



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

February 23, 2021

City Council and City Management
City of Helotes, Texas

We have audited the financial statements of the City of Helotes, Texas for the year ended September 30, 2020 and have issued our report thereon dated February 23, 2021. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 16, 2020, our responsibility, as described by professional standards, 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 aspects and in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatements. An audit of financial statements includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls over financial reporting. Accordingly, as part of our audit, we considered the internal controls of the City of Helotes solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethical Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Helotes is included in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions or (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive estimates affecting the financial statements were:

- Useful lives of depreciable assets;
- Allowance for uncollectible accounts receivable for Emergency Medical Services; and
- Net Pension and Total Other Post-Employment Benefit (OPEB) Liabilities and the assumptions for mortality rates and investment returns.

The useful lives of the depreciable assets are based on past history, engineering estimates, and industry standards. The allowance for uncollectibles is based on the City of Helotes' EMS collection history. The estimates related to the Net Pension and Total OPEB Liabilities are based on the actuarial study performed by Texas Municipal Retirement System with no input from the City's management. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive financial statement disclosures include revenue recognition and employees' retirement systems.

Significant Difficulties Encountered during the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The following transaction summarizes an uncorrected financial misstatement whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole:

- Salaries in various departments are understated by \$113,483 as a result of payroll accrual not recorded.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Significant adjustments were made to accrue additional sales tax revenue and CARES Act funding, reverse prior year payables, and to accrue current year payables related to reimbursement of sales tax through 380 agreements with developers.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain representations from management that are included in the management representation letter dated February 23, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Compliance with Public Funds Investment Act

The Public Funds Investment Act (the "Act") requires that we include, as part of our audit, procedures to determine if the City of Helotes had complied with the provisions of the Act. We found, as a result of our tests, that the City had complied, in all material respects, with the provisions of the Act and the City's internal investment policy.

Trend Analysis

We have prepared the attached "Trend Analysis" as a financial snapshot for Council and Staff. Sound financial management dictates that a minimum fund balance be maintained that is sufficient to ensure operations will continue uninterrupted and emergencies that arise from time to time will be met. A rule of thumb for a minimum fund balance for the general fund is no less than two months average of operating expenditures (exclusive of capital outlay and debt service expenditures). The attachment details the trend over the last four years. This is presented for additional analysis and as a planning tool. We make no recommendation regarding the analysis of this information.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing the information has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Council and management of the City of Helotes and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

February 23, 2021

TREND ANALYSIS	9/30/17	9/30/18	9/30/19	9/30/20
GENERAL GOVERNMENT				
FUND BALANCE - GENERAL FUND (1)	\$ 1,996,778	\$ 1,908,237	\$ 1,590,430	\$ 1,763,524
AVERAGE MONTHLY OPERATING EXPENDITURES (2)	490,740	515,144	540,255	523,664
GROWTH RATE PER YEAR - AVERAGE MONTHLY OPERATING EXPENDITURES		4.97%	4.87%	-3.07%
MONTHS OF AVERAGE MONTHLY EXPENDITURES IN FUND BALANCE	4.1	3.7	2.9	3.4
GENERAL BONDED DEBT	10,250,000	9,490,000	8,875,000	8,235,000
RATIO OF GENERAL BONDED DEBT TO FUND BALANCE	5.13 / 1	4.97 / 1	5.58 / 1	4.62 / 1

(1) Includes unassigned fund balance only

(2) Exclusive of Capital Outlay and Debt Service expenditures.