
3/10/2026	6/02/2026	25,000,000.00	140,958.90	2.45	25,140,958.90
3/10/2026	6/02/2026	25,000,000.00	140,958.90	2.45	25,140,958.90
4/07/2026	6/02/2026	20,000,000.00	78,246.58	2.55	20,078,246.58
4/07/2026	6/02/2026	5,000,000.00	14,561.64	2.55	5,019,561.64
	Total	75,000,000.00	379,726.03		75,379,726.02

Series	Principal Amount($)	Maturities	Interest Rates(%)	Redemption Date and Price
City of New Braunfels Utility System Revenue Bonds, Series 2018	1,140,000	7/1/2027	5.000	7/1/2026@100.00%
	1,140,000	7/1/2028	5.000	7/1/2026@100.00%
	790,000	7/1/2029	4.000	7/1/2026@100.00%
	630,000	7/1/2030	4.000	7/1/2026@100.00%
	645,000	7/1/2031	4.000	7/1/2026@100.00%
	660,000	7/1/2032	4.000	7/1/2026@100.00%
	695,000	7/1/2033	4.000	7/1/2026@100.00%
	1,015,000	7/1/2034	5.000	7/1/2026@100.00%
	1,065,000	7/1/2035	5.000	7/1/2026@100.00%
	1,125,000	7/1/2036	5.000	7/1/2026@100.00%
	1,180,000	7/1/2037	5.000	7/1/2026@100.00%
	1,265,000	7/1/2038	3.500	7/1/2026@100.00%
	1,305,000	7/1/2039(1)	5.000	7/1/2026@100.00%
	1,375,000	7/1/2040(1)	5.000	7/1/2026@100.00%
	1,445,000	7/1/2041(1)	5.000	7/1/2026@100.00%
	1,480,000	7/1/2042(1)	5.000	7/1/2026@100.00%
	1,550,000	7/1/2043(1)	5.000	7/1/2026@100.00%
	1,360,000	7/1/2044(2)	5.000	7/1/2026@100.00%
	1,355,000	7/1/2045(2)	5.000	7/1/2026@100.00%
	1,355,000	7/1/2046(2)	5.000	7/1/2026@100.00%
	5,360,000	7/1/2047(2)	5.000	7/1/2026@100.00%
	5,580,000	7/1/2048(2)	5.000	7/1/2026@100.00%

* Preliminary, subject to change.
(1) *Represents Mandatory Sinking Fund redemption date for a term bond having a stated maturity of July 1, 2043.*
(2) *Represents Mandatory Sinking Fund redemption date for a term bond having a stated maturity of July 1, 2048.*

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APPENDIX A

UTILITY SYSTEM BONDED INDEBTEDNESS AND DESCRIPTION OF UTILITY SYSTEM

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DESCRIPTION OF UTILITY SYSTEM REVENUE BONDED INDEBTEDNESS

The currently outstanding revenue obligations of the System payable solely from and secured by liens on and pledges of the Net Revenues derived from the combined electric, water and sewer system, which is operated by New Braunfels Utilities ("NBU"), at levels of priority described below.

Utility system revenue bonds in the aggregate principal amount of $802,443,909,* including the Bonds and excluding the Refunded Obligations and all Subordinate Lien Obligations, are payable from and secured by a parity first lien on and pledge of the Net Revenues of the System.

UTILITY SYSTEM FUND BALANCE
(As of February 28, 2026)

	Ultimate Required Amount	Amount
Restricted Debt Service Funds:		
Interest & Sinking Fund	N/A	$ 10,448,819
Reserve Fund*	$30,979,586	31,710,889
Total Other Restricted Funds	N/A	31,727,307
Unrestricted Fund Balances	N/A	130,579,357
Total Fund Balances		$204,466,372

** The amounts shown above were as of March 31, 2026. After the issuance of the Bonds, the new Required Reserve amount is $_____. The Reserve Fund will be fully funded through proceeds of the Bonds. See also the SOURCES AND USES OF FUNDS in the body of the Official Statement.*

A SUMMARY OF PROPERTY, PLANT AND EQUIPMENT
(Note 3) Capital Assets Comprehensive Report

	7/31/2025	7/31/2024	7/31/2023	7/31/2022
Utility Plant in Service	$1,467,724,742	$1,280,524,438	$1,174,866,918	$1,057,762,745
Less Accumulated Depreciation	(409,249,656)	(375,945,197)	(341,616,546)	(318,879,304)
Plus Construction in Progress	149,041,171	156,621,714	77,618,949	92,434,199
Total Fixed Assets	$1,207,516,257	$1,061,200,955	$ 910,869,321	$ 831,317,640

* *Preliminary, subject to change.*

UTILITY SYSTEM INDEBTEDNESS

Bonds Similarly Secured

Outstanding Bonds Similarly Secured Original Amount	Date of Issue	Date Callable	Outstanding As Of 5-15-2025*
$ 10,337,595.90	01-15-2004 - Series 2004	non-callable	$ 343,909
$ 26,870,000.00	01-15-2015 - Series 2015	7/1/23	8,650,000
$ 62,235,000.00	03-01-2016 - Series 2016	7/1/24	47,980,000
$ 45,200,000.00	04-01-2018 - Series 2018	7/1/26	1,145,000
$ 88,100,000.00	05-01-2020 - Series 2020	7/1/28	77,355,000
$ 68,250,000.00	07-01-2021 - Series 2021	7/1/29	63,970,000
$ 73,855,000.00	07-01-2022 - Series 2022	7/1/32	70,570,000
$ 40,000,000.00	09-01-2022 - Series 2022A	1/1/33	38,700,000
$118,745,000.00	01-15-2024 - Series 2024	7/1/34	116,700,000
$ 82,590,000.00	05-15-2025 - Series 2025	7/1/35	81,225,000
$295,805,000.00*	05-15-2026 - Series 2026 (the "Bonds")		295,805,000.00
Total……			$802,443,909*
Less: Utility System Restricted Debt Service and Reserve Funds (at 2-28-2026)…			42,159,708
Net Utility System Revenue Bond Indebtedness ……			$760,284,201

* *Preliminary, subject to change. Includes the Bonds and excludes the Refunded Bonds, the Utility System Revenue Bonds, Series 2026A expected to be issued to the Texas Water Development Board ("TWDB") on June 11, 2026 in an approximate amount of $490,000, and Subordinate Lien Obligation*.

Subordinate Lien Obligations

In close proximity to the issuance of the Bonds, the Issuer will be terminating its existing commercial paper program ("NBU's 2019 Commercial Paper Program") and concurrently establishing Commercial Paper Program for the System (the "CPP") in the amount of $125,000,000, to be issued from time to time as the City of New Braunfels, Texas Utility System Revenue Commercial Paper Notes, Series 2026A and Series 2026B (individually, the "2026A Notes" and the "2026B Notes" and, together, the "Notes") to provide interim financing of eligible capital System improvement projects. The Notes will be issued as "Subordinate Lien Obligations" under the City ordinances authorizing the issuance of the Bonds Similarly Secured. The 2026A Notes will be publicly sold commercial paper notes, with liquidity support therefor provided in the form of a revolving credit agreement with JPMorgan Chase Bank, National Association ("JPMorgan"), which will expire in accordance with its terms on June 11, 2029 (the "Series 2026A Credit Agreement"). The 2026B Notes will be privately-placed commercial paper notes, supported by a note purchase agreement also with JPMorgan (the "Series 2026B Credit Agreement" and together with the Series 2026A Credit Agreement, the "Credit Agreements"), the term of which runs concurrently with the Series 2026A Credit Agreement and provides that JPMorgan shall purchase 2026B Notes when and as issued. Liquidity support for the CPP under the Credit Agreements will equal the CPP's entire $125,000,000 authorization and may be allocated in any manner between the Credit Agreements. Outstanding Notes (issued under NBU's 2019 Commercial Paper Program) prior to the refunding of the Refunded Obligations with proceeds of the Bonds are evidenced in the following table:

	Authorized Amount($)	Amount Outstanding As of May 15, 2026($)
Utility System Commercial Paper Notes, Series 2019A[(1)]	$75,000,000*	75,000,000
Utility System Commercial Paper Notes, Series 2019B	*	0
Utility System Program Notes, Taxable Series 2021**	75,000,000	0
Total	150,000,000	75,000,000

* *The aggregate principal amount authorized of the 2019 Commercial Paper Program (between both Series 2019A and Series 2019B) is $75,000,000.*

(1) *Includes the Refunded Notes.*

**The City Council has authorized short term obligations in an aggregate principal amount not to exceed $75,000,000 to provide interim financing to pay project costs for eligible projects for the System; such short-term notes are issued, sold, and delivered as Taxable Program Notes. The Taxable Program Notes are issued as "Subordinate Lien Obligations" under the City ordinances authorizing the issuance of the Bonds Similarly Secured. Currently, there are no Taxable Program Notes outstanding.

COVERAGE

Debt service coverage, based upon the net revenues shown herein, using requirements as shown below, are as follows:

Revenue Available for Debt Service (fiscal year ended 7/31/2025) ……..	$131,600,572
Average Annual Debt Service Requirement of Debt Paid from Utility System Revenues 2025-2059*……..	$30,979,586
Coverage by 2024 Net Revenues*……...	4.25x
Maximum Debt Service Requirement (2040)*……	$33,775,519
Coverage by 2025 Net Revenues*……...	3.90x

* *Includes the Bonds and excludes the Refunded Bonds. Does not take into account the borrowing capacity under the Commercial Paper Program or the Taxable Program Notes.*

	Fiscal Year Ended July 31					
Customer Count:	2020	2021	2022	2023	2024	2025
Electric	45,893	48,600	51,725	53,732	58,129	61,990
Water	43,811	46,994	51,051	52,637	55,941	58,813
Sewer	30,185	31,755	33,896	34,695	36,461	37,985

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UTILITY SYSTEM REVENUE BONDS
CONSOLIDATED DEBT REQUIREMENT SCHEDULE*

FISCAL YEAR 7/31	EXISTING REQUIREMENTS	LESS REFUNDED DEBT SERVICE	NEW ISSUE AT ASSUMED RATES				GRAND TOTAL OF ALL DEBT SERVICE
			PRINCIPAL DUE 7/1	INTEREST DUE 1/1	INTEREST DUE 7/1	Total	
2026	$32,175,676.25	$ 811,287.50			$1,889,865.28	$1,889,865.28	$33,254,254.03
2027	32,231,466.25	2,762,575.00	$1,560,000	$7,395,125.00	7,395,125.00	16,350,250.00	45,819,141.25
2028	32,181,766.25	2,705,575.00	1,655,000	7,356,125.00	7,356,125.00	16,367,250.00	45,843,441.25
2029	32,176,391.25	2,298,575.00	1,450,000	7,314,750.00	7,314,750.00	16,079,500.00	45,957,316.25
2030	32,234,251.25	2,106,975.00	1,545,000	7,278,500.00	7,278,500.00	16,102,000.00	46,229,276.25
2031	32,201,276.25	2,096,775.00	2,055,000	7,239,875.00	7,239,875.00	16,534,750.00	46,639,251.25
2032	32,183,666.25	2,085,975.00	2,155,000	7,188,500.00	7,188,500.00	16,532,000.00	46,629,691.25
2033	32,197,923.74	2,094,575.00	2,280,000	7,134,625.00	7,134,625.00	16,549,250.00	46,652,598.74
2034	32,236,385.01	2,386,775.00	2,700,000	7,077,625.00	7,077,625.00	16,855,250.00	46,704,860.01
2035	32,330,276.24	2,386,025.00	2,850,000	7,010,125.00	7,010,125.00	16,870,250.00	46,814,501.24
2036	32,313,991.24	2,392,775.00	4,030,000	6,938,875.00	6,938,875.00	17,907,750.00	47,828,966.24
2037	32,407,891.25	2,391,525.00	4,265,000	6,838,125.00	6,838,125.00	17,941,250.00	47,957,616.25
2038	31,926,578.75	2,417,525.00	4,525,000	6,731,500.00	6,731,500.00	17,988,000.00	47,497,053.75
2039	31,910,218.75	2,413,250.00	5,620,000	6,618,375.00	6,618,375.00	18,856,750.00	48,353,718.75
2040	33,775,518.75	2,418,000.00	4,605,000	6,477,875.00	6,477,875.00	17,560,750.00	48,918,268.75
2041	33,649,723.75	2,419,250.00	4,920,000	6,362,750.00	6,362,750.00	17,645,500.00	48,875,973.75
2042	32,020,416.25	2,382,000.00	7,830,000	6,239,750.00	6,239,750.00	20,309,500.00	49,947,916.25
2043	32,046,295.00	2,378,000.00	8,220,000	6,044,000.00	6,044,000.00	20,308,000.00	49,976,295.00
2044	32,002,395.00	2,110,500.00	8,360,000	5,838,500.00	5,838,500.00	20,037,000.00	49,928,895.00
2045	31,909,825.00	2,037,500.00	8,710,000	5,629,500.00	5,629,500.00	19,969,000.00	49,841,325.00
2046	31,796,028.75	1,969,750.00	9,075,000	5,411,750.00	5,411,750.00	19,898,500.00	49,724,778.75
2047	31,613,523.75	5,907,000.00	13,460,000	5,184,875.00	5,184,875.00	23,829,750.00	49,536,273.75
2048	31,306,461.25	5,859,000.00	14,090,000	4,848,375.00	4,848,375.00	23,786,750.00	49,234,211.25
2049	30,523,707.50		9,000,000	4,496,125.00	4,496,125.00	17,992,250.00	48,515,957.50
2050	30,551,022.50		9,660,000	4,271,125.00	4,271,125.00	18,202,250.00	48,753,272.50
2051	29,917,762.50		10,710,000	4,029,625.00	4,029,625.00	18,769,250.00	48,687,012.50
2052	28,974,387.50		11,890,000	3,761,875.00	3,761,875.00	19,413,750.00	48,388,137.50
2053	27,773,812.50		14,000,000	3,464,625.00	3,464,625.00	20,929,250.00	48,703,062.50
2054	27,483,100.00		14,710,000	3,114,625.00	3,114,625.00	20,939,250.00	48,422,350.00
2055	32,096,337.50		10,535,000	2,746,875.00	2,746,875.00	16,028,750.00	48,125,087.50
2056	12,219,087.50		24,340,000	2,483,500.00	2,483,500.00	29,307,000.00	41,526,087.50
2057			30,000,000	1,875,000.00	1,875,000.00	33,750,000.00	33,750,000.00
2058			30,000,000	1,125,000.00	1,125,000.00	32,250,000.00	32,250,000.00
2059			15,000,000	375,000.00	375,000.00	15,750,000.00	15,750,000.00
	$960,367,163.73	$58,831,187.50	$295,805,000	$175,902,875.00	$177,792,740.28	$649,500,615.28	$1,551,036,591.51

This table does not include the amortization of any balance outstanding of the Commercial Paper Program or the Taxable Program Notes.

* *Preliminary, subject to change*.

NEW BRAUNFELS UTILITIES

NBU was established in 1942 when the City Commission of New Braunfels, Texas purchased the electric transmission and distribution systems from the Public Service Company of San Antonio 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 by the City.

The complete management and control of the City's waterworks, sanitary sewer and electric systems (the "Systems") is in the hands of the Board of Trustees of NBU (the "Utilities Board" or the "Board"), pursuant to authority contained in Texas Government Code, Section 1502.070, as amended, and by the ordinances authorizing the outstanding utility system revenue bonds, and the Charter of the City. The Board appoints a Chief Executive Officer and certain other professional consultants which are required.

NBU remains a municipally owned utility, managed and operated by the Board, consisting of four individuals appointed by the City Council of New Braunfels (the "City Council") to five-year terms and the current mayor of the City. The elected City Council maintains regulatory control by making Board appointments, approving any rate changes, and authorizing bond issues. NBU currently provides electric service in a 161 square mile territory in the City and the surrounding area. NBU provides water and wastewater services within the City limits and portions of the extra territorial jurisdiction. The majority of the service territories are within Comal County, with some customer service in Guadalupe County.

The present members of the Board are:

Member	Title	Year Appointed	Term Expires October 31
Wayne Peters	President	2020	2030
Dr. Judith Dykes-Hoffmann	Vice President	2007	2028
Stuart Blythin	Trustee	2024	2029
Yvette Villanueva Barrera	Trustee	2021	2026
Neal Linnartz	Mayor	2023	Ex-Officio

Key members of the senior management team of NBU include the following:

Ryan Kelso is the Chief Executive Officer of NBU. Previously serving as the Chief Operations Officer, overseeing water, wastewater, and electrical lines of business, Ryan began his career with NBU in 2015. During Ryan's tenure with NBU, he has served as Control Center Supervisor, Systems Control Manager, and Director of Water Services. Ryan is a graduate of Texas A&M University, with a degree in Industrial and Systems Engineering and a minor in Business Administration. He is proud to call New Braunfels home, with his wife Erika, and is proud to serve his community. The Board appointed Mr. Kelso as the permanent CEO on January 25, 2024.

Jessica Williams is the Chief Financial Officer for NBU. Jessica has nearly two decades of experience and possesses a wealth of municipal and utility accounting experience. Prior to joining New Braunfels Utilities, Jessica served as the Chief Financial Officer for the Cities of Denton and of Wichita Falls, Texas. Prior to that, she held positions in Oregon and Washington states. Jessica holds a master's degree in public administration from Portland State University. She completed her Certified Public Finance Officer certification in 2016 and serves on the National GFOA Debt Committee and the National AWWA Finance Committee. Jessica is responsible for the strategic planning, implementation, and management of the Utilities' financial operations and programs. She oversees the stewardship of assets and the budgeting and rate-setting process. As the Chief Financial Officer, she oversees all financial activity of the organization.

Mark Steelman is the Chief Operations Officer for NBU. In his previous role as the Vice President of Operations at Inframark, L.L.C., Mark Steelman has spearheaded operational activities across Texas, leading diverse teams and fostering a culture of innovation, efficiency, and continuous improvement. His expertise spans beyond strategic planning and execution, leadership and team development, financial management, and technology implementation, among others. Mark is adept at navigating the complexities of change management, emergency management, and project management, ensuring that operational goals are met with the highest standards of safety and compliance. With his extensive background and expertise, Mark is well-equipped to drive operational excellence at NBU.

Ragan Dickens is the Chief Communications Officer for NBU. With more than 20 years' experience in the public and private sectors, Ragan Dickens is responsible for the strategic direction of communications, strategy, marketing, community relations and media relations for New Braunfels Utilities. Before joining NBU, Ragan spent the last decade leading communications teams for Walmart, Tyson Foods and the oil and gas space. Prior to that, Ragan worked in state and federal government for a sitting governor and president. His knowledge of the communications space, his ability to lead and serve during moments of crisis, and his love for people will help NBU in its journey of being the trusted utility provider for this community.

Greg Brown is the Chief Technology and Security Officer for NBU. With more than 27 years of Information Technology experience in the private and municipal sectors, Greg is responsible for the strategic direction of the utility regarding traditional Information Technology, operational utility technology, data strategy, cybersecurity, and physical security. Before joining NBU, Mr. Brown worked for the City of New Braunfels, Texas for 7 years and the City of Abilene, Texas for 12 years in Information Technology. Mr. Brown's professional focus on strategic planning and execution with an emphasis on customer service to provide solutions that align with the business model of the organization help him to deliver the critical technology to support the organization and the community.

David Hubbard is the Chief Administrative Officer for NBU. Mr. Hubbard joined NBU in April of 2008. Through his career with NBU, Mr. Hubbard has worked in multiple roles, project groups, and committees across the company, including managing and later directing NBU's Power Supply Program. Currently, Mr. Hubbard serves over Human Resources, Power Supply, Learning and Engagement, Safety, Resource Strategy and Enterprise Project Management. In 2018 Mr. Hubbard was recognized as an up-and-coming leader in public utilities through being awarded the American Public Power Robert E Roundtree Rising Star award. Mr. Hubbard is a graduate of Texas State University with a degree in Manufacturing Technology.

Connie Lock is the General Counsel and Chief Ethics Officer. Ms. Lock graduated with a Bachelor of Science in Accounting from Trinity University and a Juris Doctor from St. Mary's University School of Law. She was hired in 2016 as Assistant General Counsel/Senior Staff Attorney and was named General Counsel and Chief Ethics Officer in May 2017. Ms. Lock has over twenty-five years of experience in municipal law and public finance. She is responsible for providing legal and ethics advice to the Board, management, and staff.

Amanda Collins is the Chief Customer Officer for NBU. Amanda has more than 17 years of government experience, with expertise in customer operations, regulatory compliance, and organizational strategy. Most recently, she served as the Director of the Consumer Relations Division at the Texas Department of Motor Vehicles. In this position, she led a high-volume customer contact center supporting more than one million customer touchpoints annually and implemented technology-driven solutions to improve service delivery and the overall customer experience. Amanda holds a Bachelor of Business Administration in Marketing from Prairie View A&M University and an Executive Master of Public Leadership from The University of Texas at Austin. She is also a Certified Fraud Examiner and a graduate of the Governor's Executive Development Program.

Rocío Hilliard is the Chief of Staff to the CEO for NBU. With 15 years of dedicated service to the New Braunfels community, Rocío Gallegos has built a distinguished career at NBU. Currently serving as Chief of Staff, Rocío has excelled in various roles across Customer Service, Operations, and Executive Services. In her current role as Chief of Staff, she acts as a vital liaison between the executive team and the broader organization, fostering collaboration and ensuring alignment with NBU's long-term goals. Rocío's strategic insight and commitment to planning for the future enable her to drive initiatives that enhance operational efficiency and community engagement. Her passion for service, collaboration, and efficiency makes her an invaluable asset to both NBU and the New Braunfels community.

The new money portion of the Bonds will be used, in part, to finance the construction of a new headquarters for NBU's operations.

At July 31, 2025, NBU had a total of 450 full-time equivalent employees with a net annual payroll of $28,558,036.

Rates

NBU staff periodically makes rate recommendations for electric, water and wastewater services based on cost of service studies. After discussion takes place at Board meetings open to the public for the purpose of establishing a Board approved rate, the Board recommends a rate modification to City Council. The Board requested rate modifications are reviewed and approved by City Council through a process which includes two public readings of the proposed rate ordinance. Direct increases and decreases from NBU's power suppliers are passed on promptly to NBU customers through a power cost recovery fee until new rates can be set based on the process described above.

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

NBU implemented a Rate Advisory Committee ("RAC") to help address customer needs and concerns, as well as enlist community feedback on rates, cost of service, and communications to the public. The RAC was a significant piece of the implementation of a new rate structure by allowing the public to provide input on how NBU designs its rates. NBU retired the RAC and established a Community Advisory Panel ("CAP") to address select initiatives, including future rate adjustments and conservation efforts. The most recent rate study was completed and approved by City Council in June 2025. This plan includes rate changes effective August 1 for fiscal years 2026 and 2027.

The City has covenanted in the Ordinance that it will at all times maintain rates and charges for the sale of System services furnished, provided and supplied by the System to the City and all other consumers which will be reasonably expected on the basis of available information and experience and with due allowance for contingencies to provide revenues to pay all operating, maintenance, depreciation, replacement, betterment and interest charges and other

costs incurred in the maintenance and operation of the System and debt service requirements on all revenue debt of the System. The NBU rate covenant is consistent with and supported by the relevant State statute concerning rate setting for municipally-owned utilities, such as NBU. Section 1502.057, Texas Government Code, as amended, provides that the charges for services provided by encumbered municipal systems, such as NBU, must be "at least sufficient to pay all operating, maintenance, depreciation, replacement, improvement and interest charges in connection with the utility system; for an interest and sinking fund sufficient to pay any public securities issued or obligations incurred for any purpose relating to the utility system; and any outstanding debt against the system". This State statute could be amended or repealed by the Texas Legislature.

Utility Rate Regulations

Under existing law, NBU is free from the rate-making jurisdiction and control of any federal, state or local agency (other than the City). The City Council has the exclusive authority to set rates and charges for electric, water and sewer services recommended by the Board. Customers served by NBU who reside outside of the City limits have the ability to petition for review of rates charged under limited and specific circumstances. Requests for this review should be directed to the Public Utility Commission charged under limited and specific circumstances. As of fiscal year 2024, approximately 25% of NBU's electric customers, comprising 33% of the electric revenues, 20% of NBU's water customers, comprising 20% of water revenues, and 12% of NBU's wastewater customers, comprising 7% of the wastewater revenues, are located outside the City limits. Current NBU policy includes the performance of separate cost of service studies for each utility and setting rates to collect revenue and pay expenses for each utility system independently.

Environmental Matters

As an electric, water and sewer utility, NBU is subject to regulatory oversight from a number of State and federal agencies, including the Environmental Protection Agency (the "EPA") and the U.S. Fish and Wildlife Service (whose respective enforcement actions are prosecuted by the United States Department of Justice), the Texas Commission on Environmental Quality or TCEQ (who, by delegation of the EPA, administers the Texas Pollutant Discharge Elimination System in Texas to control discharges of pollutants to State water or "waters of the United States"), and the PUCT. In addition to the rules of these State and federal agencies, significant federal legislation with which NBU must comply or whose requirements could impact NBU's operations include (i) the Clean Air Act (known as the Federal Clean Air Act) with the intent of improving ambient air quality throughout the United States (and generally requiring reduction of emissions and air pollutants) and (ii) the federal Clean Water Act and its National Pollutant Discharge Elimination System program (governing waters of the United States, including drinking water and sanitary sewer discharge).

Impacts to entities such as NBU who are subject to these laws and agency regulation continue to evolve, as their terms and requirements are the subject of federal administration interpretation and agency implementation, rulemaking, and enforcement, as well as State and federal judicial challenge to their terms and the implementation thereof through such administrative action; however, compliance with these legal and regulatory requirements, if implemented and judicially upheld (if challenged), by NBU could be compulsory. To attain compliance, NBU could be required to incur significant changes in operations and increased operational and/or capital expenditures, which are currently unknown and are not readily predictable. While protection of human health and the environment is a priority of NBU and full management involvement has, to date, produced an effective compliance program (and NBU is in fact currently in compliance with applicable environmental laws and regulations), NBU cannot make predictions regarding future regulations, its ability to timely and continuously comply, or the availability of revenues to achieve timely compliance (though it expects, as it previously has, to make reasonable effort to do so). Investors are directed to the various rules and regulations of these regulatory bodies, as well as to the provisions of the referenced federal laws, for additional information concerning their terms and potential impacts on NBU and its operations.

NBU administers an EPA-approved pretreatment program under the authority of the City Municipal Code, Article V, Section 130-301, et seq. The Code of Ordinances sets forth uniform requirements for users of the sewer collection and treatment systems operated by NBU. It also enables NBU to comply with all applicable state and federal laws required by the Clean Water Act of 1977 (33 U.S.C. 1251 et seq.) and the General Pretreatment Regulations (40 CFR, Part 403).

NBU routinely completes, maintains and updates, as required, all Edwards Aquifer protection plans for all regulated activities over the Edwards Aquifer Recharge Zones consistent with 30 TAC 213.

In January 2025, NBU entered an Agreed Order with the TCEQ to resolve an enforcement action related to a fish kill due to a sanitary sewer overflow. NBU contributed $18,750 to a Supplemental Environmental Project, the Guadalupe-Blanco River Trust, to offset the amount equivalent to the potential administrative penalty for this matter.

Polychlorinated biphenyls (“PCBs”) in NBU electrical equipment have been monitored for over forty years. The program began with the identification, removal and disposal of all known PCB equipment and continues today with constant sampling and analysis to verify compliance and requires extensive record keeping activities.

NBU employs a Conservation and Customer Solutions Manager, who along with the other staff members brings increased emphasis, education and awareness of NBU's environmental commitment. NBU maintains a conscientious pursuit of environmental compliance, and such efforts receive the highest commitment from all levels of management and employees.

NBU has taken strong and positive actions to meet the State Energy Conservation Office (“SECO”) goals and objectives for reductions to energy consumption. Recommendations from two requested SECO audits have been evaluated and appropriately implemented for increased efficiency. NBU continues to monitor and manage internal energy consumption, as well as considers additional tools to increase energy efficiency. In addition, NBU has water conservation expectations that were established by State Legislation, as well as by Edwards Aquifer Authority (“EAA”) mandates. These regulations are being met through an extensive offering of water conservation educational materials, web-site assistance, field water audits, and customer incentives.

NBU has established itself as an active leader in conservation management with the enactment of appropriate ordinances and the investment in a conservation group that actively works with the public in order to make a direct, positive and meaningful impact on the environment.

In 2019, 2021, and 2023, NBU earned The Smart Energy Provider (“SEP”) designation from The American Public Power Association. The SEP program is a best practices designation for utilities that show commitment to and proficiency in distributed energy resources, renewable energy, and environmental initiatives. NBU is one of 97 public power agencies with the SEP designation.

NBU’s Electric System

NBU’s electric system, comprising a service area of approximately 161 square miles, includes the City and the surrounding area. The electric system includes 628 miles of overhead distribution line, 494 miles of underground distribution line, 11 substation/metering points on the transmission system, and other buildings, equipment, and related facilities. As of July 31, 2025, the gross investment in the electric system was $428 million and the net investment was $265.4 million.

The electric system's peak, occurring on July 24, 2025, was 367.8 megawatts. The electric system's substation capacity is currently 759.3 MVA and is projected to increase to 806 MVA by the end of fiscal year 2026. As of July 31, 2025, there were 61,990 customer connections served from the electric system. Approximately 75% of power for distribution is purchased from various providers based on different load shapes and contract durations. The remainder is purchased from two local renewable generation facilities and three third party renewable sources.

Total System Sales (millions) …….	$186,267,866
Total System MWh Sales ……	$1,807,683

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The following table sets forth the annual megawatt-hour sales and peak demand for the ten most recently completed fiscal years of the Electric System:

Year Ended July 31*	MWh Sales	Peak Demand
2016	1,484,725	279,855 kW
2017	1,512,675	287,963 kW
2018	1,598,405	306,719 kW
2019	1,626,679	298,587 kW
2020	1,690,927	310,477 kW
2021	1,678,480	326,859 kW
2022	1,765,123	336,420 kW
2023	1,752,465	357,744 kW
2024	1,748,575	359,827 kW
2025	1,807,683	367,849 kW

_____

** The fiscal year 2026 electric system peak demand will be reflected in the table after the close of the fiscal year.*

NBU completed the E.C. Mornhinweg (ECM) T2 upgrade project at the ECM Substation in fiscal year 2025. The project provides increased resiliency to the electric system and helps serve the growing territory between New Braunfels and Schertz along the IH-35 corridor. The ECM T2 also permitted E.C. Mornhinweg T1 to be taken out of service for critical identified maintenance. NBU's Hueco Springs substation remains budgeted within fiscal year 2026 to help serve the Veramendi Development East sectors. The Power Transformer Hueco Springs T1 (HST1) is delivered and remaining construction is ongoing. In addition, NBU is also planning for addition of a 13th substation, Kohlenberg Road Substation, northeast of the city to serve the expanding Mayfair development. New Braunfels Utilities' 20-year master plan now includes the 14th, 15th, and 16th substations.

In fiscal year 2013, NBU completed a system-wide, risk-based evaluation of aging electric infrastructure and began replacements and upgrades to the System. NBU's five-year Financial and Operating Plan for fiscal years 2026 through 2030, proposed to the Board in June 2025, includes a plan to invest 2.5 percent of distribution assets each year for replacement of aging infrastructure. This amount totaled $3.4 million for fiscal year 2026 and aggregates to $20.6 million over the five-year period.

The following table shows comparative monthly electric bills for residential customers at selected utilities:

Name of Electric Utility	March 2026 Billing for 1200 kWh
City of Seguin	$136.45
City of Boerne	$145.20
New Braunfels Utilities	$146.23
San Marcos Electric Utility	$153.63
Guadalupe Valley Electric Cooperative (GVEC)	$155.58
CPS Energy	$157.23
Austin Energy	$162.12
Pedernales Electric Cooperative (PEC)	$162.55

NBU is a retail provider of electric services to its customers. NBU purchases all of its power requirements from wholesale providers. NBU's electric rates are unbundled and the cost of power is passed through to its customers. The electric rates approved by City ordinance have a base cost for electric power and are reviewed monthly, and adjusted as necessary, to reflect the current cost of wholesale power purchases through the utilization of the generation cost recovery factor and the transmission cost recovery factor.

Generation Cost Recovery Factor: This fee, charged to each distribution and transmission service customer on their monthly bill for electric service, is designed to adjust the cost of generation from all NBU power suppliers as compared to the base rate included in other billing components. Customers are billed on a per kilowatt-hour basis.

Transmission Cost Recovery Factor: This fee, charged to each distribution service customer on their monthly bill for electric service, is designed to adjust the cost of transmission services as compared to the base rate included in other billing components. Customers are billed on a per kilowatt-hour basis.

Sources of Power: NBU acquires power supply from various suppliers in the Electric Reliability Council of Texas ("ERCOT") electricity market. NBU positions its power supply resources to encompass portfolio power diversification of supply from various counterparties, various tenors of contract duration and various load shapes in order to procure power for its customers that is reliable, has reduced price volatility, and is low cost.

In February 1983, NBU entered into a Hydroelectric Supply Agreement with the Guadalupe-Blanco River Authority ("GBRA") to purchase all power production from the Canyon Hydroelectric Project. In December 2012, NBU and GBRA amended the agreement which allows NBU to continue to purchase the hydroelectric power through February 2033.

In 2010, NBU contracted with Waste Management Renewable Energy, Inc. ("WMRE") to purchase electricity from its landfill gas generation facility in Comal County, Texas. The contract is in effect until 2030, and the generation units currently have an aggregate capacity of 3.5 MW and are expected to generate approximately 26,000 MWh per year.

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 $5,648,747 and $5,246,274 for Fiscal Year 2025 and 2024, respectively.

In 2018, NBU executed two additional PPAs with ENGIE Long Draw Solar, LLC ("Long Draw") and Concho Bluff, LLC ("Greasewood") to provide 100 MW of electricity and 50 MW of electricity for 15 years from the commercial commencement of the projects, respectively. Commercial commencement of Long Draw began in December 2020 and of Greasewood in February 2021. Long Draw's energy is sourced from a nameplate capacity of 225 MW solar energy farm located in Borden County, Texas. Greasewood's energy is sourced from a nameplate capacity of 255 MW solar energy farm located in Pecos County, Texas. Combined, these projects represented approximately 15% of NBU's purchase power portfolio in Fiscal Year 2025.

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

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

As of July 31, 2025, NBU has executed forward physical power contracts intended to hedge price volatility in its power supply portfolio through 2026. All non PPA power contracts are intended to cover native load requirements and are considered normal purchases and sales which don't require recognition at fair value under GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*. Additional portfolio hedges are added over time as near-term hedges expire.

As of July 31, 2025, NBU's forward physical contracts through 2028 reflected an underlying fair value (favorable) that was within 13% of total expected power costs through 2028.

In December 2024, NBU completed an integrated resource planning ("IRP") project which looked at load, technology, market changes, and economic factors affecting the NBU electric service territory and power supply resources and availability over the next 20-year time horizon. This process resulted in the development of a 5-year action plan.

Legislation Regarding Electric Utility

In June 1999, the Texas Legislature enacted electric restructuring ("SB7") allowing significant restructuring of the electric industry in Texas. On January 1, 2002, retail customers of investor owned utilities ("IOUs") were allowed to choose their electric supplier. Municipal utilities and electric cooperatives are largely exempt from the requirements of SB7. The governing bodies of municipal utilities and electric cooperatives have the sole discretion to determine whether

and when to open their service territories to retail competition. Unless a municipal utility or cooperative has voted to open its territory, it is not able to compete for retail customers at unregulated rates outside its traditional service territory.

NBU has not entered the competitive electric market. NBU evaluates and directs all of its current systems, procedures and activities to ensure its business is prepared to meet the challenges of competition should it become advantageous for NBU's customers in the future.

The Energy Policy Act of 2005 (“EPAct”) made significant changes in Federal Energy Reliability Commission (“FERC”) authority. The EPAct had three principal policy goals in the areas of the statute that relate to FERC: 1) it reaffirmed a commitment to competition in wholesale power markets as national policy; 2) it strengthened the FERC’s regulatory tools; and 3) it provided for development of a stronger energy infrastructure. The EPAct granted FERC significant new responsibilities and authority by modifying the Federal Power Act, the Natural Gas Act and the Public Utility Regulatory Policies Act of 1978 (“PURPA”).

One of FERC's responsibilities includes overseeing the reliability of the nation’s electricity transmission grid. FERC approved the North American Electric Reliability Council (“NERC”) as the Electric Reliability Organization (“ERO”), and the NERC approved an independent organization within ERCOT as the Regional Reliability Organization. This organization within ERCOT is the Texas Reliability Entity (“TexasRE”) and is chartered with the responsibility to ensure compliance with NERC reliability standards throughout the ERCOT market.

NBU owns 19.5 circuit-miles of 138kV transmission, which is part of the ERCOT bulk electric transmission system and therefore, must comply with applicable NERC reliability standards. NBU is registered as a Transmission Owner, Transmission Planner, and Distribution Provider with NERC and was audited by the Texas Reliability Entity (“RE”) in October 2014 on the standards applicable to these categories. 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. NBU was audited once more November 2023, with the vast majority of NERC requirements readily achieved but with certain opportunities for improvement identified during the process. As an example, one 138kV switch system rating inaccuracy was self-identified by NBU and was corrected by the time of the audit, but remained included within the audit. As the electric reliability standards evolve, NBU will closely monitor these changes for continued compliance.

New Braunfels Utilities achieved the diamond level designation for the Reliable Public Power Provider (RP3) program through the American Public Power Association (APPA) during fiscal year 2025. The diamond level is the highest designation level for the RP3 program. The program recognizes utilities that demonstrate high proficiency in reliability, safety, workforce development, and system improvement. New Braunfels Utilities is currently one of 105 RP3 Diamond awardees out of the nation’s 200 plus power utilities.

On June 8, 2021, the Texas Governor signed Senate Bill 3 ("SB 3") into law to address issues that arose during a severe winter storm in February of 2021 (the “2021 Event”). The law requires weather emergency preparedness and the identification of critical public utilities facilities, including in the natural gas supply chain and electric utilities. The 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. Phase 1 of obtaining generators is currently under construction through July 2026. The project includes generators for the four most critical water facilities identified in the SB3 plan - Well 4, Grandview Pump Station, Hoffmann Lane Pump Station, and Oak Run Flow Control Valve. Phase 2 is currently under design, which includes generators and automatic transfer switches for the FM 306 Pump Station, County Yard Pump Station, and Newks Pump Station. Construction for Phase 2 should be completed by February 2028.

During the 2025 Regular Session, the Texas Legislature passed Senate Bill 6 (“SB 6”) to establish a regulatory framework addressing the rapid growth of large electricity consumers, defined as loads of 75 megawatts or greater. The legislation was signed by Governor Abbott on June 20, 2025, and took effect immediately. SB 6 introduces a range of new obligations, processes, and standards that affect large load customers across the full lifecycle of service, including interconnection requirements, forecasting expectations, cost allocation, and participation in emergency operations.

Implementation of SB 6 requires coordinated action between the PUCT, which is responsible for developing and adopting its rules, and the ERCOT to update its protocols and guides. Interconnecting utilities are also part of the implementation process, once the rules are approved as utilities will modify their processes to meet regulatory requirements. To carry out the statute, the PUCT has initiated multiple rulemakings and related projects that collectively form the agency's implementation roadmap. These efforts include establishing criteria for large load forecasting to improve system planning visibility, developing new interconnection standards that may include financial security and performance requirements, and defining curtailment protocols to ensure large loads can be managed during grid emergencies.

In addition, the PUCT is addressing how large loads interact with on-site generation through net metering-related considerations, as well as evaluating whether the current methodology for allocating transmission costs remains appropriate given the scale and impact of these customers. This includes consideration of alternative cost allocation and cost recovery approaches that more closely align with cost causation principles. Collectively, these actions represent a significant shift toward more structured and proactive management of large load growth in Texas, with direct implications for system reliability, infrastructure investment, and financial planning.

NBU's Water System

The NBU water system consists of 700 miles of water mains ranging in diameter from 0.75 inches to 36 inches, an 8 Million Gallons per Day ("MGD") surface water treatment plant, a 3.75 MGD membrane treatment facility, 10 active groundwater wells, and 24 pump stations. The storage capacity of approximately 31.6 million gallons is split between elevated water storage, ground storage, and standpipes. As of July 31, 2025, NBU served 58,813 water meters. The total water system capacity is 43.7 MGD, and the maximum daily production for fiscal year 2025 was 20.3 MGD.

The potable water provided by NBU surpasses all state and federal requirements and is rated a Superior Water System - the highest rating a public water system can achieve.

NBU continues to coordinate with the City to replace aging water infrastructure in conjunction with the City street renovation projects. NBU has targeted a 1% annual investment in aging infrastructure replacement. NBU believes that it is at the forefront of addressing aging infrastructure and is dedicated to maintaining an efficient and well-run system.

NBU 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. The 2026 Master Plan is currently in process and expected to be complete by the end of fiscal year 2026. Fiscal year 2025 saw the completion of many significant projects that added capacity to the system. The major linear capital projects completed in fiscal year 2025 were a new 24/30-inch waterline along Old FM 306 and Goodwin Lane, which greatly improved transmission capacity from the ongoing expansion of the FM 306 Pump Station. A new two-million-gallon elevated storage tank (EST) was completed within the Kohlenberg Pressure Zone, which bolstered this area for expected future growth. New Braunfels Utilities continued work on the Emergency Preparedness Plan to comply with Texas Senate Bill 3 requirements with the design of generators at all critical sites within the water system.

In October 2021, the U.S. Environmental Protection Agency ("EPA") issued a Strategic Roadmap to address per- and polyfluoroalkyl substances ("PFAS"), initiating a whole-of-agency approach that has resulted in several significant regulatory actions. These actions include revising non-regulatory health advisory levels for PFOA and PFOS; proposing to designate certain PFAS as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"); and requiring nationwide monitoring for PFAS in drinking water under the Fifth Unregulated Contaminant Monitoring Rule ("UCMR5"). UCMR5 mandates that all public water systems monitor for 29 PFAS compounds between 2023 and 2025, with results reported to the EPA and later made publicly available. In March 2023, the EPA also proposed National Primary Drinking Water Regulations establishing Maximum Contaminant Levels of 4 parts per trillion for PFOA and PFOS, along with a hazard index approach for PFNA, HFPO-DA, PFHxS, and PFBS, including ongoing monitoring and reporting requirements for public water systems. The final PFAS drinking water rule was subsequently issued in 2024, with compliance expected within three years of promulgation, and currently applies only to drinking water—not wastewater or its treatment. Additionally, in April 2023, the EPA issued an Advance Notice of Proposed Rulemaking seeking public input on designating seven additional PFAS as hazardous substances under CERCLA, raising questions regarding potential liability for passive recipients of PFAS contamination. As part of UCMR5 compliance, NBU began sampling for PFAS at each water source and system entry point in 2024, and all required UCMR5 sampling has now been completed. Results were reported on the annual Water Quality Report.

In December 2021, the EPA issued the Lead and Copper Rule Revisions ("LCRR") to strengthen protections for children and communities from the risks of lead exposure, followed by the Lead and Copper Rule Improvements ("LCRI"), which

further accelerate lead service line identification, replacement, and public transparency requirements. In accordance with these rules, NBU completed and submitted its initial Lead Service Line Inventory to the Texas Commission on Environmental Quality ("TCEQ") in October 2025, classifying approximately 3,500 customer service lines across the system. To support compliance with the LCRI's mandatory replacement requirements and associated planning, NBU is continuing development of its Lead Service Line Replacement Plan, which is required to be initiated in October 2027. To help offset the significant costs associated with service line replacement, NBU secured a $24,275,510 loan through the TWDB, of which 51 percent is forgivable, providing substantial financial support for implementation of the program.

Future Water Supply: Water resources planning and implementation are among the most important elements of a well-managed water utility provider. 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. NBU is currently holding contracts and permits for 54,575 acre-feet per year ("AFY") of raw and treated drinking water. An acre-foot is equivalent to the amount of water that would cover one acre of land to a one-foot depth. One acre-foot is 325,851 gallons and is generally considered to be enough water to supply four 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 a conventional surface water treatment plant, 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. NBUs' Water Resource Plan ("WRP") identifies demand-management and conservation opportunities and evaluates water supply options to meet the future water supply needs of New Braunfels. Conservation is important because water not used is water that does not have to be purchased. NBU, in conjunction with the City and the Guadalupe-Blanco River Authority, implemented a One Water program in FY 2023. The One Water approach views all water - drinking water, wastewater, stormwater, greywater, and more, as resources that must be managed holistically and sustainably. NBU reviews its Water Resources Plan ("WRP") and makes minor updates annually, summarized in a technical memorandum. A full-scale update of the plan is conducted every five years; the most recent was completed in fiscal year 2025.

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 million-gallon ("MG") ground storage tank, and an upgrade to the existing pump station. Completion is anticipated by the end of fiscal year 2026.

NBU Surface Water Treatment Plant Expansion: The NBU SWTP currently has the capacity to treat 8 MGD of Guadalupe River surface water for drinking water purposes. Expansion of the plant to 16 MGD will allow NBU to use its available firm yield water rights in the Guadalupe River to serve NBU customers. Detailed design was completed in 2021; however, construction has been delayed to 2026 through 2029. A design update is ongoing to prepare for the upcoming permitting and construction.

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

Aquifer Storage Recovery ("ASR") Program: Although NBU has a diverse inventory of water supply sources totaling approximately 54,575 AFY, about half of the supply is subject to curtailment during periods of drought and low river flow. At present, the availability of NBU's water sources during severe drought (the "firm yield supply") is approximately 38,123 AFY, and the reliable supply during non-drought period (the "Deliverable firm yield") is approximately 30,774 AFY, as noted in the NBU 2025 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. During this phase, water is injected into the formation to prove the capability of the formation for storage and recovery of drinking water. The results of Cycle Testing will be used to request an ASR operating permit from the TCEQ. Cycle 1 recovery occurred between November 2021 to January. Cycle 2 recharge began in January 2022 and continued through October 2022. Cycle Two Recovery was initiated in October 2022, and was paused in November 2022. Cycle Three

Recharge began in December 2022, at 600 gpm combined total recharge rate into all three wells. Recharge was interrupted December 2022 during a hard freeze and then resumed in February 2023. Cycle 3 Recharge continued through June 2023. Construction of the deepening of Well D1 began in FY 25 and is completed, which will allow injection of NBU system water into both the Upper and Lower Edwards Saline Zones. Resuming of Cycle 3 Testing is expected to begin in Spring of 2026.

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

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 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 listing water projects in the plan is that the identified projects become eligible for funding assistance from the TWDB; thereby, providing NBU with an alternative financing vehicle. NBU 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. NBU was recognized by Texas Comptroller's State Energy Conservation Office for its educational efforts to reduce utility costs and maximize efficiency. The American Public Power Association 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 TCEQ awarded the coveted Texas Environmental Excellence Award in 2020, the state's highest environmental award for its customer leak awareness and empowerment initiatives. NBU's Conservation and Customer Solutions department educates the community through complimentary residential and commercial energy, water, and irrigation assessments, as well as interactive school programs. The department collaborates with NBU's Public Affairs and Customer Service departments at numerous public events and civic organization presentations, along with social and traditional media communications.

Commercial and residential energy and water rebate programs are promoted to incentivize customers to purchase resource-saving appliances, such as ultra-high efficiency washing machines. The programs are designed to help adopt conservation-minded behaviors, including regular A/C check-ups, to ensure the system's ultimate efficiency. Rebate programs include an energy-efficient A/C heat pump, rainwater harvesting, drought-tolerant trees, and irrigation zone removal. NBU 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.

New Braunfels Utilities (NBU) has earned the Diamond Safety Award of Excellence from the American Public Power Association (APPA) for safe operating practices in 2025. The Diamond designation represents the highest level of recognition in APPA's annual Safety Awards program and reflects NBU's ongoing commitment to protecting employees while delivering reliable electric, water and wastewater services to the New Braunfels community. The award evaluates utilities based on incident-free records, as well as the strength of their safety programs and workplace culture. The

incidence rate is determined by the number of work-related reportable injuries or illnesses and the total number of worker-hours during 2025, as defined by the Occupational Safety and Health Administration (OSHA).

NBU's Sewer System

The NBU wastewater system contains approximately 515 miles of sanitary sewer lines and is served by four water reclamation facilities with a combined treatment capacity of 12.3 MGD and 26 lift stations, and the total average daily flow was 7.44 MGD. As of July 31, 2025, NBU served 37,985 wastewater customers.

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

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HISTORICAL OPERATING RESULTS

The following tables present various financial statements and related information for NBU for selected fiscal years:

Historical Operating Statement Reflecting Net Earnings Available for Coverage of Debt Service Requirements

Fiscal Year Ended July 31:	2021	2022	2023	2024	2025
Income:					
Electric	$190,290,315	$152,843,309	$196,926,513	$201,616,449	$186,267,866
Water	24,486,239	31,509,992	34,373,389	39,517,060	43,197,170
Sewer	22,466,957	27,325,201	32,266,780	35,720,988	39,526,950
Investment & Other	25,295,804	41,992,502	42,455,323	49,837,495	51,703,557
Total Operating Income	262,539,315	253,671,004	306,022,005	326,691,992	320,695,543
Expenses:					
Purchased Power	172,347,575	117,880,189	142,528,109	137,875,581	112,577,483
Other Electric	12,806,772	13,986,633	17,847,835	17,803,657	20,203,645
Water	18,935,343	20,495,237	25,440,744	31,716,706	37,490,127
Sewer	11,224,575	12,505,386	14,263,245	16,285,358	18,823,716
Total Operating Expenses	215,314,265	164,867,445	200,079,933	203,681,305	189,094,971
Net Income Available for Debt Service	$47,225,050	$88,803,559	$105,942,072	$123,010,687	131,600,572
Annual Debt Service Requirement	$13,648,981	$17,267,831	$22,019,976	$25,340,880	$29,818,685
Coverage of Outstanding Requirements	3.46x	5.14x	4.81x	4.85x	4.41x

Fund Balances

Fiscal Year Ended July 31:	2021	2022	2023	2024	2025
Utility System Fund - Cash	$11,940,977	$41,964,400	$61,773,844	$35,201,748	$47,768,635
Contingency Fund-Systems	14,240,510	23,046,961	23,905,542	26,968,414	30,865,482
Bond Proceeds	-	-	-	-	-
Commercial Paper	9,012,082	24,885	12,432	4,727,368	166,492
Consumer Deposits	9,323,527	10,421,838	11,955,684	14,071,803	15,981,185
Central Facilities Fund	-	892	928	979	21
Impact Fees	1,529,971	11,930,300	22,060,186	8,770,789	10,861,649
Rate and Debt Flexibility	-	-	-	-	-
Taxable Note Payment Fund	11,985,348	35,038,988	-	-	-
Community Assistance Fund	5,293,402	4,753,461	4,409,983	4,518,341	4,628,425
Power Supply Fund	-	-	-	-	-
Power Stabilization Fund	750	752	16,639,989	35,239,475	50,665,782
One Water Fund	-	-	--		216,995
Restricted Bond Funds:					
Interest and Sinking Fund	1,538,775	1,891,049	2,203,411	2,559,524	3,043,601
Escrow Fund	-	-	37,511,261	39,061,676	21,405,765
Reserve Fund	15,563,476	19,097,806	21,386,577	26,904,724	30,969,864
Total	$80,428,818	$148,171,332	$201,859,837	$198,824,008	$216,573,896

Condensed Balance Sheet

Fiscal Year Ended July 31:	2021	2022	2023	2024	2025
ASSETS:					
Utility Plant (Net)	$747,800,625	$831,317,640	$910,869,321	$1,061,200,955	1,207,516,257
Long-Term Investment and Special Funds	23,159,714	27,519,641	17,603,350	105,035,132	95,482,187
Current and Accrued Assets	153,609,216	191,587,265	256,013,120	184,206,420	213,054,516
Total Assets	924,569,555	1,050,424,546	1,184,485,791	1,350,442,507	1,516,052,960
Pension deferred outflows	5,332,804	8,262,710	16,754,946	14,157,920	12,587,085
Total Assets and deferred outflows	$929,902,359	$1,058,587,256	$1,201,240,737	$1,364,600,427	$1,528,640,045
LIABILITIES:					
Long Term Debt Bonds	$297,741,182	$368,336,215	$397,475,629	$492,250,517	553,891,982
Current and Accrued Liabilities	130,654,957	128,194,416	171,530,108	153,290,934	154,238,813
Total Liabilities	428,396,139	496,530,631	569,005,737	645,541,451	708,130,795
Pension deferred inflows	2,378,863	6,123,885	-	437,161	1,876,336
Total Liabilities and deferred inflows	430,775,002	502,654,516	569,005,737	645,978,612	710,007,131
NET POSITION:					
Reserve for Inter-governmental Expense	10,107,339	10,493,568	10,568,971	11,323,540	11,809,369
Contributions in Aid of Construction	207,751,701	227,100,976	253,253,950	277,623,761	306,218,550
Reserve for Restricted Assets	26,293,817	21,193,224	61,293,164	72,008,187	54,414,691
Unreserved	254,974,501	297,244,974	307,118,915	357,666,327	446,190,304
Total net position	499,127,357	556,032,740	632,235,000	718,621,815	818,632,914
Total Liabilities and net position	$929,902,359	$1,058,687,256	$1,201,240,737	$1,364,600,427	1,528,640,045
Percent net position in System	53.68%	52.52%	52.63%	52.66%	53.55%

Historical and Projected Capital Requirements for Improvements Projects

	Fiscal Year Ended July 31				
Capital Requirements	2022	2023	2024	2025	Budgeted 2026
Electric Projects	$ 23,380,700	$ 28,410,865	$ 37,797,348	$ 30,868,386	46,279,902
Water Projects	44,063,148	44,289,597	71,332,231	50,924,776	50,244,432
Sewer Projects	24,511,878	13,802,297	31,149,499	47,529,239	90,150,602
Other Projects	1,593,674	4,767,386	22,883,211	28,005,459	97,229,151
Total	93,549,400	91,270,145	163,162,289	157,327,860	283,904,087
Sources					
Earnings	6,298,417	22,524,346	42,970,268	53,003,782	23,096,394
Bonds/Commercial Paper	66,067,389	45,974,980	67,091,059	70,573,464	233,175,698
Impact Fees	19,149,556	12,622,830	37,533,326	27,546,233	23,502,194
Developer Contributions	2,034,038	10,147,989	15,567,636	6,204,381	4,129,801
Total	$93,549,400	$91,270,145	$163,162,289	$157,327,860	283,904,087

Three to Five Year Capital Project Requirements

It is NBU's intent to fund approximately $284 million in 2026, $263 million in 2027, $218 million in 2028, $168 million in 2029, and $165 million in 2030 in capital projects from current revenues, impact fees, developer contributions, and new debt. Projects are projected to be funded 22% through revenues, 63% through bonds, and 15% through impact fees and developer contributions.

Lease

NBU had a short-term lease with the Lower Colorado River Authority ("LCRA") to lease certain transmission assets to LCRA. Payments for the lease facilities are based on the original cost of the facilities, adjusted for depreciation, and are updated annually to reflect additions, retirements, and depreciation. The terms of the leases are perpetual, but may be terminated by either party upon five years written notice. On March 30, 2017, LCRA and NBU executed a Memorandum of Agreement (MOA) to terminate the lease effective on March 31, 2022. The MOA was amended to change the termination date so as to continue payments made by LCRA until a final order is issued the Public Utility Commission of Texas (PUC) in a future LCRA Transmission Services Corporation ("TSC") rate case that recognizes the dissolution of the lease. NBU agreed to accept its transmission asset list and values represented in the NBU interim TCOS rate case and freeze its compensable lease asset value at $10,992,460, which corresponds to $855,667 per year. Lease revenues were $285,222 in Fiscal Year 2025 and $855,667 in Fiscal Year 2024, respectively. In April of 2024, NBU began conducting a full Transmission Cost of Service (TCOS) study, which was then followed by the filing of an application with the PUC to change its TCOS and wholesale transmission rates.

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

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

Real Estate Transfer

For information related to the real estate transfer agreement between NBU and the City please see "Note 3 Capital Assets" in NBU's Annual Comprehensive Financial Report.

APPENDIX B

GENERAL AND STATISTICAL INFORMATION REGARDING COMAL COUNTY, TEXAS AND CITY OF NEW BRAUNFELS, TEXAS

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This Appendix contains a brief discussion of certain economic and demographic characteristics of the area in which the Issuer is located. Information in this Appendix has been obtained from the sources noted. They are believed to be reliable, although no investigation has been made to verify the accuracy of such information. Much of the information was obtained from the Texas Almanac, New Braunfels Chamber of Commerce, and Comal County and City of New Braunfels Texas Municipal Reports.

GENERAL AND STATISTICAL INFORMATION

General Information

The utility territory, located primarily in Comal County, Texas (the "County"), a pioneer German settlement created in 1846 from Bexar, Gonzales and Travis Counties, Texas, is a scenic Southwest county named after the Comal River. The utility territory also extends into part of Guadalupe County.

The City of New Braunfels, Texas (the "City"), the county seat of the County, is located in the southeast part of the County approximately twenty-five miles north of San Antonio on Interstate Highway 35 and forty miles south of Austin on Interstate Highway 35.

Population

Census Report		City of New Braunfels	Comal County
2025	Est.	123,800	203,107
2020		90,403	161,482
2010		57,740	108,472
2000		36,464	78,021
1990		27,334	58,905

Area Growth Statistics

	Utility Customer Count*		
Year	Water	Sewer	Electric
2012	25,588	21,097	31,061
2013	27,303	21,942	32,404
2014	29,089	22,885	33,975
2015	31,415	24,034	35,455
2016	33,550	25,072	36,914
2017	36,140	26,294	38,867
2018	39,060	27,775	41,729
2019	41,074	28,775	43,606
2020	43,811	30,185	45,893
2021	46,994	31,755	48,600
2022	51,051	33,896	51,725
2023	52,637	34,695	53,732
2024	55,941	36,461	58,129

(1) Source: New Braunfels Utilities 2025 Annual Comprehensive Financial Report (fiscal year).

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Labor Force Statistics - Comal County

	Annual Average				
	2025	2024	2023	2022	2021
Civilian Labor Force	99,981	97,410	84,427	82,222	79,751
Total Employed	96,298	93,393	81,394	79,381	76,112
Total Unemployed	3,683	3,517	3,043	2,841	3,649
% Unemployed	3.7%	3.6%	3.6%	3.5%	4.6%
% Unemployed (Texas)	4.2%	4.1%	3.9%	3.9%	5.6%
% Unemployed (United States)	3.3%	4.0%	3.6%	3.6%	5.3%

Source: Texas Workforce Commission - Economic Research and Analysis Department, and United States Department of Labor.

Employment and Wages by Industry - Comal County

	Number of Employees			
	Third Quarter 2025	Fourth Quarter 2024	Fourth Quarter 2023	Fourth Quarter 2022
Natural Resources and Mining	853	873	842	824
Construction	7,664	8,289	8,017	7,202
Manufacturing	4,501	4,228	4,134	4,181
Trade, Transportation & Utilities	18,919	18,564	19,451	18,541
Information	616	622	586	619
Financial Activities	2,825	2,940	2,475	2,359
Professional and Business Services	9,706	9,457	7,632	7,304
Education and Health Services	9,125	9,034	8,907	8,482
Leisure and Hospitality	12,720	12,416	10,221	10,017
Other Services	2,266	2,333	2,935	2,837
Unclassified	71	64	81	64
Federal Government	279	285	277	265
State Government	223	205	207	201
Local Government	8,002	7,693	7,960	7,547
Total Employment	77,770	77,003	73,724	70,443
Total Wages	$1,144,248,264	$1,083,130,233	$1,077,227,380	$979,789,102

Source: Labor Market and Career Information Department, Texas Workforce Commission.

Major Employers

The County has been economically stable for many years because of the industries located there. A list of the major non-governmental employers, their products and number of employees as reported by the Greater New Braunfels Chamber of Commerce follows:

Name	Product	Approximate Number of Employees
Schlitterbahn	Waterpark and Resort	2,300*
Wal Mart Distribution Center	Distribution Center	1,215
Sysco	Food Products Supplier	780
Hunter Industries/Colorado Materials	Highway Contractor/Material Supplier	765
TaskUs	Call Center	620
CHRISTUS Santa Rosa Hospital - New Braunfels	Hospital	585
HD Supply Facilities Maintenance	Maintenance/Repair Supply Store	538
Rush Enterprises, Inc.	Heavy Duty Truck Dealer	521
Resolute Baptist Hospital	Hospital	520

* *The Schlitterbahn Water Park, located on 100 acres in the City, is a large seasonal employer. The operating season is Memorial Day through Labor Day, during which time approximately 2,300 people are employed.*

In addition to the foregoing, estimated County, City and School District current employment figures follow:

Comal County	805*
City of New Braunfels	800*
New Braunfels Utilities	450
New Braunfels ISD	1,004
Comal ISD	3,006

* *Includes part-time and seasonal employees.*

Agriculture

Agriculture continues as an important source of income to the area. According to latest statistics from the Annual Agricultural Increment Report, the County's annual income from agriculture is approximately $5 million. Some of the products include corn, hay, milo, wheat, oat, pecan and nursery crops; goat, beef, hog, horse, sheep, wool and mohair production; Christmas trees; hunting and recreation.

Commercial

The County has a wide range of commercial establishments including restaurants, motels, food stores, manufacturing, professional services, retail stores, and service stations. Those in the Canyon Lake area include motels, Cranes Mill Marina and Canyon Lake Marinas, Inc.

Educational Facilities

Local public school facilities are provided through the Comal Independent School District and New Braunfels Independent School District. Enrollment records follow:

	Comal ISD		New Braunfels ISD	
School Year	Membership	Avg. Daily Attendance	Membership	Avg. Daily Attendance
2015-16	20,922	20,100	8,420	8,083
2016-17	22,049	21,036	8,583	8,068
2017-18	23,105	22,042	8,925	8,432
2018-19	23,857	22,707	9,237	8,634
2019-20	24,984	23,770	9,524	8,904
2020-21	25,295	23,712	9,253	8,782
2021-22	27,288	25,252	9,638	8,947
2022-23	28,408	26,536	9,724	8,899
2023-24	28,948	27,212	9,664	9,052
2024-25	29,796	27,895	9,658	9,055

The preceding enrollment figures do not include enrollment at the four private and parochial schools.

Higher educational facilities include Texas Lutheran University - Seguin, approximately 13 miles from New Braunfels; Texas State University - San Marcos, approximately 15 miles from New Braunfels; and eight colleges and/or universities located in San Antonio, approximately 35 miles from New Braunfels. Planned higher educational facilities include the future Howard-Payne University campus which will be part of the proposed Veramendi development project. Currently, Howard-Payne University offers courses at New Braunfels High School and online. In addition, Wayland Baptist University has moved into a 10,000 sq. ft. educational space adding more higher education opportunities in the surrounding community.

The Central Texas Technology Center. The CTTC is a District Workforce Specialty Campus. It is the area's first higher education facility dedicated to technology and it is a collaborative effort of the governing bodies and business development agencies of New Braunfels, Seguin and the Alamo Colleges. Alamo Colleges runs the programs and classes that provide college level education and training to residents of Comal, Guadalupe, Hays, Bexar and Wilson counties. In 2015, The U.S. Department of Commerce and Economic Development Administration awarded Alamo Colleges at $1.25 million dollar grant to help double the size of the CTTC. These funds joined $5 million already committed to the project and paved the way for the expansion project which was completed in 2016.

Community Services

The New Braunfels and Canyon Lake area contains approximately 26 motels/hotels, 27 resorts and condominiums, 22 campgrounds and RV parks, and 28 bed and breakfast/vacation home rentals. In addition, there are numerous other facilities available in San Antonio and adjoining towns.

The City has several museums, a library, two radio stations, and a newspaper which is published six days a week. In addition, one weekly newspaper is published in the County. Both the San Antonio and Austin daily newspapers are available. There are numerous radio stations, three commercial television stations, cable and satellite television, and one educational television station in San Antonio that serve the New Braunfels area.

Over thirty denominations are represented in more than seventy churches in the City. Those not represented generally are available in nearby San Antonio.

Transportation

The City is served by Interstate Highway 35 (U.S. 81) and State Highway 46. Loop 337 circles the City and numerous Farm and Ranch Roads traverse the County. Railroads include the Union Pacific and Missouri Kansas and Texas Lines. The City's airport facility encompasses 1,000 acres and has four runways, four taxiways, and a parking ramp. The airport runways are of all asphalt construction with threshold lights and full runway lights. Jet fuel, aviation gas, and car rentals are available at the airport. The airport, located some four miles from the City, is reported to have an average of 75 flights per day. The City's Airport is also used for corporate flights. Greyhound/Trailways Bus Lines and several motor freight lines also serve the City.

Tourism and Recreation

Located in the heart of the City are Comal Springs and Landa Park, a 300-acre park, which includes an 18-hole golf course, tennis courts, large picnic and playground areas, an Olympic-size swimming pool, and the largest spring-fed swimming pool in Texas. Schlitterbahn Waterpark Resort in the City is recognized annually as one of the best waterparks in the country. Numerous additional golf courses are available in the region.

Natural Bridge Caverns, the state's largest caverns, and Natural Bridge Wildlife Ranch are major tourist attractions located in the southern part of the County. Scenic drives and historic sites also attract many tourists to the area.

Canoeing, tubing, rafting, kayaking and other white-water sports on the Guadalupe River are very popular.

Canyon Lake, located twenty miles from the City, is a popular water-resort area for sailing, boating, fishing, water skiing and scuba diving. Several parks have been established around the Lake.

Annual celebrations include the County Fair, one of the oldest and best attended County fairs in the State, and the "Wurstfest." The annual "Wurstfest" is a ten-day event and always starts on the Friday before the first Monday in November. The 2025 edition of "Wurstfest" was held November 7 through Nove mber 16. Average annual attendance exceeds 240,000 with income from admissions and concessions sales well in excess of $4,000,000.

The City constructed a Civic Center in 1971 which contributes materially to tourist income. In addition, the City built a new civic center and renovated the existing space in July 2008.

Utilities

The Guadalupe River provides NBU and the City with a source of good quality and quantity of water. Well water from the Edwards Aquifer and the Trinity Aquifer is also available in most of the unincorporated areas of the County. The Guadalupe River, Comal River and Canyon Lake help to assure future water supply. Sale of water from Canyon Lake is in the control of the Guadalupe-Blanco River Authority. Water districts serve the eastern part of the County.

Electricity is available throughout the City and is provided by NBU which also serves approximately 5,300 customers in the surrounding rural area. GVEC and PEC also provide electric services to some areas of the City.

Natural Gas is available to the residents of the City from Enterprise Texas Pipeline, L.P., and distributed by Centerpoint Energy. In other areas where natural gas is not available, butane and propane gas service is available by truck delivery.

The City's telephone service is provided by AT&T, Inc. and Charter Communications, with other County areas being served by the Guadalupe Valley Telephone Cooperative (GVTC).

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APPENDIX C

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the New Braunfels Utilities Audited Financial Statements (the "Report") for the fiscal year ended July 31, 2025.

The information presented represents only a part of the Report and does not purport to be a complete statement of NBU's financial condition. Reference is made to the complete Annual Audit Report for additional information.

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NEW BRAUNFELS UTILITIES

Annual Comprehensive Financial Report
For the fiscal years ended July 31, 2025 and 2024

A Component Unit of
The City of New Braunfels, Texas
Established 1942

Prepared by: Accounting Department

NBU
NEW BRAUNFELS
UTILITIES

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INTRODUCTION

Members of the Board of Trustees

President	Wayne Peters
Vice President	Dr. Judith Dykes-Hoffmann
Mayor of the City of New Braunfels and Trustee	Neal Linnartz
Trustee	Stuart Blythin
Trustee	Yvette Villanueva Barrera

Executive Staff

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

Consultants and Advisors

Auditors	BAKER TILLY US, LLP Austin, TX
Financial Advisor	SAMCO CAPITAL MARKETS, INC. San Antonio, TX
Bond Counsel	NORTON ROSE FULBRIGHT US LLP Dallas, TX

Organizational Chart

07.31.25

NBU 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, 2024

Christopher P. Morrill

Executive Director/CEO

December 15, 2025

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

The Annual Comprehensive Financial Report ("ACFR") of New Braunfels Utilities ("NBU") for the fiscal year ended July 31, 2025, is submitted pursuant to Article XI of the City of New Braunfels Charter. Baker Tilly US, LLP served as NBU's independent financial statement auditor for the year ended July 31, 2025. Responsibility for the accuracy of the information reported and the completeness and fairness of the presentation, including all disclosures, rests with the management of NBU. To the best of our knowledge and belief, the enclosed information is accurate in all material respects. It is reported in a manner designed to present fairly the financial position and results of operations of the electric, water, and wastewater systems of NBU. All disclosures necessary to enable the reader to understand NBU's financial activities have been included in this report.

As required by Article XI, Section 11.10 of the City of New Braunfels Charter, the ACFR has been audited by a firm of independent Certified Public Accountants. Baker Tilly US, LLP, performed the audit for the fiscal year that ended July 31, 2025, and their unmodified opinion is included as part of this report. The NBU management team worked with the independent auditors to verify compliance with accounting and fiduciary control aspects.

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

PROFILE OF NEW BRAUNFELS UTILITIES

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

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

Facilities and Operations: The NBU electric system, comprising a service area of approximately 161 square miles, includes the city and the surrounding area. The electric system consists of 628 miles of

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

The NBU water system, comprising a service area of approximately 89 square miles, includes the city and the surrounding area. The water system consists of 700 miles of water mains ranging in diameter from 0.75 inches to 36 inches, an 8 Million Gallons per Day ("MGD") surface water treatment plant ("SWTP"), a 3.75 MGD membrane treatment facility, 10 active groundwater wells, and 24 pump stations. The storage capacity of approximately 31.6 Million Gallons ("MG"), split between elevated water storage, ground storage, and standpipes. As of July 31, 2025, NBU served 58,813 water meters. The total water system capacity is 43.7 MGD, and the maximum daily production for FY 2025 was 20.3 MGD.

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

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

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

Local Community Involvement: New Braunfels Utilities (NBU) is a municipally owned, not-for-profit utility providing electric, water and wastewater services within its designated service areas. NBU is dedicated to enhancing the quality of our community through strong fiscal responsibility, progressive planning and its employees' commitment to serving the community by providing reliable essential services.

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

New Braunfels Utilities' employees are strong supporters of the United Way of Comal County and earned the distinction of ranking in the top 10 business donors for the 19th consecutive year in 2025. The combined generosity of NBU employees enabled the United Way of Comal County to move forward in 2025, providing direction and funding for local health and human service non-profit organizations throughout the county. The United Way campaign is entirely supported by NBU employees who raise money without NBU matching funds.

See Independent Auditors' Report

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

New Braunfels Utilities' employees continue to be actively involved in education and training for local youth, seniors, community leaders, and industry professionals. Examples of these activities include volunteering at career days and assisting in educational programs at schools, science fairs, community centers, libraries, the local food bank and City of New Braunfels-sponsored events like Spooktacular. Employee volunteers host tours of NBU facilities, educating the public on how the utility system operates and serving as experts for professional training exercises. These activities help to create additional community awareness and knowledge of the utility's operations.

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

NBU aligns its mission to enhance the quality of the community and continues to serve as a leader in energy and water conservation education. In addition to implementing business practices that address efforts to meet conservation performance goals, NBU has provided opportunities for customers through energy and water conservation rebates, free home assessments and educational information through communication efforts and hands-on experiences during community and school-sponsored events.

Electric System Reliability: In fiscal year 2013, NBU completed a system-wide, risk-based evaluation of aging electric infrastructure and began replacements and upgrades to the system. New Braunfels Utilities' five-year Financial and Operating Plan for fiscal years 2026 through 2030, approved by the Board of Trustees in May 2025, includes a plan to invest 2.5% of distribution assets each year for replacement of distribution system aging infrastructure. This amount totaled $3.4 million for fiscal year 2026 and aggregates to $20.6 million over the five-year period.

As a separate part of the plan, NBU completed the replacement of the Comal Substation T1 Power Transformer (PWT) and Loop 337 T2 PWT in July 2020, which increased unit capacities by 66% each. The replacements support NBU's goal to replace all power transformers older than 40 years within the system to improve reliability, increase capacity, and lower transformation losses. New Braunfels Utilities is scheduled to replace the single remaining legacy PWT (Comal T3) in fiscal year 2026. New Braunfels Utilities continues to replace all aerial copper conductors within the system. In particular, nearly all three-phase copper construction has now been replaced with Aluminum-Steel conductor (ACSR). Finally, NBU is focused on replacing aging utility poles and replacing legacy underground cables in both commercial and residential areas. The new underground wire is minimally rated at 40-years of service compared to an estimated 20-year maximum of the replaced wire. Specific critical

See Independent Auditors' Report

utility poles being installed have a service life of 80 years compared to 35 years for traditional wood poles.

New Braunfels Utilities owns 19.5 circuit-miles of 138kV transmission, which is part of the Electric Reliability Council of Texas (ERCOT) bulk electric transmission system and therefore, must comply with applicable North American Electric Reliability Council (NERC) reliability standards. New Braunfels Utilities is registered as a Transmission Owner, Transmission Planner, and Distribution Provider with NERC and was audited by the Texas Reliability Entity (TRE) in October 2014 on the standards applicable to these categories. Texas Reliability Entity is an independent organization within ERCOT, chartered with the responsibility to ensure compliance with NERC reliability standards throughout the ERCOT market. New Braunfels Utilities successfully demonstrated compliance with the applicable NERC standards again July 2017. NBU was audited once more November 2023, with the vast majority of NERC requirements readily achieved but with certain opportunities for improvement identified during the process. As an example, one 138kV switch system rating inaccuracy was self-identified by NBU and was corrected by the time of the audit, but remained included within the audit.

New Braunfels Utilities achieved the diamond level designation for the Reliable Public Power Provider (RP3) program through the American Public Power Association (APPA) during fiscal year 2025. The diamond level is the highest designation level for the RP3 program. The program recognizes utilities that demonstrate high proficiency in reliability, safety, workforce development, and system improvement. New Braunfels Utilities is one of 105 RP3 Diamond awardees, out of the nation's 200 plus public power utilities.

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

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

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

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

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

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

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

State Water Planning: Senate Bill 1, passed by the Texas Legislature in 1995, created the basis for a statewide water plan. The legislation established the framework for creating regional water planning groups to develop local area plans throughout the state. These would be brought together by the Texas Water Development Board ("TWDB") to create the new statewide Texas Water Plan. The TWDB

approved the first state water plan developed by this process in December 2001, and State law requires water plans to be updated every five years. The 16 water regional planning groups submitted the latest update throughout the State of Texas in 2021 (i.e., the 2022 State Water Plan adopted on July 7, 2021). The next update to the plan is scheduled for 2027, and NBU will continue to strategically work through the planning group to include projects for the benefit of its customers. The benefit of having water projects listed in the plan is that the identified projects become eligible for funding assistance through the TWDB, thereby, providing NBU with an alternative financing vehicle. New Braunfels Utilities continues to monitor this process closely and provides input as necessary to reflect changes in NBU's growth projections and water needs during the five-year update periods.

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

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

Commercial and residential energy and water rebate programs are promoted to incentivize customers to purchase resource-saving appliances, such as ultra-high efficiency washing machines. The program is designed to help adopt conservation-minded behaviors, including regular A/C check-ups, to ensure the system's ultimate efficiency. Rebate programs include an A/C heat pump, rainwater harvesting, a drought-tolerant tree incentive, irrigation zone removal, and solar installation. New Braunfels Utilities

continues to improve and expand the rebate programs as technology improves and customer demand changes. Internally, NBU leads by example through its recycling program of scrap metals, paper, glass, plastic, and cans, integrating hybrid fleet vehicles, electric vehicles, reducing plastics use, and utilizing sustainable materials throughout the work environment. Conservation and Customer Solutions also enforces the Municipal Water Conservation and Drought Management Plan, a municipal ordinance of the City.

The Headwaters at the Comal, NBU's conservation legacy project, demonstrates a commitment to the environment and conservation. Situated on the banks of the Comal Springs and Blieders Creek, the Headwaters at the Comal spotlights the hydrological, environmental, and cultural history of the region and is a living demonstration of sustainable practices for the local community and nation. The Master Plan report and architectural drawings are being completed in phases.

Phase one of the Headwaters at the Comal was completed and includes walking trails, an outdoor classroom, and a natural spring overlook. Plant groupings evoke regional typologies while newly introduced berms and bioswales filter and cleanse stormwater before returning it to the creek. Work continues on the property's landscape to maintain the native landscape as an immersive outdoor classroom.

Phase two of the master plan includes public amenities, including meeting spaces, education pods, public restroom facilities, an all-abilities main entrance and on-site water re-use demonstration facilities. Archeological discoveries were made on the property, and the Headwaters at Comal non-profit organization and NBU continue their work with the U.S. Army Corps of Engineers, the Texas Historical Commission, and ERG/AmaTerra, Inc., to preserve artifacts found on the property. The discovered artifacts have been cataloged for exhibition and learning, a full report of the discoveries is also available to the public. A variety of educational programs are offered for the community, including youth science series, adult classes on native plants, water conservation, arts and culture, and wellness. Tours and meeting space are also available for community groups.

The Teddy Roosevelt Conservation Award was presented to the Headwaters at the Comal in 2018 for the work done to restore the Headwaters property to its natural environment. In 2019, the organization was awarded the E. Mott Davis Award for Excellence in Public Outreach for its education around the archaeology excavation. The Headwaters at the Comal is a certified Texan by Nature organization, a certified Monarch Habitat waystation, a Certified Lightning Bug Habitat a certified Native Plant habitat. The property is also a registered stop along Texas Parks and Wildlife Department's "Heart of Texas Wildlife Trail". The Headwaters at the Comal non-profit received the McKenna non-profit of the year award in 2023.

Future Water Supply: Water resources planning and implementation are among the most important elements of a well-managed water utility. NBU's water treatment, storage, and distribution objective are to meet the customers' immediate and future demands. NBU's water resources programs assure that there are sufficient water sources for treatment and delivery year in and year out. Over its history, NBU has developed a diverse inventory of reliable water sources. New Braunfels Utilities is currently holding contracts and permits for 54,575 acre-feet per year ("AFY") of raw and treated drinking water. An acre-foot is equivalent to the amount of water that would cover one acre of land to a one-foot depth. One acre-foot is 325,851 gallons and is generally considered to be enough water to supply four

families with water for one year. Potable water is provided to NBU's customers from a combination of surface water, groundwater, and purchased water. For many years, NBU supplied its customers solely with Edwards Aquifer groundwater, and NBU still has five active wells in the aquifer. In 1991, NBU constructed the Surface Water Treatment Plant ("SWTP"), making it the first Edwards Aquifer user to reduce reliance on the aquifer by diversifying supply, thereby helping to preserve the Comal and San Marcos Springs. The combination of the surface water, groundwater, and purchased water now provides NBU with a diverse water supply, eliminating its total dependency on the Edwards Aquifer. New Braunfels Utilities' Water Resource Plan ("WRP") identifies demand-management and conservation opportunities and evaluates water supply options to meet the future water supply needs of New Braunfels. Conservation is important because water not used is water that NBU does not have to purchase. NBU, in conjunction with the City and the Guadalupe Blanco River Authority, implemented a One Water program in fiscal year 2023. The One Water approach views all water – drinking water, wastewater, stormwater, greywater, and more, as resources that must be managed holistically and sustainably. New Braunfels Utilities reviews the WRP and makes minor updates annually, summarized in a technical memorandum. A full-scale update of the plan is conducted every five years; the most recent was completed in fiscal year 2025.

Critical NBU Water Supply Projects Include:

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

NBU Surface Water Treatment Plant Expansion: The NBU Surface Water Treatment Plant currently has the capacity to treat 8 MGD of Guadalupe River surface water for drinking water purposes. Expansion of the plant to 16 MGD will allow NBU to use its available firm yield water rights in the Guadalupe River to serve NBU customers. Detailed design was completed in 2021; however, construction has been delayed to 2026 through 2029. A design update is nearly complete to prepare for the upcoming permitting and construction.

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

Aquifer Storage Recovery (ASR) Program: Although NBU has a diverse inventory of water supply sources totaling approximately 54,575 AFY, about half of the supply is subject to curtailment during periods of drought and low river flow. At present, the availability of NBU's water sources during severe drought (the "firm yield supply") is approximately 38,123 AFY, and the (the "Deliverable firm yield") is approximately 30,774 AFY as noted in the NBU 2025 WRP.

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

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

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

FINANCIAL INFORMATION

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

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

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

Budgetary Controls: The annual budget serves as the foundation for NBU's financial planning and control. New Braunfels Utilities is required by Board policy to adopt an annual financial plan, which covers the upcoming fiscal year in detail and incorporates a plan for an additional four fiscal years.

Monthly revenue and expense reports and quarterly capital expenditure reports provide information to evaluate actual results against budget projections. A formal presentation of financial activity is given to the Board of Trustees at each scheduled meeting. Additionally, the management of NBU maintains budgetary controls and follows established procedures to prepare the annual financial plan before final approval by the Board.

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

Working Capital: At July 31, 2025, NBU's current assets of $219.6 million were 1.9 times its current liabilities of $110.7 million. This strong working capital ratio reflects the continuance of managing an investment portfolio with a substantial portion of investments having a maturity of less than one year. By maintaining short duration investments, NBU can fund its operating and capital project activities as planned and selectively determine any future bond issuance timing. Overall, NBU had a net positive working capital of $108.9 million at July 31, 2025, compared to a net positive working capital of $84.8 million at July 31, 2024.

Investments: New Braunfels Utilities' Investment Policy satisfies the Public Funds Investment Act's statutory requirements and serves as a guideline for all NBU funds' investment. New Braunfels Utilities' Investment Policy is reviewed annually by the Board of Trustees. In compliance with appropriate laws and the NBU Investment Policy, the cash management program is designed to keep principal and interest at minimum risk, maintain reasonable liquidity to meet obligations, and maximize return through the use of a competitive, effective yield comparison of various investment sources. For fiscal year 2025, net interest income from investments (including mark-to-market adjustments) was $9.1 million, while the market to market adjustments resulted in a net increase in the fair value of investments of $166.4 thousand.

Debt Management: New Braunfels Utilities' strong financial position has been built over many years through prudent management and fiscal practices to ensure adequate capital will be available to fund future electric, water, and wastewater system infrastructure, including electric substations, electric transmission and distribution line expansions, water, and wastewater reclamation facilities. New Braunfels Utilities endeavors to balance external financing for capital projects with the internal generation of capital funds to maintain a low debt to capitalization structure. At July 31, 2025, NBU had $563.4 million in debt. New Braunfels Utilities' strong capitalization structure and coverage ratios have enabled it to access the debt capital markets at attractive interest rates. These ratios are a key component in maintaining low utility rates. New Braunfels Utilities anticipates significant capital expenditures in the upcoming years and will be using short-term and long-term debt to fund a portion of these projects.

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

Capital Expenditures: New Braunfels Utilities anticipates spending approximately $1.1 billion for capital expenditures during the next five fiscal years. These expenditures are primarily for additional substations for anticipated growth in the community, electric system extensions and aging infrastructure, and multiple water reclamation facility expansions, and construction of a new headquarters facility. In total, these expenditures include $211.6 million for electric systems, $346.4 million for water systems, $331.6 million for wastewater systems, $188.0 million for support systems, and $20.3 million for capital equipment. Forecasted capital expenditures for this period are expected to be funded from a combination of revenues, impact fees, short-term and long-term debt, and customer contributions.

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

In 2014, NBU executed a power purchase agreement (PPA) with Javelina Wind Energy, LLC (Javelina), an indirect subsidiary of NextEra Energy, Inc., for Javelina to provide 50 MW of electricity for 20 years from the commercial commencement of the project, which began in December 2015. The source of this electricity is from a nameplate capacity 250 MW wind energy farm located approximately 35 miles east of Laredo, Texas in Webb County. This agreement represented approximately 10% of NBU's purchase power portfolio in Fiscal Year 2025. Power purchased through the Javelina PPA totaled $5,648,767 and $5,246,824 for Fiscal Year 2025 and 2024, respectively.

In 2018, NBU executed two additional PPAs with ENGIE Long Draw Solar, LLC (Long Draw) and Concho Bluff, LLC (Greasewood) to provide 100 MW of electricity and 50 MW of electricity for 15 years from the commercial commencement of the projects respectively. Commercial commencement of Long Draw began in December 2020 and of Greasewood in February 2021. Long Draw's energy is sourced from a nameplate capacity of 225 MW solar energy farm located in Borden County, Texas. Greasewood's energy is sourced from a nameplate capacity of 255 MW solar energy farm located in Pecos County, Texas. Combined, these projects represented approximately 15% of NBU's purchase power portfolio in Fiscal Year 2025.

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

As of July 31, 2025, NBU has executed forward physical power contracts intended to hedge price volatility in its power supply portfolio through 2026. All non PPA power contracts are intended to cover native load requirements and are considered normal purchases and sales which don't require

recognition at fair value under GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*. Additional portfolio hedges are added over time as near-term hedges expire.

As of July 31, 2025, NBU's forward physical contracts through Fiscal Year 2028 reflected an underlying fair value (favorable) that was within 13% of total expected power costs through Fiscal Year 2028.

The generation and transmission charges are a pass-through to the customers and comprise a base rate and an adjustable Power Cost Recovery Factor ("PCRF"). During fiscal year 2025, NBU purchased for its customers 2,054,063 MWh in comparison to 1,920,443 MWh during fiscal year 2024, representing an increase of 133,620 MWh or 7.0%.

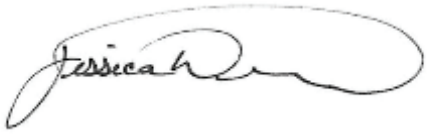
Rates charged to NBU's customers are comparable, and generally competitive to other rates in the region. NBU balances affordability with properly maintained infrastructure to provide our community with safe reliable electric, water and wastewater service. On April 10, 2023, New Braunfels City Council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

Awards and Acknowledgements: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to NBU for its ACFR for the fiscal year ended July 31, 2024. This was the 35th consecutive year that NBU has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Respectfully submitted,

Ryan Kelso
Chief Executive Officer



Jessica Williams
Chief Financial Officer

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FINANCIAL

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Independent Auditors' Report

To the Board of Trustees of
New Braunfels Utilities

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Other Matters

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

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

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

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Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

Baker Tilly US, LLP

Austin, Texas
December 15, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis is intended to provide a narrative overview of NBU's financial activities for the fiscal years ended July 31, 2025 and 2024. Readers are encouraged to consider the information presented in conjunction with the transmittal letter and the accompanying basic financial statements.

Financial Highlights

• For fiscal year-end 2025, total assets and deferred outflows of $1.5 billion exceeded liabilities and deferred inflows by $818.6 million. This compares to total assets and deferred outflows of $1.4 billion at fiscal year-end 2024, which exceeded liabilities and deferred inflows by $718.6 million. Total assets and deferred outflows of $1.2 billion for fiscal year-end 2023 exceeded liabilities and deferred inflows by $632.2 million.

• Total net position at fiscal year-end 2025 was $818.6 million, an increase of $100.0 million, or 13.9%, from fiscal year-end 2024. Fiscal year-end 2024 total net position of $718.6 million reflected an increase of $86.4 million from fiscal year-end 2023. The increase in net position at fiscal year-end 2025 and fiscal year-end 2024 was primarily attributable to increases in capital additions in NBU's electric, water, and wastewater infrastructure.

• At fiscal year-end 2025, $121.4 million in unrestricted net position was available to meet NBU's ongoing obligations, as compared to $103.0 million at fiscal year-end 2024 and $99.5 million at fiscal year-end 2023. These balances reflect $18.4 million increase in unrestricted net position from fiscal year-end 2024 to fiscal year-end 2025 and $3.5 million increase in unrestricted net position from fiscal year-end 2023 to fiscal year-end 2024.

• In Fiscal Year 2025, NBU completed $191.3 million in capital projects. This compares to $112.5 million and $133.4 million in Fiscal Years 2024 and 2023, respectively. Capital additions, net of depreciation, amounted to $153.9 million, $71.3 million, and $94.4 million in Fiscal Years 2025, 2024, and 2023, respectively.

• Total operating revenues in Fiscal Year 2025 were $279.0 million compared to $287.6 million in Fiscal Year 2024, a decrease of $8.7 million, or 3.0%. The decrease in operating revenue consisted primarily of a decrease in electric services revenue of $15.3 million, an increase of $3.7 million in water services revenues and $3.8 million in wastewater services revenues. Fiscal Year 2024 operating revenues increased $16.0 million, or 5.9%, compared to Fiscal Year 2023 operating revenues of $271.7 million.

• Electric sales for Fiscal Year 2025 were 1,807,683 MWh, which was 3.4% more than the 1,748,575 MWh sales in Fiscal Year 2024. Electric MWh sales in Fiscal Year 2024 were 0.2% less than Fiscal Year 2023 sales of 1,752,465 MWh. For Fiscal Year 2025, electric services revenue of $186.3 million was $15.3 million lesser than Fiscal Year 2024's electric services revenue of $201.6 million. For Fiscal Year 2024, electric services revenue was $4.7 million greater than Fiscal Year 2023's electric services revenue of $196.9 million.

• NBU delivered 4.3 billion gallons of water in Fiscal Year 2025, which was a 1.8% decrease from Fiscal Year 2024 water sales of 4.4 billion gallons. Water sales in Fiscal Year 2024 reflected a 4.1% increase from Fiscal Year 2023 water sales of 4.2 billion gallons. For Fiscal Year 2025, water services revenue of $43.2 million was $3.7 million greater than Fiscal Year 2024's water services revenue of $39.5 million. For Fiscal Year 2024, water services revenue was $5.1 million greater than Fiscal Year 2023's water services revenue of $34.4 million. There was a total of 24.0 inches of rain for the NBU service area for Fiscal Year 2025, which was lesser than the 25.4 inches and greater than 22.7 inches received in Fiscal Years 2024 and 2023, respectively.

• Wastewater services revenue in Fiscal Year 2025 was $39.5 million compared to Fiscal Year 2024 revenue of $35.7 million, an increase of $3.8 million, or 10.7%. Fiscal Year 2024 wastewater services revenue was $3.5 million more than Fiscal Year 2023 wastewater services revenue of $32.3 million, resulting in a 10.7% increase.

• Total operating expenses in Fiscal Year 2025 were $226.1 million compared to Fiscal Year 2024 operating expenses of $242.5 million, a decrease of $16.4 million, or 6.7%. Total operating expenses in Fiscal Year 2024 increased by $8.1

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

• At July 31, 2025, NBU served 61,990 electric customers, 58,813 water customers, and 37,985 wastewater customers.

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

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

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

This report includes all funds of NBU. The financial information is reported similar to those of private sector businesses. The Statements of Net Position provides NBU's financial position and operating performance. It presents all the assets, deferred outflows, liabilities, and deferred inflows and identifies the net investment in capital assets and restricted net position. It provides the foundation for measuring the activity and liquidity of NBU. The Statements of Revenues, Expenses and Changes in Net Position assess NBU's profitability of operations. The third basic financial statement is the Statements of Cash Flows, which provides detailed information about the cash effects of the operating, investing, and financing activities. The basic financial statements can be found on pages 31-35 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. The notes can be found beginning on page 36 of this report.

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

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

A portion of NBU's net position represents resources that are subject to external restrictions on how they may be used. Restricted net position at fiscal year-end 2025 was $7.5 million, in comparison to the prior fiscal year-end 2024 amount of $4.0 million and $59.9 million at fiscal year-end 2023. These amounts represented 0.9%, 0.6% and 9.5% of total net position for their respective fiscal year ends. Water and wastewater funds reserved for future system development and construction comprised 84.5% of NBU's restricted net position at fiscal year-end 2025. This percentage was 76.7% at fiscal year-end 2024 and 36.8% at fiscal year-end 2023.

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

See Independent Auditors' Report

Total Net Position

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

Changes in Net Position

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

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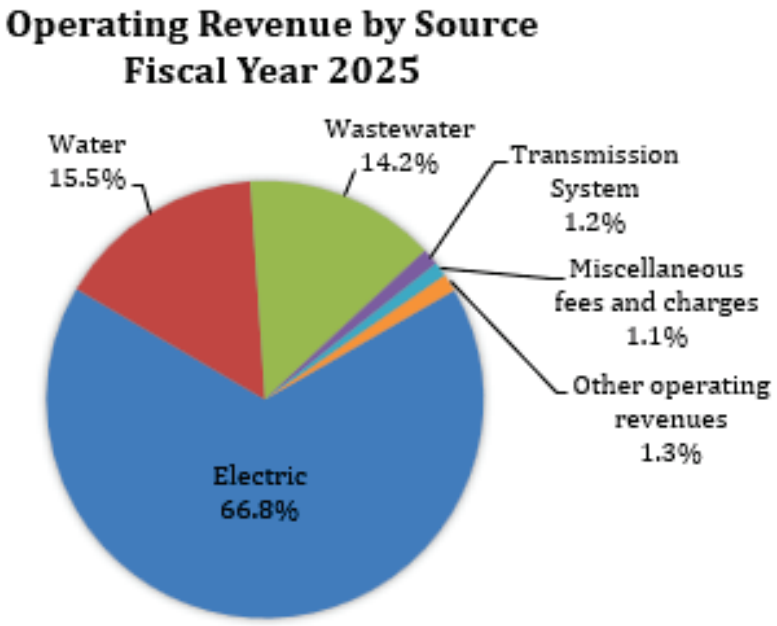
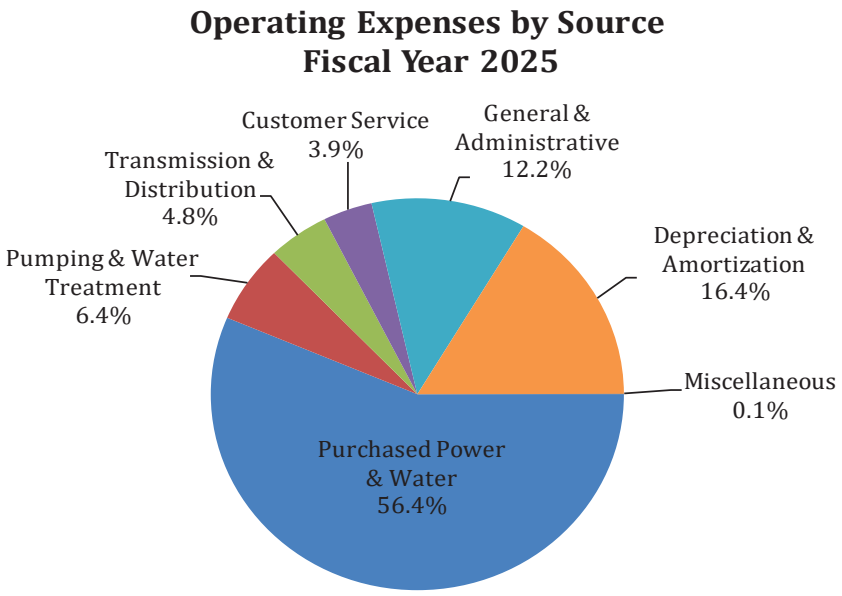
Total operating revenues for fiscal year 2025 were $279.0 million, a decrease of $8.7 million, or 3.0%, over the previous fiscal year. A decrease in electric services revenues of $15.3 million, or 7.6%, an increase of water services revenue of $3.7 million, or 9.3%, and an increase in wastewater services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

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



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



Capital Assets

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

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

Capital Assets
(net of accumulated depreciation)

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

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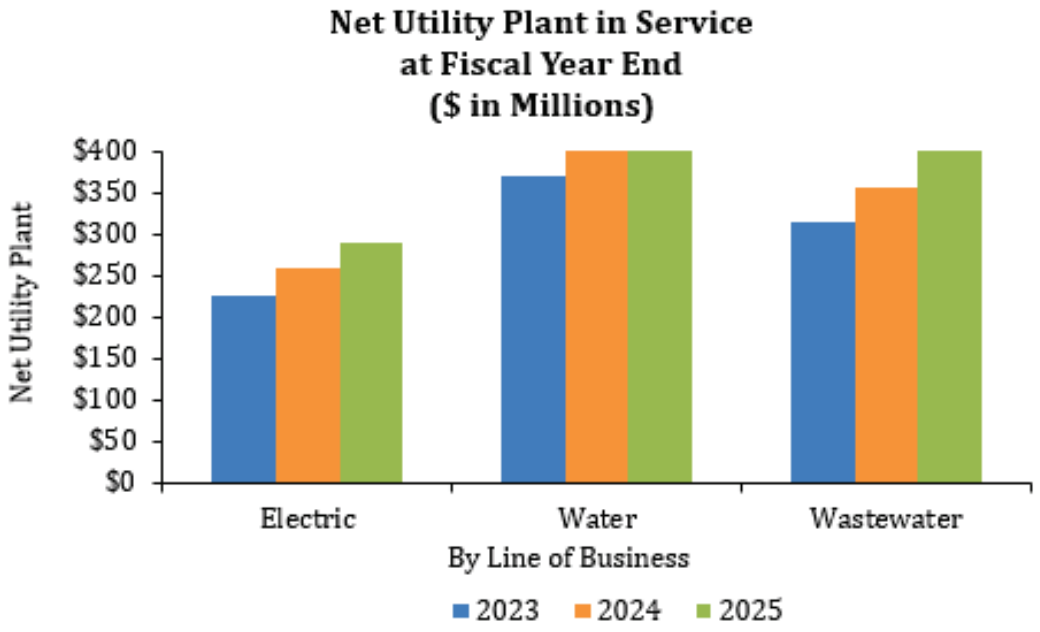

In Fiscal Year 2025, there were $191.3 million in capital additions and $37.4 million of retirements and depreciation, for an overall increase in net plant in service of $153.9 million. In Fiscal Year 2024, there were $112.5 million in capital additions and $41.2 million of retirements and depreciation,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

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

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

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

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

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

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

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

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

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

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

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

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

Debt

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

The following summarizes the debt outstanding:

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

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

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

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

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

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

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

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

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

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

Economic Factors and Next Year's Budgets and Rates

The objective of NBU's Fiscal Year 2026 Budget is to present a proactive plan that provides reliable and efficient electric, water, wastewater, and customer and community service to a growing customer base in a manner that protects people, property, and the environment while keeping costs at a prudent level. These factors were evaluated, and strategies were formulated to ensure all lines of business were self-supporting in the current economic environment.

Requests for Information

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

FINANCIAL:

Basic Financial Statements

See Independent Auditors' Report

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

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

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

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

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

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JULY 31, 2025 AND 2024

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

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

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

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

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

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

1. Deposits and Investments

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

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

Amounts recorded in the financial statements for investments are recorded at fair value.
NBU Investment Officers shall use any or all of the following authorized investment instruments consistent with governing law (Government Code 2256):

A. Except as provided by Government Code 2256.009(b), the following are authorized investments:

1. obligations, including letters of credit, of the United States or its agencies and instrumentalities;
2. direct obligations of the State of Texas or its agencies and instrumentalities, rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent;
3. other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities; and
4. direct obligations of the following United States agencies and instrumentalities: Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Bank, and the Federal Home Loan Mortgage Corporation.

B. Certificate of Deposit or Share Certificate if the Certificate is issued by a depository institution that has its main office or branch office in the State of Texas and is:

1. guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, or
2. secured by eligible collateral as listed in Section VI, provided that;
   a. the funds are invested through a depository institution that has its main office or a branch office in Texas,
   b. the depository institution arranges for the deposit of funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of NBU,
   c. the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States,
   d. the depository institution acts as custodian for NBU with respect to the certificates of deposit issued for the account of NBU, and
   e. at the same time that the funds are deposited and the certificates of deposit are issued for the account of NBU, the depository institution receives an amount of deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the amount of the funds invested by NBU through the depository institution selected under B(2)(A) above.

C. No-load Money Market Mutual Funds as specified by Board approval provided the mutual fund:

1. must be registered and regulated by the Securities and Exchange Commission;
2. provides NBU with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940; and
3. complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C Section 80a-1 et seq.).

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

1. is registered and regulated by the Securities and Exchange Commission;
2. has an average weighted maturity of less than two years; and
3. either:
   (A) has a duration of one year or more and is invested exclusively in obligations approved by the PFIA and this policy; or

(B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

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

D. Eligible specified investment pools (as permitted in the Public Funds Investment Act, Sec. 2256.016-2256.019) and as authorized by the Board. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. In order to be eligible, an investment pool must meet the following conditions:

1. must be continuously rated no lower than AAA, AAA-m, or an equivalent rating by a national recognized rating agency with a weighted average maturity no greater than 90 days;
2. a Public Fund Investment Pool created to function as a Money Market Mutual Fund must mark its portfolio to market daily, and to the extent reasonably possible, stabilize at a $1.00 net asset value; the ratio of the fair value to book value of the fund must be maintained between 0.995 and 1.005; and
3. the Pool must establish an advisory board composed of qualified members representing participants and non-participants pursuant to Sec.2256.016.
4. a. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the Investment Officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

    1. the types of investments in which money is allowed to be invested;
    2. the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
    3. the maximum stated maturity date any investment security within the portfolio has;
    4. the objectives of the pool;
    5. the size of the pool;
    6. the names of the members of the advisory board of the pool and the dates their terms expire;
    7. the custodian bank that will safekeep the pool's assets;
    8. whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
    9. whether the only source of payment is the assets of the pool at fair value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
    10. the name and address of the independent auditor of the pool;
    11. the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and
    12. the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

b. To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the Investment Officer or other authorized representative of the entity:

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

c. Yield shall be calculated in accordance with regulations governing the registration of open-ended management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the Federal Securities and Exchange Commission.

2. Receivables

Accounts receivable consist of billed but not collected utility services, sales of merchandise, jobbing, etc. and are shown net of an allowance for doubtful accounts. For fiscal years ended July 31, 2025 and 2024, the allowance was $478,268 and $334,138, respectively.

Other transactions that affect receivables are as follows:

Electric power, water, and wastewater that has been used by customers but not billed is accrued. The estimated unbilled services as of July 31, 2025 and 2024 were $19.1 million and $18.2 million respectively.

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

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

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

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

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

3. Inventories and Prepaid Items

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

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

4. Other Assets

Other assets consist of prepayments for congestion revenue rights and collateral deposits held by Electric Reliability Council of Texas (ERCOT). Balances as of July 31, 2025 and 2024 are as follows:

	2025	2024
Congestion revenue rights - current	$ 18,476,916	$ 18,451,065
Congestion revenue rights - non-current	5,895,293	6,882,678
Collateral deposits - ERCOT-non-current	-	(1,281,207)
Canyon Hydro Asset-non-current	2,741,142	3,573,895
Total	$ 27,113,351	$ 27,626,431

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 represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time. Deferred outflows relate to the GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. Details of the account are included in Note 6.

9. Accounts Payable and Other Current Liabilities

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

10. Customer Deposits

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

11. Compensated Absences

NBU's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability recorded on the Statement of Net Position for unpaid accumulated sick leave for those employees that are eligible for retirement under the presently adopted rules of Texas Municipal Retirement System ("TMRS"). All vacation pay is accrued when incurred.

12. Net Pension Liability

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

13. Contribution in Aid of Construction-Refundable

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

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

NBU applies a billing adjustment to electric sales for over-collection and/or under-collection of revenues. This is passed through to customers in future sales through an adjustment in the Generation Cost Recovery Factor (GCRF) and Transmission Cost Recovery Factor (TCRF) rates applied on energy usage. At July 31, 2025 and 2024, NBU over-collected by $23,833,237 and $14,160,796, respectively.

15. Long-Term Obligations

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

16. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that future time. Deferred inflows relate to the GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. Details of the account are included in Note 6.

17. Net Position

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

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

Restricted net position – consists of external constraints placed on net position used by creditors, grantors, contributors, or laws of regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

18. Capital Contributions

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

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

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

19. Use of Estimates

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

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

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

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

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

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

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

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

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

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

21. Reclassifications

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

Note 2. Deposits and Investments

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

All NBU investments are valued at fair value, in accordance with GASB Statement No. 72, unless otherwise specified. At month end, quoted market prices are obtained from an independent third-party pricing service specializing in fixed income evaluation services used to determine an investment's fair value. Investment pools are adjusted to fair value at month end, according to the pool's reported Net Asset Value (NAV). A Public Fund Investment Pool created to function as a Money Market Mutual Fund must mark its portfolio to market daily, and to the extent reasonably possible, stabilize at a $1.00 NAV; the ratio of the fair value to book value of the fund must be maintained between 0.995 and 1.005. The net change in the fair value of investments during Fiscal Year 2025 and Fiscal Year 2024 was an increase of $166,366 and increase of $549,742 over the prior year, respectively.

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

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

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

Custodial Credit Risk and Interest Rate Risk:
July 31, 2025

Deposit/Investment Type		Fair Value	Weighted Average Maturity in Days	Percent of Portfolio	Rating S & P
U.S. Agency Securities	$	32,958,464	241	15.20%	AA+
U.S. Treasuries		16,053,347	847*	7.40%	AA+
Escrow Funds		21,405,765	1	9.90%	N/A
Demand deposit and money market		58,300,876	1	26.90%	N/A
Pooled funds		87,855,443	1	40.60%	AAAm
Total Cash and Investments	$	216,573,895	99	100.00%	

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

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

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

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

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

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

Fair Value of Investments

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

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

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

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

Level 3: Unobservable inputs that reflect assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

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

The valuation method used by NBU for recurring fair value measurements as of July 31, 2025 and 2024 is the matrix pricing technique, which uses interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and also considers the counterparty credit rating. There have been no changes in the methodologies used at July 31, 2025.
NBU's TexPool investments are reported at amortized cost.

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

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

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

		Fair Value Measurements Using		
	7/31/2024	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	$ 30,923,975	$ -	$ 30,923,975	$ -
U.S. Treasuries	21,107,668	21,107,668	-	-
Total debt securities	$ 52,031,643	$ 21,107,668	$ 30,923,975	$ -

A. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether NBU was exposed to the following specific investment risks at fiscal year-end 2025 and 2024, and if so, the reporting of certain related disclosures:

1. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. State law and NBU's policy place no limit on the amount NBU may invest in any one issuer. At fiscal year-end 2025 and 2024, NBU's portfolio was concentrated as follows:

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

2. Credit Risk

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

3. Custodial Credit Risk

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

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

Therefore, at July 31, 2025 and 2024, $0 of NBU's deposits and investments were exposed to custodial credit risk.

4. Interest Rate Risk

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

At fiscal year-end 2025 and 2024, NBU's exposure to interest rate risk is summarized in the above tables in Section 2A.1, as indicated in the weighted average maturity.

5. Foreign Currency Risk

Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. At July 31, 2025 and 2024, NBU was not exposed to foreign currency risk.

Note 3. Capital Assets

Capital asset activity for Fiscal Year 2025 was as follows:

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

Capital asset activity for Fiscal Year 2024 was as follows:

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

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

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

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

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

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

Note 4. Long-Term Debt

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

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

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

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

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

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

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

	Revenue Bonds		Direct Placement Bonds		
Year Ending July 31	Principal	Interest	Principal	Interest	Total
2026	$ 8,880,000	$ 21,748,043	$ 650,000	$ 897,633	$ 32,175,676
2027	9,168,838	21,342,994	750,000	893,473	32,155,305
2028	9,600,000	20,918,543	775,000	888,223	32,181,766
2029	10,045,000	20,450,143	800,000	881,248	32,176,391
2030	10,515,000	19,970,843	875,000	873,408	32,234,251
2031-2035	59,145,000	92,704,138	5,100,000	4,200,390	161,149,528
2036-2040	71,615,000	79,365,794	7,750,000	3,603,405	162,334,199
2041-2045	88,510,000	62,764,087	7,700,000	2,654,568	161,628,655
2046-2050	101,755,000	43,307,744	9,150,000	1,578,000	155,790,744
2051-2055	121,235,000	19,634,700	5,150,000	225,700	146,245,400
2056	11,665,000	554,088	-	-	12,219,088
	$ 502,133,838	$ 402,761,117	$ 38,700,000	$ 16,696,048	$ 960,291,003

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are refunded, retired or defeased. Principal and interest paid for Fiscal Year 2025 and Fiscal Year 2024 were $29,818,685 and $25,340,880, respectively. Total net revenues as defined for the same periods were $131,600,572 and $122,460,955. Annual principal and interest payments are expected to require 20% of net revenues on average.

Utility System Revenue Refunding Bonds, Series 2025. On June 17, 2025, bonds in the amount of $82,590,000 were issued at an average interest rate of 4.83%. This issuance refunded $75,000,000 of outstanding Series 2019A Commercial Paper Notes, refunded $6,695,000 of outstanding Series 2016 bonds. The refunding of the Series 2016 bonds reduced future debt service by approximately $478,453 and resulted in an economic gain of $346,139. The bond ordinance contains a provision that in an event of default the holder of any of the bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City Council and other officers of the City to observe and perform any covenant, condition or obligation prescribed in the ordinance.

Utility System Revenue Refunding Bonds, Series 2024. On February 1, 2024, bonds in the amount of $118,745,000 were issued at an average interest rate of 4.36%. This issuance refunded $75,000,000 of outstanding Series 2019A Commercial Paper Notes, refunded $14,185,000 of outstanding Series 2015 bonds, and issued $26,255,000 in new money proceeds. The refunding of the Series 2015 bonds reduced future debt service by approximately $1,037,588, and resulted in an economic gain of $1,067,243. The bond ordinance contains a provision that in an event of default the holder of any of the bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City Council and other officers of the City to observe and perform any covenant, condition or obligation prescribed in the ordinance.

Utility System Revenue Bonds, Series 2022A. On September 23, 2022, direct placement bonds in the amount of $40,000,000 were issued at an average rate of 2.55%. These direct placement bonds were obtained from the Texas Water Development Board (TWDB) for the purpose of funding the construction of certain water system improvements. A condition of the obligations is the deposit of the proceeds in escrow subject to being withdrawn only with the approval of TWDB. As of July 31, 2025, NBU had $21,405,765 left in the escrow account. The bond ordinance contains a provision that in an event of default the holder of any of the bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the

City Council and other officers of the City to observe and perform any covenant, condition or obligation prescribed in the ordinance.

Utility System Program Notes, Taxable Series 2021. On March 8, 2021, the New Braunfels City Council adopted an ordinance authorizing the issuance of up to $100,000,000 in taxable notes. On December 12, 2024, NBU's Board approved the reduction of the taxable notes from $100,000,000 to $75,000,000. The current ordinance allows for the issuance of taxable notes to provide interim financing to pay project costs for eligible projects. As of July 31, 2025, NBU had $75,000,000 in unused taxable note capacity.

Taxable Note

Fiscal Year 2025

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

Fiscal Year 2024

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

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

Commercial Paper. NBU maintains a commercial paper program to provide tax-exempt financing for capital expenditures. On March 25, 2019, the New Braunfels City Council adopted an ordinance authorizing the issuance of up to $75,000,000 in tax-exempt commercial paper notes. The current ordinance allows for the issuance of two separate series of commercial paper notes to provide funding to assist in the interim financing of eligible capital improvement projects. In the aggregate, the Series 2019A and Series 2019B commercial paper notes provide $75,000,000 in interim financing. On February 1, 2024, NBU issued $82,590,000 Utility System Revenue Refunding Bonds, Series 2025, which refunded $75,000,000 in outstanding commercial paper notes. As of July 31, 2025, NBU had $75,000,000 in unused commercial paper capacity. NBU did not recognize any economic gain or loss as a result of this refunding.

Commercial Paper

Fiscal Year 2025

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

Fiscal Year 2024

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

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

Note 5. Intergovernmental Expense

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

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

Note 6. Retirement System

Defined Benefit Pension Plan

A. Plan Description

NBU participates as one of 913 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue

Code. TMRS issues a publicly available ACFR that can be obtained online at *www.tmrs.com*. All eligible employees of NBU are required to participate in TMRS.

B. Benefits Provided

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

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

Employees covered by benefit terms

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

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

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

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

C. Contributions

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

Employees of NBU were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for NBU were 19.2% and 18.4% in calendar years 2024 and 2023, respectively. NBU's contributions to TMRS for the years ended July 31, 2025 and 2024 were $7,884,826 and $6,612,073, respectively, and were in excess of the required contributions.

D. Net Pension Liability

NBU's Net Pension Liability (NPL) was measured as of December 31, 2024 and 2023, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions
The TPL in the December 31, 2024 and 2023 actuarial valuations were determined using the following actuarial assumptions:

Assumption	December 31, 2024	December 31, 2023
Inflation	2.50% per year	2.50% per year
Overall payroll growth	2.75% per year	2.75% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the PUB (10) Mortality Tables, with male and female rates multiplied by 110% and 100%, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021. For disabled annuitants, the Gender-distinct 2019 Municipal Retirees of Texas Mortality Tables are used. The rates are projected on a fully generational basis with Scale MP-2021.

Actuarial assumptions used in the December 31, 2024 and 2023 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2018 through December 31, 2022. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

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

For Fiscal Year 2025:

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

For Fiscal Year 2024:

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

Discount Rate

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

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

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

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

December 31, 2024 Actuarial Valuation Date:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
NBU's Net Pension Liability	$ 47,608,890	$ 24,612,467	$ 5,813,172

December 31, 2023 Actuarial Valuation Date:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
NBU's Net Pension Liability	$ 47,424,945	$ 26,716,411	$ 9,756,026

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

Pension Plan Fiduciary Net Position

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

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

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

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

GASB 68 - 2025

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

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

GASB 68 - 2024

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

NBU contributions of $4,653,985 made subsequent to the measurement date of December 31, 2024, as shown in the table above, are included as part of pension deferred outflows in the Statement of Net Position. These contributions will be recognized as a reduction of the net pension liability for the year ending July 31, 2026. The remaining net amount of $6,056,764 is comprised of the difference between (i) the deferred outflow of resources of $7,933,100 consisting of the difference between expected and actual economic experience and (ii) deferred inflows of $1,876,336 comprised of changes in actuarial assumptions and the difference between projected and actual investment earnings. This amount will be recognized in pension expense as follows:

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

Supplemental Death Benefits Fund

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

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

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

NBU's contributions for 2025, 2024, and 2023 were $89,595, $87,731, and $63,962, respectively, and equaled the required contributions for those years.

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

Note 7. Regulatory Deferral

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

Guadalupe-Blanco River Authority Project

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

Note 8. Compensated Absences

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

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

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

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

policy has been discontinued as of August 11, 2024. As of August 12, 2024, employees cannot cash in any personal hours. Full time employees will be credited with 24 hours of personal leave on their employment anniversary date. In order to be eligible for compensation of personal leave upon cessation of employment, an employee must leave in "good standing" and be eligible for retirement under the presently adopted rules of TMRS.

The total accrued liability for compensated absences as of July 31, 2025 is as follows:

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

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

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

Note 9. Short-Term Lease

NBU had a short-term lease with the Lower Colorado River Authority ("LCRA") to lease certain transmission assets to LCRA. Payments for the lease facilities are based on the original cost of the facilities, adjusted for depreciation, and are updated annually to reflect additions, retirements, and depreciation. The terms of the leases are perpetual, but may be terminated by either party upon five years written notice. On March 30, 2017, LCRA and NBU executed a Memorandum of Agreement (MOA) to terminate the lease effective on March 31, 2022. The MOA was amended to change the termination date so as to continue payments made by LCRA until a final order is issued the Public Utility Commission of Texas (PUC) in a future LCRA Transmission Services Corporation ("TSC") rate case that recognizes the dissolution of the lease. NBU agreed to accept its transmission asset list and values represented in the NBU interim TCOS rate case and freeze its compensable lease asset value at $10,992,460, which corresponds to $855,667 per year. Lease revenues were $285,222 in Fiscal Year 2025 and $855,667 in Fiscal Year 2024, respectively. In April of 2024, NBU began conducting a full Transmission Cost of Service (TCOS) study, which was then followed by the filing of an application with the PUC to change its TCOS and wholesale transmission rates.

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

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

Note 10. Risk Management

NBU is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. NBU participates in a risk pool with other municipal entities to cover such risks of loss. There has not been a significant reduction in insurance coverage during Fiscal Year 2025 and 2024 in any risk category.

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

NBU reported a claims liability of $140,671 and $186,805 at July 31, 2025 and 2024, respectively, based on the requirements of GASB Statement No. 10. The claims liability is included in accounts payable and other current liabilities on the Statement of Net Position.

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

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

Note 11. Commitments and Contingencies

Purchased Power Contracts

In 2014, NBU executed a power purchase agreement (PPA) with Javelina Wind Energy, LLC (Javelina), an indirect subsidiary of NextEra Energy, Inc., for Javelina to provide 50 MW of electricity for 20 years from the commercial commencement of the project, which began in December 2015. The source of this electricity is from a nameplate capacity 250 MW wind energy farm located approximately 35 miles east of Laredo, Texas in Webb County. This agreement represented approximately 10% of NBU's purchase power portfolio in Fiscal Year 2025. Power purchased through the Javelina PPA totaled $5,648,767 and $5,246,824 for Fiscal Year 2025 and 2024, respectively.

In 2018, NBU executed two additional PPAs with ENGIE Long Draw Solar, LLC (Long Draw) and Concho Bluff, LLC (Greasewood) to provide 100 MW of electricity and 50 MW of electricity for 15 years from the commercial commencement of the projects respectively. Commercial commencement of Long Draw began in December 2020 and of Greasewood in February 2021. Long Draw's energy is sourced from a nameplate capacity of 225 MW solar energy farm located in Borden County, Texas. Greasewood's energy is sourced from a nameplate capacity of 255 MW solar energy farm located in Pecos County, Texas. Combined, these projects represented approximately 15% of NBU's purchase power portfolio in Fiscal Year 2025.

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

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

As of July 31, 2025, NBU has executed forward physical power contracts intended to hedge price volatility in its power supply portfolio through 2028. All non PPA power contracts are intended to cover native load requirements and are considered normal purchases and sales which don't require recognition at fair value under GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*. Additional portfolio hedges are added over time as near-term hedges expire.

As of July 31, 2025, NBU's forward physical contracts through Fiscal Year 2028 reflected an underlying fair value (favorable) that was within 13% of total expected power costs through Fiscal Year 2028.

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

Years Ending July 31	Estimated Payments
2026	$ 55,502,392
2027	$ 16,452,946

Guadalupe-Blanco River Authority Gonzales Carrizo Water Supply Project

On February 6, 2018, NBU executed a contract with the Guadalupe-Blanco River Authority (GBRA) for the Gonzales Carrizo Water Supply Project. GBRA has leased the right to produce groundwater from 42,000 acres located in Gonzales and Caldwell counties, Texas, which NBU has contracted to purchase 8,000 acre-feet per year. For NBU to obtain the water, GBRA contracted with Alliance Regional Water Authority to jointly construct groundwater treatment and transportation facilities. Construction was completed in fiscal year 2023. GBRA financed the acquisition of groundwater leases and the construction of the facilities to pump, treat, and transport the groundwater from the well fields in Gonzales and Caldwell counties to the customer. NBU will be responsible for paying its proportionate share of the water lease payments, debt payments, and operating expenses. During Fiscal Year 2025, water lease and debt payments were incurred for the project. Details of the regulatory asset are included in Note 7.

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

Open Contracts

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

Note 12. SUBSEQUENT EVENTS

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

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

Note 13. RESTATMENTS

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

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

The following balances were adjusted:

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

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

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

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

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

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

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

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

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

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

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

Required Supplementary Information

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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	2024	2023	2022	2021	2020
Total Pension Liability					
Service Cost	$ 6,882,838	$ 5,663,924	$ 4,870,192	$ 4,465,895	$ 4,031,193
Interest on the Total Pension Liability	9,588,408	8,757,241	7,974,728	7,191,514	6,625,838
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	3,054,189	3,364,943	3,043,437	4,166,579	1,586,860
Changes of Assumptions	-	(563,012)	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(5,732,815)	(5,305,139)	(4,079,746)	(4,766,188)	(3,395,518)
Net Change in Total Pension Liability	$ 13,792,620	$ 11,917,957	$ 11,808,611	$ 11,057,800	$ 8,848,373
Total Pension Liability - Beginning	141,475,470	129,557,513	117,748,902	106,691,102	97,842,729
Total Pension Liability - Ending (A)	$155,268,090	$141,475,470	$129,557,513	$117,748,902	$106,691,102
Plan Fiduciary Net Position					
Contributions - Employer	$ 7,127,701	$ 5,769,106	$ 4,886,836	$ 4,578,667	$ 3,946,380
Contributions - Employees	2,637,103	2,231,146	1,942,527	1,794,562	1,604,227
Net Investment Income	11,942,837	11,648,442	(7,702,247)	11,986,679	6,336,072
Benefit Payments, including Refunds of Employee Contributions	(5,732,815)	(5,305,139)	(4,079,746)	(4,766,188)	(3,395,518)
Administrative Expense	(76,473)	-	(66,597)	(55,428)	(40,984)
Other (Net Transfer)	(1,789)	(74,508)	79,470	380	(1,599)
Net Change in Plan Fiduciary Net Position	$ 15,896,564	$ 14,269,047	$ (4,939,757)	$ 13,538,672	$ 8,448,578
Plan Fiduciary Net Position - Beginning	114,759,059	100,490,012	105,429,769	91,891,097	83,442,519
Plan Fiduciary Net Position - Ending (B)	$130,655,623	$114,759,059	$100,490,012	$105,429,769	$ 91,891,097
Net Pension Liability - Ending (A) - (B)	$ 24,612,467	$ 26,716,411	$ 29,067,501	$ 12,319,133	$ 14,800,005
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.15%	81.12%	77.56%	89.54%	86.13%
Covered Valuation Payroll	$ 37,672,894	$ 31,873,518	$ 27,750,383	$ 25,636,594	$ 22,917,524
Net Pension Liability as a Percentage of Covered Valuation Payroll	65.33%	83.82%	104.75%	48.05%	64.58%

Notes to Schedule:

GASB Statement No. 68 requires that the information on this schedule correspond with the period covered as of December 31, the measurement date of the Utilities' net pension liability.

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

Schedule of Changes in the Net Pension Liability and Related Ratios

As of December 31, Plan Measurement Date	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	$ 3,421,657	$ 3,034,811	$ 2,328,445	$ 2,063,217	$ 1,852,821
Interest on the Total Pension Liability	6,104,485	5,697,720	5,349,632	4,623,082	4,534,158
Changes of Benefit Terms	-	-	6,881,135	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	1,260,367	638,332	424,537	(33,315)	(452,450)
Changes of Assumptions	205,839	-	-	-	288,151
Benefit Payments, including Refunds of Employee Contributions	(3,751,212)	(3,325,058)	(3,272,818)	(2,533,258)	(2,689,654)
Net Change in Total Pension Liability	$ 7,241,136	$ 6,045,805	$11,710,931	$ 4,119,726	$ 3,533,026
Total Pension Liability - Beginning	90,601,592	84,555,787	72,844,856	68,725,130	65,192,104
Total Pension Liability - Ending (A)	$97,842,728	$90,601,592	$84,555,787	$72,844,856	$68,725,130
Plan Fiduciary Net Position					
Contributions - Employer	$ 3,502,065	$ 3,194,908	$ 2,046,699	$ 1,811,489	$ 1,827,177
Contributions - Employees	1,407,263	1,259,258	1,151,967	1,018,513	944,629
Net Investment Income	11,028,572	(2,169,446)	8,830,361	4,017,620	87,534
Benefit Payments, including Refunds of Employee Contributions	(3,751,212)	(3,325,058)	(3,272,818)	(2,533,258)	(2,689,654)
Administrative Expense	(62,302)	(41,917)	(45,751)	(45,360)	(53,311)
Other (Net Transfer)	(1,871)	(2,190)	(2,319)	(2,444)	(2,634)
Net Change in Plan Fiduciary Net Position	$12,122,515	$ (1,084,445)	$ 8,708,139	$ 4,266,560	$ 113,741
Plan Fiduciary Net Position - Beginning	71,320,004	72,404,449	63,696,310	59,429,750	59,316,009
Plan Fiduciary Net Position - Ending (B)	$83,442,519	$71,320,004	$72,404,449	$63,696,310	$59,429,750
Net Pension Liability - Ending (A) - (B)	$14,400,209	$19,281,588	$12,151,338	$ 9,148,546	$ 9,295,380
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.28%	78.72%	85.63%	87.44%	86.47%
Covered Valuation Payroll	$20,103,751	$17,989,394	$16,443,818	$14,550,190	$13,494,694
Net Pension Liability as a Percentage of Covered Valuation Payroll	71.63%	107.18%	73.90%	62.88%	68.88%

Notes to Schedule:

GASB Statement No. 68 requires that the information on this schedule correspond with the period covered as of December 31, the measurement date of the Utilities' net pension liability.

Schedule of Employer Contributions

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
2016	$ 1,842,516	$ 1,838,178	$ 4,338	$ 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	$ (38,388)	$ 24,621,104	17.75%
2022	$ 4,731,381	$ 4,774,121	$ (42,740)	$ 26,710,661	17.87%
2023	$ 5,360,354	$ 5,424,316	$ (63,962)	$ 29,942,959	18.12%
2024	$ 6,524,342	$ 6,612,073	$ (87,731)	$ 35,092,788	18.84%
2025	$ 7,801,611	$ 7,884,826	$ (83,215)	$ 40,605,916	19.42%

Notes to Schedule

GASB Statement No. 68 requires that the information on this schedule correspond with the period covered as of July 31, the fiscal year end of the Utilities.

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2024 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 2024 Contribution Rates:

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

Other Information:

Notes:	There were no benefit changes during the year.

Supplementary Information

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

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

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

STATISTICAL

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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, 2025
($ in Thousands)
(Unaudited)

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2016	$ 300,781	$ 3,313	$ 59,761	$ 363,855
2017	338,420	8,390	43,241	390,051
2018	370,402	1,218	34,506	406,126
2019	400,068	314	23,538	423,920
2020	423,247	470	52,677	476,394
2021	449,610	2,144	47,374	499,127
2022	471,515	12,608	71,910	556,033
2023	472,847	59,897	99,492	632,235
2024*	611,571	4,050	103,002	718,622
2025	689,786	7,468	121,379	818,633

*Restated

Totals may not add due to rounding.

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

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

Totals may not add due to rounding.

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

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

Totals may not add due to rounding.

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

Fiscal Year	Electric	Water	Wastewater	Other*	Total**
2016	$ 107,770	$ 18,059	$ 15,362	$ 1,191	$ 142,382
2017	103,263	15,383	14,077	2,242	134,965
2018	110,965	17,295	15,361	1,965	145,586
2019	114,004	16,901	16,145	3,047	150,097
2020	137,561	25,073	18,755	2,125	183,514
2021	194,223	26,795	22,705	655	244,378
2022	160,245	34,706	27,590	300	222,842
2023	203,570	37,155	32,457	6,033	279,215
2024	207,493	43,133	36,061	11,268	297,955
2025	194,353	46,995	39,896	11,252	292,497

** Other Income includes interest income, mark-to-market adjustments on investments, 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
2016	$0.0694	$3.64	$42.49
2017	$0.0660	$3.79	$44.44
2018	$0.0673	$3.93	$45.94
2019	$0.0668	$4.22	$46.51
2020	$0.0787	$5.22	$51.75
2021	$0.1134	$5.63	$59.58
2022	$0.0866	$7.51	$67.83
2023	$0.1124	$8.41	$77.96
2024	$0.1153	$9.19	$82.42
2025	$0.1031	$10.26	$87.53

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

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

Totals may not add due to rounding.

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

Fiscal Year	Total Bonds* (in thousands)	Total Commercial Paper (in thousands)	Total Electric Water and Wastewater Customers	Debt Per Customer	Percentage of Personal Income	Per Capita
2016	$ 117,099	$ -	95,536	$ 1,226	16.29%	$ 869
2017	114,548	-	101,301	1,131	14.52%	812
2018	161,398	-	108,564	1,487	18.73%	1,088
2019	155,968	20,250	113,455	1,375	18.78%	1,128
2020	231,531	250	119,889	1,931	22.32%	1,406
2021	303,896	15,250	127,349	2,386	27.20%	1,824
2022	374,851	250	136,672	2,743	27.06%	2,032
2023	405,521	50,000	141,064	2,875	30.42%	2,349
2024 [1]	500,951	15,000	150,531	3,328	N/A [1]	N/A [1]
2025 [1]	563,422	-	158,788	3,548	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 2024 & 2025 Information was not available at time of publication.*

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

Fiscal Year	Total Revenues [1]	Total Expenses [2]	Net Revenues Available for Debt Service	Bond Debt Service Requirements [3]	Coverage (x)
2016	$ 142,381	$ 107,171	$ 35,210	4,728	7.45
2017	142,201	104,324	37,877	6,377	5.94
2018	154,625	117,387	37,238	6,875	5.42
2019	159,285	119,313	39,972	10,866	3.68
2020	200,372	135,862	64,510	10,687	6.04
2021	263,183	215,314	47,869	13,649	3.51
2022	253,671	164,867	88,804	17,268	5.14
2023	306,441	199,998	106,443	22,020	4.83
2024	326,142	203,681	122,461	25,341	4.83
2025	320,696	189,095	131,601	29,819	4.41

[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, 2025
(Unaudited)

Fiscal Year	Electric	Water	Wastewater	Total
2016	36,914	33,550	25,072	95,536
2017	38,867	36,140	26,294	101,301
2018	41,729	39,060	27,775	108,564
2019	43,606	41,074	28,775	113,455
2020	45,893	43,811	30,185	119,889
2021	48,600	46,994	31,755	127,349
2022	51,725	51,051	33,896	136,672
2023	53,732	52,637	34,695	141,064
2024	58,129	55,941	36,461	150,531
2025	61,990	58,813	37,985	158,788

Totals may not add due to rounding.

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

Calendar Year	Comal County Population [3]	Personal Income (in 000's) [1]	Per Capita Personal Income [1]	Unemployment Rate [2]
2015	129,048	$ 6,931,196	$ 53,783	3.7%
2016	134,788	7,188,696	55,428	3.6%
2017	141,009	7,891,500	55,965	3.4%
2018	148,373	8,615,549	58,067	3.1%
2019	156,209	9,381,221	60,056	2.8%
2020	164,812	10,382,141	62,994	5.1%
2021	174,986	11,735,054	67,063	3.3%
2022	184,642	13,861,893	75,074	3.5%
2023	193,928	14,975,806	77,224	3.6%
2024	203,107	n/a	n/a	3.3%

[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

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

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

Source - Comal County Annual Comprehensive Financial Report

Totals may not add due to rounding.

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

Fiscal Year	Electric	Water	Wastewater	Support	Total
2016	85.0	43.5	38.0	88.5	255.0
2017	95.0	44.0	39.5	96.0	274.5
2018	92.0	47.0	45.0	99.5	283.5
2019	95.0	48.0	45.0	111.0	299.0
2020	103.5	57.5	41.5	118.0	320.5
2021	77.0	52.5	47.5	162.0	339.0
2022	76.0	55.0	49.0	165.0	345.0
2023	80.0	56.5	51.5	181.0	369.0
2024	84.0	65.0	55.0	214.5	418.5
2025	92.0	68.5	58.5	231.0	450.0

Totals may not add due to rounding.

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

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

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

Totals may not add due to rounding.

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

Fiscal Year	MWh Sales	Peak Demand (kW)
2016	1,484,725	279,855
2017	1,512,675	287,963
2018	1,598,405	306,719
2019	1,626,679	298,587
2020	1,690,927	310,477
2021	1,678,480	326,859
2022	1,765,123	336,420
2023	1,752,465	357,744
2024	1,748,575	359,827
2025	1,807,683	367,849

Totals may not add due to rounding.

COMPLIANCE

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

Independent Auditors' Report

To the Board of Trustees of
New Braunfels Utilities

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of New Braunfels Utilities (NBU), which comprise NBU's statement of net position as of July 31, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2025. Our report included an emphasis of matter paragraph referring to the correction of classification errors in the financial statements as of, and for the year ending July 31, 2024. Our opinion is not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

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NBU's Response to Finding

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

Purpose of This Report

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

Baker Tilly US, LLP

Austin, Texas
December 15, 2025

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

Finding 2025-001: Audit Adjustment - Financial Statement Reclassifications

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

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

1) Classification of net position:
   - Net investments in capital assets understated by $40,029,000
   - Restricted net position overstated by $45,415,169
   - Unrestricted net position understated by $5,382,461
   - Overall net position did not change

2) Classification of current and noncurrent restricted cash and investments:
   - Current restricted cash and cash equivalents overstated by $53,531,373
   - Noncurrent restricted cash and cash equivalents understated by $53,531,373
   - Current restricted investments overstated by $20,622,130
   - Noncurrent restricted investments understated by $20,622,130

3) Classification of other current and noncurrent accounts receivable:
   - Current other accounts receivable overstated by $7,550,000
   - Noncurrent other accounts receivable understated by $7,550,000

4) Classification of cash flows between operating and capital financing activities:
   - Cash inflows from operating activities understated by $2,848,899
   - Cash inflows from capital and related financing activities overstated by $2,848,899

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

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

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

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

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

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

Restricted Cash and Investments

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

Net Position Components

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

Current vs. Noncurrent Receivables

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

Statement of Cash Flow Classification

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

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

Thank you.

Jessica Williams
Chief Financial Officer
New Braunfels Utilities

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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May 28, 2026

Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

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IN REGARD to the authorization and issuance of the "City of New Braunfels, Texas, Utility System Revenue and Refunding Bonds, Series 2026," dated May 15, 2026, in the principal amount of $___,___,___ (the "Bonds"), we have examined into their issuance by the City of New Braunfels, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on July 1 in each of the years specified in the pricing certificate (the "Pricing Certificate") executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Bond Ordinance" and, jointly with the Pricing Certificate, the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, an Escrow Agreement (the "Escrow Agreement") between the City and Zions Bancorporation, National Association (the "Escrow Agent") and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City and, together with the outstanding and unpaid "Previously Issued Bonds" (identified and defined in the Ordinance), are payable solely from and equally and ratably secured by a first lien on and pledge of the Net Revenues (as defined in the Ordinance) of the City's combined Waterworks, Sanitary Sewer and Electric Light and Power Systems, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws

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affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. The Escrow Agreement has been duly authorized, executed and delivered and, assuming the due authorization, execution or acceptance, and delivery thereof by the Escrow Agent, is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the certificate of SAMCO Capital Markets, Inc., the financial advisor to the City, as to the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX E

EXCERPTS OF CERTAIN PROVISIONS OF THE BOND ORDINANCE

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APPENDIX E

EXCERPTS OF CERTAIN PROVISIONS OF THE BOND ORDINANCE

The following are selected provisions of the Bond Ordinance. These excerpts should be qualified by reference to the exact terms of the Bond Ordinance. Unless otherwise indicated, any references to sections listed below are to sections contained in the Bond Ordinance and section headings contained in the following excerpts are to sections contained in the Bond Ordinance.

SECTION 10: Definitions. For all purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues to the payment of the Bonds, the following definitions are provided:

(a) The term "Additional Bonds" shall mean the additional parity revenue obligations the City reserves the right to issue in accordance with the terms and conditions prescribed in Section 22 hereof.

(b) The term "Board of Trustees" shall mean the "Board of Trustees of the New Braunfels Utilities" which, pursuant to Texas Government Code, Section 1502.070, et seq., the Charter of the City of New Braunfels, the ordinances authorizing the issuance of the Previously Issued Bonds and this Ordinance, is responsible for the complete management and control of the System.

(c) The term "Bonds" shall mean the "City of New Braunfels, Texas, Utility System Revenue and Refunding Bonds, Series 2026", dated as provided in the Pricing Certificate and authorized by this Ordinance.

(d) The term "Bonds Similarly Secured" shall mean the Previously Issued Bonds, the Bonds and Additional Bonds.

(e) The term "Commercial Paper Notes" shall initially mean the "City of New Braunfels, Texas, Utility System Commercial Paper Notes, Series 2019A" and "City of New Braunfels, Texas, Utility System Commercial Paper Notes, Series 2019B" in the aggregate principal amount of $75,000,000 and upon the defeasance of the Refunded Notes and upon initial issuance, shall mean the "City of New Braunfels, Texas Utility Revenue System Commercial Paper Notes, Series 2026A and Series 2026B in the aggregate principal amount of $125,000,000.

(f) The term "Escrow Agreement" shall mean any deposit or escrow agreement between the City and an escrow agent designated in the Pricing Certificate, which may include the issuing and paying agent for the Refunded Obligations, authorized in accordance with terms hereof.

(g) The term "Fiscal Year" shall mean the twelve-month financial accounting period used for the operations of the System now ending on July 31 of each year; provided, however, the City Council, by passage of an ordinance, may change the Fiscal Year to another period of not less than twelve (12) calendar months.

(h) Unless otherwise provided in the Pricing Certificate, the term "Government Obligations" shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United

States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas.

(i) The term "Program Notes" shall mean the "City of New Braunfels, Texas, Utility System Program Notes, Taxable Series 2021" in the principal amount not to exceed $75,000,000.

(j) The term "Net Revenues" shall mean the gross revenues of the System, less current expenses of operation and maintenance, including all salaries, labor, materials, repairs and extensions necessary to render efficient service, provided, however, that only such repairs and extensions as in the judgment of the Board of Trustees, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the security of any bonds payable from and secured by a lien on the Net Revenues of the System shall be deducted in determining "Net Revenues". Payments pursuant to contracts for the purchase of power and energy, supply of water and other materials, goods or services for the System to the extent authorized by law and the provisions of such contracts are also included and defined as operating and maintenance expenses of the System.

(k) The term "Outstanding" shall mean when used in this Ordinance with respect to Bonds or Bonds Similarly Secured means, as of the date of determination, all Bonds theretofore issued and delivered, except:

(1) those Bonds or Bonds Similarly Secured cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds or Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions of Section 30 hereof; and

(3) those Bonds or Bonds Similarly Secured that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 32 hereof or similar provisions with respect to Bonds Similarly Secured.

(l) The term "Previously Issued Bonds" shall mean the outstanding and unpaid bonds of the following series:

(1) "City of New Braunfels, Texas, Utility System Revenue Bonds, Series 2004", dated January 15, 2004, and issued in the original principal amount of $10,337,595.90,

(2) "City of New Braunfels, Texas, Utility System Revenue Bonds, Series 2015," dated January 15, 2015, and issued in the original principal amount of $26,870,000,

(3) "City of New Braunfels, Texas, Utility System Revenue and Refunding Bonds, Series 2016," dated March 1, 2016, and issued in the original principal amount of $62,235,000,

(4) "City of New Braunfels, Texas, Utility System Revenue Bonds, Series 2018," dated April 1, 2018, and issued in the original principal amount of $45,200,000,

(5) "City of New Braunfels, Texas, Utility System Revenue Refunding Bonds, Series 2020," dated May 1, 2020, and issued in the original principal amount of $88,100,000,

(6) "City of New Braunfels, Texas, Utility System Revenue Refunding Bonds, Series 2021," dated July 1, 2021, and issued in the original principal amount of $68,250,000,

(7) "City of New Braunfels, Texas, Utility System Revenue Refunding Bonds, Series 2022," dated July 1, 2022, and issued in the original principal amount of $73,855,000,

(8) "City of New Braunfels, Texas, Utility System Revenue Bonds, Series 2022A," dated September 1, 2022, and issued in the original principal amount of $40,000,000,

(9) "City of New Braunfels, Texas, Utility System Revenue and Refunding Bonds, Series 2024," dated January 15, 2024, and issued in the original principal amount of $118,745,000,

(10) "City of New Braunfels, Texas, Utility System Revenue Refunding Bonds, Series 2025," dated May 15, 2025, and issued in the original principal amount of $82,590,000,

(11) "City of New Braunfels, Texas, Utility System Revenue Bonds, Taxable Series 2026A (Texas Water Development Board - Drinking Water State Revolving Fund Lead Service Line Replacement Program)," dated June 1, 2026, and issued in the original principal amount of $490,000, and

(12) Upon issuance, the Bonds.

(m) The term "System" shall mean the City's Waterworks, Sanitary Sewer and Electric Light and Power Systems, and shall be construed to mean all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City of New Braunfels through purchase, construction or otherwise, and used in connection with said System, and in any wise appertaining thereto, whether situated within or without the limits of said City.

SECTION 11: Pledge. The City hereby covenants and agrees that the Net Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are hereby irrevocably pledged, equally and ratably, to the payment and security of the Previously Issued Bonds, the Bonds, and Additional Bonds, if issued, including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as hereinafter provided, and it is hereby ordained that

the Bonds Similarly Secured, and the interest thereon, shall constitute a first lien on the Net Revenues of the System in accordance with the terms and provisions hereof and be valid and binding and fully perfected from and after the date of adoption of this Ordinance without physical delivery or transfer or transfer of control of the Net Revenues, the filing of this Ordinance or any other act; all as provided in Chapter 1208 of the Texas Government Code.

Texas Government Code, Section 1208, as amended, applies to the issuance of the Bonds and the pledge of the Net Revenues of the System granted by the City under this Section 11, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Net Revenues of the System granted by the City under this Section 11 is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 12: Rates and Charges. For the benefit of the Holders of the Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City Council and Board of Trustees agree and covenant, while any of the Bonds are outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected on the basis of available information and experience and with due allowance for contingencies to provide revenues in each Fiscal Year sufficient to pay:

(a) all operating, maintenance, depreciation, replacement, betterment and interest charges and other costs incurred in the maintenance and operation of the System as referenced in Section 10(j) or required by statute to be a first claim on and charge against the revenues of the System, and

(b) the principal of and interest on the Previously Issued Bonds and the Bonds and make all required payments to the special funds created for the payment and security of the Bonds Similarly Secured.

SECTION 13: Special Fund Designations. The City acting through the Board of Trustees covenants and agrees that the following special funds or accounts heretofore created for the payment and security of Bonds Similarly Secured are hereby reaffirmed and shall continue to be maintained while the Bonds are Outstanding, to wit:

(a) Special Utility System Revenue Bond Interest and Sinking Fund, hereinafter called the “Bond Fund”, which Fund is and shall continue to be maintained at an official depository bank of the City selected by the Board of Trustees, and moneys deposited in this Fund shall be used to pay principal of and interest on the Bonds Similarly Secured when and as the same becomes due and payable.

(b) Special Utility System Revenue Bond Reserve Fund, hereinafter called “Reserve Fund”, which Fund is and shall continue to be maintained at an official depository bank of the City selected by the Board of Trustees, and moneys deposited in this Fund shall be used to pay principal of and/or interest on the Bonds Similarly Secured falling due at any time when moneys in the Bond Fund are insufficient for such purpose and to retire the last of the Bonds Similarly Secured that are outstanding.

SECTION 14: Utility System Fund. The City hereby covenants and agrees that all revenues of every nature derived from the operation and ownership of the System shall be kept separate and apart from other funds of the City, and, in accordance with the ordinances authorizing the issuance of the Previously Issued Bonds, all such revenues of the System, as collected and received by the Board of Trustees, shall be deposited into an account designated the "Utility System Fund" (heretofore created and established and hereinafter called "System Fund"), which account is and shall continue to be kept and maintained at an official depository bank of the City and the Board. All revenues in the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of precedence shown:

FIRST: To the payment of all necessary and reasonable maintenance and operation expenses of the System, as referenced in Section 10(j) hereof or required by statute to be a first charge on and claim against the revenues of the System.

SECOND: To the payment of the amounts required to be deposited in the special Funds created and maintained for the payment and security of the Bonds Similarly Secured, including the establishment and maintenance of the Required Reserve (hereinafter defined in Section 16 hereof) in accordance with the provisions of the ordinances authorizing the issuance of Bonds Similarly Secured.

THIRD: To the payment of other obligations or indebtedness payable from and secured by a lien on and pledge of the Net Revenues of the System that is junior and subordinate to the lien and pledge securing the payment of the Bonds Similarly Secured.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used by the Board of Trustees for any purpose now or hereafter permitted by law, including a transfer to the City's general fund as permitted by Texas Government Code, Section 1502.058, as amended.

SECTION 15: Bond Fund. In addition to the deposits to the Bond Fund for the payment of the Previously Issued Bonds, the City hereby covenants and agrees, and the Board of Trustees is hereby directed, to deposit into the Bond Fund prior to each principal and interest payment date for the Bonds from the Net Revenues of the System a sum equal to one hundred percent (100%) of the amount required to fully pay the interest on and principal of the Bonds then falling due, such deposits to pay maturing principal and accrued interest on the Bonds to be made in substantially equal monthly amounts on or before the last day of the month beginning the month the Bonds are delivered to the initial purchasers.

The monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made until such time as (i) the total amount on deposit in the Bond Fund and Reserve Fund is equal to the amount required to pay all outstanding Bonds Similarly Secured or (ii) the Bonds are no longer Outstanding.

Accrued interest, if any, received from the purchaser of the Bonds shall be deposited in the Bond Fund, and may be taken into consideration and reduce the amount which would otherwise be required to be deposited in the Bond Fund from the Net Revenues of the System.

SECTION 16: Reserve Fund. The City hereby covenants and agrees, and the Board of Trustees is hereby directed, to accumulate, and, when accumulated, to continuously maintain in the Reserve Fund an amount equal to at least the average annual principal and interest requirements of the Bonds Similarly Secured (calculated on a Fiscal Year basis as of the date the last series of Bonds Similarly Secured outstanding were delivered), which amount is hereby referred to as the "Required Reserve".

In accordance with the provisions of the ordinances authorizing the issuance of the Previously Issued Bonds, by reason of the issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund shall be as provided in the Pricing Certificate, which amount shall be equal to not less than the Required Reserve. Any amount due to the Reserve Fund by reason of the issuance of the Bonds may be deposited to the Reserve Fund as provided in the Pricing Certificate, including the accumulation of the Required Reserve amount over a period of not to exceed sixty months from the date of the Pricing Certificate.

Subject to the provisions of the preceding paragraph, so long as the money and investments in the Reserve Fund total not less than the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than the Required Reserve (after giving effect to the accumulation of the Required Reserve as provided in the Pricing Certificate), the City covenants and agrees, and the Board of Trustees is hereby directed, to cure the deficiency in the Required Reserve within twelve months from the date the deficiency in funds occurred with available Net Revenues of the System pledged to the payment of the Bonds, and the City, acting through the Board of Trustees, hereby covenants and agrees that, subject to the required payments to the Bond Fund for Bonds Similarly Secured, the Net Revenues of the System remaining in the System Fund shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amount, as required by the terms of this Ordinance and any other ordinance pertaining to Bonds Similarly Secured.

The City, acting through the Board of Trustees, may, at its option, withdraw all surplus in the Reserve Fund in excess of the Required Reserve and deposit the same in the System Fund.

To the extent permitted by law, the City expressly reserves the right at any time to satisfy all or any part of the Required Reserve by obtaining for the benefit of the Reserve Fund one or more Reserve Fund Surety Policies (a "Reserve Fund Surety Policy"). In the event the City elects to substitute a Reserve Fund Surety Policy for any funded amounts in the Reserve Fund, it may apply any bond proceeds thereby released, to the greatest extent permitted by law, to any of the purposes for which such funds may lawfully be applied, including the payment of debt service on the Bonds Similarly Secured. A Reserve Fund Surety Policy shall be an insurance policy or other similar guarantee in a principal amount equal to the portion of the Required Reserve to be satisfied which is issued by a financial institution or insurance company or other entity that is rated either for the long term unsecured debt of the issuer of such surety bond or for obligations insured, secured or guaranteed by such issuer have a rating in the highest letter category by one or more major municipal securities rating or evaluation services. The premium for any such policy may be paid from bond proceeds or other funds of the City lawfully available for such purpose. Any reimbursement of amounts drawn against a Reserve Fund Surety Policy shall be limited to the amounts actually paid under such policy, and such right to reimbursement shall never constitute a separate obligation independent of the Bonds.

SECTION 17: Payment of Bonds. While any of the Bonds are Outstanding, the Board of Trustees shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on

deposit in the Bond Fund and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to maturity, such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the business day next preceding the date of payment for the Bonds. The Paying Agent/Registrar shall cancel or destroy all paid Bonds, and furnish the Board of Trustees with an appropriate certificate of cancellation or destruction.

SECTION 18: Investment of Funds. Moneys in any Fund required to be maintained pursuant to this Ordinance may, at the option of the Board of Trustees, be placed in time deposits or certificates of deposit secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type authorized by the laws of the State of Texas for the security of public funds insofar as the System Fund is concerned and by obligations of the type hereinafter described insofar as the Bond Fund and Reserve Fund are concerned, or be invested, in direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, or Federal Housing Association or such other investments as are permitted by the investment policies of the Board of Trustees; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of a certain date within 60 days of the close of the Fiscal Year. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. When the Required Reserve is fully established, all interest and interest income derived from deposits and investments in the Reserve Fund immediately shall be credited and deposited in the System Fund as the same are received, otherwise such interest and interest income shall remain in the Reserve Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds Similarly Secured.

SECTION 19: Deficiencies in Funds. If in any month the City acting through the Board of Trustees shall, for any reason, fail to pay into the Bond Fund and Reserve Fund the full amounts above stipulated, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and unallocated Net Revenues of the System in the following month or months and such payments shall be in addition to the amounts hereinabove provided to be otherwise paid into said Funds during such month or months.

SECTION 20: Excess Revenues. Any Net Revenues of the System in excess of those required to fully establish and maintain the special funds created for the payment and security of the Bonds Similarly Secured may be used for the redemption of the Bonds Similarly Secured, or may be appropriated and used by the Board of Trustees for any purpose now or hereafter permitted by law, including a transfer to the City's general fund as permitted by Texas Government Code, Section 1502.058, as amended; provided, such transfer of money to the general fund of the City does not impair the ability of the Board of Trustees to make subsequent deposits to the special Funds created for the payment and security of the Bonds Similarly Secured.

SECTION 21: Security of Funds. All moneys on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds and as otherwise prescribed herein.

SECTION 22: Issuance of Additional Parity Bonds. The City hereby reserves the right hereafter to issue additional parity obligations (herein called "Additional Bonds") payable from and, together with the Previously Issued Bonds and the Bonds, equally secured by a parity first lien on and pledge of the Net Revenues of the System, and the Previously Issued Bonds, the Bonds and Additional Bonds shall be in all respects of equal dignity. The Additional Bonds may be issued in one or more installments; provided, however, that none shall be issued unless and until the following conditions have been met:

(a) The Chief Executive Officer (or other official having primary responsibility for the fiscal affairs of the System) shall have executed a certificate stating (i) that the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues of the System and (ii) payments into all special funds or accounts created and established solely for the payment and security of any outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the System have been duly made and that the amounts on deposit in such special funds or accounts are the amounts then required to be deposited therein.

(b) The Additional Bonds shall be scheduled to mature or be payable as to principal on July 1 or January 1 (or both) in each year the same are to be outstanding or during the term thereof.

(c) The City has secured from a Certified Public Accountant a certificate or opinion to the effect that, according to the books and records of the City, the Net Earnings of the System for the preceding Fiscal Year or for any 12 consecutive months out of the 15 months immediately preceding the month the ordinance authorizing the Additional Bonds is adopted are at least equal to one and forty hundredths (1.40) times the average annual requirement for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the Additional Bonds then proposed. The term "Net Earnings" as used herein, shall mean all income and revenues derived from the operation and ownership of the System (including income and earnings from the investment of moneys in any special fund created for the payment and security of the Bonds Similarly Secured) less expenses for the maintenance and operation thereof, but not deducting depreciation or other expenditures which, under generally accepted accounting principles, should be charged to capital expenditures.

(d) The ordinance authorizing the issuance of the Additional Bonds provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Bonds as same mature.

(e) The ordinance authorizing the issuance of the Additional Bonds provides that the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal to not less than the average annual requirement for the payment of principal of and interest on all Bonds Similarly Secured then to be outstanding after giving effect to the issuance of the proposed Additional Bonds, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within sixty (60) months from the date the Additional Bonds are delivered.

Bonds Similarly Secured may be refunded (pursuant to any law then available) upon such terms and conditions as the governing body of the City may deem to be in the best interest of the City and its inhabitants, and if less than all such outstanding revenue bonds are refunded the proposed refunding bonds shall be considered as "Additional Bonds" under the provisions of this Section and the Accountant's certificate or opinion required in subdivision (c) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the bonds being refunded following their cancellation or provision being made for their payment).

SECTION 23: Issuance of Inferior Lien Obligations. The City retains the right to create and issue obligations payable from and secured by a lien on the pledge of the Net Revenues of the System junior and subordinate to the lien and pledge securing the payment of the Bonds Similarly Secured.

SECTION 24: Management and Control of System. Pursuant to authority contained in Texas Government Code, Section 1502.051, et seq, and by the Charter of the City of New Braunfels, Texas, the complete management and control of the System, during such time the Net Revenues of the System may be encumbered pursuant to this Ordinance and the ordinances authorizing the Previously Issued Bonds, shall be in the hands of a Board of Trustees to consist of five freeholders of the City of New Braunfels, one of whom shall be the Mayor of the City, to be known as the "Board of Trustees of the New Braunfels Utilities", in which name said Board of Trustees shall act and transact business, hereinafter referred to as the "Board of Trustees".

All members of the Board of Trustees shall be appointed by the governing body of the City of New Braunfels, Texas, to serve for five (5) year terms of office with such term of office to commence on December 1; provided that vacancies in office for any reason other than the expiration of a trustee's term of office, shall be filled only for the unexpired term of the office vacant. Furthermore, any member of the Board of Trustees whose term of office has expired shall continue to serve as a member of the Board until his successor in office has been appointed or elected. Appointments to the Board of Trustees resulting from the expiration of a member's term of office shall be made by the governing body of the City of New Braunfels in November each year in which the term of office to be filled shall expire, or as soon as possible thereafter.

The members of the Board of Trustees shall continue to organize their body by the election of one of its members as President and another as Vice President; the Board shall also appoint a Secretary who may or may not be a member of said Board, as said Board may elect. The Board of Trustees may make such resolutions and by-laws for the orderly handling of its affairs and the governing of its own procedure, and shall thereafter manage and operate the Systems with the same freedom and in the same manner ordinarily as enjoyed and followed by the Board of Directors of a private corporation operating properties of a similar nature; provided, however, that nothing in this Section shall be construed to take away from the City Council of the City of New Braunfels the exercise of any duty imposed upon said governing body under the provisions of the other Sections of this Ordinance and/or the Charter of the City of New Braunfels. A majority of the Trustees shall constitute a quorum for the transaction of business at any meeting.

The Board of Trustees shall obtain and keep continually in force an employee's fidelity and indemnity bond of the so-called blanket type, written by a solvent and recognized indemnity company, and covering losses to the amount of not less than $5,000.00 per person. The premiums of such bonds shall be paid from the System's Revenues and shall constitute operating expenses of the System.

The Board of Trustees shall elect and appoint a Chief Executive Officer and an attorney or attorneys. The Chief Executive Officer shall appoint all employees. Unless waived by the Board members, the members of the Board, other than the Mayor of the City, shall receive an annual compensation of not less than Twelve Hundred Dollars ($1,200.00) and such compensation may be increased from time to time by the City Council as it is deemed advisable, subject to the limitations set out in the Charter of the City of New Braunfels. The members of the Board of Trustees, either singly or collectively, shall not be personally liable for any act or omission not willfully fraudulent or mala fide. Any member of the Board of Trustees, other than the Mayor of the City, who shall be continuously absent from all meetings of the Board for a period of four consecutive months shall, unless he shall have been granted a leave of absence by the unanimous vote of the remaining members of the Board, be considered to have vacated his office. Any member of the Board of Trustees, other than the Mayor of the City, may be removed only by action of the governing body of the City for adequate cause.

Subject to the provisions and restrictions contained in this Ordinance and the City Charter, all of the provisions and covenants of which shall be binding upon the Board of Trustees in like manner as they would have been binding on the City Council of the City of New Braunfels, had management and control of the System been retained by the City Council, the Board of Trustees shall have complete authority and control of the management and operation of the System; and among the powers that may be exercised by the said Board of Trustees, but not limited thereto, the same are hereby enumerated for greater certainty:

(a) To take, have and exercise exclusive possession and control of the System and all additions thereto, and to collect, and enforce the collection of all funds and revenues that may be or become owing or that may arise out of the operation of the System, and to disburse the same in accordance with the provisions of this Ordinance and Sections 1502.070 and 1502.071, Texas Government Code, as amended;

(b) To maintain, improve, enlarge and extend the Waterworks, Sanitary Sewer and Electric Light and Power Systems;

(c) To fix, alter and amend all rates for all services to be furnished by said System, subject to approval and confirmation of the City Council;

(d) To employ and pay the compensation of a Chief Executive Officer and attorneys, engineers and other professional or technical aides as said Board of Trustees may deem necessary in the proper conduct of the business of the System;

(e) To adopt, alter, amend and enforce all such rules and regulations governing the conduct of the business of the System as said Board of Trustees may deem necessary or proper; and

(f) To do any and all things necessary in reference to the installing and maintaining of a complete system of records and accounts pertaining to the operations of the System and to provide Net Revenues for the payment of the Bonds Similarly Secured and other special obligations of the System in the manner provided by Texas Government Code, Section 1502.057, as amended, and other applicable laws and in accordance with the provisions of any ordinance authorizing the issuance of Bonds Similarly Secured.

SECTION 25: Maintenance and Operation - Insurance. The City hereby covenants and agrees that through the Board of Trustees the System shall be maintained in good condition and

operated in an efficient manner and at reasonable cost. So long as any of the Bonds are outstanding, the City agrees to maintain insurance for the benefit of the Holders of the Bonds on the System of a kind and in an amount which usually would be carried by municipal corporations of the State of Texas engaged in a similar type of business. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

SECTION 26: Records - Accounts - Accounting Reports. The City hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Board of Trustees will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System separate and apart from all other records and accounts in accordance with generally accepted accounting principles prescribed for municipal corporations, and complete and correct entries shall be made of all transactions relating to said System, as provided by Texas Government Code, Section 1502.057, as amended, and other applicable laws. The Holder of any Bonds, or any duly authorized agent or agents of such Holders, shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto and to inspect the System and all properties comprising same. The City acting through the Board of Trustees further agrees that, as soon as possible following the close of each Fiscal Year, an audit of such books and accounts shall be made by an independent firm of Certified Public Accountants or Licensed Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the Accountant, shall particularly include the following:

(a) A detailed statement of the income and expenditures of the System for such Fiscal Year;

(b) A balance sheet as of the end of such Fiscal Year;

(c) The Accountant's comments regarding the manner in which the Board of Trustees has carried out the requirements of this Ordinance and his recommendations for any changes, or improvements in the operation, records and accounts of the System;

(d) A list of the insurance policies in force at the end of the Fiscal Year on the System properties, setting out as to each policy the amount thereof, the risk covered, the name of the insurer and the policy's expiration date; and

(e) A list of securities, if any, in which the Bond Fund and Reserve Fund has been invested, and a statement of the manner in which money in the System Fund, Bond Fund and Reserve Fund has been secured in such Fiscal Year;

Expenses incurred in making the audits above referred to are to be regarded as maintenance and operation expenses of the System and paid as such. Copies of the aforesaid annual audit shall be immediately furnished to the Executive Director of the Municipal Advisory Council of Texas at his or her office in Austin, Texas, and upon written request, to the original purchaser, and any subsequent Holder of twenty-five percent (25%) in principal amount of the Bonds Outstanding.

SECTION 27: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Bond Fund or Reserve Fund as required by this Ordinance, or (b) defaults in the observance or performance of any other of the covenants,

conditions or obligations set forth in this Ordinance, 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 this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

SECTION 28: Special Covenants. The City hereby further covenants as follows:

(a) It has the lawful power to pledge the revenues supporting this issue of Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, including Texas Government Code, Section 1502.070, as amended; that the Previously Issued Bonds, the Bonds issued hereunder, and the Additional Bonds, when issued, shall be ratably secured under said pledge of income in such manner that one bond shall have no preference over any other bond of said issues;

(b) Other than for the payment of the Previously Issued Bonds and the Bonds, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System, except that, on a basis subordinate to that for the Bonds Similarly Secured, Net Revenues of the System have been pledged to the Commercial Paper Notes and the Program Notes;

(c) While any of the Bonds or any interest thereon remain Outstanding, the City will not sell or encumber the System or any substantial part thereof; provided, that this covenant shall not be construed to prohibit the sale of such machinery or other properties or equipment by the Board of Trustees which has become obsolete or otherwise unsuited to the efficient operation of the System; and, further, with the exception of the Additional Bonds expressly permitted by this Ordinance to be issued in Section 22 hereof, it will not encumber the Net Revenues of the System unless such encumbrance is made junior and subordinate to all of the provisions of this Ordinance;

(d) No free service will be allowed to any customer of the System, including the City and its various departments; and

(e) To the extent that it legally may, the City further covenants and agrees that, so long as any of the Bonds are Outstanding, no franchise shall be granted for the installation or operation of any competing waterworks, sanitary sewer or electric light and power system other than those owned by the City and the operation of such systems by anyone other than the City is hereby prohibited.

SECTION 29: Bonds are Special Obligations. The Bonds are special obligations of the City payable from the pledged Net Revenues and the Holders thereof shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

SECTION 30: Defeasance. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Ordinance and the Pricing Certificate, then the

pledge of the Net Revenues of the System under this Ordinance and all other obligations of the City to the Holders shall thereupon cease, terminate, and become void and be discharged and satisfied.

Bonds or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Obligations shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Obligations have been certified by an independent accounting or consulting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The City covenants that no deposit of moneys or Government Obligations will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Obligations held in trust by the Paying Agent/Registrar or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such moneys were deposited and are held in trust to pay shall, upon the request of the City, be remitted to the City against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the City shall be subject to any applicable unclaimed property laws of the State of Texas.

SECTION 31: Ordinance a Contract - Amendments.

(a) This Ordinance shall constitute a contract with the Holders from time to time, be binding on the City, and shall not be amended or repealed by the City so long as any Bond remains Outstanding except as permitted in this Section. The City, may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein.

In addition, the City may, with the written consent of holders of Bonds aggregating in principal amount more than 50% of the aggregate principal amount of then Outstanding Bonds, shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions of this Ordinance or in the Bonds so as to:

i. Make any change in the maturity of the outstanding Bonds;

ii. Reduce the rate of interest borne by outstanding Bonds;

iii. Reduce the amount of the principal payable on outstanding Bonds;

iv. Modify the terms of payment of principal of or interest on the outstanding Bonds, or impose any conditions with respect to such payment;

v. Affect the rights of the owners of less than all Bonds then outstanding; or

vi. Change the minimum percentage of the outstanding principal amount of Bonds necessary for consent to such amendment.

(b) If at any time the City shall desire to amend this Ordinance under this Section, the City shall cause notice of the proposed amendment to be sent by United States Mail, first class postage prepaid, to the Holders of Bonds at the address appearing in the Security Register. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the paying agent for inspection by all holders of the Bonds Similarly Secured.

(c) Whenever at any time the City shall receive an instrument or instruments executed by the holders of more than 50% in aggregate principal amount of all Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the paying agent, the governing body of the City may pass an amendatory ordinance in substantially the same form.

(d) Upon the passage of any amendatory ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory ordinance, and the respective rights, duties and obligations under this Ordinance of the City and the holders of then Outstanding Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

(e) Any consent given by the holder of a bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of such consent and shall be conclusive and binding upon all future holders of the same bond during such period. After the applicable period of time a consent is irrevocable has expired, the holder who gave consent, or a successor in title, may revoke such consent by filing notice thereof with the paying agent and the City, but such revocation shall not be effective if the holders of more than 50% in aggregate principal amount of the then Outstanding Bonds have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section, the fact of the holding of bonds by any holder and the amount and numbers of such bonds and the date of their holding same, may be proved by the Security Register maintained by the Paying Agent/Registrar or by affidavit of the person claiming to be such holder, or by a certificate executed by any trust company, bank, banker or any other depository wherever situated showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker or other depository, the Bonds described in such certificate. The City may conclusively assume that such ownership continues until written notice to the contrary is served upon the City.

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