

**TRUST FOR THE CONSERVATION,  
OPERATION AND MAINTENANCE  
OF THE PUERTO RICO NATIONAL PARKS  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1998  
TOGETHER WITH THE INDEPENDENT  
AUDITORS' REPORT**

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Puerto Rico Society of  
Certified Public Accountants  
Virginia Society of  
Certified Public Accountants  
Private Companies Practice  
Section Division for CPA Firms

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**Fuentes-Fernández & Company.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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## **INDEPENDENT AUDITORS' REPORT**

**Board of Trustees  
Trust for the Conservation,  
Operation and Maintenance  
of the Puerto Rico National Parks  
San Juan, Puerto Rico**

We have audited the accompanying balance sheet of the **Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks** (the Trust), a component unit of the Government of Puerto Rico, as of June 30, 1998 and the related statement of revenues and expenditures-budget and actual-general fund for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position for the Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks at June 30, 1998, and the results of its operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles.

  
**FUENTES-FERNANDEZ & COMPANY**  
Certified Public Accountants  
License No. 197

November 3, 1998  
San Juan, Puerto Rico

Stamp No. 1540993 was  
affixed to the original of  
this report.

**TRUST FOR THE CONSERVATION,  
OPERATION AND MAINTENANCE  
OF THE PUERTO RICO NATIONAL PARKS  
BALANCE SHEET GOVERNMENTAL FUND  
TYPES AND ACCOUNT GROUPS  
JUNE 30, 1998**

	<u>GOVERNMENTAL FUNDS</u>		<u>ACCOUNTS GROUPS</u>		<u>Totals</u>
	<u>General</u>	<u>Capital Projects</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>
<b><u>ASSETS</u></b>					
Cash	\$ 1,169	\$ 129,692	\$ 0	\$ 0	\$ 130,861
Cash equivalents	426,174	14,403,277	0	0	14,829,451
Accounts receivable:					
Concessionaires-net of reserve of \$44,365	119,636	0	0	0	119,636
Governmental Entities	118,202		0	0	118,202
Due from other funds		56,749	0	0	56,749
Others	61,066	42,834	0	0	103,900
Prepaid expenses	8,871	0	0	0	8,871
Fixed assets	0	0	51,467,513	0	51,467,513
Amount to be provided for payment or regular vacations and illness	0	0	0	568,546	568,546
<b>Total assets</b>	<b><u>\$735,118</u></b>	<b><u>\$14,632,552</u></b>	<b><u>\$51,467,513</u></b>	<b><u>\$568,546</u></b>	<b><u>\$67,403,729</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$148,919	\$ 115,510	\$ 0	\$ 0	\$ 264,429
Due to governmental entities	477,589	0	0	0	477,589
Accrued liabilities	156,329	3,093	0	0	159,422
Due to other funds	56,749	0	0	0	56,749
Regular vacations and illness payable	0	0	0	568,546	568,546
<b>Total liabilities</b>	<b><u>839,586</u></b>	<b><u>118,603</u></b>	<b><u>0</u></b>	<b><u>568,546</u></b>	<b><u>1,526,735</u></b>
<b>Fund balance:</b>					
Fund balance	( 228,731 )	14,458,627	0	0	14,229,896
Investment in general fixed assets	0	0	51,467,513	0	51,467,513
Reserve for encumbrances	124,263	0	0	0	124,263
Reserve for capital projects	0	55,322	0	0	55,322
<b>Total fund balance</b>	<b>( 104,468 )</b>	<b><u>14,513,949</u></b>	<b><u>51,467,513</u></b>	<b><u>0</u></b>	<b><u>65,876,994</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$735,118</u></b>	<b><u>\$14,632,552</u></b>	<b><u>\$51,467,513</u></b>	<b><u>\$568,546</u></b>	<b><u>\$67,403,729</u></b>

See accompanying notes to financial statements.

**TRUST FOR THE CONSERVATION,  
OPERATION AND MAINTENANCE  
OF THE PUERTO RICO NATIONAL PARKS  
(A COMPONENT UNIT OF THE GOVERNMENT OF PUERTO RICO)  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-ALL GOVERNMENT FUND  
TYPES AND EXPENDABLE TRUST FUNDS  
YEAR ENDED JUNE 30, 1998**

	<u>GOVERNMENTAL FUNDS</u>		<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
<b>REVENUES:</b>			
Legislative appropriations	\$2,300,000	\$ 0	\$ 2,300,000
Other governmental appropriations	900,199	0	900,199
Parks activities	1,174,342	0	1,174,342
Interest income	795,946	0	795,946
Other	12,712	140,949	153,661
<b>Total revenues</b>	<b><u>5,183,199</u></b>	<b><u>140,949</u></b>	<b><u>5,324,148</u></b>
<b>EXPENDITURES</b>			
Current:			
Salaries and marginal benefits	3,191,864	13,850	3,205,714
Professional and consulting services	181,146	60,860	242,006
Electricity, water and telephone	367,135	0	367,135
Repair and maintenance of buildings and equipment	220,293	518,386	738,679
Advertising	43,410	0	43,410
Insurance	110,675	0	110,675
Security	699,078	0	699,078
Others	79,631	19,698	99,329
Acquisition of machinery and equipment	95,150	17,716	112,866
<b>Total expenditures</b>	<b><u>4,988,382</u></b>	<b><u>630,510</u></b>	<b><u>5,618,892</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>194,817</u></b>	<b><u>( 489,561 )</u></b>	<b><u>( 294,744 )</u></b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b><u>( 272,673 )</u></b>	<b><u>15,001,113</u></b>	<b><u>14,728,440</u></b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b><u>( 26,612 )</u></b>	<b><u>0</u></b>	<b><u>( 26,612 )</u></b>
<b>FUND BALANCE AT BEGINNING OF YEAR-RESTATED</b>	<b><u>( 299,285 )</u></b>	<b><u>0</u></b>	<b><u>( 14,701,828 )</u></b>
<b>FUND BALANCE AT END OF YEAR</b>	<b><u>( \$ 104,468 )</u></b>	<b><u>\$14,511,552</u></b>	<b><u>\$14,407,084</u></b>

See accompanying notes to financial statements.

**TRUST FOR THE CONSERVATION,  
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OF THE PUERTO RICO NATIONAL PARKS  
(A COMPONENT UNIT OF THE GOVERNMENT OF PUERTO RICO)  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 1998**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable Unfavorable</u>
<b>REVENUES:</b>			
Legislative appropriations	\$ 2,300,000	\$ 2,300,000	\$ 0
Other governmental appropriations	1,349,801	900,199	( 449,602 )
Parks activities	930,534	1,174,342	243,808
Interest income	863,537	795,946	( 67,591 )
Other	<u>15,900</u>	<u>12,712</u>	( <u>3,188</u> )
<b>Total revenues</b>	<u><b>5,459,772</b></u>	<u><b>5,183,199</b></u>	( <u><b>276,573</b></u> )
<b>EXPENDITURES</b>			
Current:			
Salaries and marginal benefits	3,164,214	3,192,639	( 28,425 )
Professional and consulting services	225,252	181,569	43,683
Electricity, water and telephone	896,814	367,226	529,588
Repair and maintenance of buildings and equipment	168,352	183,204	( 14,852 )
Advertising	47,937	44,558	3,379
Insurance	95,158	110,675	( 15,517 )
Security	684,256	729,795	( 45,539 )
Others	115,673	68,037	47,636
Acquisition of machinery and equipment	<u>62,116</u>	<u>97,748</u>	( <u>35,632</u> )
<b>Total expenditures</b>	<u><b>5,459,772</b></u>	<u><b>4,975,451</b></u>	<u><b>484,321</b></u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>0</b>	<b>207,748</b>	<b>207,748</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>0</b>	<b>( 409,867 )</b>	<b>( 409,867 )</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>0</b>	<b>( 26,612 )</b>	<b>( 26,612 )</b>
<b>FUND BALANCE AT END OF YEAR</b>	<u><b>\$ 0</b></u>	<u><b>( \$ 228,731 )</b></u>	<u><b>( \$ 228,731 )</b></u>

See accompanying notes to financial statements.

**TRUST FOR THE CONSERVATION,  
OPERATION AND MAINTENANCE  
OF THE PUERTO RICO NATIONAL PARKS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks (The Trust) was constituted December 23, 1988. The Board of Trustees of the Trust is composed by the President of the Board of Directors of the Recreational Development Company of Puerto Rico, who presides the Board and appoints the members of it, a member representing the Commonwealth of Puerto Rico, a member representing the private sector, a member representing donators, and a member representing the adviser council. The Governor of the Commonwealth of Puerto Rico designates the Executive Director of the Trust, who is responsible for the daily operations of the Trust. Every four years, the Governor designates five members to the adviser council of the Board of Trustees and to the Executive Director.

The Trust has the obligation to develop, operate and provide the maintenance and conserve all national parks transferred by the Recreational Development Company of Puerto Rico, a public corporation created by Law 114 June 23, 1961, as amended, and of those recreational facilities that from time to time passed to the jurisdiction of the Trust.

The parks under the jurisdiction of the Trust are the following:

- a. Condado Lagoon National Park
- b. Liberty Plaza
- c. The Nereidas Plaza
- d. Baldorioty Illuminent Fountain
- e. Luis Muñoz Marín Park
- f. Luis Muñoz Rivera Park
- g. Julio Enrique Monagas Park
- h. Enrique Martí Coll Lineal Park
- i. Caverns of Camuy River Park

For purpose of financial statements, the Trust is a component unit of the Government of Puerto Rico.

The accounting policies of the Trust conform to generally accepted accounting principles as applicable to governments.



**TRUST FOR THE CONSERVATION,  
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**ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

The following is a summary of the most significant accounting policies:

**(A) Financial Reporting Entity**

The management of the Trust has considered all the possible component units for financial statement purposes. The decision to include the component units on the financial statements was based on the criteria established by the generally accepted accounting principles and governmental accounting standards board. The principal criteria to include an entity as component unit is the capacity to assume the responsibility for other entities. The most significant characteristics is the financial dependency. Other characteristics of the capacity to assume the responsibility for other entities includes, but are not limited to, the selection of the authority to govern and management, capacity to significantly influence the operations and fiscal matters. Another criteria used to evaluate if the possible component units, are to included or excluded from the financial statement, is the existence of a special financial assistance, independently if the Trust exercise the capacity to assume the responsibility by other entities. Based on the evaluation of these criteria, the Trust only assume responsibility for the operations of the facilities under its jurisdiction.

**(B) Basis of Presentation-Fund Accounting**

The accounts of the Trust are organized on the basis of funds of accounts groups, each of which is considered to be a separate accounting entity. The transactions of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenditures. Funds are ordered into three major categories: governmental, proprietary and fiduciary. Funds within each major category are grouped by fund type in the financial statements. The funds and accounts groups used by the Trust are as follows:

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**ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

**Governmental Fund Types:**

**General Fund**

The General Fund is the main operating fund of the Trust. This fund is used to account for all financial resources not accounted for in other funds. All general revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs that are not paid through other funds are paid from the General Fund.

**Capital Projects Fund**

The Capital Projects Funds are used to account for the acquisition or construction of capital facilities for the Trust.

**Debt Service Fund**

The debt service fund is established for the purpose of accumulating the benefits related to vacations and sick leave.

**Account Groups:**

Accounts groups are used to establish accounting control and accountability for the Trust's general fixed asset and general long-term debt obligations. The two accounts groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

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**ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**General Fixed Assets Accounts Group**

This account groups is established to account for all fixed assets of the Trust, the equipment acquired is recorded as expenditures in the government funds and capitalized at cost in the general fixed assets account group.

**General Long-Term Debt Account Group**

This account group is established to account for all of the Trust's long-term debt and governmental fund compensated absences that will be financed from general government resources.

**(C) Basis of Accounting**

The Governmental Fund uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Revenues are recognized on the Statement of Revenues and Expenditures- All Funds when the related expenditures is incurred. Revenues are, therefore, recognized as expenditures are incurred.

Expenditures are recorded when the liability is incurred, except for vacations and sick leave, liabilities, which are recorded in the general long-term debt account group and are recognized when paid.

**(D) Encumbrances**

Encumbrances represents commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the Governmental Fund Types. For budgetary purposes appropriations lapse at fiscal year end except for that portion related to encumbered amounts. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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**ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Compensated Absences**

The employees of the Trust have the right to 30 regular vacations days and 18 sick leave days for each year. On December 28th, 1995, a Collective Bargaining Agreement (the Agreement) was signed for the employees of the Caverns of Camuy River Park that became effective, July 1st, 1994, which establish that the employer should liquidate the excess of the 40 days in balance of the sick leave accrued at June of each year, payable during the first 15 days of July. Also, the Agreement requires to liquidate in the first 15 days of January the excess of the 60 days of vacations at December 31 of the previous year, and establish that the total accrued sick leave would be paid as part of the final liquidation when the employees cease to work for the Trust except in case of termination of employment by the Trust. For employees not covered by the Agreement, the sick leave and vacations not taken in excess of the days provided by law will be paid annually, as established by the Personal Law of Public Service #156 of August 20, 1956.

The amount owed in vacations and sick leave will be registered in the General Long-Term Debt group.

**(E) Budgetary Information**

The Trust conducts the following procedures in order to establish the budgetary information reflected in the accompanying financial statements:

- ◆ The Trust prepares its annual budget and submits it to the Board of Trustees for its approval.
- ◆ The budget is approved on the basis of a global assignment.
- ◆ The Trust submits to the Office of Management and Budget of the Commonwealth of Puerto Rico (OMB) the budget detailed by expenditure classification for its registration in books.
- ◆ The budgetary items can be amended only if such amendments do not exceed the total amount of the original budget, and they are submitted to the OMB.

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**ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

- ◆ The budget is prepared using the modified accrual basis of accounting, except for encumbrances, as explained further on.

The adjusted actual results of operations, presented in the Statement of Revenues and Expenditures-Budget and Actual-General Fund, is reflected in conformity with the budgetary accounting of the Office to enhance comparability.

The primary differences between the budgetary basis and the GAAP basis are the following:

- ◆ Encumbrances are presented as expenditures under the budgetary basis.
- ◆ Legislative appropriations are recorded when the expenditure is incurred under the GAAP basis.

The reconciliation of the General Fund between the budgetary basis and the GAAP basis is as follows:

GAAP basis according to the Statement of Revenues, Expenditures and Changes in Fund Balance - All Government Fund	\$ 194,817
Plus prior years encumbrances recorded as expenditures during current year under the GAAP basis	137,194
Less current year encumbrances not recorded under GAAP basis	( <u>124,263</u> )
Budgetary basis according to the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual (Budgetary Basis) General Fund	<u>\$ 207,748</u>

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**ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

**(F) General Fixed Assets**

The general fixed assets acquired are recorded as an expenditure in the General Funds and are capitalized at cost in the general fixed assets account group. The general fixed assets donated to the Trust are recorded at the estimated fair market value at the date of the donation.

Depreciation is not provided on general fixed assets.

**(H) Compensated Absences**

The employees of the Trust have the right to 30 regular vacation days and 18 sick leave days for each year. As a general rule, employees having accrued vacations in excess of 60 days will have to use the excess before December 31. In some instances where the employee can not use such excess, the excess should be paid. The payment should be made on or before the following January 15. Sick leave licenses accrued in excess of 40 days at June of each year, will be paid during the first 15 days of July. When an employee resigns, the Trust accumulated vacation is liquidated. The resignation as a government employee, before consuming the accrued sick leave days, ends all right to compensation, except for those employees with ten or more years of service, who have the right to such compensation up to the maximum allowed.

The accrued compensated absences includes the employer contributions related to the payment of compensated absences. This liability is accounted for in the general long-term debt account group.

**(I) Insurance**

The Trust has an insurance coverage for its public facilities, primarily to provide protection against catastrophic losses. Also, the principal officers of the Trust are covered under various policies. The Secretary of the Department of the Treasury is the agent in charge of acquiring the insurance coverages of the Trust.

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**ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

**(J) Use of Estimates**

Management of the Trust has made certain estimates and assumptions relating to the reporting of assets and liabilities and contingency disclosures to prepare these financial statements. Actual results could differ from the estimates.

**(K) Total Columns (Memorandum Only)**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present consolidated financial position on results of operations in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

**2. CASH AND CASH EQUIVALENTS**

The cash accounts of the Trust as of June 30, 1998 are secured up to \$100,000 by the Federal Deposit Insurance Company (FDIC) and the excess is collateralized by the Treasury Department.

We classify the Certificates of Deposits (CD's) as cash equivalents, the following is the detail of the CD's as of June 30, 1998:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Rate</u>
June 30, 1998	September 30, 1998	\$10,000,000	5.55%
June 30, 1998	August 31, 1998	<u>4,829,451</u>	5.50%
		<u><u>\$14,829,451</u></u>	

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**3. FIXED ASSETS**

The following details the changes of the general fixed assets for the year ended June 30, 1998.

	Balance as <u>June 30, 1997</u>	<u>Additions</u>	<u>Retirements</u>	Balances <u>June 30, 1998</u>
Parks and Plazas	\$ 30,612,571	\$110,533	\$ 0	\$30,723,104
Land	2,149,800			2,149,800
Office Equipment	771,635	113,987	0	885,622
Automobiles	1,149,081			1,149,081
Improvements	15,949,722	181,215	0	16,130,937
Other Equipment	431,018		2,049	428,969
	<u>\$ 51,063,827</u>	<u>\$405,735</u>	<u>\$2,049</u>	<u>\$51,467,513</u>

**4. EMPLOYEES RETIREMENT PLAN**

Regular employees of the Trust that have 55 years of age or less at the time of commencement of their job, participate on the Retirement System of Employees of the Commonwealth of Puerto Rico and its instrumentalities ( the System).

The System allows the beneficiary to participate in a retirement plan, death and disability as provided by Law 447, approved in May 15, 1951, as amended, and effective on January 1st, 1952. The Disability Benefit Retirement Plan applies to Disability Occupational Employees. Those benefits depends on the age of retirement and the credited years of services. Employees have these benefits after ten (10) years of participating in the System.

For employees that retire at age of 55 years or older, with 25 years of credited services, or 58 years of age with 10 years of credited service, have the right of benefit payment, paid monthly for life.

The annuality amount would be 1 1/2% of the average of the compensation multiplied by the number of credited years up to 20 years, plus the 2% of the average of the compensation multiplied by the number of credited years in excess of 20 years. In any case, the annuality would not be less than \$200 monthly.



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**EMPLOYEES RETIREMENT PLAN (continued)**

The participant are eligible for a pension by merit when reaching 30 years or more of credited service. Participants with less of 55 years of age would receive 65% of the average of the compensation, if they have 55 years they will receive 75% of the average of the compensation.

The Pension Benefits for Disability will be available for the participants for those with disability or occupational disability. Therefore, to receive the benefits for no occupational disability, the employee must have at least 10 years of service. No benefits will be paid to a participant if it receives a reimbursement of the accumulated contributions.

The legislation requires the employee to contribute with 5.775% for the first \$550 of their monthly gross salary. The Trust will contribute a 9.275% of the gross salary. The total contribution for the year ended June 30, 1998 by the employers and approved by the Trust is \$159,593 and \$191,303, respectively. The employees total payroll covered by the System for the year was of approximately \$2,062,567.

For the fiscal years ended on June 30, 1995, 1996 and 1997 the Trust contributed \$253,280, \$253,036 and \$243,425, respectively, that represents approximately a 100% of required contribution.

Any liability or asset has been recognized in the beginning of the year as the result of the new adopted accounting principle (SGAS27). In prior years of the adoption of the pronouncement the Trust did not recognized liability or any asset.

**5. PRIOR PERIOD ADJUSTMENTS**

Certain errors, resulting in overstatement of revenues; also, overstatement and understatement of expenditures of the prior year were corrected this year. The changes to Fund Balance as of June 30, 1997, and the related Statements of Revenues and Expenditures for the year then ended are summarized as follows:

**TRUST FOR THE CONSERVATION,  
OPERATION AND MAINTENANCE  
OF THE PUERTO RICO NATIONAL PARKS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998**

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**PRIOR PERIOD ADJUSTMENTS (continued)**

	<b>Fund Balance</b>	<b>Excess Of Revenues Over Expenditures</b>
As previously reported	( \$272,673 )	\$ 69,628
Overstatement of Expenditures	13,298	13,298
Overstatement of Interest revenues	( <u>39,910</u> )	( <u>39,910</u> )
	<u>26,612</u>	( <u>26,612</u> )
 As restated, June 30, 1997	 ( <u>\$299,285</u> )	 <u>\$ 43,016</u>

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**Fuentes-Fernández & Company**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL**  
**STRUCTURE BASED ON AN AUDIT OF**  
**FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE**  
**WITH GOVERNMENT AUDITING STANDARDS**

**Board of Trustees**  
**Trust for the Conservation,**  
**Operation and Maintenance**  
**of the Puerto Rico National Parks**  
**San Juan, Puerto Rico**

We have audited the financial statements of **Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks** (The Trust), a component unit of Government of Puerto Rico, as of and for the year ended June 30, 1998, and have issued our report thereon dated November 3, 1998.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of The Trust, a component unit of Government of Puerto Rico, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks, a component unit of the Government of Puerto Rico, for the year ended June 30, 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the audit committee, management, and Board of Trustee. However, this report is a matter of public record and its distribution is not limited.

  
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November 3, 1998  
San Juan, Puerto Rico

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Trustees  
Trust for the Conservation,  
Operation and Maintenance  
of the Puerto Rico National Parks  
San Juan, Puerto Rico**


We have audited the financial statements of Board of The Trust for the Conservation, Operation and Maintenance of the Puerto Rico National Parks (The Trust), a component unit of Government of Puerto Rico, as of and for the year ended June 30, 1998, and have issued our report thereon dated November 3, 1998.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to The Trust, a component unit of Government of Puerto Rico, is the responsibility of the entity's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements were not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Trustees. However, this report is a matter of public record and its distribution is not limited.

  
**FUENTES-FERNANDEZ & COMPANY**  
Certified Public Accountants  
License No. 197

November 3, 1998  
San Juan, Puerto Rico

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