

CITY OF NEW BRAUNFELS

SINGLE AUDIT REPORT

September 30, 2025

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**INDEPENDENT AUDITOR'S 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**

To the Honorable Mayor and City Council
Of the City of New Braunfels, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 16, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies 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.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City'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 City'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.



Crowe LLP

Houston, Texas
March 16, 2026

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and City Council
Of the City of New Braunfels, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of New Braunfels’s (the “City”) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City’s major federal programs for the year ended September 30, 2025. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City’s federal programs.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 16, 2026, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Houston, Texas
March 16, 2026

CITY OF NEW BRAUNFELS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2025

<u>Grantor/Program</u>	<u>Federal Assistance Listing Number</u>	<u>Grant/Contract Number</u>	<u>Expenditures</u>
U.S. Department of the Treasury			
<i>Direct Award</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	SLT-8573	\$ 2,990,909
Total U.S. Department of the Treasury			<u>2,990,909</u>
U.S. Department of Justice			
<i>Passed Through Texas Office of the Governor - Criminal Justice Division</i>			
Edward Byrne Memorial Justice Assistant Grant Program	16.738	15PBJA-21-GG-01860-JAGX	27,979
Edward Byrne Memorial Justice Assistant Grant Program	16.738	15PBJA-23-GG-03034-JAGX	76,102
<i>Direct Award</i>			
Edward Byrne Memorial Justice Assistant Grant Program	16.738	15PBJA-23-GG-03818-JAGX	28,942
Total U.S. Department of Justice			<u>133,023</u>
U.S. Department of Transportation, Federal Aviation Administration			
<i>Direct Award</i>			
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	AJW-FN-CSA-23-SW-005697	706,101
<i>Pass-through Texas Department of Transportation</i>			
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	2415NWBFRF	66,111
Subtotal for AL No. 20.106			<u>772,212</u>
U.S. Department of Transportation, Federal Highway Administration			
<i>Pass-through Texas Department of Transportation</i>			
Highway Planning and Construction	20.205	0915-17-076	1,016,240
Urban State Program - 2024 Cycle	20.507	MGA-2022-2026-New Braunfels, City of-093	685,500
<i>Pass-through Texas Parks and Wildlife</i>			
Recreational Trails Program	20.219	RTS-22009 / REC-2022-New Braunfels-00031	298,200
Total for U.S. Department of Transportation			<u>2,772,152</u>
U.S. Department of Energy			
<i>Direct Award</i>			
Energy Efficiency and Conservation Block Grant (EECBG) Program	81.128	EECEQ-00975	143,530
Total U.S. Department of Energy			<u>143,530</u>
U.S. Department of Housing and Urban Development			
<i>Direct Award</i>			
Community Development Block Grant Entitlement Program	14.218	B-20-MW-48-0512	59,965
Community Development Block Grant Entitlement Program	14.218	B-23-MC-48-0512	29,930
Community Development Block Grant Entitlement Program	14.218	B-24-MC-48-0512	453,073
Subtotal CDBG - Entitlement/Special Purpose Grants Cluster			<u>542,968</u>
Total U.S. Department of Housing and Urban Development			<u>542,968</u>
National Highway Traffic Safety Administration			
<i>Pass-through Texas Department of Transportation</i>			
<i>Highway Safety Cluster</i>			
Selective Traffic Enforcement Program - Comprehensive	20.600	2025-New Brau-S-1YG-00021	41,887
Selective Traffic Enforcement Program - Commercial Motor Vehicle	20.600	2025-New Brau-S-CMV-00012	45,749
Subtotal Highway Safety Cluster			<u>87,636</u>
Total National Highway Traffic Safety Administration			<u>87,636</u>

(Continued)

CITY OF NEW BRAUNFELS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2025

<u>Grantor/Program</u>	<u>Federal Assistance Listing Number</u>	<u>Grant/Contract Number</u>	<u>Expenditures</u>
Environmental Protection Agency			
<i>Pass-through Texas Commission on Environmental Quality</i>			
Cooperative Reimbursement Contract for State and Local Government	66.460	582-22-30199	\$ 356,386
Total Environmental Protection Agency			<u>356,386</u>
U.S. General Services Administration			
<i>Passed-through Texas Facilities Commission</i>			
Donation of Federal Surplus Personal Property	39.003	N/A	7,500
Total Federal Aviation Administration			<u>7,500</u>
U.S. Department of Homeland Security			
<i>Direct Award</i>			
Fire Prevention & Safety Grant Program	97.044	EMW-2021-FP-00735	14,498
Staffing for Adequate Fire and Emergency Response Grant	97.083	EMW-2022-FF-00509	1,556,795
<i>Passed Through Texas Office of the Governor – Homeland Security Grants Division</i>			
State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program - Governance and Planning objective	97.137	EMW-2022-CY-00073 / 5176801	20,300
State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program - Governance and Planning objective	97.137	EMW-2023-SS-00025 / 5224401	10,652
Subtotal for AL No. 97.137			<u>30,952</u>
Homeland Security Grant Program	97.067	EMW-2024-SS-05096 / 4990201	58,400
Homeland Security Grant Program	97.067	EMW-2024-SS-05096 / 4968701	20,437
Subtotal for AL No. 97.067			<u>78,837</u>
Total U.S. Department of Homeland Security			<u>1,681,082</u>
Total Federal expenditures			<u>\$ 8,715,186</u>

See accompanying notes to the schedule.

CITY OF NEW BRAUNFELS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2025

NOTE 1 – REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the federal awards expended by City of New Braunfels (the City) for the year ended September 30, 2025.

NOTE 2 - BASIS OF ACCOUNTING

The Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 4 – INDIRECT COST RATE

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF NEW BRAUNFELS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No
Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major federal program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$1,000,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF NEW BRAUNFELS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2025

Section II - Financial Statement Findings

Finding 2025-001: Material Weakness in Internal Control over Financial Reporting related to Year-end Accounts Payable Accruals.

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting to ensure that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Effective controls should ensure that expenditures and related liabilities are recorded completely and in the proper reporting period, including the accrual of accounts payable at fiscal year end.

Condition: The City did not properly accrue certain expenditures incurred prior to fiscal year end. As a result, accounts payable and related expenditures were understated.

Cause: The City implemented a new financial management system shortly before fiscal year end. Due to the timing of the system conversion, finance personnel were still becoming familiar with the system's functionality and posting logic during the year-end close. This transition contributed to the oversight in identifying and recording all necessary accruals.

Context: As part of our audit procedures, we performed a search for unrecorded liabilities, which included reviewing disbursements made subsequent to fiscal year end and examining supporting documentation to determine whether related goods or services were received prior to year end. Through these procedures, we identified unrecorded liabilities that should have been accrued back to fiscal year 2025, but were recorded in fiscal year 2026 totaling approximately \$6.4 million, which related to 14 invoices that were received and entered during October 2025.

Effect: The failure to properly accrue accounts payable resulted in an understatement of liabilities and expenditures in the financial statements.

Recommendation: We recommend that the City continue strengthening its year-end closing procedures within the new system environment, including: 1) Utilizing a formal year-end closing checklist tailored to the system; 2) Performing documented reconciliations of subsequent disbursements and other accrual-related data; 3) Establishing clear supervisory review of accrual calculations; and 4) Continuing targeted system training for finance personnel.

Views of responsible officials and planned corrective actions: See response included in the current year Corrective Action Plan.

Section III – Federal Awards Findings and Questioned Costs

No findings or questioned costs were reported for the current year.

FY 2025 Audit – Corrective Action Plan

Condition

During the FY 2025 audit, the City did not properly accrue certain expenditures incurred prior to fiscal year end. As a result, accounts payable and related expenditures were understated. Audit procedures identified approximately \$6.4 million in liabilities for goods and services received in FY 2025 that were recorded in FY 2026 due to the related invoices being received between October and November 2025.

Cause

The City implemented Workday shortly before fiscal year end. Due to the timing of the system conversion, finance personnel were still becoming familiar with Workday's posting logic, reporting tools, and supplier invoice workflows. This limited familiarity contributed to incomplete identification of accrual-eligible transactions.

Effect

Liabilities and expenditures were understated in the financial statements, resulting in a material weakness in internal control over financial reporting.

Corrective Action Plan

Finance staff identified the underlying posting-logic issue and implemented system corrections at the time of discovery, which is demonstrated by the limited time period affected by the issue. In addition to that remediation, the City is implementing the following corrective actions to further strengthen year-end accrual processes and ensure accurate financial reporting within the Workday environment:

- **Workday-Specific Year-End Closing Checklist Enhancements:** The City will enhance its formal year-end closing checklist. The checklist will include additional required reports, responsible personnel, deadlines, and review processes specific to accounts payable in Workday.
- **Documented Subsequent Disbursements Review:** The City will establish a standardized reconciliation process for subsequent disbursements using Workday's *Supplier Payments* report filtered for payments made within the first 30, 60 and 90 days of the new fiscal year. Staff will review supporting documentation, determine whether goods or services were received prior to year-end, and document accrual decisions. Supervisory approval will be required, and documentation will be retained for audit.
- **Enhanced Supervisory Review of Accrual Journal Entries:** Manager will validate completeness of the subsequent disbursements review, accuracy of accounting dates and worktags, and attachment of supporting documentation.
- **Targeted Workday Training for Finance Personnel:** The City will continue to provide focused training on Workday's supplier invoice lifecycle, accounting date logic, reporting tools used for accrual identification, and journal entry processes. Annual refresher training will be required.

Responsible Officials for Plan Implementation

- **Sandy Paulos, Director of Finance**

Sandy Paulos

- **Carren Ridge, Accounting & Treasury Manager:** Oversight of corrective action plan and supervisory review.

Carren Ridge

- **Lisa Cole, Accounting Supervisor:** Execution of subsequent disbursements review and cutoff testing.

Lisa Cole

- **Accounting Staff:** Completion of training and performance of year-end tasks.

Anticipated Completion Date

September 2026