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Members of the City Commission
City of Weslaco, Texas

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 of Weslaco, Texas for the year ended September 30, 2008. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 22, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Weslaco, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 significantly from those expected. The most sensitive estimate(s) affecting the Enterprise financial statements was:

Management's estimate of the allowance for doubtful accounts is based on historical water and sewer revenues, and an analysis of the collectibility of individual accounts. We evaluated the assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed because 1). The City's Director of Finance resigned during the interim phase of our audit and there was no one in the accounting department available with adequate experience to readily assist us with the completion of the audit. The interim-Director of Finance needed time to become familiar with his new role and responsibilities in addition to assisting us with completing the audit. 2). Another delay involved the City's lack of adequate fixed assets records and related depreciation records which has resulted in a qualified opinion on the City's financial statements. 3). A third delay involved the City's response letter regarding our request to explain two transactions in the 2007 bond projects and their effect on the bond covenants.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management.

- During our examination, we discovered numerous transactions were posted incorrectly in the general ledger. Management charged significant amounts (\$2,727,000) of capital outlay to operating expense rather than capitalizing these additions to the balance sheet of the enterprise fund. This required an extensive analysis and management agreed to correct the errors.

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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 22, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those

statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Information in Documents Containing Audited Financial Statements

The financial statements referred to above that were audited by us are included in the annual report prepared by the City of Weslaco. Our responsibility under professional standards does not extend beyond the financial statements covered by our auditors' report, and we have no obligation to corroborate other information contained in the annual report or other documents in which the financial statements are included. We have only read this information to consider whether it was materially inconsistent with the financial statements.

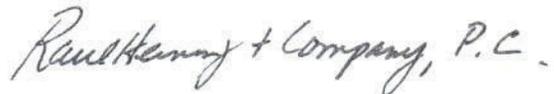
Other Audit Findings or Issues

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the information and use of the City Commission, management, and others within the organization and is not intended to be and should not be used by anyone other than the specified parties.



Luis G. Castilleja, CPA



Raul Hernandez & Company, P.C.

May 22, 2009

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To Honorable Mayor,
and City Commission
City of Weslaco, Texas

In planning and performing our audit of 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 City of Weslaco s of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered City of Weslaco's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 of Weslaco's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Weslaco's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been indentified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 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. We consider the following deficiencies in City of Weslaco's internal control to be material weaknesses:

2008-01 Internal Control over Financial Reporting

Finding:

SAS No. 112-Communicating Internal Control Related Matters Identified in an Audit establishes requirements for auditors to communicate certain control deficiencies that have been identified during the audit.

Management is responsible for establishing and maintaining internal controls, including ongoing activities, for the selection and application of accounting principles; and for the fair presentation in the financial statements in accordance with U.S. generally accepted accounting principles. The City's management is responsible for reliably initiating, authorizing, recording and processing all accounting data and a proper control system must provide for the reliable and accurate reporting of this financial data. The City relied on us to prepare its financial statements in accordance with U.S. generally accepted accounting principles which is considered common for entities with a small staff. Since management does not possess the ability to prepare the financial statements it does not have the skills and knowledge to prevent, detect and correct a misstatement in the financial statements and this presents a "material weakness" in the City's internal control system. As your auditor, we can not be considered part of the City's internal control; thus controls over the financial statement preparation function that exist in our firm cannot be considered in determining whether there is a control deficiency and its severity."

Recommendation:

We recommend that the City consider strengthening its internal control over financial reporting and monitoring on going activities. We also recommend that management and the City Commissioners remain involved in the financial reporting process. The funding of future federal and state grants may be affected if this material weakness is not corrected. A CPA other than the auditing firm can be apart of the client's internal control, and those controls can be considered.

2008-02 Posting Errors/Internal Control Weaknesses

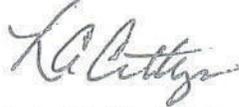
Finding:

During our examination, we discovered numerous transactions were posted incorrectly in the general ledger. Management charged significant amounts (\$2,727,000) of capital outlay to operating expense rather than capitalizing these additions to the balance sheet of the enterprise fund. This required an extensive analysis and management agreed to correct the errors. As mentioned in the independent auditor's report, the city did not maintain adequate records for general fixed assets and related depreciation. These errors are a result of management's lack of understanding of accounting principles. In many instances we noted that work prepared by personnel is not being properly approved by senior management. Many of the journal entries are not being reviewed by a supervisor. During our subsequent review of the city's transactions, we noted two particular disbursements for a capital project, totaling over \$1,800,000, which did not appear to have complete authorization for payment. Further inquiries to management disclosed that these particular transactions did not appear to include the city engineer's approval for the payment as well. Management is conducting extensive research on these transactions as of the date of this report.

Recommendation:

We recommend that management consider correcting these weaknesses in internal control. The costs of employing an additional accountant/internal auditor with the requisite education, training and experience may well exceed the benefit that the City could receive by strengthening these control weaknesses. For that reason, we strongly recommend that management and the city commissioners be aware of these weaknesses and become more involved in the financial reporting process. Internal audits of all departments should be performed in order to reevaluate all internal controls within the city as well as help identify the areas which need immediate attention. The internal audits will also enhance the effectiveness and efficiency of the city operations. We strongly recommend that all capital projects expenditures be reviewed immediately to determine if the city's policies and procedures for these projects are being properly adhered to by the City.

This communication is intended solely for the information and use of management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Luis G. Castilleja, CPA



Raul Hernandez & Company, P.C.

May 22, 2009