

To the City Council of
The City of New Braunfels
New Braunfels, Texas

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the City for further information on the responsibilities of management and of Crowe LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts or disclosures. 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.

COMMUNICATIONS REGARDING OUR INDEPENDENCE FROM THE CITY

Auditing standards generally accepted in the United States of America require independence for all audits, and we confirm that we are independent auditors with respect to the City under the independence requirements established by the American Institute of Certified Public Accountants.

Additionally, we wish to communicate that we have no relationships with the City that, in our professional judgment, may reasonably be thought to bear on our independence and that we gave significant consideration to in reaching the conclusion that our independence has not been impaired.

Relationship	Safeguards
<p>Non-Audit Services: We were engaged to perform the following non-audit services during your last fiscal year:</p> <ul style="list-style-type: none"> • Assistance with preparation of your financial statements • SEFA Preparation and the notes to the SEFA • Assistance with GASB 34 adjustment as it relates to the recording activity within the statement of Activities for changes in governmental wide debt and capital asset and long term debt balances • Deferral adjustment as it relates to elimination of deferred inflows under the modified accrual method to the Governmental Wide financial statements • Assistance with pension/OPEB calculations, adjustments, and disclosures • Assistance with GASB 87 and 96 adjustments 	<p>We believe your management is capable of evaluating and taking responsibility for their management decisions regarding our services, and we did not assume the role of an employee or of management of the City in performing and reporting on our services.</p>

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you on September 22, 2025.

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- The nature and extent of specialized skills or knowledge needed to plan and evaluate the results of the audit, including the use of an auditor's expert.
- Where the City has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together.
- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
 - The allocation of responsibilities between you and management.
 - The City's objectives and strategies, and the related business risks that may result in material misstatements.
 - Significant communications between the City and regulators.
 - Other matters you believe are relevant to the audit of the financial statements.
- An overview of the work to be performed at the components of the group. Including a description of the following:
 - the components where work was performed, including whether certain of the group's entities or business units were considered together as a component,
 - the planned use of component auditors and our planned involvement in the work to be performed by component auditors, and
 - the basis for our decision to make reference to the audit of a referred-to auditor in the auditor's report on the group financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform Those Charged with Governance about such matters. To assist Those Charged with Governance in its oversight role, we also provide the following.

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 101, “Compensated Absences” This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.</p>	<p>Upon adoption of this GASB, the District recognized additional long-term liabilities related primarily to the estimated portion of sick leave expected to be used or paid. As a result, additional note disclosures were added to the financial statements. There was no material impact from this change.</p>
<p>Significant Unusual Transactions.</p>	<p>No such matters noted</p>
<p>Significant Accounting Policies in Controversial or Emerging Areas.</p>	<p>No such matters noted</p>

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management’s current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management’s current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the City's year-end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Allowance for Doubtful Accounts and Bad Debt Expense	The allowance for doubtful accounts was determined by management by a process involving consideration of past experiences, current aging information, information from credit reports, contacts with the customers, and other available data including environmental factors such as industry, geographical, economic and political factors.	We tested this accounting estimate by reviewing, on a test basis, the information listed and by testing information in certain customers' credit files.
Fair Values of Investment Securities and Other Financial Instruments	The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities.	We tested the propriety of information underlying management's estimates.
Useful Lives of Fixed Assets	Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the City.	We tested the propriety of information underlying management's estimates.
Pension and Postretirement Obligations	Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets.	We reviewed the reasonableness of these estimates and assumptions.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the City's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the City, considering the need to balance the cost of providing information with the likely benefit to users of the City's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the City's basis for determining useful lives assigned to tangible and intangible assets.

- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures. See the attached schedule that summarizes any such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying the uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if it was concluded that the uncorrected misstatements are immaterial to the financial statements under audit. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements. See the attached schedule that summarizes any such misstatements.

OTHER COMMUNICATIONS

Communication Item	Results
<p>Other Information Included in an Annual Report Information may be prepared by management that accompanies or includes the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether a material inconsistency exists between the other information and the financial statements. We are also to remain alert for indications that:</p> <ul style="list-style-type: none"> • Material inconsistency exists between the other information and the auditor’s knowledge obtained in the audit; or • A material misstatement of fact exists, or the other information is otherwise misleading. <p>If we identify a material inconsistency between the other information and the financial statements, we are to seek a resolution of the matter.</p>	<p>We read the other information and noted no material inconsistencies or misstatement of facts based on our reading thereof.</p>
<p>Significant Difficulties Encountered During the Audit We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p>Disagreements with Management We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the City’s financial statements or the auditor’s report.</p>	<p>During our audit, there were no such disagreements with management.</p>

Communication Item	Results
<p>Difficulties or Contentious Matters We are required to discuss with the Those Charged with Governance any difficulties or contentious matters for which we consulted outside of the engagement team that we consider both significant and relevant to Those Charged with Governance regarding their responsibility to oversee the financial reporting process.</p>	<p>During the audit, there were no such issues for which we consulted outside the engagement team.</p>
<p>Circumstances that Affect the Form and Content of the Auditor's Report We are to discuss with you any circumstances that affect the form and content of the auditor's report, if any.</p>	<p>There are no such circumstances that affect the form and content of the auditor's report.</p>
<p>Consultations with Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p>	<p>We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.</p>
<p>Representations the Auditor Is Requesting from Management We are to provide you with a copy of management's requested written representations to us.</p>	<p>We direct your attention to a copy of the letter of management's representation to us provided separately.</p>
<p>Significant Issues Discussed, or Subject to Correspondence, With Management We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.</p>	<p>There were no such significant issues discussed, or subject to correspondence, with management.</p>
<p>Significant Related Party Findings or Issues We are to communicate to you significant findings or issues arising during the audit in connection with the City's related parties.</p>	<p>There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>
<p>Other Findings or Issues We Find Relevant or Significant We are to communicate to you other findings or issues, if any, arising during the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>	<p>There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>

We are pleased to serve your City as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the City Manager, the City Council, and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.


Crowe LLP

Houston, Texas
March 16, 2026

Account Name	Debit	Credit	Increase (Decrease)				
			Asset	Deferred Outflows	Liability	Deferred Inflows	Net Position
GOVERNMENT-WIDE							
KNOWN ERRORS							
Subscription asset	4,329,652		4,329,652				
Subscription liability		4,134,010			4,134,010		
Accumulated amortization		218,888	(218,888)				
Net Position	23,246					(23,246)	
<i>To properly record subscription liability and asset related to Workday that should have been recorded in fiscal year 2024</i>							
Net position		2,144,614				2,144,614	
Accumulated depreciation	2,433,233		2,433,233				
Capital assets		288,637	(288,637)				
<i>To properly record change in capital assets and accumulated depreciation identified during Workday conversion.</i>							
Expense	724,629						(724,629)
Compensated absences		724,629			724,629		
<i>To record the impact of implementing GASB 101</i>							
NON-MAJOR FUND:							
KNOWN ERRORS							
Net position	557,500					(557,500)	
Revenue		557,500					557,500
<i>To reverse the prior year receivable booked in the incorrect fund</i>							
SOLID WASTE FUND:							
SBITA liability		93,130			93,130		
SBITA asset	254,760		254,760				
Net position	34,627					(34,627)	
Accumulated amortization		311,159	(311,159)				
Amortization expense	199,565						(199,565)
Expense		84,663					84,663
<i>To record the impact of a SBITA that was waived in the prior year</i>							
Fund balance	89,925					(89,925)	
Compensated absences		89,925			89,925		
<i>To record the impact of implementing GASB 101</i>							
AIRPORT FUND:							
Fund balance	40,939					(40,939)	
Compensated absences		40,939			40,939		
<i>To record the impact of implementing GASB 101</i>							

Account Name	Debit	Credit	Increase (Decrease)				
			Asset	Deferred Outflows	Liability	Deferred Inflows	Net Position
NON-MAJOR FUND:							
KNOWN ERRORS							
Accounts receivable	848,217		848,217				
Deferred inflow		848,217				848,217	
<i>To record deferred inflows for grant revenue not received within 60 days after year-end</i>							
							(166,753)
Expenses	166,753				166,753		
Accounts payable		166,753					
<i>To properly record accrual for Accounts Payable</i>							
Expenses	557,500						(557,500)
Due to other funds		557,500			557,500		
<i>To reverse the prior year receivable booked in the incorrect fund</i>							
GRANT FUND:							
KNOWN ERRORS							
Accounts receivable	1,220,652		1,220,652				
Deferred inflow		1,220,652				1,220,652	
<i>To record deferred inflows for grant revenue not received within 60 days after year-end</i>							
Deferred inflow	280,260					(280,260)	
Intergovernmental revenue		280,260					280,260
<i>To reverse a prior year adjusting entry</i>							
Due from other funds	557,500		557,500				
Revenue		557,500					557,500
<i>To reverse the prior year receivable booked in the incorrect fund</i>							
Restricted cash	115,238		115,238				
Revenue	60,644						(60,644)
Cash		82,277	(82,277)				
Deferred inflow		60,644				60,644	
Interest income		32,961					32,961
<i>Adjustment to reconcile cash</i>							
GENERAL FUND:							
KNOWN ERRORS							
Expenses	510,498						(510,498)
Accounts payable		510,498			510,498		
<i>To properly record accrual for Accounts Payable</i>							
HOTEL/MOTEL FUND:							
KNOWN ERRORS							
Expenses	60,603						(60,603)
Accounts payable		60,603			60,603		
<i>To properly record accrual for Accounts Payable</i>							
2023 CAPITAL IMPROVEMENTS FUND:							
KNOWN ERRORS							
Expenses	1,795,598						(1,795,598)
Accounts payable		1,795,598			1,795,598		
<i>To properly record accrual for Accounts Payable</i>							
AIRPORT FUND:							
KNOWN ERRORS							
Expenses	458,958						(458,958)
Accounts payable		458,958			458,958		
<i>To properly record accrual for Accounts Payable</i>							
2019 CAPITAL IMPROVEMENTS FUND:							
KNOWN ERRORS							
Expenses	2,332,079						(2,332,079)
Accounts payable		2,332,079			2,332,079		
<i>To properly record accrual for Accounts Payable</i>							