PERFORMANCE *and* ACCOUNTABILITY REPORT

THE PRESIDIO TRUST

Years Ended September 30, 2011 and 2010, with Independent Auditors' Report

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Message from the Executive Director

The Presidio Trust's (the "Trust") mission is to preserve the Presidio of San Francisco as an enduring resource for the American people. The Fiscal Year (FY) 2011 Annual Report illustrates our continued progress in transforming the historic military post into a great national park site, and demonstrates the Trust's ability to operate and maintain the park without cost to the public.

The Presidio has been operationally self-sufficient since 2004, investing federal appropriations as well as earned revenue into park improvements. The Trust's growing net operating income provides tangible and compelling evidence that the Presidio is becoming a self sustaining National Park. Further evidence is seen in the park-wide improvements. Virtually all of the Trust's housing is now leased and 55% of the non-residential space is leased to tenants. The Trust has won eight awards alone for one of its most ambitious historic rehabilitation projects, the Public Health Service District. More than 20 percent of the Presidio's landscapes have also been rehabilitated, including key stands of the historic forest, rare natural areas and watersheds, and historic streetscapes.

This capital intensive work of restoring and building a revenue base has necessarily been the Trust's focus in the early years of its operation, and has positioned the Trust to meet the larger purposes of the Presidio Trust Act. For the years ahead we will continue and add focus to the next great endeavor, which is to bring innovative public programmatic uses to the Presidio, while continuing to carefully manage the multiple business activities which support the Presidio.

In FY 2011, the Trust completed the rehabilitation of three of the six iconic Montgomery Street Barracks, initiated rehabilitation of the Officers' Club, San Francisco's oldest building, as well as an historic Bachelor Officers Quarter, which will open in April 2012 as the Presidio's first inn. We also planted more than 400 trees, crossed the half-way mark in completing a 24-mile trails network, and undertook planning for a Presidio visitor center with the National Park Service and the Golden Gate National Parks Conservancy.

Among the many accomplishments of FY 2011, the greening of the Main Parade Ground stands as a key milestone of park making: a 7-acre asphalt parking lot for more than five decades, the Main Parade has been re-landscaped as a green commons, its ceremonial character restored and a new public space created at the heart of the park.

The Trust's financial reporting to Congress and the American public is an essential element of illustrating the Trust's success and building public understanding and support for its management of the Presidio. The Trust's financial systems conform to government-wide standards, and the financial and performance data provided in this report are reliable and complete. No material internal control weaknesses have been identified.

Karen A. Cook

for: Craig Middleton
November 15, 2011

Overview

The Presidio Trust is the federal corporation created by Congress to preserve, protect, and enhance the Presidio of San Francisco, a National Historic Landmark District and a unique urban national park site.[1]

The Trust finances park improvements and operations through a variety of means: a direct appropriation that decreases each year, leasing revenue from both residential and commercial property, reimbursable agreements with other governmental agencies, and fees for services provided by the Trust. Federal appropriations are invested in projects that generate revenue that in turn replaces appropriations. The Presidio Trust Act[2] mandates that the Trust become independent of annual federal appropriations by the end of FY 2012.

Since 2004, the Trust's earned revenue has fully offset operating costs (excluding US Army-funded remediation activities). By investing federal appropriations effectively, the Trust has leveraged every federal dollar with four of private investment and has established strong sources of revenue to enhance and maintain the park. The final year of federal appropriations reflects a value far greater than its face value and is essential to furthering our work to secure the Presidio.

The Presidio Trust Act directs the Trust to adhere to the general objectives of the 1994 *General Management Plan Amendment for the Presidio* (GMPA) developed by the National Park Service (NPS), and to abide by the Government Corporation Control Act. As an independent executive-branch agency, the Trust is also accountable to the Office of Management and Budget (OMB) and the Government Accountability Office (GAO). The Trust is required to submit annual reports to Congress, as well as quarterly and annual financial reports to OMB and the Department of the Treasury.

Mission, Goals, and Organizational Structure

Mission and Goals

The Presidio Trust's mission is to preserve the Presidio as an enduring resource for the American people. To achieve this mission the Trust is building a community to support the park; is enhancing the Presidio's scenic, natural, and cultural resources; and is forging public-private partnerships to sustain the park financially and programmatically.

In 2002, the Trust adopted *The Presidio Trust Management Plan: Land Use Policies for Area B of the Presidio of San Francisco* (PTMP). The plan provides the framework for how the Trust integrates careful finance and stewardship of the park's resources. Within this framework, the Trust maintains a rolling Five-Year Capital Plan that sets out the Trust's preservation goals and identifies budgetary resources. Capital projects include:

- Building rehabilitation, stabilization, and long-term maintenance
- Landscape, streetscape and circulation improvements, parking management, signage, and other site improvements and maintenance
- Natural resource preservation, restoration, and protection
- Improvement and long-term maintenance of infrastructure – streets, outdoor lighting, utility systems, and communication and data services
- Remediation of environmental hazards which date back to the era of the U.S. Army's use of the Presidio

[1] *The Presidio Trust oversees the interior 1,100 acres of the Presidio, and the National Park Service manages the 300 coastal acres.*
[2] *P.L. 104-333, November 12, 1996, 16 U.S.C. 460bb appendix.*

Organizational Structure

The Presidio Trust was established by Congress as a wholly-owned corporation of the Federal Government. The Presidio Trust Act (Public Law 104-333) gives the Trust the flexibility to operate in the marketplace, make real-time decisions, and retain revenues to reinvest in the Presidio.

Authority is vested in a seven-member board of directors, six of whom are appointed by the President of the United States, and the seventh is the Secretary of the Interior or the Secretary's designee. An executive director oversees an organization that includes a chief operating officer, chief of planning, park projects and programs, chief financial officer, general counsel, director of public affairs, director of human resources, and other positions essential to operating this unique park. The current management team has been in place for more than six years, with three members having served the Trust for more than twelve years.

Fiscal Year 2011 Performance

The attached *Fiscal Year 2011 Performance Report* presents a discussion of the goals identified in the FY 2011 Trust's *Budget Justification*. In the section that follows, Trust Management discusses the most significant results of the year and provides information about key performance and financial challenges facing the Trust.

The Coming Five Years

During FY 2011 the Trust updated and extended its Five-Year Capital Plan to cover the period FY 2012 – FY 2016. Under this plan, the Trust essentially completes the rehabilitation of three principle districts of the Presidio: Main Post, Crissy Field, and Letterman, and begins the rehabilitation of Fort Scott.

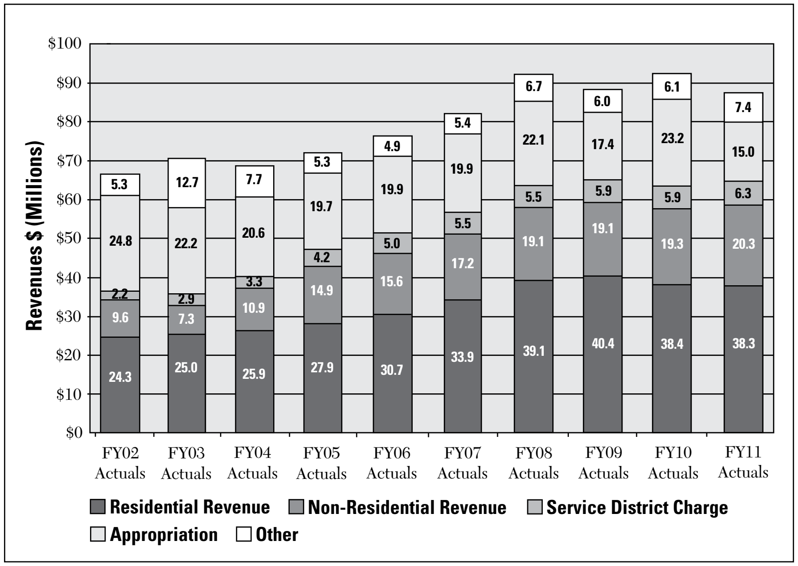
The major reconstruction of Doyle Drive – a project undertaken through a partnership of the City and County of San Francisco, the State of California, and the Federal Highway Administration – is scheduled to be completed by 2015. One result of this project will be to reconnect the Main Post to Crissy Field via new tunnel tops over the road bed, creating close to 10 acres of new parkland on a bluff overlooking the San Francisco Bay.

The Trust's agreement with the Doyle Drive project partners identifies mitigation measures and compensation for impacts and takings of the project. The project cuts a one and a half mile path through the Presidio, much of which is immediately adjacent to residential and commercial tenants, bisecting the interior of the park from Crissy Field. Inevitably, the construction impacts have resulted in greater tenant turnover, lower rental rates on lease renewals or new leases, and some targeted rent concessions. In FY 2011, the Trust received compensation from the State of California of $38.5 million. Of this amount, $18.2 million was prepaid for amounts due in FY 2012 to fund obligations planned in that year. The Trust recognized revenue in the amount of $8.9 million and holds a balance of $47.1 million as deferred revenue under the agreement.

Financial Highlights

As the chart below demonstrates, the combined impact of the recession and the Doyle Drive replacement project on the Trust's revenues has been manageable thus far. While earned revenue from leasing activities declined in FY 2011 from the prior year, an increase in the appropriation allowed the Trust to maintain its momentum in park building. The Trust will continue to adjust spending and capital planning in response to this challenging environment.

Growth in Revenues, FY 2002– FY 2011



Note: 1) FY08 to FY11 Residential Revenue includes a gross up of various discount housing programs.

Philanthropic Gifts

Philanthropy has allowed the Trust to expedite improvements and create programs that directly serve the public. During FY 2011, the Trust and its philanthropic partner, the Golden Gate National Parks Conservancy (Parks Conservancy), raised an additional $1.3 million for Presidio Trails, Bikeways and Overlooks, bringing the total to $8.4 million raised over the past 4 years. This amount exceeds the $7.0 million needed to trigger a $10 million matching grant from the Evelyn and Walter Haas, Jr. Fund. The $18.4 million raised is being used to create a 24-mile system of trails, bikeways and eight scenic overlooks. Philanthropic gifts are also helping to support the ongoing restoration of Tennessee Hollow Watershed. To date, more than $2.4 million in philanthropic gifts and grants have helped make this restoration possible.

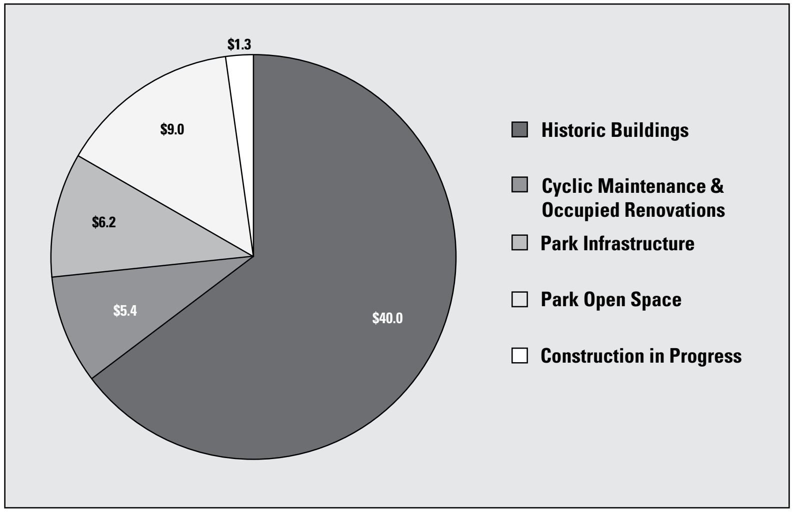
Investment in the Park

During FY 2011, the Trust invested $61.9 million in long-term improvements to the Presidio's assets. Of this total, $40.0 million was invested in the rehabilitation of historic buildings, with a further $5.4 million in the cyclic maintenance and renovation of occupied buildings; $6.2 million was invested in park infrastructure such as roadways, parking lots, and utility improvements. The Trust also invested $9.0 million in park open spaces and facilities. Finally, the Trust has a substantial number of projects in progress. At the end of FY 2011 the Construction in Progress (CIP) account balance was $34.4 million.

These investments are tangible evidence of the Trust's ability to preserve and protect the cultural and natural resources of the Park.

FY 2011 Capital Improvement Investment

(in millions of dollars)



The Main Post

Redeveloping the Main Post as the "Heart of the Presidio" is a long-standing goal of the Trust and central to the vision of the Presidio as a national park. In FY 2011, the Trust completed the rehabilitation of three of the 19th century Montgomery Street Barracks. Late in the year the nonprofit organization, Futures Without Violence, which works to prevent and end violence against women and children around the world, moved into one of the rehabilitated Montgomery Street Barracks.

The Trust has re-landscaped the 7-acre Main Parade Ground, which had been an asphalt parking lot since the 1940s, transforming it into a spectacular lawn in the center of the Main Post. This greening of the Main Parade has been viewed as a key park-making goal since the Presidio became a national park site. Plans allow for the historic parade to re-emerge as a civic open space animated by programs and amenities for the public.

In FY 2011, the Trust also began the rehabilitation of the Officers' Club (Building 50). Dating from 1776, this is the oldest building in San Francisco and the most complicated historic rehabilitation project undertaken by the Trust. A comprehensive non-destructive evaluation of the building's original adobe walls was completed in March 2011. The Trust received a 2011 California Preservation Award for the innovative technology used to determine the condition of the adobe. The Officers' Club will be completed in 2012, and will house the Presidio Heritage Center as well as space for special events.

Rehabilitation of the historic Pershing Hall (Building 42) also continued during 2011. The building will reopen in April 2012 as the 22-room *Inn at the Presidio*, the Presidio's first overnight accommodations available to the public.

One of the Montgomery Street Barracks (Building 102) remains under the jurisdiction of the National Park Service. The Building has been identified in the Trust Act as the location of the NPS Visitor Center. The Trust is working with the NPS to determine the future of this building while the two agencies work together to identify a location and funding strategy for a jointly-supported visitor center.

The Trust anticipates the transformative effects of the greening of the Main Parade, the completion of Main Post building rehabilitations, the reopening of the Officer's Club as the Presidio Heritage Center, the newly established links between Crissy Field and the Main Post, and the breathtaking new views from the newly created open space above the Doyle Drive tunnels will make the Main Post a "must see" destination for visitors from all over the world as well as an important gathering place for the local community.

Crissy Field

Three additional historic building rehabilitation projects were completed along Crissy Field, nearly completing the work in the district. Of the seven leasable buildings, only three remain to be rehabilitated. Tenants in Crissy field have added to the recreational opportunities in the park.

Other Resource Preservation, Restoration and Stabilization Projects in FY 2011

During the year, the Trust completed restoration of the sandstone piers at the Broadway Gate, completed the conservation of the terra cotta tile basin at El Polin Spring, and began stabilization of Buildings 1818 and 1819 in the Public Health Service District.

Since the Trust assumed operations in 1998, 40 acres of native habitats have been restored, more than doubling the amount of native habitat in the park. In 2011, 6,341 volunteers gave 55,669 hours to support a range of projects and programs throughout the park.

Enhanced Public Access and Use of the Park

The Trust supports a number of public programs to improve access to the park and to enhance the experience of the park. The Trust is especially committed to providing opportunities for children to use the park for learning, recreation, and enjoyment. In FY 2011, *Camping at the Presidio* (CAP) brought 2,800 youngsters and 1,017 community leaders to the park for an urban national park camping experience. CAP is a model program for an urban national park, providing a national park experience for urban youth who might never have an opportunity to experience nature in such an immediate way.

The Trust celebrated the 10th Anniversary of Presidio Teachers' Night, a program to introduce local school teachers to the resources that the park and Presidio tenant organizations offer to teachers and students.

Construction of the Pacific Overlook, the Presidio's sixth scenic overlook, is underway and will be completed in spring 2012. A seventh overlook to be located near the historic Presidio Gate is in design. The signature trail project of FY 2011 was a length of the Mountain Lake Trail and partial construction of new bike lanes along Lincoln Boulevard, which is part of the California Coastal Trail.

The Trust has continued to use art in the park as a way to create deeper connections between the public and the Presidio's resources. *Presidio Habitats* is a site-based art exhibition featuring international artists, architects, and designers who explore and celebrate the wild Presidio. The art installations were installed throughout the Fort Scott District. More than 11,000 people visited the exhibition pavilion over the course of the 18-month exhibit. The Trust sponsored 50 programs in conjunction with the exhibit that also drew 2,500 people. The Trust has worked with artist Andy Goldsworthy who has built two sculptures in the park, Spire, which was completed in 2009, and *Wood Line*, completed in fall 2011. Goldsworthy's work brings new visitors to the park.

The Trust's free shuttle, PresidiGo, saw ridership increase 2.8% to 366,069 riders in FY 2011. PresidiGo is a central component of the Trust's transportation demand management program and has been a key factor to reducing automobile traffic through the park.

Leadership in Energy and Environmental Design

LEED, or Leadership in Energy and Environmental Design, is an internationally-recognized green building certification system. Developed by the U.S. Green Building Council, LEED provides building owners and operators with a framework for identifying and implementing practical and measurable green building design, construction, operations and maintenance solutions. In FY 2011, four additional historic rehabilitation projects qualified for LEED Certification, including the rehabilitation of the Calvary Barracks, Building 682, as LEED Gold, Mason Street Buildings 920 and 934 as LEED Silver, and Mason Street Building 926 as LEED Certified. The Trust remains a leader in the implementation of these solutions for historic rehabilitation.

Environmental Remediation

The Trust's environmental remediation program remains on schedule to be substantially completed by 2014. In FY 2011, the Trust completed remediation of Fill Site 1 and Landfill 2 in the Tennessee Hollow watershed, allowing for habitat restoration as well as improved recreational facilities. The Trust also obtained regulatory approval for remedial construction and began work at Landfill E, one of the largest landfills in the park which is also in the Tennessee Hollow Watershed. Planning for remediation of Mountain Lake is underway, with construction anticipated in 2012, pending regulatory approval.

Remedial investigation was completed at Baker Beach 1A and Baker Beach 2, and construction is scheduled for 2012 and 2013, respectively. Additional planning activities were completed for the former California Highway Patrol Range at Building 937, Battery Howe Wagner, Fill Site 6B and the former Barnard Avenue Protected Range. Remediation of these sites is anticipated in 2012.

The accompanying Performance Report provides additional detail about the Trust's activities during the year and plans for the coming year. The Trust remains on a solid trajectory to meet and exceed the expectations established by Congress in the Presidio Trust Act.

Analysis of Financial Statements

When the Trust assumed jurisdiction of the Presidio's interior 1,100 acres and 800 buildings, the value and costs of the property, plant, and equipment, most of which was more than 40 years old, could not be determined. Therefore, the Trust received a qualified opinion on the FY 2011 financial statements, as it has in each previous year. In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property Plant and Equipment*, if costs cannot be ascertained, then the assets should be recorded at fair value. The Trust recorded these particular improvements with a zero book value. With the issuance of SFFAS No. 35, *Estimating the Historical Cost of Property Plant and Equipment*, the Trust has worked toward estimating the costs of assets not valued in accordance with accounting standards in 1999. The Trust intends to complete this work in FY 2012 and receive an unqualified opinion on its financial statements.

The financial statements were audited by the independent accounting firm KPMG, LLP. One of the Trust's goals is to ensure sound financial management and to provide accurate information. Trust management is responsible for the integrity and objectivity of the financial information presented in the financial statements. The accompanying financial statements summarize the Trust's financial position, show the net cost of operations and changes in net position, provide information on budgetary resources and financing, and present the sources of revenues and expenditures during FY 2011 and 2010. Highlights of the financial information presented in the financial statements are shown below.

Balance Sheet

This statement is designed to show the Trust's position as of September 30, 2011 and to compare it to the Trust's position the previous year.

Assets

The Trust's total assets were $419.2 million at the end of FY 2011, and $377.0 million at the end of FY 2010. This growth of $42.2 million in assets is the result of the Trust's investment in property, plant, and equipment, which grew by $47.3 million, net of depreciation. Cash and investments decreased $5.2 million, resulting in an overall net increase to assets.

The decrease in cash and investments is largely due to outlays for environmental remediation projects completed this year. As major capital projects are completed in the coming years, the Trust expects that cash and investments will decrease to an operational level, excluding grants and gifts.

During FY 2011, the Trust invested an additional $61.9 million in building and land improvements, and in other property, plant, and equipment making this the largest investment year in Trust history. In addition, the Trust retired plant and equipment and land improvements with a net book value of $2.7 million and recorded depreciation in the amount of $11.9 million.

Liabilities

There were $187.7 million in liabilities at the end of FY 2011, and $163.0 million at the end of FY 2010, an increase in liabilities of $24.7 million. The increase is made up of fluctuations in several liabilities. Other unearned revenue increased by $29.9 million largely due to the compensation received from the Doyle Drive Replacement Project. See Note 21 of the accompanying financial statements for further explanation.

Intra-governmental unearned revenues increased by $1.0 million largely due to deferred revenue related to funds received in the amount of $5.0 million from the Department of Defense for a Presidio Heritage Center. Other Department of Defense grants that were reflected in the FY 2010 unearned revenue related to Main Post work were recognized in FY 2011 as revenue, reducing the unearned revenue by $3.9 million and resulting in the overall net increase of $1.0 million. Additionally, Intra-governmental and other accounts payable decreased by $3.5 million and $3.9 million, respectively. The decrease in intra-governmental accounts payable is largely due to the timing of invoices from other federal agencies and a reduction in intra-governmental public safety services received from the National Park Service.

While the other accounts payable decreased, there were still a substantial number of capital projects that started in FY 2009 and have continued through FY 2011. The overall decrease is largely related to a decrease in accounts payable related to the remediation program.

Trust liabilities include $50.0 million in debt to the U.S. Treasury. Payments on this debt are for interest only until FY 2015, and the debt is to be repaid in full by FY 2029. Interest payments on this debt are partially offset by investments specifically designated for this purpose and held by the U.S. Treasury in the amount of $33.3 million. See Note 4 for more information on investments and Note 10 for more information on debt.

Net Position

The Trust's net position was $231.5 million at the end of FY 2011, and $214.0 million at the end of FY 2010, an increase in net position of $17.5 million. This growing "equity" position of the Trust provides tangible and compelling evidence that the Presidio is becoming a self sustaining National Park.

Net Cost of Operations

This statement is intended to report net costs of the Trust as a component unit of the Federal Government and the net cost to the public. Costs reported on this statement are stated on a proprietary basis, including depreciation, future funded expenses, adjustments to actuarial estimates, and all remediation activities.

The statement demonstrates that the Trust had a net cost of operations of $3.5 million during FY 2011 and $1.5 million in FY 2010. As the Trust moves closer to financial self sufficiency, net cost should decrease, but will not be fully reflective of amounts earned to operate the park as some entries are made for financial reporting purposes under Generally Accepted Accounting Principles (GAAP), while budgetary resources are available in a subsequent period. The net cost statement reflects all of the expenses incurred by Trust activities during FY 2011, including the remediation program and the depreciation of fixed assets.

Budgetary Resources

As an entity of the Federal Government, the Trust reports on the status of its budgetary resources, the extent to which obligations exist as claims on those resources, and the relationship of those obligations to outlays. The Trust receives most of its funding from revenues earned from residential and non-residential leasing. In addition, the Trust receives general government funding in the form of an appropriation as authorized by Congress. Resources consist of the balance at the beginning of the year, appropriations received during the year, and spending authority from offsetting collections.

Budgetary resources amounted to $161.1 million for FY 2011, compared to $182.8 million in FY 2010. Of this amount, the Trust obligated $128.8 million in FY 2011 and $158.2 million in FY 2010. Unobligated balances at the end of FY 2011 and FY 2010 were $32.3 million and $24.6 million, respectively. This unobligated balance is due primarily to the funds held for capital improvements, tenant security deposits, and philanthropic gifts.

Risks and Uncertainties

The Trust is responsible for environmental cleanup of the Presidio and uses standard industry practices to estimate the cost of the cleanup. Estimates are based on internal analysis as well as studies performed by consultants, and are updated as additional information becomes available. The Trust was advanced $99.0 million from the Department of the Army and earned $19.2 million in interest on the Army funding, all of which has been expended. External risk factors, such as regulatory requirements and increases in construction costs, will affect the final costs. See Note 11 to the accompanying financial statements for an in-depth discussion of the funding as well as risks and uncertainties related to the environmental cleanup as of September 30, 2011.

The Trust is also responsible for rehabilitation and maintenance of the Presidio's fixed assets, including infrastructure. Many of the assets have exceeded their depreciable lives; the life spans of the assets and the cost to replace them are uncertain. Annual budgetary constraints are considered in evaluating the replacement of assets. Regular and on-going maintenance of assets prolongs their useful life and reduces the likelihood of unexpected failures. Maintenance of one hundred percent of the assets is unfeasible, so the Trust evaluates deferred maintenance on an annual cycle and prioritizes the most important preventive maintenance for completion. Deferred maintenance data can be found in the required supplementary information accompanying the financial statements. While the deferred maintenance number has decreased in FY 2011, it is due largely to a refinement of the estimating process on the asset category of buildings.

Stewardship Investments

Stewardship assets are detailed in a Note to the financial statements as required by SFFAS 29, *Heritage Assets and Stewardship Land*. The Trust's reported values for property plant and equipment exclude stewardship assets because they are considered "priceless" and therefore monetary amounts cannot be assigned. For an in depth discussion regarding these assets please refer to Note 7.

Limitations of the Financial Statements

Trust Management has prepared the accompanying financial statements to report its financial position and results of operations pursuant to the requirements of Title 31 of the U.S. Code and the Trust Act.

These financial statements have been prepared from the Trust's general ledger and subsidiary reports in accordance with GAAP for federal entities and the formats prescribed by the Office of Management and Budget in Circular A-136, Financial Reporting Requirements, as amended. These statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. These statements should be read with the realization that the Trust is a federal corporation, a component of the United States Government, and therefore, liabilities cannot be liquidated without authorizing legislation.

The financial statements and footnotes have been prepared by Trust management. The accuracy of the information contained in the principal financial statements and the quality of internal controls rests with Trust management.

Management Assurances

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to conduct an annual evaluation of their management controls and financial systems and report the results to the President and Congress. The Trust prepares an annual Statement of Assurance based on these internal evaluations.

Statement of Assurance on Internal Controls over Financial Reporting

The Trust Management is responsible for establishing and maintaining effective internal controls to support programmatic operations, financial reporting, and compliance with applicable laws and regulations. The Trust conducted its assessment of the effectiveness of its internal controls over financial reporting in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*.

Based on the results of this evaluation, the Trust can provide reasonable assurance that the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control over financial reporting.

Statement of Assurance on Financial Systems

The financial management systems of the Trust conform to federal financial system requirements, Federal Accounting Standards Advisory Board (FASAB) standards, and the U.S. Standard General Ledger at the transaction level.

Statement of Assurance on Internal Controls over Operations

The Trust Management is responsible for establishing and maintaining effective internal controls to support programmatic operations and compliance with applicable laws and regulations. Management certifies that these controls are in place and effective.

Karen A. Cook

for: Craig Middleton
November 15, 2011

FISCAL YEAR 2011 PERFORMANCE REPORT

The Budget Justification for FY 2011 was submitted to Office of Management & Budget (OMB) in September, 2009 based on the Five Year Construction Plan for FY 2010 – 2014 as approved at that time. The actual capital projects executed in FY 2011 differed in important respects as plans and circumstances changed between the submission of the Budget Justification in 2009 and September 30, 2011.

Late in FY 2009 the Trust completed an agreement with the Presidio Parkway project sponsors. Under this agreement, the Trust was paid $63.3 million as compensation for the project's takings of Trust buildings and other improvements and use of Trust facilities. During FY 2011, $38.5 million of the total was received by the Trust of which $18.2 million was due in FY 2012 for obligations in that year. In addition, the Trust received $15 million dollars in appropriations. These funds and the funds generated by Trust activities allowed for obligation of $53.3 million in capital projects during the year.

Two significant changes are worth noting in the construction project plans subsequent to the presentation of the FY 2011 Budget Justification. First, was the accelerated obligation of The Officer's Club, Building 50, (line 6) from FY 2011 to FY 2010 resulting in a lower obligation of $3.3 million in FY 2011. The second significant change was the postponed obligation for the Reclaimed Water Treatment Plant, (line 29) to a future date.

The results on the Trust's performance during FY 2011 and the variances related to the September 2009 Budget Justification, are discussed in greater detail in the narrative and tables below.

- The start of the rehabilitation of the Fort Winfield Scott district began in FY 2011 with the initial obligation of $11.7 million (lines 22-26) towards buildings within the district and the anticipation of additional obligations in future fiscal years.
- Capital Programs, $9.9 million (line 87), is a pool of funds that are available for ongoing improvements done annually including construction improvements to many of the residential units such as new kitchens, flooring, windows, painting, ect. In addition, reforestation, tree establishment, native habitat monitoring, and support of the Presidio plant nursery are funded from this pool. $2 million more was obligated than originally projected.
- Baker Beach is the largest residential neighborhood in the Park. In FY 2011 the Trust obligated $6.8 million (line 86) for external residential housing repairs and an environmental habitat restoration project in the area.
- The infrastructure pool (line 79) at $2.1 million supports utility and infrastructure work. This is slightly above what was envisioned as the Trust continues its commitment to maintaining its current utilities and infrastructure.
- The obligation of $1.5 million (line 67) toward the construction of a new parking area near Taylor Street within the Main Post to the park or park tenants.
- The Trust obligated $1.4 million for the Main Parade Ground Greening project (line 54). This project converted to lawn an existing parking lot at the site of the former Main Parade grounds within the Main Post to enhance the interpretation of the post and service as a large gathering space for outdoor events.
- Continued work totaling $1.1 million in FY 2011 on Pershing Hall, Building 42 (line 13), which has been designated as an Inn at the Presidio, the park's first bed and breakfast. The Inn's opening is scheduled for April 2012.

It is the Trust's goal to complete the priority building rehabilitations, park projects and infrastructure improvements as rapidly and cost consciously as possible. The Trust had a very successful year, obligating $53.3 million on capital projects which further the Trust's mission to preserve and protect this National Park site and National Historic District.

	Capital Projects ($ in thousands)	Budget per FY 2011 Budget Justification	Actuals as of September 30, 2011	Actual Variance FY 2011 Budget Justification	
				$	%
1	**Buildings To Lease**				
2	Buildings 340-342 - Infantry Terrace		959	959	
3	Building 3 Rehabilitation		1,061	1,061	
4	Building 4 Rehabilitation		255	255	
5	Building 682 - Calvary Barracks		54	54	
6	Building 50 (O Club) and Heritage Center	12,000	3,286	(8,714)	-72.6%
7	Buildings 640-641 (Japanese Heritage Center)		141	141	
8	Building 99 - Presidio Theater	626	0	(626)	-100.0%
9	Montgomery Street Barracks (Building 100)	54	62	8	14.6%
10	Montgomery Street Barracks (Building 101)	2,200	952	(1,248)	-56.7%
11	Montgomery Street Barracks (Building 102)		91	91	
12	Montgomery Street Barracks (Building 103)	512	960	448	
13	Building 42 – Inn at the Presdio		1,119	1,119	
14	PHSH 1808 (Nurses Quarters)		183	183	
15	PHSH 1801		56	56	
16	PHSH Wyman Housing 1809-1815		37	37	
17	Thornburgh	154	1	(153)	-99.1%
18	West Crissy 926		10	10	
19	West Crissy 933B		38	38	
20	West Crissy 920	19	722	703	3,794.2%
21	West Crissy 934		37	37	
22	Fort Scott Building 1201 Rehabilitation		3,595	3,595	
23	Fort Scott Building 1202 Rehabilitation		6,252	6,252	
24	Fort Scott Building 1204 Rehabilitation		1,418	1,418	
25	Fort Scott Building 1216 Rehabilitation		298	298	
26	Fort Scott Site Design		100	100	
27	Fort Scott Planning	164		(164)	-100.0%
28	Building 1242		325	325	
29	Reclaimed Water Treatment Plant	15,402	164	(15,239)	-98.9%
30	**Subtotal – Buildings to Lease**	**31,132**	**22,175**	**(8,956)**	**71.2%**

	Capital Projects ($ in thousands)	Budget per FY 2011 Budget Justification	Actuals as of September 30, 2011	Actual Variance FY 2011 Budget Justification $	%
31	**Other Projects**				
32	Parking/Landscape - PHSH 1805 and 1808		245	245	
33	West Crissy Streetscape/Parking	115	25	(90)	
34	Mid Crissy Streetscape	186		(186)	-100.0%
35	Mid Crissy Planning		10	10	
36	Montgomery Street Landscape	780	534	(246)	-31.6%
37	Non-Res Parking Program	448	261	(187)	-41.8%
38	Portola Residential Landscaping		280	280	
39	Infantry Terrace Landscaping		988	988	
40	MacArthur Hardscaping		248	248	
41	Building 314 - Communication Tower		31	31	
42	Joint Visitor Center Study with NPS		190	190	
43	**Subtotal – Other Projects**	**1,529**	**2,812**	**1,283**	**83.9%**
44	**Park Projects (Excludes Gift Funded Share)**				
45	Ball Fields (Pop Hicks, Paul Goode)		99	99	
46	Marine Cementery Commem.	327	325	(2)	-0.6%
47	Trails/Overlooks/Crissy Overlook	127	237	110	87.0%
48	Dragonfly Creek Restoration		21	21	
49	Tennessee Hollow	136	525	389	285.3%
50	Playground Upgrades (safety)	428	7	(422)	-98.4%
51	Landscape Restoration of Remediation Sites	897	610	(287)	-32.0%
52	Presidio Wall Preservation		6	6	
53	El Presidio Landscape Improvements	261	217	(44)	-17.0%
54	MPG Greening Project	375	1,382	1,007	268.7%
55	MPG Anza Esplanade		36	36	
56	Presidio Standard Site Signage		264	264	
57	Rob Hill Campground		13	13	
58	**Subtotal – Park Projects**	**2,552**	**3,741**	**1,190**	**46.6%**

	Capital Projects ($ in thousands)	Budget per FY 2011 Budget Justification	Actuals as of September 30, 2011	Actual Variance FY 2011 Budget Justification	
				$	%
59	**Main Post Revitalization**				
60	Main Post Backbone & Electrical Reliability		517	517	
61	Building 93 – Reconfigure for Public Use	434		(434)	-100.0%
62	Main Post Parking (Street)	819	44	(775)	-94.6%
63	Buildings 385 - Demo (Herbst Hall)	163	66	(97)	
64	Parking Lot - Moraga - 230 Spaces	3,384	8	(3,376)	-99.8%
65	Main Post Coordination		302	302	
66	Main Post SEIS	97	234	137	141.8%
67	Parking - Taylor Street - 141 Spaces		1,573	1,573	
68	**Subtotal – Main Post Revitalization**	**4,897**	**2,745**	**(2,152)**	**-44.0%**
69	**Presidio Parkway Requirements**				
70	Arch/Ed Center (Building 44, 47, 48, 49)		1,590	1,590	
71	Tenant Relocation		(37)	(37)	
72	Armistead Road		5	5	
73	Presidio Parkway Unreimbursed Project Expenses		100	100	
74	Gorgas Warehouses ADA		324	324	
75	CNG Station/Bus Yard		244	244	
76	Presidio Parkway Restoration		0	0	
77	**Subtotal – Presidio Parkway Requirements**		**2,227**	**2,227**	
78	**Infrastructure**				
79	Infrastructure Pool (general)	1,957	2,085	128	6.5%
80	Thornburgh Utility Backbone		77	77	
81	Public Website Improvements		449	449	
82	Data Center Virtualization	150	6	(144)	-95.8%
83	Systems Integration	200	265	65	32.4%
84	Technology Equipment Lifecycle Repl	260	65	(195)	-74.9%
85	**Subtotal – Infrastructure**	**2,567**	**2,947**	**380**	**14.8%**
86	Baker Beach Housing Repairs & Habitat Restoration		6,775	6,775	
87	Capital Programs - Ongoing	7,698	9,899	2.202	28.6%
88	**Subtotal – Capital Programs & Baker Beach Housing**	**7,698**	**16,675**	**8,977**	**116.6%**
89	**TOTAL**	**50,374**	**53,323**	**2,949**	**5.9%**

CHIEF FINANCIAL OFFICER LETTER

In July, 1998, the Trust assumed jurisdiction over approximately 1,100 acres of federal land and over 800 buildings from the National Park Service. The United States Army previously administered the property. Many of the structures were greater than 40 years old and pursuant to Trust depreciation policies were fully depreciated at the date of transfer. Statement of Federal Financial Accounting Standards (SFFAS) No. 6 – *Accounting for Property, Plant and Equipment (PP&E)* – requires PP&E to be recognized when title passes to the entity. Additionally, SFFAS No. 6 requires that the cost of general PP&E transferred from other federal entities be at the cost recorded by the transferring entity, net of accumulated depreciation; if such amounts cannot be reasonably ascertained, the cost of the PP&E is to be its fair value at the time transferred.

As discussed in Note 7 to the financial statements, because of the lack of available information from the National Park Service and the United States Army, the Trust valued buildings less than 40 years old by using appropriate construction industry indices, less an accumulated depreciation adjustment to ascertain net asset value at the date of the Trust's formation. However, improvements made to buildings over 40 years old and land improvements have been valued at zero net book value but may still have a net value. Under SFFAS No. 6, the Trust should have recorded these improvements at fair value.

In FY 2011, The Trust reevaluated the costs and benefits of removing this qualifying statement from the otherwise clean opinion received from the independent auditors, during fiscal year 2011 due to changes in the accounting standards. In September 2010, the Federal Accounting Standards Advisory Board (FASAB) issued SFFAS No. 35 *Estimating the Historical Cost of Property Plant and Equipment* and in June 2011 the FASAB issued Statement of Federal Financial Accounting Technical Release 13, *Implementation Guide for Estimating the Historical Cost of General Property, Plant & Equipment*, guidance that will allow the Trust to correct the asset valuation issue that has caused the Trust to receive a qualified opinion since 1999. During, fiscal year 2011 the Trust has worked toward estimating the costs of assets not valued in accordance with accounting standards and has made progress. This work has not been completed but the Trust intends to complete this work in fiscal year 2012.

Michael Rothman

Michael Rothman
November 15, 2011

INDEPENDENT AUDITORS' REPORT

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Board of Directors of
The Presidio Trust:

We have audited the accompanying balance sheets of the Presidio Trust (the Trust) as of September 30, 2011 and 2010, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as " financial statements") for the years 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 audits.

Except as discussed in the following paragraphs, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control 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 Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Trust assumed jurisdiction over approximately 1,100 acres of federal land and over 800 buildings on July 1, 1998 form the National Park Service (NPS). Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant and Equipment (PP&E)*, requires the Trust to recognize transferred PP&E at the cost previously recorded by the transferring entity, net of accumulated depreciation. If such amounts cannot be reasonably determined, the Trust should record the PP&E at its fair market value at the time of transfer. Many of the structures, which were administered by the United States Army before NPS, were over 40 years old and considered fully depreciated at the date of transfer. However, as discussed in Note 1.H. to the financial statements, because of the lack of available information from NPS and the United States Army, the Trust valued improvements made to buildings over 40 years old and land improvements at zero net book value. Under SFFAS No. 6, the Trust should have recorded these improvements at fair value. We were unable to satisfy ourselves as to the estimate of the carrying amount for these assets.

In our opinion, except for the effects of the adjustments to the financial statements, if any, that might have been necessary had we been able to examine evidence supporting the recorded balances of improvements within the property, plant and equipment accounts, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of September 30, 2011 and 2010, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis and Required Supplementary Information is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Other Accompanying Information section, is presented for purposes of additional analysis and are not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 15, 2011, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 15, 2011

FINANCIAL STATEMENTS

Balance Sheets

	AS OF SEPTEMBER 30, 2011	2010
ASSETS		
Intragovernmental		
Fund Balance with Treasury **[NOTE 2]**	$ 23,483,393	$ 6,062,306
Investments **[NOTE 4]**	77,246,000	99,899,325
Accounts Receivable, Net **[NOTE 5]**	422,615	358,854
Total Intragovernmental	101,152,008	106,320,485
Cash and Other Monetary Assets **[NOTE 3]**	194,539	770,953
Accounts Receivable, Net **[NOTE 5]**	2,125,449	1,924,296
General Property, Plant, and Equipment (PP&E), Net **[NOTE 6]**	296,454,127	249,099,963
Stewardship PP&E **[NOTE 7]**		
Other Assets		
Government Improvement Accounts **[NOTE 8]**	0	38,066
Prepayments **[NOTE 8]**	743,960	702,178
Deferred Rent Receivable **[NOTE 8]**	18,213,943	17,160,075
Other Deferred Real Estate Costs **[NOTE 8]**	338,252	976,400
	318,070,270	270,671,931
TOTAL ASSETS	**419,222,278**	**376,992,416**
LIABILITIES		
Intragovernmental		
Accounts Payable	$ 988,614	$4,482,966
Debt **[NOTE 10]**	49,978,000	49,978,000
Other Liabilities		
Employer Contributions Payable **[NOTE 12]**	218,598	296,380
Other Post Employment Benefits Payable **[NOTE 12]**	1,205,454	1,042,160
Unearned Revenue **[NOTE 12]**	10,821,172	9,800,728
Total Intragovernmental	63,211,838	65,600,234
Accounts Payable	20,024,034	23,972,321
Other Liabilities		
Environmental Remediation Liability **[NOTES 9, 11]**	35,413,231	35,442,083
Contingent Liabilities **[NOTE 14]**	15,000	136,569
Security Deposits **[NOTE 12]**	4,510,039	4,291,676
Unearned Revenue **[NOTE 12]**	49,279,464	19,357,757
Payroll Payable **[NOTE 12]**	1,821,936	1,678,965
Annual Leave Liability **[NOTES 9, 12]**	2,344,738	2,291,458
Rent Credit Liability **[NOTE 9, 12]**	3,710,721	2,915,190
Prepaid Rents & Services **[NOTE 12]**	2,207,406	1,635,627
Accrued Interest Payable **[NOTES 9, 12]**	477,039	359,653
FECA Actuarial Liability **[NOTES 9, 12]**	4,545,111	4,547,854
Other Liabilities **[NOTE 12]**	188,879	796,889
	124,537,598	97,426,042
TOTAL LIABILITIES	**187,749,436**	**163,026,276**
NET POSITION		
Unexpended Appropriation – Other Funds	0	0
Cumulative Results of Operations – Other Funds	231,472,842	213,966,140
TOTAL NET POSITION	**231,472,842**	**213,966,140**
TOTAL LIABILITIES & NET POSITION	**$ 419,222,278**	**$ 376,992,416**

The accompanying notes are an integral part of these financial statements.

Statements Of Net Cost

	FOR THE YEARS ENDED SEPTEMBER 30, 2011	2010
PROGRAM COSTS		
Intragovernmental Gross Costs **[NOTE 15]**	$ 15,862,868	$ 19,677,710
Less: Intragovernmental Earned Revenues **[NOTE 15]**	9,014,612	15,092,774
Intragovernmental Net Costs	6,848,256	4,584,936
Gross Cost with the Public	82,358,260	82,439,184
Less: Earned Revenues	85,698,634	85,534,423
Net Costs with the Public	(3,340,374)	(3,095,239)
Total Net Cost	3,507,882	1,489,697
NET COST OF OPERATIONS	**$ 3,507,882**	**$ 1,489,697**

The accompanying notes are an integral part of these financial statements.

Statements Of Changes In Net Position

	FOR THE YEARS ENDED SEPTEMBER 30, 2011		2010	
	Cumulative Results of Operations	*Unexpended Appropriations*	*Cumulative Results of Operations*	*Unexpended Appropriations*
Beginning Balance	$ 213,966,140	$ 0	$ 190,327,974	$ 0
Budgetary Financing Sources				
Appropriations Received	0	15,000,000	0	23,200,000
Other Adjustments (rescissions, etc.)	0	(30,000)	0	0
Appropriations Used	14,970,000	(14,970,000)	23,200,000	(23,200,000)
Other Financing Sources				
Donations and Forfeitures of Property	2,548,036		306,000	
Transfers-in/out without reimbursement (+/-)	2,178,848		0	
Imputed Financing from Costs Absorbed by OPM	1,317,700		1,621,863	
Total Financing Sources	**21,014,584**	**0**	**25,127,863**	**0**
Net Cost of Operations	**3,507,882**		**1,489,697**	
ENDING BALANCES	**$ 231,472,842**	**$ 0**	**$ 213,966,140**	**$ 0**

The accompanying notes are an integral part of these financial statements.

Statements of Budgetary Resources

	FOR THE YEARS ENDED SEPTEMBER 30, 2011	2010
BUDGETARY RESOURCES		
Unobligated Balance – Brought Forward, October 1	$ 24,567,019	$ 49,737,753
Budget Authority		
Appropriation	15,000,000	23,200,000
Spending Authority from Offsetting Collections:		
Collected	93,241,732	98,613,734
Change in Receivables from Federal Sources	258,910	(2,393,839)
Change in Unfilled Customer Orders:		
Advance Received	31,482,543	8,636,342
Without Advance from Federal Sources	(3,405,183)	5,000,000
Total Spending Authority from Offsetting Collections	121,578,002	109,856,237
Subtotal	161,145,021	182,793,990
Permanently Not Available	(30,000)	0
TOTAL BUDGETARY RESOURCES	**$ 161,115,021**	**$ 182,793,990**
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred [NOTE 16]		
Reimbursable	$ 128,827,200	$ 158,226,971
Subtotal	128,827,200	158,226,971
Unobligated Balances – Available:		
Apportioned	32,287,821	24,567,019
Subtotal	32,287,821	24,567,019
Total Status of Budgetary Resources	**$ 161,115,021**	**$ 182,793,990**
CHANGE IN OBLIGATED BALANCE		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	$ 89,847,093	$ 47,510,922
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(8,452,806)	(5,846,645)
Total Unpaid Obligated Balance, Brought Forward, October 1	81,394,287	41,664,277
Obligations Incurred Net	128,827,200	158,226,971
Less: Gross Outlays	(144,926,188)	(115,890,800)
Change in Uncollected Customer Payments from Federal Sources	3,146,273	(2,606,161)
Obligated Balance, Net, End of Period		
Unpaid Obligations [NOTE 16]	73,748,105	89,847,093
Less: Uncollected Customer Payments from Federal Sources	(5,306,533)	(8,452,806)
TOTAL UNPAID OBLIGATED BALANCE, END OF PERIOD	**$ 55,488,857**	**$ 121,124,297**
NET OUTLAYS		
Gross Outlays	144,926,188	115,890,800
Less: Offsetting Collections	(124,724,275)	(107,250,076)
NET OUTLAYS	**$ 20,201,913**	**$ 8,640,724**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2011 and 2010

1. The Presidio Trust and Summary of Significant Accounting Policies

A. Reporting Entity

The Presidio Trust (the "Trust"), an executive agency, is a wholly-owned government corporation established by Congress in 1996 through enactment of the Presidio Trust Act (P.L. 104-333). The Trust's mission is to preserve and enhance the Presidio as an enduring resource for the American public. In this context the Trust is required to achieve financial self-sufficiency by FY 2013.

From 1846 to 1994, the Presidio was used as a U.S. military installation. In 1994, the NPS assumed full control of the Presidio until 1998 when the Trust assumed responsibility for approximately 1,100 acres of non-coastal areas.

The Trust is guided by the Presidio Trust Act to operate in accordance with general objectives of the 1994 General Management Plan Amendment for the Presidio and the Government Corporation Control Act. The Trust currently finances operations through appropriations, which will be eliminated after next fiscal year, reimbursable agreements with other government agencies, and rental leases for both residential and non-residential property.

B. Organization and Structure

The Trust is governed by a seven-member board of directors. Six members are appointed by the President of the United States. The seventh is the U.S. Secretary of the Interior or his designee. The head of agency for the Trust is an executive director who reports to the board and oversees a staff with expertise including environmental science, historic preservation, operations and maintenance, landscape design, planning, resource management, real estate development, public affairs and programs, law, and finance. An overview of the Trust's operating performance may be found in the Management Discussion & Analysis (MD&A) section of this report.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of the Trust as required by the Trust Act. These financial statements were prepared from the Trust's accounting records in accordance with accounting principles generally accepted in the United States of America (GAAP), and the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements* revised Oct, 27, 2011. GAAP for Federal entities are the standards designated by the Federal Accounting Advisory Standards Board (FASAB) the official standards setting body for the Federal Government.

These financial statements present budgetary and proprietary information. The Trust presents comparative FY 2011 statements for the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary Resources.

The Trust accounts for its assets, liabilities, net position, revenues, expenses, and other financing sources in accordance with the requirements of the U.S. Government Standard General Ledger. The use of sub-accounts allows transactions to be recorded at a more detailed level and provide relevant management information.

Although, the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are on an accrual basis, underlying transactions are recorded using both the accrual basis of accounting and a budgetary basis of accounting. The Statement of Budgetary Resources is on a budgetary basis. Under the accrual method, expenses are recognized when resources are consumed and revenues are recognized when earned without regard to the payment or receipt of cash. Budgetary accounting recognizes the obligation of funds according to legal requirements, which in many cases is prior to the occurance of an accrual based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

D. Fund Balance with Treasury and Cash

The Trust maintains all cash accounts with the US Department of Treasury except for petty cash accounts maintained at the Trust and by the Trust's Residential Property Manager, as well as one security deposit refund account maintained by the Trust's Residential Property Manager. All banking activities are conducted in accordance with the directives issued by the Department of the Treasury – Financial Management Service (FMS). Treasury processes cash disbursements and receipts on behalf of the Trust and the Trust's accounting records are reconciled with those of Treasury on a monthly basis. The Trust currently only has funds designated as revolving funds with the Treasury. Revolving funds are funds that conduct continuing cycles of business-like activity in which the fund charges for the sale of a service and uses the proceeds to finance its spending. The Trust's accounting records are such that internal segmentation occurs to ensure that funds are tracked to appropriate activities or requirements.

E. Investment, Net

Trust investments in non-marketable, market based U.S. Treasury securities are traded through and held in book entry form at the Department of the Treasury - Bureau of the Public Debt (BPD). The Trust is required by Public Law 104-333 to invest excess cash only in non-marketable, market based Treasury securities issued by the BPD. Non-marketable, market based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms.

F. Accounts Receivable, Net

Accounts Receivables consist of amounts owed to the Trust by other federal agencies and the public. Receivables generally arise from rental properties, service district charges, utilities, reimbursable contracts, and other miscellaneous services.

An allowance for doubtful accounts is established based upon a review process. The Trust reviews accounts over 90 days past due and identifies collectable accounts. If an account is identified as collectable the Trust does not record any bad debt expense for that account; conversely if an account is deemed to be uncollectible prior to 90 days of age a bad debt expense is recorded. For the remaining receivables over 90 days old, the Trust reserves 75% of the balance as an allowance for uncollectible accounts.

As a federal agency, the Trust has the full force of the United States government to facilitate collecting past due amounts. The Trust has an interagency agreement with the US Treasury, Debt Management Services (DMS) for debt collection, and once a debt is deemed uncollectible, and the Trust has taken appropriate collection action, the debtor information is sent to DMS for collection. Debts that are given to DMS for collection are not written off until DMS deems the debt as uncollectible.

G. Direct Loans and Loan Guarantees

The Trust is empowered to provide direct loans to non-Federal borrowers and to guarantee loans to non-Federal borrowers for construction and renovation. The Trust has not exercised this authority.

H. General Property, Plant, and Equipment, Net

General Property, Plant, & Equipment

PP&E includes fixed assets owned by the Trust as the result of purchases by the Trust and/or transfers from other governmental entities, primarily the NPS. General PP&E consists of buildings, improvements to buildings, structures and facilities, land improvements, equipment, vehicles, capital leases, and construction in progress.

In general, the Trust capitalizes fixed assets valued in excess of $25,000 with a useful life of two or more years and depreciates assets using the straight-line amortization method over the assigned useful lives of the property. All assets are assigned a useful life between three to ninety years dependent upon the asset category. For financial statement purposes, a pro-rated share of depreciation expense for the asset is recorded in the year of acquisition or project completion depending on the month the asset is placed into service.

Additionally, the Trust capitalizes expenditures for improvements to infrastructure and buildings based upon the following criteria:

- costs exceed $25,000
- are not considered to be repairs and maintenance
- have a useful life of two or more years

Furnishings and equipment in excess of $25,000 in aggregate are also capitalized. Assets may include, in addition to direct costs, an assigned indirect cost component. Indirect costs are determined in accordance with the guidelines set forth in OMB Circular A-11, *Preparation Submission and Execution of the Budget*, of the Budget and the SFFAS No. 6, and are comprised of those indirect costs incurred to bring the PP&E to a form and location suitable for its intended use. The Trust identified these costs based upon a review of its operating activities. Indirect costs are allocated to capital assets using systematic methods approved by management.

Land is considered to be general PP&E and, in accordance with SFFAS No. 6, is to be recorded at cost. The Trust has no land recorded as part of General PP&E.

At September 30, 1999, most of the Trust's PP&E was transferred from the NPS. SFFAS No. 6 requires that the cost of general PP&E transferred from other federal entities be the cost recorded by the transferring entity, net of accumulated depreciation; if such amounts cannot be reasonably ascertained, the cost of the PP&E is to be its fair value at the time transferred. After extensive investigation, the Trust determined that historical cost information for buildings, building improvements and land, and infrastructure improvements was not available from the NPS and/or the Army. Therefore:

- any transferred building over 40 years old, including the cost of related renovations or rehabilitations prior to the Trust's formation, was considered fully depreciated and was recorded at a book value of $0

- any transferred structure less than 40 years old (built in 1959 or later) was recorded at estimated replacement cost reduced for the effects of inflation by using appropriate construction industry indices, less an accumulated depreciation adjustment, to ascertain net asset value at the date of the Trust's formation

- other PP&E transferred to the Trust from the NPS was capitalized at historical cost less depreciation that would have been recorded over its useful life, based on the Trust's depreciation guidelines transferred land and infrastructure improvements are reflected at a net book value of $0. Under SFFAS No. 6, the Trust should have recorded these improvements at fair value.

Construction in Progress

Construction in Progress (CIP) is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. The assets are transferred out of CIP when the project is substantially completed.

Stewardship Assets

Stewardship Assets consist of the public domain land of the Presidio. Heritage assets exist throughout the Presidio and consist of such items as historic buildings, monuments, and historic sites. Both stewardship assets and heritage assets have been entrusted to the Trust to maintain in perpetuity for the benefit of current and future generations. The land comprising the Presidio was acquired by the United States in 1846 as an outcome of the resolution of hostilities with the government of Mexico in the mid-19th century.

The stewardship land and heritage assets are considered priceless and irreplaceable. As such the Trust assigns no value to them and the PP&E on the balance sheet excludes these assets.

I. Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

J. Deferred Rent Receivable, Real Estate Assets, and Other Direct Costs

Rental revenue is recognized using the straight-line method over the term of the lease. Any amounts deferred that are not payable by the lessee until future years are included in deferred rent receivable.

Broker Commissions and other direct costs associated with leasing revenue are placed into a deferred asset account and amortized over the life of the lease.

K. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the Trust as the result of a transaction or an event that has already occurred. No liability can be paid by the Trust absent an appropriation or spending authority (authority to spend revenues as granted by the Trust Act) granted by the Congress and OMB.

Future liabilities for which an appropriation has not been enacted or for which current year spending authority will not be used are disclosed as liabilities not covered by budgetary resources or unfunded liabilities. In addition, if other resources or advances that would allow for future spending authority to be designated for the particular liability are not available the liability will be disclosed as a liability not covered by budgetary resources or an unfunded liability. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding.

The Trust estimates accounts payable on a current assessment of services and goods received but not paid.

Environmental Disposal Liabilities

The Army closed its base at the Presidio in September 1994 and transferred administrative jurisdiction of the Presidio to the NPS through the DOI for incorporation into the Golden Gate National Recreation Area.

Executive Order 12580 delegated the responsibility to conduct the environmental cleanup of the Presidio to the Army. Under an interagency agreement with the DOI, the Army retained this responsibility as one of the terms of the jurisdictional transfer and initiated certain actions to address environmental conditions at the Presidio.

When Congress created the Trust in 1996, it separated the administrative jurisdiction of the Presidio into two areas: Area A, over which DOI retained authority, and Area B, which was transferred to the Trust in July 1998.

Under a Memorandum of Agreement (the Presidio MOA) among the Trust, DOI, and the Army, the Trust assumed the Army's responsibilities as lead agent for the environmental cleanup in both Area A and Area B. The Army provided $99 million to the Trust in exchange for the Trust's assumption of such responsibilities. All of the Army funds have been spent and the entire remaining liability is currently unfunded.

In 2006, the Trust worked with a third party consultant to update the estimated cost to complete the environmental remediation. This estimate led to an unfunded component of the Environmental Remediation Liability. Changes in cleanup cost estimates are developed in accordance with agency procedure which addresses a systematic process for cost estimating and places emphasis on development and retention of supporting documentation. Changes in cleanup cost estimates are based upon progress made in and revision to cleanup plans, assuming current technology, laws, and regulations. Changes result in an increase or decrease to the Environmental remediation liability and are calculated in current year dollars as prescribed by accounting standards.

Contingent Liabilities

Contingent Liabilities are liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The Trust recognizes contingent liabilities when the liability is probable and reasonably estimable. The Trust discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met and when the outcome of the future events is more than remote.

Other Liabilities

Other liabilities on the Trust's balance sheet arise largely from Trust payroll, normal leasing transactions, and monies received for projects throughout the park. Liabilities such as security deposits and rent credits are directly related to leasing activity with both commercial tenants and residential tenants. Such monies would generally be refundable to the tenants and are therefore shown as a liability. The accrued interest payable is related specifically to an agreement with a tenant that has a rent credit that was not intended be given or used for several years. The accrued interest is unfunded as it will not be paid but will be depleted by applying it as a rent credit against future earnings of the Trust. Unearned revenues are those monies advanced to the Trust for venue rentals and special park uses as well as monies received for projects which are at various stages but not yet complete. The Trust recognizes revenue related to these liabilities as the revenue is earned.

L. Revenues and Financing Sources

The United States Constitution prescribes that no money may be expended by a federal agency unless and until funds have been appropriated by Congress. Appropriations are considered to be a financing source. The Trust is receiving a declining appropriation and will no longer receive an appropriation in FY 2013.

The Trust Act allows the Trust to retain funds earned for its own use and those funds are considered spending authority. Spending authority is subject to apportionment by OMB. The Trust provides services to the public and other government entities which are priced at market value.

Appropriations

Congress provides the Trust's appropriation from the general receipts of the Treasury. The Trust's appropriation is in a revolving fund and is available until expended. Appropriations are reflected as a financing source entitled "Appropriation Used" on the Statement of Changes in Net position. The Statement of Budgetary Resources presents information about the resources appropriated to the Trust as well as spending authority from offsetting collections that the Trust has earned.

Exchange and Non-Exchange Revenue

All receipts and revenues of the Trust are classified as either exchange or non-exchange revenue. Exchange revenues are those that are derived from transactions in which the Trust and the other party receive value, including, rent, service district charges, utilities, permits, venue rentals, and reimbursement for services performed for other federal agencies and the public, etc. These revenues are presented on the Trust's Statement of Net Cost and serve to offset the costs of the goods and services received by the Trust.

Non-exchange revenues result from donations to the government. These revenues are those that are considered not to reduce the cost of the operations of the Trust and are reported on the Statement of Changes in Net Position.

With a few minor exceptions, all receipts or revenues by the Trust are retained by the Trust to fund Trust operations. The Trust deposits all funds received in the Treasury General Account and these funds are designated for Trust use through Treasury's accounting process.

Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies. Prices set for the various revenue activities are designed to recover full costs or market value of those activities and maintain operations of the park as a self sufficient entity to include insuring funds are available for capital asset replacement and capital renovations.

Imputed Financing Sources

In certain instances operating costs of the Trust are paid out of funds appropriated to other federal agencies. For example, the Office of Personnel Management (OPM), by law pays certain costs of retirement programs. The Trust recognizes these costs as an operating expense and also recognizes an imputed financing source on the Statement of Changes in Net Position.

Other Financing Sources

From time to time the Trust works on projects in partnership with the National Park Service (NPS), and the Golden Gate National Parks Conservancy (GGNPC) on Trust owned assets. These amounts are recorded as transfers in without reimbursement or donations of property.

M. Personnel Compensation and Benefits

Annual and Sick Leave Program

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefits cost. An unfunded liability is recognized for earned but unused annual leave since from a budgetary standpoint this annual leave will be paid from future funding sources when the leave is used by employees. The amount accrued is based upon current pay rates of the employees. Sick leave is expensed when used and no liability is recognized as employees do not vest in that benefit.

Federal Employees Workers' Compensation Program (FECA)

FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and beneficiaries of employees whose deaths are attributable to job related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL) which pays valid claims and subsequently seeks reimbursement from the Trust for these claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the Trust. There is generally a two to three year lag between payment by DOL and reimbursement by the Trust. The Trust recognizes a liability for the actual claims paid by DOL that are to be reimbursed by the Trust. The second component is the estimated liability for future benefit payments as a result of past events.

This liability includes death, disability, medical, and miscellaneous costs. The Trust determines this component annually, as of September 30, using a method that considers historical benefit patterns and other variables. The DOL provides non-CFO Act agencies a model to use to calculate this liability. The Trust recognizes an unfunded liability to DOL for these estimated future payments.

Federal Employees Group Life Insurance Program (FEGLI)

Most Trust employees are entitled to participate in the FEGLI program. Participating employees can obtain "basic life" term insurance, with the Trust reimbursing the employees the cost of the basic life insurance biannually. Additional coverage is optional and is to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each FY, OPM calculates the U.S. Government's service costs for the post retirement portion of the basic life coverage. The Trust's contributions are fully allocated by OPM to the preretirement portion of coverage, so the Trust has recognized the entire service cost of the post retirement portion of basic life coverage as an imputed cost and an imputed financing source.

Retirement Plans

There are two primary retirement systems for Federal employees. Employees hired prior to January 1, 1984, may participate in the Civil Service Retirement System (CSRS), and employees hired after that date are eligible to participate in the Federal Employee Retirement System (FERS). The Trust Act affords the Trust the ability to manage the payroll process outside of the laws governing civil service retirement; however, the Trust has elected to use the retirement systems in place for federal employees. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. Although the Trust hired its first employees in 1999, the Trust does have some employees in CSRS as these employees have transferred to the Trust from other federal agencies and have prior federal service. The majority of employees participate in FERS.

A primary feature of FERS is that it offers a savings plan to which the Trust contributes one percent of employees' pay and matches any employee contribution up to four percent of pay. For FERS employees the Trust also contributes the employer's matching share of Social Security. The Trust does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the OPM. The Trust does report as an imputed financing source and a program expense, the difference between its contributions to Federal employee pension and other retirement benefits and the estimated actuarial costs as computed by the OPM. The amounts reported as of September 30, 2011 and September 30, 2010 are $1,317,700 and $1,621,863 respectively.

N. Federal Government Transactions

The Trust's financial activities interact with the financial activities of the centralized management functions of the Federal Government. These activities include public debt and cash management activities and employee retirement, life insurance, and health benefits. The financial statements of the Trust do not include the costs of centralized activities performed for the benefit of the entire government.

O. Income Taxes

As an agency of the federal government, the Trust is generally exempt from all income taxes imposed by any governing body, whether it is a Federal, State, commonwealth, local, or foreign government.

P. Estimates

Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in the financial statements include environmental liabilities, allowance for doubtful accounts, and useful lives of general PP&E. Actual results may differ from those estimates.

2. Fund Balance with Treasury

Fund Balance with Treasury by fund type as of September 30, 2011 and September 30, 2010 are as follows:

	2011	***2010***
Revolving Funds	$ 23,483,393	$ 6,062,306

Status of Fund Balance with Treasury on September 30, 2011 and September 30, 2010 are as follows:

	2011	***2010***
Available Fund Balance with Treasury and Overnight Investments	$ 67,485,393	$ 72,717,306
Less Invested Unpaid Obligated Balance	(44,002,000)	(66,655,000)
Less Invested – Unobligated – Available	0	0
Fund Balance	$ 23,483,393	$ 6,062,306

At the end of FY 2011 and FY 2010 respectively the fund balance was obligated and unavailable.

3. Cash and Other Monetary Assets

	2011	***2010***
Trust Petty Cash	$ 1,000	$ 1,000
Residential Property Management Petty Cash	600	600
Residential Property Management Security Deposits	43,412	11,815
Deposits in Transit	149,527	757,538
Total Cash	$ 194,539	$ 770,953

4. Investments

INVESTMENTS AS OF SEPTEMBER 30, 2011
INTRAGOVERNMENTAL SECURITIES

	Maturity Date	*Interest Rate*	*Cost/ Par Value*	*Unamortized Discount*	*Net Value*
Non-marketable/Market Based	10/01/11	0%	$ 44,002,000	$ 0	$ 44,002,000
Non-marketable/Market Based	9/30/29	5.52%	2,978,000	0	2,978,000
Non-marketable/Market Based	9/30/29	6.12%	30,266,000	0	30,266,000
			77,246,000	0	77,246,000
Interest Receivable			0	0	0
TOTAL INVESTMENTS			**$ 77,246,000**	**$ 0**	**$ 77,246,000**

For all investments fair market value approximates the net value at both September 30, 2011 and 2010. Both of the investments with a September 30, 2029 maturity date are investments of the proceeds from Trust borrowings from the Treasury (see **Note 10**). The BPD invests these proceeds with the agreement that the borrowing and investment net to zero unless the Trust needs access to the cash. There was no interest owed to the Trust at the end of FY 2011.

INVESTMENTS AS OF SEPTEMBER 30, 2010
INTRAGOVERNMENTAL SECURITIES

	Maturity Date	*Interest Rate*	*Cost/ Par Value*	*Unamortized Discount*	*Net Value*
Non-marketable/Market Based	10/01/10	0.12%	$ 66,655,000	$ 0	$ 66,655,000
Non-marketable/Market Based	9/30/29	5.52%	2,978,000	0	2,978,000
Non-marketable/Market Based	9/30/29	6.12%	30,266,000	0	30,266,000
			99,899,000	0	99,899,000
Interest Receivable			325	0	325
TOTAL INVESTMENTS			**$ 99,899,325**	**$ 0**	**$ 99,899,325**

As of September 30, 2010, the Trust was owed $325 of interest on the investments with a maturity date of October 1, 2010. The amount of $325 was paid in full to the Trust by the BPD on October 1, 2010.

5. Accounts Receivable, Net

Accounts receivable as of September 30, 2011, is comprised of the following:

	Intra-Government	*Non-Government*	*Total*
Gross Accounts Receivable	$ 422,615	$ 3,291,777	$ 3,714,392
Less Allowance for Uncollectible Accounts	0	(1,166,328)	(1,166,328)
NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2011	**$ 422,615**	**$ 2,125,449**	**$ 2,548,064**

Accounts receivable as of September 30, 2010, is comprised of the following:

	Intra-Government	*Non-Government*	*Total*
Gross Accounts Receivable	$ 358,854	$ 3,093,627	$ 3,452,481
Less Allowance for Uncollectible Accounts	0	(1,169,331)	(1,169,331)
NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2010	**$ 358,854**	**$ 1,924,296**	**$ 2,283,150**

6. General Property, Plant and Equipment

Property Plant and Equipment (PP&E) consists of property used in operations:

Classification	*Estimated Useful Life*	*Cost*	*Accumulated Depreciation*	*Net Balance at 9/30/11*	*Net Balance at 9/30/10*
Land and Land Rights	N/A	$ 0	$ 0	$ 0	$ 0
Improvements to Land	[2]	30,798,480	9,410,156	21,388,324	17,495,598
Construction-in-Progress	N/A	34,386,431	N/A	34,386,431	32,757,249
Buildings, Improvements, Renovations & Rehabilitations	40 years[1]	260,483,292	49,461,196	211,022,096	173,327,246
Other Property, Plant and Equipment (including furnishings, equipment, and software)	[2]	47,411,772	17,754,496	29,657,276	25,519,870
		$ 373,079,975	**$ 76,625,848**	**$ 296,454,127**	**$ 249,099,963**

[1] *Buildings, Improvements and Related Renovations and Rehabilitations have useful lives of 40 years or less for improvements and renovations depending on remaining building life. Tenant Improvements are amortized over the life of the tenant's lease.*

[2] *Other Property, Plant and Equipment and Land Improvements are depreciated using a straight line method over their estimated useful lives ranging from three to ninety years.*

7. Stewardship Property Plant & Equipment

The mission of the Trust is to preserve and enhance the Presidio as an enduring resource for the American public. The Trust will achieve its mission by transforming the Presidio into a park of lasting distinction by: 1) building a community to support the park and to preserve its character as a place where people have lived and worked for more than two centuries, 2) enhancing the Presidio's scenic, natural, cultural, and recreational resources for public enjoyment and edification, 3) forging public/private partnerships to finance the park and provide public programs and 4) becoming a model of sustainable park management. The heritage and stewardship assets are natural resources and historic buildings that are directly related to preserving the historical integrity of the Presidio and meeting the Trust's mission.

The Trust's stewardship policies are outlined in several key documents such as: the Presidio Trust Management Plan (PTMP) and the Vegetation Management Plan (VMP). The PTMP proposes a focused and realistic vision which ensures that the Presidio's cultural, natural, scenic, and recreational resources are preserved while at the same time ensuring that the Presidio's historic buildings are rehabilitated. This vision provides that preservation of the Presidio's assets be a goal that is integrated with financial self sufficiency. The stewardship and heritage assets are an integral part of the park and the PTMP commits the Trust to preserving open space within the park. The VMP describes how the historic forest will be rehabilitated, how wetlands will be enhanced, and how native plant and wildlife species will be protected. Further, the PTMP outlines how the Trust will preserve its National Historic Landmark Status.

Heritage and Multi-Use Heritage assets are the historic buildings. Heritage assets are the buildings that will never be occupied by a tenant but will be preserved to ensure that historic integrity remains intact. Multi-use heritage assets, while historical in nature, are buildings that are leased to tenants.

A building can only be added to the heritage category if it is deemed that the building will not ever be occupied.

Stewardship assets consist primarily of historic forest and restoration of lands within the boundaries of the park. There has been no acquisition of new land. Land stewardship consists of forestry acreage added and withdrawn; this represents reforestation activities which results in a turnover of approximately two acres of forest each year.

The following table depicts the number of physical units at the end of FY 2010, additions and withdrawals during FY 2011 and the ending number of units at the end of FY 2011.

Classification	***Beginning Balance Number of Buildings***	***Additions***	***Withdrawals***	***Ending Balance Number of Buildings***
Heritage	11	0	0	11
Multi-Use Heritage	413	0	2	411
	Number of Acres	***Acres Added***	***Acres Withdrawn***	***Number of Acres***
Land Stewardship (1 park)	864.2	6.8	2.1	868.9

As part of ongoing improvements, the Trust continues to acquire and preserve heritage assets. In FY 2011 the Trust acquired artwork, through a donation, known as "Woodline" which is valued at $550 thousand.

The following table depicts the number of physical units at the end of FY 2009, additions and withdrawals during FY 2010 and the ending number of units at the end of FY 2010.

Classification	***Beginning Balance Number of Buildings***	***Additions***	***Withdrawals***	***Ending Balance Number of Buildings***
Heritage	12	0	1	11
Multi-Use Heritage	415	1	3	413
	Number of Acres	***Acres Added***	***Acres Withdrawn***	***Number of Acres***
Land Stewardship (1 park)	863	3.2	2	864.2

8. Other Assets

Other assets as of September 30, 2011 and 2010 are comprised of the following:

	2011	*2010*
Government Improvement Account	$ 0	$ 38,066
Prepayments	743,960	702,178
Deferred Rent Receivable	18,213,943	17,160,075
Other Deferred Real Estate Assets	338,252	976,400
Total Other Assets	$ 19,296,155	$ 18,876,719

9. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are those liabilities that may be funded from future resources. Liabilities not covered by budgetary resources as of September 30, 2011 and 2010 are comprised of the following:

	2011	*2010*
FECA Actuarial	$ 4,545,111	$ 4,547,854
Contingent Liabilities **[NOTE 14]**	15,000	136,569
Environmental Remediation Liability **[NOTE 11]**	35,413,231	35,442,083
Annual Leave Liability	2,344,738	2,291,458
Rent Credit Liability	3,710,721	2,915,190
Accrued Interest Payable	477,039	359,653
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	**46,505,840**	**45,692,807**
Liabilities Covered by Budgetary Resources	141,243,596	117,333,469
TOTAL LIABILITIES	**$ 187,749,436**	**$ 163,026,276**

10. Debt

The Trust has the following debt to Treasury as of September 30, 2011 and 2010:

	Maturity Date	*2011*	*2010*
DEBT TO THE TREASURY			
Note C (dated 9/29/00)	9/30/2029	$ 20,000,000	$ 20,000,000
Note C (dated 9/28/00)	9/30/2029	20,000,000	20,000,000
Note C (dated 9/29/01)	9/30/2029	9,978,000	9,978,000
TOTAL PRINCIPAL		**$ 49,978,000**	**$ 49,978,000**

The Presidio Trust Act granted the Trust the authority to borrow from the U.S. Treasury. The aggregate amount of outstanding obligations at any one time is limited to $150 million. These borrowings financed building and infrastructure rehabilitation by the Trust. Borrowing was contingent on the Secretary of the Treasury determining that the projects to be funded from the proceeds were creditworthy. In 1999, the Trust and the Secretary of the Treasury established a written borrowing agreement to advance funds for capital improvement projects. The Trust

executed a promissory note for the requested amount to evidence the obligation of the Trust to repay the Treasury the sum borrowed, together with any late charges that might be incurred.

The Trust was granted $49,978,000 in borrowing authority. The terms surrounding the Trust's borrowing authority have been described below. The debt the Trust has incurred is all related to the borrowing authority granted to the Trust.

The Trust has issued the following promissory notes to the BPD:

1) **NOTE C** (dated 9/29/00)
Principal amount is $20 million. The amount was used for the capital improvement projects activities in, on, or in support of particular Trust assets, specifically the Baker Beach Apartments, Building 220 and Building 36. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220, and Building 36 that have been improved. The note carries an interest rate of 6.122% and matures on September 30, 2029.

2) **NOTE C** (dated 9/28/00)
Principal amount is $20 million. The amount of the request was used for the capital improvement projects activities in, on, or in support of any Trust assets. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220 and Building 36. The note carries an interest rate of 6.122% and matures on September 30, 2029.

3) **NOTE C** (dated 9/29/01)
Principal amount is $9,978,000. The amount of the request was used for the capital improvement projects activities in, on, or in support of any Trust assets. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220 and Building 36. The note carries an interest rate of 5.515% and matures on September 30, 2029.

The Trust incurred $2,999,087 and $2,999,087 in interest cost in 2011 and 2010, respectively, all of which was included in program costs.

In FY 2011, no additional debt obligations were issued and there was no borrowing authority available at September 30, 2011 or September 30, 2010.

11. Other Liabilities – Environmental Remediation

Agent Responsibilities for Environmental Cleanup

Under a Memorandum of Agreement (the Presidio MOA) among the Trust, DOI, and the Army, the Trust assumed the Army's responsibilities as lead agent for the environmental cleanup in both Area A and Area B. The Army provided $99 million to the Trust in exchange for the Trust's assumption of such responsibilities. As of 2011, the Trust has fully obligated the $99 million provided under its agreement with the Army.

Under a separate memorandum of agreement between the Trust and DOI (the Area A MOA), the Trust confirmed its agreement to take over lead agent responsibility for the cleanup of Area A of the Presidio. The Area A MOA also set out specific time periods, priorities and processes for remedy selection for environmental cleanup of Area A.

Cleanup includes enumerated sites where a potential environmental threat (Substance and Condition) is presently known or may exist based on past Army studies or records. Cleanup also includes unknown contamination which is any environmental threat at or from the Presidio other than an enumerated site that existed at the Presidio before October 1, 1994 (Presidio base closure) or was the result of an Army act or omission on or after October 1, 1994.

The Trust performs all cleanup work at enumerated sites using the funds advanced from the Army and is the point of contact for all regulatory agencies and the public. The Army retained responsibility to fund and/or to perform all environmental cleanup work of unknown contamination as well as sole responsibility for the clean up of radioactive materials, chemical and biological warfare agents, and unexploded ordnance if discovered at the Presidio.

If cleanup costs for the enumerated sites exceed $100 million plus insurance proceeds (see discussion of the Trust's environmental insurance policies below) by $10 million, the Army must seek additional appropriated funds for the enumerated sites. The Army is released from this requirement if the Trust's mismanagement or inefficient use of funds causes the cost overrun.

The Trust obtained two environmental insurance policies: a Remediation Stop Loss (RSL) policy and a Real Estate Environmental Liability (REEL) policy:

> The RSL policy provides the Trust with insurance against cost overruns in implementing environmental remedies that have been approved by the appropriate regulatory agencies for known contamination at enumerated sites. The RSL policy pays for remediation costs in excess of $100 million (self-insured retention) spent by the Trust for "necessary and reasonable" costs. The RSL policy has a liability limit of $100 million. The RSL policy is set up so that the Trust pays the first $100 million of remediation costs and the RSL policy would pay for the second $100 million. The Army and DOI are each named as an additional insured on the RSL policy. Allowable cleanup costs are expected to exceed the $100 million self insured retention in the first quarter of FY 2012. The Trust is developing the steps in the claim process in coordination with the insurer to ensure that the remediation program reaches completion.
>
> The REEL policy provides coverage for unknown contamination. The REEL policy has a limit of $10 million (with a $25,000 deductible per claim) and a $50 million total for all claims. DOI

is a named insured under the REEL policy. At present, the Trust has claims pending against the REEL coverage but the amount of recovery cannot be determined at this time.

Liability for Environmental Cleanup Costs

In 2006 the Trust, in conjunction with third party consultants, updated the total estimated cost at completion of all work related to the environmental cleanup of the Presidio. The independent third party also provided management with an analysis of the progress made related to the environmental remediation of the Presidio. This total estimated cost to complete has been updated to reflect the estimates as of September 30, 2011.

The table below identifies the Trust's costs from inception of the environmental cleanup program to date and sets forth the current total estimated cost at completion. The table separately identifies the costs related to the cleanup of contaminants known and inventoried at the time the Army turned the cleanup over to the Trust and contaminants identified by the Trust subsequent to the Army's turnover.

	Known Contaminants As of 9/30/2011		***Unknown Contaminants As of 9/30/2011***			
	Spent	***At Completion***	***Spent***	***At Completion***	***Total Spent As of 9/30/2011***	***Total Estimated Cost At Completion***
Allowable Costs*	$ 99.0	$ 133.2	$ 7.3	$ 11.4	$ 106.3	$ 144.6
Other Costs*	19.7	21.3			19.7	21.3
TOTAL COSTS*	**$ 118.7**	**154.5**	**$ 7.3**	**11.4**	**126.0**	**165.9**
Environmental Remediation Liability per Balance Sheet*					35.4	
Less Resources						
Army/Other (Reimbursement)*		102.0		6.9	(6.9)	108.9
Insurance/Other (Estimate)*		.8				.8
TOTAL AFTER RESOURCES*		**$ 51.7**		**$ 4.5**		**$ 56.2**
TOTAL OF KNOWN CONTAMINANTS AT COMPLETION*					**$154.5**	
Interest Income*		**$ 19.2**		**$ 0.0**		**$ 19.2**

**Dollars Noted in Millions*

The Trust's financial statements reflect a liability for environmental remediation clean up costs of $35.4 million which is unfunded as of September 30, 2011. This represents the total estimated cost at completion less the expected Army and insurance reimbursements (claims filed). The actual cost at completion may vary from the current estimated cost at completion. During the year the Trust determined that the cost of the Mt. Lake project was a known cost. This change had the largest impact on the estimated cost to complete. The Trust has earned $19.2 million of interest income which is recognized as revenue by the Trust in the year in which it is earned. The change in liability as of September 30th from FY 2011 to 2010 is reflected in the chart below:

Liability per Balance Sheet (in millions)	***2011***	***2010***
Beginning Balance	$ 35.4	$ 46.8
Costs Applied, net	(12.6)	(16.2)
Change in Estimated Cost to Complete	12.6	4.8
TOTAL LIABILITY	**$ 35.4**	**$ 35.4**

The total estimated cost at completion could increase further in the future due to inflation and the timing of implementing the various remedies. Annually, management will update the total estimated cost at completion and will periodically enlist third party expertise to assist management in formulating detailed projections based on a thorough review of the remediation program.

12. Other Liabilities

Other liabilities as of September 30, 2011 and 2010 are comprised of the following:

	2011		*2010*	
	Non-Current	*Current*	*Non-Current*	*Current*
INTRAGOVERNMENTAL				
Employer Contributions Payable	$ 0	$ 218,598	$ 0	$ 296,380
Other Post Employment Benefits	650,017	555,437	619,785	422,375
Unearned Revenue	0	10,821,172	0	9,800,728
TOTAL INTRAGOVERNMENTAL	**650,017**	**11,595,207**	**619,785**	**10,519,483**
Enviornmental Remediation Cleanup Cost Liability **[NOTE 11]**	27,746,231	7,667,000	22,466,083	12,976,000
FECA Actuarial **[NOTE 9]**	4,067,111	478,000	4,062,854	485,000
Contingent Liabilities **[NOTE 14]**	0	15,000	0	136,569
Security Deposits	4,510,039	0	4,291,676	0
Unearned Revenue	35,588,096	13,691,368	8,314,386	11,043,371
Payroll Payable	0	1,821,936	0	1,678,965
Annual Leave Liability **[NOTE 9]**	0	2,344,738	0	2,291,458
Rent Credit Liability **[NOTE 9]**	3,382,676	328,045	2,824,238	90,952
Prepaid Rents & Services	0	2,207,406	0	1,635,627
Accrued Interest Payable **[NOTE 9]**	477,039	0	359,653	0
Other Liabilities	0	188,879	0	796,889
TOTAL OTHER LIABILITIES	**$ 76,421,209**	**$ 40,337,579**	**$ 42,938,675**	**$ 41,654,314**

13. Leases

Trust as Lessee

Capital Leases

The Trust currently does not maintain any capital leases.

Operating Leases

The operating leases are for equipment. The Trust currently leases multiple copiers which are under agreements that do not have a definitive lease period that exceed one year. The Trust also leases government vehicles from General Services Administration (GSA), but such leases do not have a definitive lease period that exceed one year.

Trust as Lessor

Operating Leases

Description of Lease Arrangements:

The Trust's properties are leased under terms from one month up to 70 years. The Trust expects that these leases will be renewed or replaced by other leases in the normal course of business. In addition, fourteen leases are operated under contingent rental agreements wherein the monthly rental revenue is either a percent of the lessees' monthly revenue or base rent plus additional rent based upon a percent of the lessees' monthly revenue.

The Trust also provides free rent or reduced rental rates to certain employees of the Trust, other Presidio based employees, and other governmental agencies.

Minimum future lease payments to be received under non-cancelable operating leases are as follows:

Fiscal Year	***Total***
2012	15,259,865
2013	13,028,584
2014	10,904,849
2015	10,442,174
2016	9,914,080
Thereafter	$ 374,494,317
TOTAL	**$ 434,043,869**

14. Commitments and Contingencies

From time to time, the Trust is involved in legal matters, including tort and employment-related claims. Currently the Trust has pending two claims of workplace discrimination. The Trust is actively processing each of these claims and has assigned a contingent liability of $15,000 to all of the claims, in the aggregate. Trust management does not expect other pending legal matters to have a material impact on its financial condition or net costs.

15. Intragovernmental Costs & Exchange Revenues

Exchange Revenue

The Trust provides services to the public and other government entities. Revenue earned from the US Treasury is from earnings on investments. Revenue earned from the Department of the Interior was related to work on a reimbursable project and other miscellaneous services that the Trust provides. Revenue earned from the Department of Defense is primarily related to a grant for work on the Main Post. Revenues earned from the Department of the Army are primarily related to the Environmental remediation program.

	Amount of Revenue Earned	
Agency	*2011*	*2010*
U.S. Treasury	$ 2,065,390	$ 2,098,696
Department of Defense	3,949,187	407,246
Department of the Army	281,797	12,140,228
Department of Interior	2,314,252	307,453
Other	403,986	139,151
TOTAL	**$ 9,014,612**	**$ 15,092,774**

The Trust also incurs costs for services provided by other government agencies or for programs run by other government agencies. Costs incurred with the OPM are for employee benefits. The Department of Interior provides public safety, payroll, and other miscellaneous services to the Trust. Costs incurred with the US Treasury are for interest on loans.

	Amount of Cost Incurred	
Agency	*2011*	*2010*
Office of Personnel Management	$ 7,078,698	$ 7,093,116
Department of Interior	4,417,867	8,391,629
U.S. Treasury	2,999,087	2,999,087
Department of Labor	659,928	485,985
General Services Administration	662,614	628,259
Other	44,674	79,634
TOTAL	**$ 15,862,868**	**$ 19,677,710**

16. Apportionment Categories of Obligations Incurred: Direct Vs. Reimbursable Obligations

All obligations are under reimbursable authority. The amount of obligations incurred as of September 30, 2011 and September 30, 2010 was $128,827,200 and $158,226,971 respectively.

17. Permenent Indefinite Appropriations

The Trust has a permanent indefinite appropriation which is used to finance operations, maintenance, and capital improvements in Area B of the Presidio.

18. Undelivered Orders at End of Period

Undelivered orders represent amounts for which funds were obligated but the goods and/or services related to those specific orders have not been received. The balance of undelivered orders at September 30, 2011 and 2010 were $49,489,469 and $58,375,614, respectively.

19. Contributed Capital

The Trust is granted the authority to accept donations in the Trust Act. In FY 2011 the Trust received $2,826 in direct donations. The Trust also receives grants for various projects within the park. The Trust received $6.1 million in grants related to land improvements, main post projects, and historical renovations. Further, the Trust in coordination with the GGNPC worked on revitalizing the Tennessee Hollow Watershed (El Polin Springs) which resulted in $2.6 million in land improvements funded through grants held at the GGNPC.

20. Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing

The following schedule has been prepared in accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, and represents reconciliation between the proprietary accounts and the budgetary accounts, and is a reconciliation of the proprietary statements to the Statement of Budgetary Resources. This schedule was formerly known as the Statement of Financing. Accrual basis accounting standards used in the Statements of Net Cost, Statements of Changes in Net Position, and Balance Sheets differ from the budgetary basis used in the Statement of Budgetary Resources, especially in the treatment of liabilities. A liability not covered by budgetary resources may not be recorded as a funded liability in the budgetary accounts of the Trust's general ledger, which supports the Statement of Budgetary Resources. Liabilities are considered "funded" for purposes of the Balance Sheets, Statements of Net Cost and Statements of Changes in Net Position.

The reconciliation between budgetary and proprietary includes a section depicting the change in certain unfunded liabilities. The amounts in this section may not correlate exactly with the amounts shown in Note 9 – Liabilities not covered by Budgetary Resources. Differences primarily result from Treasury requirements related to where the changes in these liabilities are reported in the Reconciliation of Net Costs of Operations. These requirements are dependent upon whether the change resulted in an increase or a decrease to the liability account.

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

	FOR THE YEARS ENDED SEPTEMBER 30, 2011	2010
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	$ 128,827,200	$ 158,226,971
Less: Spending Authority from Offsetting Collections and Recoveries	121,578,002	109,856,237
Net Obligations	7,249,198	48,370,734
Other Resources		
Donations Non-Financial Resources	2,548,036	306,000
Transfers in/out without Reimbursement	2,178,848	0
Imputed Financing from Costs Absorbed by Others	1,317,700	1,621,863
Net Other Resources Used to Finance Activities	6,044,584	1,927,863
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	**13,293,782**	**50,298,597**
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Not Yet Provided	36,903,396	(21,049,987)
Resources that Fund Expenses Not Recognized in Prior Periods	(12,890,755)	(6,141,592)
Other	(104,002)	0
Resources that Finance the Acquisition of Assets	(61,900,864)	(42,795,478)
TOTAL RESOURCES USED TO FUND ITEMS NOT PART OF THE NET COST OF OPERATIONS	**(37,992,224)**	**(69,987,057)**
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	**(24,698,443)**	**(19,688,460)**
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	53,280	101,852
Increase/Decrease in Environmental Remediation Cleanup Cost Liability	12,579,586	4,864,957
Increase in Exchange Revenue Receivable from the Public	0	0
Other	1,202,626	4,465,069
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	13,835,492	9,431,878
Components Not Requiring or Generating Resources		
Loss on Disposition of Assets	2,699,042	963,358
Depreciation and Amortization	11,965,142	10,386,968
Other	(293,351)	395,953
TOTAL COMPONENTS NOT REQUIRING OR GENERATING RESOURCES	**14,370,833**	**11,746,279**
NET COST OF OPERATIONS	**$ 3,507,882**	**$ 1,489,697**

21. Doyle Drive (Presidio Parkway Project)

In October 2009, the Trust, the State of California (State) represented by its Transportation Department (CALTRANS), and the San Francisco County Transportation Authority (SFCTA) finalized a Right of Entry Agreement related to the construction to replace the south access road to the Golden Gate Bridge known as Doyle Drive (Route 101).

Doyle Drive is located within the Presidio of San Francisco and provides access to historic and cultural landmarks including the Golden Gate National Recreation Area, the Presidio, the Golden Gate Bridge and the Palace of Fine Arts. The Presidio Parkway was identified as the Preferred Alternative for the Doyle Drive replacement. It will replace the existing roadway that, when constructed, will improve the seismic, structural and traffic safety of Doyle Drive.

As a major highway construction project within the boundaries of a National Park significant consideration has been given to the historical and environmental fabric of the Presidio. The Right of Entry specifically allows ingress and egress by the State for the duration of the project. It also recognizes the impact to the historic assets of the Presidio and allows for mitigation and compensation for impacts of the project.

Work on the Doyle Drive project commenced late in FY 2009 and has continued through FY 2011. The State has performed significant tree removals and utility infrastructure relocations and reestablishments to make way for construction of the parkway. In FY 2011 the State began heavy construction of the high viaduct and future eastern road connections.

The Trust has received cash compensation under the Right of Entry agreement, and will receive assets since the project must relocate, rebuild, and restore Trust assets in order to build the parkway. Further, the project is resulting in the demolition of multiple buildings and other Trust improvements. The Trust is actively engaged in supporting the implementation of the project in our jurisdiction working closely with Caltrans staff. The Trust is being reimbursed for the cost of the support under a reimbursable agreement with the State, and a previous agreement with the SFCTA.

The cash compensation and fair market value of the assets will be recognized as unearned revenue as they are received, and the revenue will be earned over time in accordance with SFFAS No. 7. The State currently has the use of a temporary construction easement and a Trust owned building, revenue will be recognized over the life of the right of entry agreement for the State's use of these items. All other revenue will be recognized over the estimated life of the new roadway.

The Trust has received a total of cash compensation in the amount of $63.3 million and $65 thousand in fixed assets; the Trust recognized earned revenue in the amount of $8.9 million in FY 2011 and $7.3 million in FY2010, leaving a balance of $47.1 million in unearned revenue. The Trust has also recognized earned revenue of $1.6 million in FY 2011 and $1.8 million in FY 2010 due to reimbursement for project support.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

September 30, 2011 and 2010

1. Deferred Maintenance

Deferred maintenance is maintenance not performed when it should have been or was scheduled to be, essentially maintenance put off or delayed until a future time. Maintenance is described as the act of keeping fixed assets in an acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the Trust's assets so that the asset continues to provide acceptable service and achieve its expected life.

Trust deferred maintenance is determined, through use of staff expertise, using a total life-cycle cost method for all deferred maintenance categories of major assets. This effort was worked on throughout the year and preceding fiscal years. The major categories of infrastructure and grounds were refined in FY 2010 and have been calculated consistently over the last two fiscal years. Substantial work in the category of buildings was completed in FY 2011 and has caused a reduction in the overall number.

Heritage assets and multi-use heritage assets that have deferred maintenance are a subset of the building category. The Trust is currently in the process of renovating buildings throughout the Presidio. Buildings that are renovated are maintained to ensure that the renovated condition is maintained. Buildings that have not been renovated are maintained to a level to ensure that they are preserved until such time as they can be rehabilitated.

Stewardship assets are included in the grounds category. Stewardship Lands consist primarily of forested lands and trails. The Trust is currently rehabilitating the forest through several reforestation projects, and reforests approximately two acres per year.

The Trust has determined that there is deferred maintenance in the following categories of assets:

	2010 Ending Balance	*2011 Scheduled Maintenance*	*2011 Actual Maintenance*	*Adjustment*	*2011 Ending Balance*
CATEGORY					
Infrastructure	$ 1,876,621	$ 792,517	$ 786,593	$ 1,069,694	$ 1,075,618
Stewardship and Landscape	273,531	1,426,968	1,218,936	964,737	1,172,769
Golf Course	500	138,890	145,000	9,160	3,050
Total Non-Buildings	**2,150,652**	**2,358,375**	**2,150,529**	**2,043,591**	**2,251,437**
Buildings:					
Heritage	140,399	89,790	0	0	89,790
Multi-Use Heritage	4,990,890	5,075,598	1,207,171	0	3,868,427
Non-Historic	5,149,560	2,092,564	534,856	0	1,557,708
Total Buildings	**10,280,849**	**7,257,952**	**1,742,027**	**0**	**5,515,925**
GRAND TOTAL	**$ 12,431,501**	**$ 9,616,327**	**$ 3,892,556**	**$ 2,043,591**	**$ 7,767,362**

OTHER ACCOMPANYING INFORMATION

SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion	Qualified				
Restatement	No				
Material Weakness	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
None	NA	NA	NA	NA	NA

SUMMARY OF MANAGEMENT ASSURANCES

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING						
Statement of Assurance		Unqualified				
Material Weakness	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
None	NA	NA	NA	NA	NA	NA
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS						
Statement of Assurance		See Below*				
Material Weakness	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
None	NA	NA	NA	NA	NA	NA
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS						
Statement of Assurance		See Below*				
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
None	NA	NA	NA	NA	NA	NA

CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT		
Statement of Assurance	**Agency**	**Auditor**
Overall Substantial Compliance	**Yes or No**	**N/A**
System Requirements	Yes	NA
Accounting Standards	Yes	NA
USSGL at Transaction Level	Yes	NA

*Management certifies to the effectiveness of internal control over operations and conformance with management system requirements.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

KPMG

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Internal Control Over Financial Reporting

The Board of Directors of
The Presidio Trust

We have audited the balance sheets of the Presidio Trust (the Trust) as of September 30, 2011 and 2010 and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 15, 2011, which was qualified due to the Trust's valuation methodology for certain property, plant and equipment transferred to the Trust at its inception.

Except for the matter discussed in the third and fourth paragraphs of our report on the financial statements, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Trust is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2011 audit, we considered the Trust's internal control over financial reporting by obtaining an understanding of the Trust's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2011 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. In fiscal year 2010, we identified a significant deficiency in the Trust's internal controls over the FECA actuarial liability. This deficiency was remediated by management in fiscal year 2011.

We noted certain additional matters that we will report to management of the Trust in a separate letter.

This report is intended solely for the information and use of the Trust's management, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 15, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Compliance and Other Matters

The Board of Directors of
The Presidio Trust:

We have audited the balance sheets of the Presidio Trust (the Trust) as of September 30, 2011 and 2010, and the related statements of net cost, changes in net position and budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 15, 2011, which was qualified due to the Trust's valuation methodology for certain property, plant and equipment transferred to the Trust at its inception.

Except for the matter discussed in the third and fourth paragraphs of our report on the financial statement, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 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 is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Trust. As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of the Trust'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 the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Trust. 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.

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The results of certain of our tests of compliance described in the preceding paragraph disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

This report is intended solely for the information and use of the Trust's management, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 15, 2011