

Presidio Trust

2016 Performance and Accountability Report

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The Performance and Accountability Report can be found on the Presidio Trust Website under www.presidio.gov

PERFORMANCE AND ACCOUNTABILITY REPORT FISCAL YEAR 2016

Agency Head Message

November 14, 2016

The Presidio Trust ends Fiscal Year 2016 in a sound financial position and with confidence in our ability to continue sustaining the park without federal financial operating support.

I assumed the role of Chief Executive Officer in September 2016 after a 15-month executive transition. I want to acknowledge the leadership of the board of directors as well as of my predecessor, Craig Middleton, who led the Presidio Trust for more than 13 years. Under Mr. Middleton's management, the agency attracted over a billion dollars from private sources, revitalized over 860 acres of open space, and provided built space sufficient for approximately 3,200 residents and 200 organizations. I thank Mr. Middleton for his leadership, which saved the Presidio as a public place.

I also want to thank Michael Boland, Fran Gonek, and Joshua Steinberger who served as the Interim Leadership Team. They not only steered the Presidio Trust through a long transition, they also made important strides in accountability and transparency during their tenure. I am so pleased to be working with these dedicated public servants to build upon their accomplishments.

Today, the Presidio is at an exciting juncture. With our operating costs covered by our income, we want to share the Presidio with more, and more diverse visitors and ensure we are good environmental stewards. I am eager to put the Trust's Strategy 2020 plan into action and to continue the tradition of experimentation and innovation that has underpinned the Presidio Trust since its inception.

As always, we are grateful to the National Park Service and the Golden Gate National Parks Conservancy for their partnership in making the Presidio a success. Our achievements - past, present, and future - would not be possible without their collaboration and trust. We look forward to working with them to share the Presidio even more broadly.

Finally, I wish to express my gratitude to Congress. In 1996, Congress made a bold bet that a small federal agency could leverage resources and support from the community to transform an Army post into a thriving national park for all. I am honored to serve with the community champions, committed elected officials, and dedicated employees who have stewarded this exceptional place for two decades.

If you are a long-time user of the Presidio, thank you for your support. If you haven't visited yet, or you haven't come lately, please visit us to see all the wonderful places and things happening here. We're excited to share this historic, magnificent national park with you.

Sincerely,



Jean S. Fraser
Chief Executive Officer

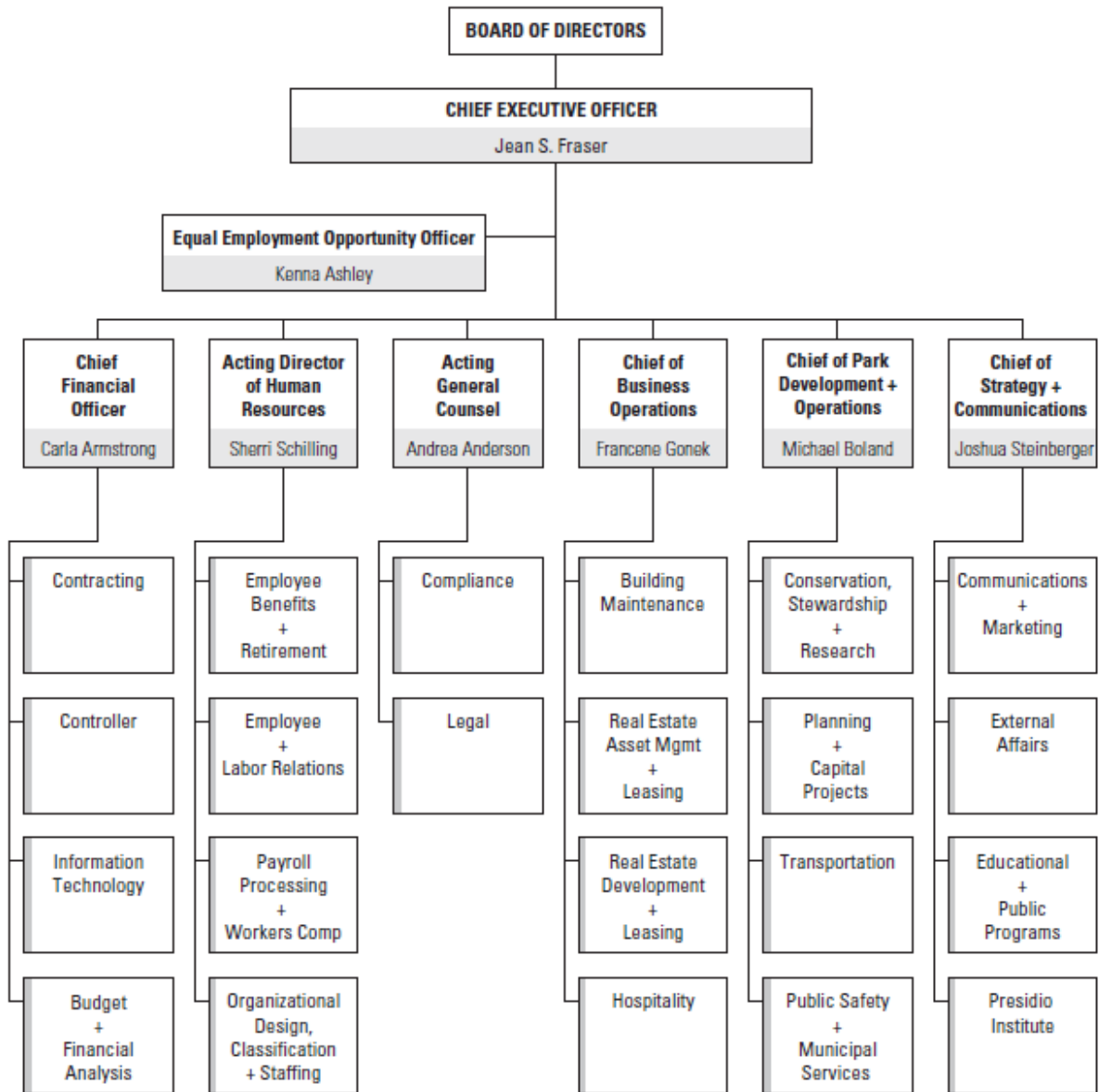
Management's Discussion and Analysis (Unaudited)

MISSION AND ORGANIZATIONAL STRUCTURE

The Presidio Trust was established by Congress as a wholly owned corporation of the federal government. The Presidio Trust Act gives the Trust the flexibility to operate in the marketplace 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 of whom is the Secretary of the Interior or the Secretary's designee. A Chief Executive Officer (CEO) oversees the organization, which includes a Chief of Business Operations, Chief of Park Development and Operations, Chief Financial Officer (CFO), General Counsel, Chief of Strategy and Communications, Director of Human Resources, and other positions essential to operating this unique park.

The Trust has over 330 full and part-time employees with a wide range of skills, including ecological restoration, historic preservation, real estate management, finance, communications, and operations.

PRESIDIO TRUST ORGANIZATION CHART



Analysis of Financial Statements and Stewardship Information

Preparation of the financial statements, accompanying notes, and this discussion and analysis is the responsibility of Trust management. The financial statements have been audited by the independent accounting firm KPMG, LLP, and the Trust received an unmodified opinion on its financial statements.

Trust management is committed to sound financial management and is responsible for the integrity and objectivity of the 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 Fiscal Years 2016 and 2015.

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, 2016, and to compare it to the Trust's position the previous year.

Assets

The Trust's total assets increased by \$13.5 million for a total of \$524.2 million at the end of Fiscal Year 2016 compared to \$510.8 million at the end of Fiscal Year 2015. The net increase of \$13.5 million consists of various increases and decreases in assets.

The accounts receivable balance increased by \$1.9 million, due to receivables for significant grant funded projects such as the Tunnel Tops, MacArthur Meadow, and the William P. Mott Visitor Center. Additionally, cash and investments increased \$13.2 million over the previous year due to increased revenue.

These increases in assets were offset somewhat by a decrease in the Trust's PP&E assets. The PP&E assets decreased by \$2.5 million net of depreciation. This decrease reflects the first time that the Trust's investment in assets was exceeded by depreciation. The net balance reflects depreciation of \$22.5 million offset by \$20.0 million in additional Trust investments.

Liabilities

Our liabilities decreased by \$5.9 million, ending at \$187.5 million in liabilities for Fiscal Year 2016 compared to \$193.4 million at the end of Fiscal Year 2015. The decrease is made up of fluctuations in several liabilities.

Unearned revenue decreased by \$7.6 million, largely due to recognition of revenue associated with the Doyle Drive project. See Note 22 of the accompanying financial statements for further explanation.

The rent credit liability decreased by \$0.9 million. There were no significant rent credits given in fiscal year 2016. The decrease is a result of the amortization of the various rent credits provided due to the Doyle Drive project.

The non-friable asbestos cleanup liability increased by \$0.9 million due to adjustment for inflation. See Note 12 for more information.

Trust liabilities include \$45.5 million in debt to the U.S. Treasury. The required principal payment was paid on September 30, 2016, decreasing the liability by \$2.3 million. The debt will be repaid in full by Fiscal Year 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 \$33.2 million. See Note 4 for more information on investments and Note 10 for more information on debt.

Net Position

The Trust's net financial position increased by \$19.3 million, ending Fiscal Year 2016 at \$336.7 million compared to \$317.4 million at the end of Fiscal Year 2015.

Net Cost of Operations

These statements are intended to report net costs of the Trust as a unit of the federal government and the net cost to the public. Costs reported on these statements – including depreciation, future funded expenses, adjustments to actuarial estimates, and all remediation activities – are stated on a proprietary basis (those accounts that are used to track assets, liabilities, revenue, and expenses).

The Trust had net revenue of \$14.3 million during Fiscal Year 2016 compared to net revenue of \$15.5 million in Fiscal Year 2015. Net cost/income are not fully reflective of the 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 statements reflect all of the expenses incurred by Trust activities during Fiscal Year 2016, including the remediation program and the depreciation of fixed assets. The increase in revenues is related to the continued increase in real estate portfolio revenue and the operation of the golf program for a full year. Operating costs increased in proportion to the revenues earned from the program activities.

Budgetary Resources

The Statements of Budgetary Resources provide information on the budgetary resources available to the Trust for the year and the status for those resources at the end of the fiscal year. The Statements of Budgetary Resources are significant because they hold accounting for federal budget execution to audit standards. They include reconciliation of obligations incurred with cash outlays during the fiscal year, and agencies are required to reconcile the statements of net cost/income (proprietary) to the budget (see note 21). Further, they are prepared using budgetary accounting rules, which differ from financial accounting rules as transactions are recognized at different points in time. In Fiscal Year 2016, the Trust received the greatest portion of its funding from revenues earned, with the largest revenue streams being associated with residential and non-residential leasing.

Budgetary resources amounted to \$193.1 million for Fiscal Year 2016, compared to \$178.6 million in Fiscal Year 2015. Of this amount, the Trust obligated \$129.9 million in Fiscal Year 2016 and \$126.6 million in Fiscal Year 2015. Unobligated balances at the end of Fiscal Year 2016 and Fiscal Year 2015 were \$63.3 million and \$52.0 million, respectively. This unobligated balance is due primarily to the funds held for capital improvements, tenant security deposits, and the receipt of gifts.

Risks and Uncertainties

The Trust received appropriations for the first 15 years of operations, through Fiscal Year 2012. Fiscal Year 2016 marks the fourth year the Trust has operated solely on revenues earned and grants and donations received. The Trust continues to maintain sound financial plans to ensure that Trust operations continue into the future and the park is preserved for the public. While Trust operations are sufficient to cover current operating expenses and generate some revenue for capital projects, Trust operations alone are not sufficient for all needed capital projects.

The Trust is 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 ongoing maintenance of assets prolongs their useful life and reduces the likelihood of unexpected failures. Maintenance of 100 percent of the assets is not feasible, so the Trust evaluates deferred maintenance on an annual cycle and identifies the most important preventive maintenance for completion. The Trust will be refining lifecycle maintenance/cost of ownership data over the next two fiscal years to develop funding strategies for assets. Deferred maintenance data can be found in the required supplementary information accompanying the financial statements.

Stewardship Investments

Stewardship assets are detailed in Note 7 to the financial statements as required by Statement of Federal Financial Accounting Standards (SFFAS) 29, Heritage Assets and Stewardship Land. The Trust's reported values for PP&E exclude stewardship assets, which are primarily park open space because they are considered "priceless" and therefore monetary amounts cannot be assigned.

Systems, Controls, and Legal Compliance

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

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 Office of Management and Budget (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. No other material weaknesses were found in the design or operation of the internal control over financial reporting.

Statement of Assurance on Information Technology

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.

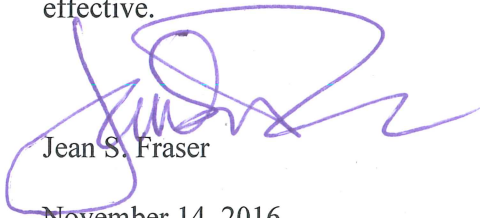
The Trust has strong technology controls in place. While the Trust's systems are secure the Trust has not fully complied with the Federal Information Security Management Act (FISMA). We will do the work necessary to be in compliance in the coming fiscal year.

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.

Statement of Assurance on Other Legal Matters

The Trust management is responsible for establishing and maintaining effective internal controls to assure compliance with provisions governing claims of the United States Government, including the Debt Collection Improvement Act of 1996. Management certifies that these controls are in place and effective.



Jean S. Fraser

November 14, 2016

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 OMB 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 rest with Trust management.

Chief Financial Officer Letter

We concluded the fiscal year with a transition from our Interim Leadership Team to a CEO. Jean Fraser, Trust CEO, began her tenure in September 2016 as the annual financial cycle closed. A new fiscal year (2017) marked by a new era in the organization, albeit an era that will continue to be characterized by the financial integrity that has always been highly valued by the organization.

The Trust continues to be a sound steward of its financial resources. Fiscal Year 2016 marks the Trust's fourth year without federal financial operating support, and the Trust continues to remain in a financially healthy state. While operating solely on revenues earned and grants and donations from the community, the park continues to align budgetary resources with its strategic plan (*Strategy 2020*). Philanthropic efforts and park partnerships will be vital to our success in fulfilling the vision of a fully rehabilitated and dynamic park.

There were no new changes to accounting policies this fiscal year. Staff members were engaged in the continuation of the real estate portfolio management portion of the Trust's systems. This system is primarily designed to support property and lease management, facility work order control, costing, and financial management. The Trust accomplished significant work in this area by recasting the structure of its residential portfolio within the system to ensure that it will be able to enhance the leasing functions. We plan to implement several residential modules that will expand online capabilities.

The Trust moved forward on its financial system upgrade. We updated the hardware and operating platforms as well as planned for the structure needed to bring data from disparate systems into one place for management reporting. Further, we implemented the use of the six-digit general ledger numbering to be in compliance with the United States Standard General Ledger (USSGL). The new structure was implemented as the Trust opened its books for Fiscal Year 2017. The application upgrade will be completed in Fiscal Year 2017. Once the upgrade is complete and the data stabilized, internal reporting for organizational needs will be developed. Systems will remain an area of focus in the CFO's Office for the coming fiscal year.

We are pleased to report that the Trust maintained the unmodified audit opinion first achieved in Fiscal Year 2012. In Fiscal Year 2015, we ensured that we resourced the finance staff, bringing on key staff members, and in Fiscal Year 2016 we focused on finalizing the transition of duties to these staff members. We have continued our efforts to refine and improve the Trust's processes, with the goal of providing Trust managers, board members, federal oversight officials, and the general public with timely, transparent, accurate, and useful financial information.

Along with our CEO and senior leadership, I remain committed to providing the Trust with the highest levels of financial management services and ensuring the efficiency and effectiveness of the Trust programs and activities.



Carla Armstrong
CFO

November 14, 2016

Fiscal Year 2016 Performance

Goal: Welcome the Public

The Presidio invites our diverse community of local, national, and international visitors to have meaningful park experiences and to enjoy nature, history, recreation, and Golden Gate vistas.

Korean War Memorial

In August 2016, a new memorial was opened in the Presidio honoring the sacrifice of those who lost their lives in the Korean War. The design for the memorial was developed by the Presidio Trust with the collaboration of the Korean War Memorial Foundation, a group of Korean War veterans who raised the funds to build and maintain the memorial. The dedication ceremony was attended by 1,000 veterans, family members, and community members. Honored guests included U.S. military leaders, Congressman Mike Honda and former Congressman Pete McCloskey, representatives from the Republic of Korea, ambassadors, and Peace Medal recipients. The Korean War Memorial is located just outside the Presidio's San Francisco National Cemetery, overlooking San Francisco Bay.

Free Public Programs

Since 1998, the Presidio has gradually transformed into a major destination for free events and programs serving the public. Today, the Presidio's slate of offerings includes nature programs, historical and cultural events, family activities, and fairs and festivals. While events are held all around the park nearly every day of the week, two sites on the Main Post have become important gateways for visitors – the Presidio Officers' Club and the Main Parade Ground.

In September 2016, the Presidio Officers' Club celebrated its second anniversary as the park's hub for history and culture. Permanent museum-style exhibits exploring the Presidio's role in American history are complemented by year-round events including dialogues with distinguished speakers, live music representing diverse styles and cultures, and free crafts for kids. In April 2016, the Presidio Officers' Club launched its second year-long special exhibition – the *Presidio Nature Lab*. This family-friendly interactive experience has allowed children to learn about the park's wild outdoors, and encouraged families to create their own nature adventures. In total, in Fiscal Year 2016, more than 100,000 people visited the Presidio Officers' Club for these rich historical and cultural programs.

The Presidio's historic Main Parade Ground was created in the 1890s as a place for soldiers to conduct drills and exercises. It later was used for many decades as a large parking lot until 2011 when the Presidio Trust transformed it into a seven-acre green open space for public events. The Main Parade now welcomes tens of thousands of visitors to enjoy outdoor programs. Chief among these are the Twilight and Picnic at the Presidio series, which invites visitors to enjoy food, music, games, campfires, and time with family and friends. Offered on Thursday evenings and Sunday afternoons from April through October, the series attracted nearly 170,000 people in 2016. Other popular outdoor events included the Presidio Kite Festival, outdoor family movie nights, stargazing parties, bicycle training for youth, Free Shakespeare in the Park, and seasonal craft-making events.

The Trust is also making improvements to ensure that the large lawn is welcoming all year long for informal gatherings. In September 2016, we introduced “Share Chairs,” colorful, movable furniture that can be easily arranged into multiple configurations. In the coming months, the Trust will monitor how the chairs are used and invite feedback from the public on their functionality.

Art in the Presidio

Since 2008, the Presidio Trust and its partners have used art to welcome new audiences to the park and to invite existing visitors to see the Presidio’s natural, historic, and recreational assets from a fresh perspective. In all, 12 exhibitions – from temporary shows to semi-permanent installations – have been offered, including four works by celebrated artist Andy Goldsworthy. The *Goldsworthy in the Presidio* collection draws visitors from around the world. In Fiscal Year 2016, more than 9,000 visitors enjoyed guided hikes and tours supported by trained volunteer Art Docents and Trail Ambassadors – and tens of thousands more enjoyed self-guided exploration of the Goldsworthy sculptures, two of which are located outdoors along trails.

The Art in the Presidio program celebrated two major events in 2016. In March and April, the park hosted the only west coast appearance of Annie Leibovitz’s *WOMEN: New Portraits*. Sponsored by UBS and offered free of charge to the public, the exhibit used photography to examine the changing roles of women today. The show welcomed more than 25,000 visitors during its three week run, and also included weekend family workshops and school field trips serving nearly 600 children and their families.

In September, the Presidio’s historic gun batteries and associated historic buildings became the backdrop for the *Home Land Security* exhibition. Organized by the non-profit arts organization, the FOR-SITE Foundation, the free exhibition features eighteen artists from across the world – including China, Cuba, Iran, Israel, Poland, South Africa, South Korea, Syria, and the United States – underscoring the universality of themes of home, safety, and defense. *Home Land Security* has allowed the public to access several historic sites long closed to visitors, including the former Nike Administration Building and a chapel at Fort Scott. The exhibition is open through the end of the year, and welcomed 5,800 visitors through September 2016.

Recreation

The Presidio offers a breadth of recreational opportunities, from outdoor activities such as picnicking, hiking, biking, golfing, and camping, to indoor activities offered by tenants such as bowling, rock climbing, and swimming.

One of the most critical pieces of recreation infrastructure is the park’s trail and bikeway network. In 2016 there were over three million user counts on the 12.8 miles of multi-use, pedestrian and bike trails and 33.7 miles of bike paths, lanes and routes within Area B. A major milestone was reached this past year with the completion of a three-mile accessible loop trail which provides visitors with physical disabilities an opportunity to enjoy a broad range of park experiences – from ocean and bay views to the forest and the Golden Gate Bridge. The trail was developed over several years as part of the *Trails*

Forever initiative and was supported by the generosity of many private and public philanthropic sources.

In 2016, 135,000 people competed in organized sporting events, including runs, races and other events on the park's athletic fields.

Rob Hill Campground, the only campground in San Francisco, continues to be a popular option for visitors to enjoy a national park camping experience just minutes from the city. In Fiscal Year 2016, nearly 6,000 people enjoyed a night under the stars.

The Presidio also includes an award-winning public golf course. Once reserved only for officers and members of a private club, today Presidio Golf Course, a contributing feature to the park's National Historic Landmark District status, hosts 61,000 rounds of golf a year. The course also offers a range of special programs serving youth, including a YMCA Junior Camp and a PGA Junior League. Additionally, in 2016 the Presidio became the Northern California host site for the PGA Hope (Helping our Patriots Everywhere) Program, in which golf is used as a therapeutic rehabilitation tool helping recently-returned vets forge social connections and assimilate back into the community. Seventy veterans received complimentary instruction at the Presidio Golf Course this year.

Lodging

In April 2016, the 26-room Inn at the Presidio, the park's first lodge, concluded its fourth year of operations. In total, an estimated 64,000 people have stayed at the inn, including nearly 15,000 in 2016 alone. Enjoying an overnight stay in the park has proven so popular that the Trust will soon expand the inn by rehabilitating one of the historic Montgomery Street Barracks on the Main Post. That facility, which is planned for 42 rooms, will open in 2018.

Improving Access for All

Since 2003, the Presidio Trust has invested in an alternative fuel shuttle system, the PresidiGo Shuttle, to provide free, environmentally sound and convenient park access to visitors, residents, and employees. The shuttle offers three routes: one to the park from regional transit hubs in downtown San Francisco, and two within the park serving more than 40 visitor destinations. In Fiscal Year 2016, the PresidiGo Shuttle provided nearly 550,000 rides.

Also this fiscal year, a major local bus route – the MUNI 43 line – began running service to the center of the Presidio, creating new connections to Golden Gate Park, Fort Mason, and many other San Francisco neighborhoods. Our hope is that these improvements to the transit system will bring more visitors in fewer cars.

The community shuttle, an initiative of the Trust, the Golden Gate National Parks Conservancy, the National Park Service, the YMCA, and many other community organizations, continued to connect underrepresented communities to the Presidio. The Bayview Walking Group uses the shuttle on a monthly basis to connect with nature and enjoy the Presidio's trails. The shuttles are also used to bring community groups not well-served by public transit to special events with in the park including festivals, art exhibitions, seasonal celebrations, and cultural events. To date, more than 1,200 people

have used the community shuttle, from youth to seniors. A new “community trailhead” to the Presidio was unveiled at the Bayview YMCA as well.

This year, the Presidio was pleased to support the national *Let’s Move Outside* initiative of the YMCA and Department of the Interior by welcoming nearly 250 youth from underserved communities to explore and enjoy unique aspects of the Presidio – archaeology, art, nature, volunteer stewardship and more.

New Presidio Visitor Center

Throughout Fiscal Year 2016, the Presidio Trust, the National Park Service, and the Golden Gate National Parks Conservancy worked to design and construct a new visitor center to welcome the public. Opening in early 2017, the facility will be located in a rehabilitated historic building in the heart of the Main Post. The Presidio Visitor Center will offer interactive exhibits illustrating the history and natural resources of the park, videos and digital tools to help guests plan their adventures, a changing exhibit that will feature voices from the community, and interpretive retail to support a great day in the park. The center will be operated by staff and volunteers from all three organizations. The building will be named in honor of William Penn Mott, Jr., a long-time National Park Service leader who played an important early role in the Presidio’s transition from a military post to a national park.

Goal: Creating Positive Impact

Building on the military's tradition of leadership, the Presidio is a place where young people have meaningful learning experiences, thought leaders come together make positive change, and volunteers enjoy personal enrichment while supporting the park.

Educational Programming

Each year, more than 20,000 Bay Area students and teachers come to the Presidio for real-world learning in a beautiful and historic setting. The Presidio Trust, the National Park Service, and the Golden Gate National Parks Conservancy offer a range of field trip options where students in elementary, middle, and high school explore the history of our region and the importance of ecological stewardship. Young people learn about habitat restoration on the Ecology Trail; about the lives of the Presidio's earliest residents in the archaeology lab; and about the service and sacrifice of fallen soldiers at San Francisco National Cemetery. In Fiscal Year 2016, approximately 5,500 young people participated in Presidio Trust educational programs, and thousands more studied environmental stewardship at Crissy Field Center.

One of the park's most successful educational offerings is the Camping at the Presidio (CAP) program, which marked its 10th anniversary in 2016. A partnership of the Presidio Trust, the Parks Conservancy, the National Park Service, and Bay Area Wilderness Training, CAP trains adults from community organizations and schools to bring their youth camping. Over the last decade, nearly 40,000 children, teens, and adults have come to the Presidio's Rob Hill Campground for their first-ever national park camping experience. A CAP trip offers a profound experience of the natural world: sleeping outside, hearing the crashing waves of the nearby Pacific Ocean, and making food in the outdoors. Said one teacher, "I feel so lucky to have the opportunity to take advantage of this awesome experience for my students."

Volunteerism and Professional Development

The Presidio has always been a place of service, and today the park's team of volunteers continues that proud tradition by supporting habitat restoration, repairing trails, and welcoming visitors. In Fiscal Year 2016, more than 4,500 volunteers supported the Presidio during 24,000 hours of service through drop in days, group service events, and annual events such as the California Coastal Cleanup Day. In 2017, the role of volunteers will become even more critical as the Trust expands its docent program to support the opening of the new Presidio Visitor Center.

Additionally, through an internship program the Trust provides young professionals with the opportunity to gain real-world work experience while living within the park. Interns are trained in a variety of disciplines, from ecological stewardship to archaeology to communications. In Fiscal Year 2016, 76 interns supported the Presidio during more than 53,000 hours of service. Since the program was launched in 2011, a total of 232 have participated, gaining experience and skills to help them launch their careers.

New Veterans Initiative

In July 2016, the Presidio Trust launched a new veteran's initiative, the first step in fulfilling the agency's commitment to "engage veterans and military families" as outlined in *Strategy 2020*. The

Trust welcomed its first Director of Veterans Programs to organize and enhance existing efforts, and to create new engagement with the veteran population. The Trust also formalized its partnership with the Northern California Institute for Research and Education (NCIRE) to advance promising community pilot programs concerning women veterans, mental health, and military culture. In the coming year, the agency will focus on bringing a new generation of veterans to the Presidio, and engaging the public in the military history and significance of the Presidio.

Presidio Institute

The Presidio Institute is a Presidio Trust initiative that offers leadership training to professionals from the business, non-profit, and government sectors. It builds on the Presidio's long tradition of service, as well as on the model of cross sector partnership that helped to bring about the Presidio's successful transition from a military post to a national park. In 2016, the Institute expanded its slate of offerings by launching an online learning platform - Leaderosity - with support from American Express, the Kresge Foundation, and the Annie E. Casey Foundation. It also began publication of a quarterly digital newsletter – *Reveille* – to share ideas, inspiration, and resources with the social impact community. In September, the Institute graduated its third class of Presidio Institute Fellows. These are mid- and late-career professionals who use the tools learned through the year-long program to solve problems in their communities through cross sector collaboration.

Goal: Stewarding the Presidio

The Presidio is a national park site and a sanctuary for biodiversity in an urban area. It is also a National Historic Landmark District recognized as a place where key aspects of the American experience can be understood.

Mountain Lake

Since 2001, the Presidio Trust has worked in partnership with the National Park Service, the Golden Gate National Parks Conservancy, and others to reverse the ecological decline of the Presidio's only natural lake. To give Mountain Lake a fresh start, in Fiscal Years 2013 and 2014 the Trust dredged the site to eliminate pollutants, increase the water depth, and begin a multi-year effort to remove non-native species. The Trust then began reintroducing plants and wildlife that once thrived in the area, including pacific chorus frogs, three-spined stickleback fish, California floater mussels, and western pond turtles.

In 2016, restoration continued with the reintroduction of the rare San Francisco forktail damselfly, completed in partnership with the San Francisco Zoo and San Francisco State University. Wildlife ecologists also began monitoring the western pond turtles using tracking devices that provide vital information on behavior. Through an ongoing program of school field trips and public outreach, the lake has become an outdoor classroom where students, community members, and academic partners including Stanford University and the California Academy of Sciences learn how to revitalize natural habitats in urban areas.

Tennessee Hollow Watershed

The Presidio is home to a 270-acre watershed that encompasses the eastern fifth of the park. It was dubbed "Tennessee Hollow" in honor of the 1st Tennessee Volunteer Regiment which camped alongside its streams in 1898 before shipping out to the Philippines during the Spanish-American War. The watershed flows from a natural spring through a valley to San Francisco Bay. Through a series of successive projects over the past decade, sections of creek that the U.S. Army once placed in underground culverts have been brought back to the surface, and native plant and wildlife habitats have been restored.

In 2016, the watershed restoration continued at a site known as "MacArthur Meadow," named for Lieutenant General Arthur MacArthur who commanded U.S. Army forces during the 1898 Philippine-American War. As a result of soil excavation and a redesign of the channels, the waters once again flow freely, creating a rare wet meadow habitat. Twenty-three thousand plants representing 60 native species are being planted by staff and volunteers. A boardwalk over the meadow will allow visitors to observe this natural site up close. The project will be complete in December 2016, after which we will let nature take its course to fill in the new site.

Reforestation

One of the Presidio's most beloved features is the 262-acre forest planted by the U.S. Army. The forest is the largest contributing element to the Presidio's National Historic Landmark District status, and it

provides important wildlife habitat. In 2003, the Trust launched a 65-year effort to rejuvenate the Presidio forest, much of which is at the end of its natural lifespan. To date, 31 acres have been restored and 4,000 trees have been planted around the park.

This year's reforestation project took the first step in revitalizing a large forest grove known as the Park Boulevard Key Historic Stand - one of four historic stands in the Presidio designated by the Office of the Secretary of Interior in 2001. In summer 2016, 40 failing Monterey Cypress were removed from the southern portion of the stand; they will be replaced by 179 young trees as the winter rains begin to fall. The entire 5.7-acre stand will be replaced gradually over seven years with 900 young Monterey cypress trees raised from seeds collected in the Presidio.

Paul Goode Field

Many Presidio landscapes provide opportunities for the public to play. In 2016, the Trust began a year-long project to renovate and expand the Paul Goode Playing Field, established in 1957 by the U.S. Army. Work included upgrades to the play area, construction of a small practice field, and the addition of a new restroom, parking lot, and picnic area. The surface of the fields will be synthetic turf using an organic infill system that will reduce annual water usage by an estimated one million gallons. The athletic complex, to be operated by a community partner, will be available to schools and youth-based community and non-profit sports organizations in spring 2017.

Sustainability and Climate Action

Over the past 15 years, the Presidio has been recognized for accomplishments in waste reduction, composting, and integrated pest management. In 2016, the Presidio Trust formed an interdisciplinary staff team to identify additional ways to make the Presidio a 21st century model for environmental sustainability practices. Staff completed a Climate Action Plan, which establishes a baseline for our current carbon footprint and resource usage and sets ambitious goals for reducing greenhouse gas emissions from park operations.

The team also partnered with the Bay Friendly Landscaping and Gardening Coalition to host a four-day training for 40 Presidio Trust employees responsible for landscape maintenance and design. As part of their training, staff members replaced a degraded turf area with low water use plants and shrubs. If this pilot project goes well, other areas of turf will be identified to reduce water consumption, provide habitat, and support pollinators.

In 2017 the sustainability initiative will focus on making the Trust's vehicle fleet more efficient and explore options for increasing the use of renewable energy forms.

Historic Preservation

In April 2016, the Presidio Trust welcomed the California Preservation Foundation (CPF) for a conference celebrating the 50th anniversary of the National Historic Preservation Act. CPF, the state's largest organization dedicated to preserving historic places, chose the Presidio for its conference because the park is "perhaps the biggest preservation success story of the 20th century." Over the

course of five days, 500 attendees participated in workshops, tours, and discussions, several using the Presidio as a case study, to explore how to protect important American places in the next 50 years.

In September, CPF also honored the Trust with its 2016 Design Preservation Award for the rehabilitation of the Presidio Officers' Club, the park's oldest building with Spanish-colonial adobe walls dating back to the late 1790s. The Trust completed a \$30 million renovation of the Officers' Club and reopened it as the Presidio's cultural and historic hub in 2014. The Presidio Officers' Club rehabilitation has also been honored with the 2015 State of California Governor's Award and the 2015 California Heritage Council Award for excellence in preservation.

In 2016 the Trust was also honored by the California Heritage Council for its rehabilitation of Building 101, one of the Montgomery Street Barracks. The building now is home to the California Society of Pioneers Museum and other organizations.

Doyle Drive and Presidio Tunnel Tops Project

Over the last 15 years, the Presidio Trust has worked to ensure that Caltrans' replacement of Doyle Drive – the highway to the Golden Gate Bridge that passes through the Presidio – is built in a manner that honors the Presidio's national park and National Historic Landmark District status, and that minimizes construction impacts on park users.

As the highway replacement draws to a close, the Trust, the National Park Service, and the Golden Gate National Parks Conservancy are wrapping up design for the Presidio Tunnel Tops, creating 14 additional acres of parkland over the top of the highway. Over the course of 2016, the agencies and James Corner Field Operations (the lead design firm best known for the *High Line* in New York City) worked with the public to establish a design that incorporates the desires of community members. Extensive outreach was conducted to ensure that many voices were invited into the planning process. The final design will be completed in 2017, followed by a two-year construction period. The Presidio Tunnel Tops project is expected to open in 2019, coinciding with the Presidio's 25th anniversary as a national park site. Such a large project is not financially feasible for the Presidio Trust, so we are very grateful to our partners in the Golden Gate National Parks Conservancy for raising funds for this project. To date, the Conservancy has raised over \$33 million in donations to build the Tunnel Tops. Fundraising will continue in Fiscal Year 2017.



KPMG LLP
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Independent Auditors' Report

Board of Directors of
The Presidio Trust:

Report on the Financial Statements

We have audited the accompanying financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2016 and 2015, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of September 30, 2016 and 2015, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the *Performance and Accountability Report* to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Agency Head Message, information in the Fiscal Year 2016 Performance section, the CFO Letter and Other Accompanying Information are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016 on our consideration of the Trust's internal control over financial reporting and our report dated November 14, 2016 on 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 result 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* in considering the Trust's internal control over financial reporting and compliance.

KPMG LLP

Washington, DC
November 14, 2016

THE PRESIDIO TRUST
BALANCE SHEETS

AS OF SEPTEMBER 30,

	2016	2015
ASSETS		
Intragovernmental		
Fund Balance with Treasury [NOTE 2]	\$5,008,886	\$5,442,479
Investments [NOTE 4]	83,694,000	70,466,000
Accounts Receivable [NOTE 5]	497,105	302,128
TOTAL INTRAGOVERNMENTAL	89,199,991	76,210,607
Cash and Other Monetary Assets	382,748	196,630
Accounts Receivable, Net [NOTE 5]	6,058,409	4,188,236
General Property, Plant, and Equipment (PP&E), Net [NOTE 6]	400,574,581	403,026,113
Stewardship PP&E [NOTE 7]		
Other Assets		
Prepayments [NOTE 8]	2,162,734	2,050,348
Deferred Rent Receivable [NOTE 8]	25,497,353	24,651,946
Other Deferred Real Estate Costs [NOTE 8]	368,424	434,377
	435,044,249	434,547,650
TOTAL ASSETS	524,244,240	510,758,257

LIABILITIES

Intragovernmental		
Accounts Payable	6,905,687	1,193,175
Debt [NOTE 10]	45,468,083	47,785,809
Other Liabilities		
Employer Contributions Payable [NOTE 13]	257,745	194,388
Other Employment Benefits Payable [NOTE 13]	676,485	856,257
Unearned Revenue [NOTE 13]	15,720	636,815
TOTAL INTRAGOVERNMENTAL	53,323,720	50,666,444
Accounts Payable	12,194,262	13,372,790
Other Liabilities		
Environmental Remediation Liability [NOTE 9, 11, 13]	3,481,628	3,690,103
Non-friable Asbestos Cleanup Liability [NOTE 9, 12, 13]	41,512,985	40,649,007
Contingent Liabilities [NOTE 9, 13, 15]	393,825	17,000
Security Deposits [NOTE 13]	6,472,273	6,119,943
Unearned Revenue [NOTE 13, 22]	44,326,162	51,969,810
Payroll Payable [NOTE 13]	1,383,374	968,865
Annual Leave Liability [NOTE 9, 13]	2,513,817	2,577,649
Rent Credit Liability [NOTE 9, 13]	8,091,570	9,014,817
Prepaid Rents & Services [NOTE 13]	1,643,410	1,603,802
Accrued Interest Payable [NOTE 9, 13]	758,134	758,134
FECA Actuarial Liability [NOTE 9, 13]	6,656,317	7,102,252
Food Program Liability [NOTE 9, 13]	4,399,038	4,663,462
Other Liabilities [NOTE 13]	354,539	184,109
	134,181,334	142,691,743
TOTAL LIABILITIES	187,505,054	193,358,187

NET POSITION

Unexpended Appropriation - Funds from Dedicated Collections	0	0
Cumulative Results of Operations - Funds from Dedicated Collections	336,739,186	317,400,070
TOTAL NET POSITION	336,739,186	317,400,070
TOTAL LIABILITIES & NET POSITION	\$524,244,240	\$510,758,257

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

THE PRESIDIO TRUST
STATEMENTS OF NET COST

FOR THE YEARS ENDED SEPTEMBER 30,

	2016	2015
<u>PROGRAM COSTS</u>		
Operating Cost	\$130,955,594	\$121,019,602
Less: Earned Revenues	145,250,974	136,532,392
Net Costs	(14,295,379)	(15,512,790)
Total Net Cost	(14,295,379)	(15,512,790)
(NET REVENUE) OR NET COST OF OPERATIONS	(\$14,295,379)	(\$15,512,790)

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

STATEMENTS OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30,

	2016		2015	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balance	\$317,400,070	\$0	\$298,642,333	\$0
Beginning Balance as adjusted	317,400,070	0	298,642,333	0
<u>Budgetary Financing Sources</u>				
Donations and forfeitures of cash and cash equivalents	3,968,719		0	
<u>Other Financing Sources</u>				
Donations	299,734		203,413	
Transfers-in/out Without Reimbursement (+/-)	0		2,344,981	
Imputed Financing Sources - Funds from Dedicated Collection	775,283		696,553	
Total Financing Sources	5,043,737	0	3,244,947	0
Net Cost of Operations	(14,295,379)		(15,512,790)	
ENDING BALANCES	\$336,739,186	\$0	\$317,400,070	\$0

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

THE PRESIDIO TRUST
STATEMENTS OF BUDGETARY RESOURCES

FOR THE YEARS ENDED SEPTEMBER 30,
2016 **2015**

BUDGETARY RESOURCES

Unobligated Balance - Brought Forward, October 1	\$51,998,311	\$55,638,925
Authority Used to Repay Debt	(2,317,726)	(2,192,191)
Spending Authority from Offsetting Collections (discretionary and mandatory)	143,462,587	125,195,967
TOTAL BUDGETARY RESOURCES	193,143,171	178,642,701

STATUS OF BUDGETARY RESOURCES

New obligations [NOTE 17]	129,888,422	126,644,390
Unobligated Balance - End of Year		
Apportioned, unexpired account	63,254,749	51,998,311
Total unobligated balance, end of year	63,254,749	51,998,311
TOTAL BUDGETARY RESOURCES	193,143,171	178,642,701

CHANGE IN OBLIGATED BALANCE

Unpaid Obligations:

Unpaid Obligations, brought forward October 1 (gross)	32,979,337	24,281,719
New obligations	129,888,422	126,644,390
Outlays Gross	(121,737,153)	(117,946,773)
Unpaid Obligations, end of year	41,130,605	32,979,337

Uncollected payments:

Uncollected Customer Payments from Federal Sources, brought forward, October 1st	(9,069,168)	(7,792,537)
Change in Uncollected Customer Payments from Federal Sources	(6,613,301)	(1,276,632)
Uncollected Customer Payments from Federal sources, end of year	(15,682,469)	(9,069,168)

Obligation Balance, Start of Year, net	23,910,169	16,489,182
Obligated Balance End of Year, net	25,448,136	23,910,169

BUDGET AUTHORITY AND OUTLAYS, NET

Budget Authority, gross (discretionary and mandatory)	143,462,587	125,195,967
Actual Offsetting Collections (discretionary and mandatory)	(136,849,286)	(123,919,335)
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(6,613,301)	(1,276,632)

Budget Authority, net	(0)	0
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Outlays, Gross	121,737,153	117,946,773
Actual Offsetting Collections	(136,849,286)	(123,919,335)

NET OUTLAYS	(\$15,112,133)	(\$5,972,562)
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The accompanying footnotes are an integral part of these financial statements.

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. The Presidio Trust is a component unit of the United States Government.

The United States acquired the Presidio by virtue of the Treaty of Guadalupe Hidalgo between the United States and Mexico that ended the Mexican-American War of 1846-1848. From 1846 to 1994, the Presidio was used as a U.S. military installation. In 1994, the National Park Service (NPS) assumed full control of the Presidio until 1998 when the Trust assumed responsibility for approximately 1,104 acres of non-coastal areas.

The Trust is guided by the Presidio Trust Act to operate in accordance with the purposes set forth in the Golden Gate National Recreation Area Act and the general objectives of the General Management Plan Amendment, as well as to be governed by the Government Corporation Control Act, among other legal requirements. The Trust primarily finances operations through rental leases for both residential and non-residential property as well as utility billing, hospitality income from hotel, golf course, and food program management, venue rentals, and other miscellaneous items and reimbursable agreements.

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/her designee. The head of agency for the Trust is a Chief Executive Officer 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, communications and programs, law, and finance.

In June 2015, an Interim Leadership Team of three individuals took over from the outgoing Executive Director. The three individuals shared responsibilities until the new Chief Executive Officer started in September 2016.

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

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 October 7, 2016. GAAP for Federal entities are the standards designated by the Federal Accounting Standards Advisory Board (FASAB), the official standards setting body for the Federal Government.

The Trust's funds are considered Dedicated Collections. Funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the government's general revenues.

The Trust presents comparative year end 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 provides relevant management information.

Although the Balance Sheet, Statements of Net Cost, and Statements 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 Statements of Budgetary Resources are 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 occurrence 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.

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

D. Fund Balance with Treasury and Cash

The Trust maintains all cash accounts with the U.S. Department of Treasury except for petty cash accounts maintained at the Trust, the Residential Property Management Company, and the Inn at the Presidio. All banking activities are conducted in accordance with the directives issued by the Department of the Treasury – Bureau of the Fiscal Service (BFS). 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 dedicated collection funds with the Treasury.

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 BFS. The Trust is required by Public Law 104-333 to invest excess cash only in non-marketable, market-based Treasury securities issued by the BFS. 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 Receivable consists 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 all or a portion of an account is deemed to be uncollectable, the Trust records a bad debt expense and establishes an allowance. If a debt is less than 90 days of age but deemed to be uncollectable a bad debt expense is recorded and an allowance established. For the remaining receivables over 90 days old, for which we do not have clarity as to collectability the Trust reserves 75% of the balance as an allowance for uncollectable accounts. The reserve is not established at 100% because there is some likelihood of collection based on contractual arrangements and the collection tools the Trust has at its disposal. 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 uncollectable, 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 unless DMS deems the debt as uncollectable

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

or the debt is over two years old. Debts reside in the Treasury Offset Program (TOP) after the two year period.

G. Direct Loans

The Trust is empowered to provide direct loans to non-Federal borrowers although the Trust has not exercised this authority.

H. General Property, Plant, and Equipment, Net

General Property, Plant, & Equipment (PP&E)

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 each asset using straight-line amortization over the assigned useful life 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

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, and the SFFAS No. 6, Accounting for Property, Plant, and Equipment. Indirect costs are comprised of those 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.

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

Land is considered to be general PP&E and, in accordance with SFFAS No. 6, is to be recorded at cost. The Trust has not purchased any land; the only amounts recorded within the land category are the roadbeds which are considered a nondepreciable asset.

Assets received from the Doyle Drive project (Note 22) are subject to the Trust's asset capitalization criteria but may be constructively accepted if a formal acceptance has not occurred upon completion of construction and when the asset has been placed in use.

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 into the appropriate asset category when the project is substantially completed.

Stewardship & Heritage 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 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.

See Required Supplementary Information for deferred maintenance and repairs information on stewardship and heritage 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 they are recognized as expenses when the related goods and services are received.

J. Other Assets

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 term of the lease.

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

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 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 not covered by budgetary resources or unfunded. The liquidation of liabilities not covered by budgetary or other resources is dependent on funding.

The Trust estimates accounts payable on a current assessment of services and goods received for which we have not yet paid.

Environmental Remediation Liabilities

The Army closed its base at the Presidio in September 1994 and transferred administrative jurisdiction of the Presidio to the NPS through the Department of the Interior (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 among the Trust, DOI, and the U.S. Army (Presidio MOA), the Trust assumed the Army's responsibilities for the environmental cleanup in both Area A and Area B of "known" or enumerated sites. 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 any remaining liability is unfunded. Cleanup of enumerated sites was completed in fiscal year 2014; the sites were closed and the associated cleanup orders/agreements were rescinded by the regulatory agencies.

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

As discussed in Note 11, in 1999 the Trust obtained two environmental insurance policies to provide coverage for liabilities in excess of the Army funds. Those policies expired on May 24, 2014 although a new Pollution Legal Liability policy was obtained in fiscal year 2015. The liability remaining on the Trust's balance sheet is related to operations and maintenance required by state regulatory agencies for the closed enumerated sites and is estimated at \$3.5 million as of September 30, 2016. There are a limited number of cleanup sites that were identified with claims filed prior to the expiration of the 1999 insurance policies that were unknown at the time the Army transferred responsibility and so also remain the responsibility of the Army. Those sites are not reflected in the Trust's balance sheet as a liability.

The new Pollution Legal Liability policy (PLL) provides coverage for pre-existing pollution conditions discovered during the policy period and conditions that reopen at closed enumerated sites as well as coverage for new pollution conditions caused by the Trust. The deductible under this policy is based on a sliding scale for pre-existing conditions (Army liability) with a \$250,000 deductible for other coverages.

Non-friable Asbestos Cleanup Liability

Technical Bulletin 2006-1 – Recognition and Measurement of Asbestos Clean-up cost requires that federal entities recognize a liability for friable and nonfriable asbestos that are probable and reasonably estimable. Changes in the remaining clean-up cost estimates are calculated in current year dollars as prescribed by the accounting standards.

Almost all asbestos in the Presidio identified in this liability is considered non-friable, meaning material that contains asbestos fibers which are bonded by cement, vinyl, resin or other similar material and which cannot be crumbled, pulverized, or reduced to powder by hand pressure.

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.

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

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 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 agreements with tenants that have rent credits. 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. The Trust no longer receives an appropriation.

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. Previously, Congress provided the Trust's appropriation from the general receipts of the Treasury. Fiscal year 2012 was the last fiscal year the Trust received appropriated funds. The Statements of Budgetary Resources present information about the 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, lodging, food purchases, and reimbursement for services performed for other federal agencies and the public, etc. These revenues are presented on the Trust's Statements of Net Cost as earned revenues and serve to offset the costs of the goods and services received by the Trust.

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

In fiscal years 2016 and 2015, the Trust earned more revenue than it spent, resulting in a negative net cost. In non-Federal accounting, this would be considered a surplus. Non-exchange revenues result from donations to the government. These revenues are not considered to reduce the cost of the operations of the Trust and are reported on the Statements of Changes in Net Position.

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.

Prices set for the various revenue activities are designed to recover full costs or the market value of those activities and maintain operations of the park as a self-sufficient entity to include providing funds 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 the Trust's retirement programs. The Trust recognizes these costs as an operating expense and also recognizes an imputed financing source on the Statements 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) or other partners on Trust owned assets. These asset amounts are recorded as transfers in without reimbursement or donations.

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 have no right to be paid for unused sick leave.

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

Federal Employees Workers' Compensation Act (FECA) Program

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 to beneficiaries of employees whose deaths are attributable to work-related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL) which pays valid claims and subsequently is reimbursed 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. The Trust recognizes a liability for the actual claims paid by DOL that are to be reimbursed by the Trust which is recorded in the liability account entitled "other employment benefits payable" (Note 13). The second component is the estimated liability for future benefit payments as a result of past events.

This liability includes the cost of claims due to 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 (FEGLI) Program

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 must 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 fiscal year, 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 pre-retirement 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); 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

1. 1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

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. Two percent of employees participate in CSRS and ninety-eight percent 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. In addition, the Trust matches any employee contribution up to five percent of pay, dollar-for-dollar on the first three percent and fifty cents per dollar thereafter. The Trust contributes a maximum of 14.3% for employees hired after 1984 and 12% for employees hired after 2013.

For FERS employees the Trust also contributes the employer's 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 the difference between its contributions to federal employee pension and other retirement benefits and the estimated actuarial costs as computed by the OPM as an imputed financing source and a program expense. The amounts reported as of September 30, 2016 and 2015 are \$775,283 and \$696,553, respectively.

N. Federal Government Transactions

The Trust obtains certain services from 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 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

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

amounts of revenues and expenses during the reporting period. Significant estimates in the financial statements include environmental liabilities, non-friable asbestos cleanup liabilities, allowance for doubtful accounts, the historical cost of assets acquired from NPS, Doyle Drive assets, assets transferred from the State of California, and the useful lives of general PP&E. Actual results may differ from those estimates.

2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury, which consists entirely of enterprise funds, was \$5,008,886 and \$5,442,479 as of September 30, 2016 and 2015, respectively.

Status of the Fund Balance with Treasury on September 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Fund Balance with Treasury and		
Overnight Investments	\$55,458,886	\$42,664,479
Less Invested Unobligated Balance	(9,319,394)	(4,242,664)
Less Invested Unpaid Obligated Balance	<u>(41,130,606)</u>	<u>(32,979,336)</u>
Fund Balance	<u>\$5,008,886</u>	<u>\$5,442,479</u>

3. CASH AND OTHER MONETARY ASSETS

Various cash accounts exist to assist in operations around the park:

	<u>2016</u>	<u>2015</u>
Trust Petty Cash	\$1,000	\$1,000
Property Management Petty Cash	750	750
Inn at the Presidio Petty Cash	1,500	1,500
Deposits in Transit	<u>379,498</u>	<u>193,380</u>
Total Cash	<u>\$382,748</u>	<u>\$196,630</u>

4. INVESTMENTS

INVESTMENTS AS OF SEPTEMBER 30, 2016 INTRAGOVERNMENTAL SECURITIES

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost/ Par Value</u>	<u>Unamortized Discount</u>	<u>Net Value</u>
Non-marketable/Market Based	10/01/16	0.11%	\$50,450,000	\$ 0	\$50,450,000
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%	<u>30,266,000</u>	<u>0</u>	<u>30,266,000</u>
TOTAL INVESTMENTS			<u>\$83,694,000</u>	<u>\$ 0</u>	<u>\$83,694,000</u>

INVESTMENTS AS OF SEPTEMBER 30, 2015 INTRAGOVERNMENTAL SECURITIES

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost/ Par Value</u>	<u>Unamortized Discount</u>	<u>Net Value</u>
Non-marketable/Market Based	10/01/15	0.00%	\$37,222,000	\$ 0	\$37,222,000
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%	<u>30,266,000</u>	<u>0</u>	<u>30,266,000</u>
TOTAL INVESTMENTS			<u>\$70,466,000</u>	<u>\$ 0</u>	<u>\$70,466,000</u>

In fiscal years 2016 and 2015, 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 BFS invests these proceeds with the agreement that the borrowing and investment net to zero unless the Trust needs access to the cash. The Trust was not owed interest on the investment of the proceeds from the borrowing, and the amount of \$2,017,121 was paid in full to the Trust by the BFS prior to the end of the fiscal year.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds of the Trust. The dedicated cash receipts collected from the public into the Trust are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Trust as evidence of its receipts. Treasury securities are an asset to the Trust and a liability to the U.S. Treasury. Because the Trust and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury securities provide the Trust with authority to

4. INVESTMENTS (CONTINUED)

draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Trust requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2016, is comprised of the following:

	<u>Intra-Government</u>	<u>Non-Government</u>	<u>Total</u>
Gross Accounts Receivable	\$497,105	\$6,603,515	\$7,100,620
Accrued Interest Receivable on Accounts Receivable	0	66,019	66,019
Less Allowance for Uncollectible Accounts	<u>0</u>	<u>(611,125)</u>	<u>(611,125)</u>
Net accounts receivable at September 30, 2016	<u>\$497,105</u>	<u>\$6,058,409</u>	<u>\$6,555,514</u>

Accounts receivable as of September 30, 2015, is comprised of the following:

	<u>Intra-Government</u>	<u>Non-Government</u>	<u>Total</u>
Gross Accounts Receivable	\$302,128	\$4,751,660	\$5,053,788
Accrued Interest Receivable on Accounts Receivable	0	58,783	58,783
Less Allowance for Uncollectible Accounts	<u>0</u>	<u>(622,207)</u>	<u>(622,207)</u>
Net accounts receivable at September 30, 2015	<u>\$302,128</u>	<u>\$4,188,236</u>	<u>\$4,490,364</u>

6. GENERAL PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment (PP&E) as of September 30, 2016 consists of property used in operations:

<u>Classification</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Balance</u>
Land and Land Rights	\$3,701,000	N/A	\$3,701,000
Improvements to Land	56,183,813	30,677,579	25,506,234
Construction-in-Progress	19,448,698	N/A	19,448,698
Buildings, Improvements, Renovations & Rehabilitations	397,298,674	102,328,338	294,970,336
Other Property, Plant and Equipment (including furnishings, equipment, and software)	<u>113,749,977</u>	<u>56,801,664</u>	<u>56,948,313</u>
Total	<u>\$590,382,162</u>	<u>\$189,807,581</u>	<u>\$400,574,581</u>

Property, Plant and Equipment (PP&E) as of September 30, 2015 consists of property used in operations:

<u>Classification</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Balance</u>
Land and Land Rights	\$3,701,000	N/A	\$3,701,000
Improvements to Land	50,399,720	25,799,342	24,600,378
Construction-in-Progress	19,138,084	N/A	19,138,084
Buildings, Improvements, Renovations & Rehabilitations	385,035,968	91,444,896	293,591,072
Other Property, Plant and Equipment (including furnishings, equipment, and software)	<u>112,861,996</u>	<u>50,866,417</u>	<u>61,995,579</u>
	<u>\$571,136,768</u>	<u>\$168,110,655</u>	<u>\$403,026,113</u>

Depreciation expense was \$22,534,241 and \$22,056,366 in fiscal years 2016 and 2015, respectively. Land and land rights consists of the cost of the road beds. 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. Other property, plant and equipment and land improvements are depreciated 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 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). 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. A building can only be added to the heritage category if it is deemed that the building will not ever be occupied. Multi-use heritage assets, while historical in nature, are buildings that are leased to tenants.

Stewardship assets consist primarily of historic forest and restoration of lands within the boundaries of the park. Land stewardship consists of forestry acreage added and withdrawn; the net reforestation activities equates to approximately two acres of forest each year.

The following table depicts the number of physical units at the end of fiscal year 2015, additions and withdrawals during fiscal year 2016, and the ending number of units at the end of fiscal year 2016.

	Beginning Balance			Ending Balance
Classification	Number of Buildings	Additions	Withdrawals	Number of Buildings
Heritage	9	0	0	9
Multi-use Heritage	412	0	1	411
			Acres	Number
	Number of Acres	Acres Added	Withdrawn	of Acres
Land Stewardship	860.10	4.47	4.25	860.32

The FY16 subtraction of building 643 resulted from its transference to the NPS.

7. STEWARDSHIP PROPERTY PLANT & EQUIPMENT (CONTINUED)

The following table depicts the number of physical units at the end of fiscal year 2014, additions and withdrawals during fiscal year 2015, and number of units at the end of fiscal year 2015.

Classification	Beginning Balance			Ending Balance
	Number of Buildings	Additions	Withdrawals	Number of Buildings
Heritage	9	0	0	9
Multi-use Heritage	412	1	1	412
			Acres	Number
	Number of Acres	Acres Added	Withdrawn	of Acres
Land Stewardship	856.40	11.20	7.50	860.10

The addition and subtraction are related to a transfer of buildings between the Trust and NPS; Building 102 was transferred to the Trust and Building 662 was transferred to the NPS. The shift in acreage is due to a boundary adjustment between the NPS and the Trust of approximately four acres.

8. OTHER ASSETS

Other assets as of September 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Prepayments	\$2,162,734	\$2,050,348
Deferred Rent Receivable	25,497,353	24,651,946
Other Deferred Real Estate Assets, Net	<u>368,424</u>	<u>434,377</u>
Total Other Assets	<u>\$28,028,511</u>	<u>\$27,136,671</u>

9. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources are those liabilities that may be funded from future resources. As of September 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
FECA Actuarial	\$6,656,317	\$7,102,252
Contingent Liabilities (Note 15)	393,825	17,000
Environmental Remediation Liability (Note 11)	3,481,628	3,690,103
Non-friable Asbestos Liability (Note 12)	41,512,985	40,649,007
Annual Leave Liability	2,513,817	2,577,649
Rent Credit Liability	8,091,570	9,014,817
Accrued Interest Payable	758,134	758,134
Food Program	<u>0</u>	<u>4,663,462</u>
Liabilities Not Covered By Budgetary Resources	<u>63,408,276</u>	<u>68,472,424</u>
Liabilities Covered by Budgetary Resources	<u>124,096,778</u>	<u>124,885,763</u>
TOTAL LIABILITIES	<u>\$187,505,054</u>	<u>\$193,358,187</u>

The FY15 reclass of the Food Program amount from covered to not covered by budgetary resources results from reanalysis of prior year encompassed amounts.

10. DEBT

The Trust has the following debt to Treasury as of September 30, 2016 and 2015:

Debt to the Treasury	Maturity Date	<u>2016</u>	<u>2015</u>
Note C (dated 09/29/00)	09/30/2029	\$18,186,585	\$19,118,246
Note C (dated 09/28/00)	09/30/2029	18,186,585	19,118,246
Note C (dated 9/29/01)	09/30/2029	<u>9,094,913</u>	<u>9,549,317</u>
Total Principal		<u>\$45,468,083</u>	<u>\$47,785,809</u>

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

10. DEBT (CONTINUED)

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 are described below.

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

1) Note C (dated 9/29/00)

The current principal amount is \$18,186,585 as of September 30, 2016. 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 if the note is not repaid by the Trust. The note carries an interest rate of 6.122%, and requires principal payments starting in 2015 and ending on September 30, 2029. Principal repayments of \$931,661 and \$881,754 were made as of September 30, 2016 and 2015, respectively.

2) Note C (dated 9/28/00)

The current principal amount is \$18,186,585 as of September 30, 2016. 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 if the note is not repaid by the Trust. The note carries an interest rate of 6.122%, and requires principal payments starting in 2015 and ending on September 30, 2029. Principal repayments of \$931,661 and \$881,754 were made as of September 30, 2016 and 2015, respectively.

3) Note C (dated 9/29/01)

The current principal amount is \$9,094,913 as of September 30, 2016. 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 if the note is not repaid by the Trust. The note carries an interest rate of 5.515%, and requires principal

10. DEBT (CONTINUED)

payments starting in 2015 and ending on September 30, 2029. Principal repayments of \$454,404 and \$428,683 were made as of September 30, 2016 and 2015, respectively.

The Trust incurred \$2,867,483 and \$2,999,087 of interest cost for the fiscal years ended September 30, 2016 and 2015, respectively, which was included in program costs.

In fiscal year 2016, no additional debt obligations were issued and there was no borrowing authority available as of September 30, 2016 or September 30, 2015. Total repayments of \$2,317,726 and \$2,192,191 were made as of September 30, 2016 and 2015, respectively. Additional yearly payments on the principal are scheduled at \$2,450,454 in fiscal year 2017; \$2,590,788 in fiscal year 2018; \$2,739,162 in fiscal year 2019, \$2,896,038 in fiscal year 2020; \$3,061,905 in fiscal year 2021 with the remainder in years thereafter.

11. OTHER LIABILITIES – ENVIRONMENTAL REMEDIATION

Agency Responsibilities for Environmental Cleanup

As discussed in Note 1, Significant Accounting Policies, the Trust assumed responsibility for the environmental cleanup of “known” or enumerated sites at the Presidio.

All enumerated sites have been remediated to applicable standards protective of human health and the environment in accordance with future reuse plans for the Presidio and associated cleanup orders/agreements have been rescinded by the regulatory agencies. All enumerated sites were closed with no further action required or are governed by land use controls with regulatory oversight as appropriate.

Costs for enumerated sites were funded through an advance from the Army, Trust funding, and reimbursement from insurance policies. The remaining liability on the balance sheet is for operations and maintenance as required by regulatory agencies and is \$3,481,628 as of September 30, 2016. Operations and maintenance are estimated to extend for at least thirty years or a shorter period if regulatory land use controls allow for it.

Future cleanup also includes unknown contamination which is any environmental threat at or migrating from the Presidio that is not an enumerated site and is attributable to the Army. The Army retained sole responsibility to fund and/or to perform all environmental cleanup work of unknown contamination as well as for the cleanup of radioactive materials, chemical and biological warfare agents, and unexploded ordnance if discovered at the Presidio.

From May 1999 to May 2014, there was a Real Estate Environmental Liability (“REEL”) policy that also provided coverage for unknown contamination. The REEL policy had a limit of \$10

11. OTHER LIABILITIES – ENVIRONMENTAL REMEDIATION (CONTINUED)

million per claim (with a \$25,000 self-insured retention) and a \$50 million aggregate for all claims. As of September 30, 2016, there was one active project being reimbursed under the REEL policy.

In fiscal year 2015, the Trust obtained a new pollution legal liability (PLL) insurance policy for coverage of pre-existing pollution conditions discovered during the policy period and re-opens at closed enumerated sites as well as coverage for new pollution conditions caused by the Trust. The deductible under the PLL policy is based on a sliding scale for pre-existing conditions (Army liability) with a \$250,000 deductible for other coverages. There have not been any claims against this policy.

The Trust's financial statements reflect a liability for environmental remediation cleanup costs of \$3,481,628 and \$3,690,103, which is unfunded as of September 30, 2016 and 2015, respectively. 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. The change in liability as of September 30, 2016 and 2015 is as follows:

<u>Liability per Balance Sheet</u>	<u>2016</u>	<u>2015</u>
Beginning Balance	\$3,690,103	\$4,397,810
Costs applied	(223,376)	(268,143)
Change in estimate to complete	<u>14,901</u>	<u>(439,564)</u>
Total Liability	<u>\$3,481,628</u>	<u>\$3,690,103</u>

The total estimated cost at completion is reflective of the final expenses to be incurred on the major portion of the program and regulatory operations and maintenance. 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 - NON-FRIABLE ASBESTOS CLEANUP

The Trust's financial statements reflect an asbestos cleanup liability of \$41,512,985 as of September 30, 2016 and \$40,649,007 as of September 30, 2015. This liability was recorded in 2013 as required by Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs, and will be adjusted annually to reflect asbestos cleanup performed and revised estimated liability amounts.

12. OTHER LIABILITIES - NON-FRIABLE ASBESTOS CLEANUP (CONTINUED)

Almost all of the liability reflects non-friable asbestos, which is material that contains asbestos fibers which are bonded by cement, vinyl, resin or other similar material and cannot be crumbled, pulverized, or reduced to powder by hand pressure. As such, the Trust anticipates the removal of this asbestos will occur over time as individual facilities are renovated.

The Trust recognized clean-up cost associated with non-friable asbestos of \$413,921 and \$642,998 in fiscal years 2016 and 2015, respectively.

13. OTHER LIABILITIES

Other liabilities projected as of September 30, 2016 and 2015 are comprised of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>
Intragovernmental				
Employer Contributions Payable	\$ 0	\$257,745	\$ 0	\$194,388
Other Employment Benefits	0	676,485	0	856,257
Unearned Revenue	<u>0</u>	<u>15,720</u>	<u>0</u>	<u>636,815</u>
Total Intragovernmental	0	949,950	0	1,687,460
Environmental Remediation Liability (Note 11)	3,258,251	223,377	3,366,295	323,808
Non-friable asbestos cleanup cost (Note 12)	41,083,055	429,930	40,149,007	500,000
FECA Actuarial (Note 9)	6,083,277	573,040	6,245,995	856,257
Contingent Liabilities (Note 15)	0	393,825	0	17,000
Security Deposits	6,472,273	0	6,119,943	0
Unearned Revenue	28,982,225	15,343,937	31,775,815	20,193,995
Payroll Payable	0	1,383,374	0	968,865
Annual Leave Liability (Note 9)	0	2,513,817	0	2,577,649
Rent Credit Liability (Note 9)	7,088,217	1,003,353	7,924,106	1,090,711
Prepaid Rents & Services	0	1,643,410	0	1,603,802
Accrued Interest Payable (Note 9)	758,134	0	758,134	0
Food Program Liability	4,153,706	245,332	4,413,462	250,000
Other Liabilities	<u>0</u>	<u>354,539</u>	<u>0</u>	<u>184,109</u>
Total Other Liabilities	<u>\$97,879,138</u>	<u>\$25,057,884</u>	<u>\$100,752,757</u>	<u>\$30,253,656</u>

14. LEASES

Trust as Lessee

Operating Leases

Operating leases are used 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 are for a year or less.

Trust as Lessor

Description of Lease Arrangements:

The Trust's properties are leased under terms from one month up to 67 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 required housing or reduced commercial and residential 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 (projected through year 2021):

<u>Fiscal Year</u>	<u>Total</u>
2017	\$21,348,037
2018	18,124,583
2019	14,163,487
2020	13,014,743
2021	10,496,011
Thereafter	<u>392,491,953</u>
Total	<u>\$469,638,814</u>

15. COMMITMENTS AND CONTINGENCIES

From time to time, the Trust is involved in legal matters, including tort and employment-related claims. Currently the Trust has no workplace discrimination claims and three tort claims pending. The Trust is actively pursuing each of these claims and has assigned a contingent liability as of September 30, 2016 of \$393,825 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.

16. INTRAGOVERNMENTAL COSTS & EXCHANGE REVENUES

Exchange Revenue

The Trust provides services to the public and other government entities. Revenue earned from the U.S. Treasury is from earnings on investments. Revenue earned from the Department of the Interior is for utility services that the Trust provides. Revenue earned for the years ended September 30, 2016 and 2015 are as follows:

<u>Agency</u>	<u>2016</u>	<u>2015</u>
US Treasury	\$2,121,153	\$2,026,039
Department of the Army	129,201	63,400
Department of Interior	369,782	388,180
GSA	36,822	28,916
Other	<u>524,879</u>	<u>264,367</u>
Total	<u>\$3,181,837</u>	<u>\$2,770,902</u>

16. INTRAGOVERNMENTAL COSTS & EXCHANGE REVENUES (CONTINUED)

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 U.S. Treasury are for interest on loans. Costs incurred for the years ended September 30, 2016 to September 30, 2015 is as follows:

<u>Agency</u>	<u>2016</u>	<u>2015</u>
OPM	\$7,544,019	\$ 7,039,305
Department of Interior	6,486,856	4,909,403
US Treasury	2,867,483	2,999,387
Department of Energy	1,234,000	904,893
Department of Labor	468,157	296,868
GSA	607,871	565,604
Other	<u>82,253</u>	<u>66,088</u>
Total	<u>\$19,290,639</u>	<u>\$16,781,548</u>

17. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED: DIRECT VS. REIMBURSABLE OBLIGATIONS

All obligations are under reimbursable authority. The amount of obligations incurred as of September 30, 2016 and 2015 was \$129,888,422 and \$126,644,390, respectively.

18. PERMANENT INDEFINITE APPROPRIATIONS

The Trust has a permanent indefinite appropriation that is used to finance operations, maintenance and capital improvements in Area B of the Presidio. An indefinite appropriation is one that does not have a specific amount but is determined from sources specified in the appropriations act. In accordance with the Trust Act, the Trust is able to retain revenues it earns to fund operations.

19. 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 yet been received. The balance of undelivered orders as of September 30, 2016 and 2015 were \$19,731,659 and \$16,411,866, respectively.

20. CONTRIBUTED CAPITAL

The Trust is granted the authority to accept donations in the Trust Act. The Trust received direct donations of \$50,730 and \$8,495 in fiscal years 2016 and 2015, respectively. The Trust also receives grants and other funding for various projects within the park. In fiscal year 2016, the Trust received \$1,160,821 in grants related to land improvements, historical renovations, and programs at the Presidio Institute, and in fiscal year 2015 the Trust received \$1,399,353.

21. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET

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. 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 Statements 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 Statements 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 accounts 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.

	FOR THE YEAR ENDED	
	2016	2015
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	\$129,888,422	\$126,644,390
Less: Spending Authority from Offsetting Collections and Recoveries	143,462,587	125,195,967
Obligations net of offsetting collections and recoveries	(13,574,165)	1,448,423
Less: Offsetting Receipts		
Net Obligations	(13,574,165)	1,448,423
Other Resources		
Donations Non-Financial Resources	299,729	203,413
Transfers in/out without reimbursement	0	2,344,981
Imputed Financing from Costs Absorbed by Others	775,283	696,553
Net Other Resources Used to Finance Activities	1,075,012	3,244,948
Total Resources Used to Finance Activities	(12,499,153)	4,693,371
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	(7,312,378)	(20,695,305)
Resources that fund expenses recognized in prior periods	(4,704,418)	3,191,835
Other	2,826,604	(2,189,576)
Resources that finance the acquisition of assets	(19,794,955)	(15,735,865)
Total Resources Used to Fund Items Not Part of the Net Cost of Operations	(28,985,147)	(35,428,910)
Total Resources Used to Finance the Net Cost of Operations	(41,484,300)	(30,735,539)
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 / Decrease in annual leave liability	(63,831)	203,064
Decrease in Environmental Remediation Cleanup Cost Liability	(208,476)	(707,706)
Increase in Asbestos Liability	863,978	401,680
Resources that funded from (prior periods) / current periods	(360,186)	645,190
Other	(84,544)	(3,221,785)
Total components of Net Cost of Operations that will require or generate resources in future periods	146,940	(2,679,557)
Components not requiring or generating resources		
Loss on Disposition of Assets	1,079,078	54,178
Depreciation and amortization	22,534,241	22,056,366
Other	3,428,662	(4,208,237)
Total Components Not Requiring or Generating Resources	27,041,981	17,902,306
NET COST OF OPERATIONS	(\$14,295,379)	(\$15,512,790)

22. 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). Construction began at that time and remains ongoing through fiscal year 2016, though the major highway work is complete.

The Trust has received cash compensation under the Right of Entry agreement because the project must relocate, rebuild, and restore Trust assets in order to build the parkway.

The cash compensation and fair market value of assets are recognized as unearned revenue as they are received, and the revenue is 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 compensation in the amount of \$66,702,825 in cash and \$27,232,651 in fixed assets through fiscal 2016. The Trust recognized earned revenue in the amount of \$8,809,636 in fiscal year 2016 and \$8,884,502 in fiscal year 2015, leaving a balance of \$31,850,679 in unearned revenue at September 30, 2016.

The Trust has also recognized earned revenue of \$1,589,489 through September 30, 2016 and \$2,273,165 in fiscal year 2015 related to reimbursement for project support.

23. PRESIDIO TUNNEL TOPS

The Presidio Tunnel Tops Project (Tunnel Tops), an anticipated \$100 million project, will add 14 acres of parklands to the Presidio. The Tunnel Tops is wholly within Area B of the Presidio. The Trust is responsible for the project, which includes the planning, design, and construction efforts. GGNPC, a non-profit organization that raises funds to support projects in the Golden Gate National Parks, is responsible for the philanthropic campaign. NPS manages the adjacent parklands at Crissy Field, Area A of the Presidio. The NPS will work towards visitor services and programming. All three agencies participate in decision-making about the project.

As part of the project, a 3-acre, Youth Campus, projected to be approximately 20 to 30 percent of the entire Tunnel Tops project. The GGNPC will occupy the youth campus for a period of 30 years at no rent. The occupancy is considered an implicit lease agreement, and as such, the fair value amount attributed to the lease will be deferred rent and recognized into income over the term of the 30 year tenancy. As of September 30, 2016, the amount deferred is \$869,337.

DEFERRED MAINTENANCE & REPAIRS

The Trust manages property, plant and equipment that requires maintenance. These assets are included in two broad categories: infrastructure and grounds, and buildings. Infrastructure consists of high voltage electrical systems, water treatment facilities and wastewater systems. Grounds include stewardship and landscape assets, consisting of roads, trails and forested lands, as well as the golf course. Buildings include heritage assets, which are those that have not been renovated and are maintained to a level to ensure that they are preserved until such time as they can be rehabilitated, and historic and non-historic buildings that are renovated and maintained to ensure that the renovated condition is maintained.

Defining and Implementing Maintenance and Repair Policies

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 they continue to provide acceptable service and achieve their expected life. Deferred maintenance is upkeep or repairs not performed when scheduled, essentially maintenance delayed until a future time.

Trust deferred maintenance is determined through a total life-cycle cost method for all deferred maintenance categories of major assets. The maintenance is performed throughout the year and on-going assessment of all assets occurs each year.

Deferred maintenance estimates apply to both capitalized general and stewardship property, plant and equipment as well as non-capitalized or fully depreciated general property, plant and equipment. As Trust policy and its accounting system differentiate maintenance and repairs between capitalized (i.e., items whose cost exceeds the capitalization threshold) and expensed items, deferred maintenance estimates reported herein include only those maintenance activities that have not been capitalized (i.e., expensed items).

Ranking and Prioritizing Maintenance and Repair Activities

Maintenance and repair activities are first prioritized by regulatory, health and safety considerations. Items governed by regulation include, but are not necessarily limited to, building life safety, elevators, emergency generation, specialized electrical-system vehicle maintenance, and water treatment backflow and general plant operation. Tasks prioritized by health and safety involve electrical substations, overhead electrical equipment and transformers, tree and shrub pruning, and road, trail and masonry repairs.

Other maintenance and repair activities are prioritized based on the results of periodic inspection or as a response to functionality failures. Prioritization is generally adjusted to take

into account capital improvement efforts underway, future capital improvement plans, asset disposal plans and budgetary funding outlook.

Factors Considered in Setting Acceptable Conditions

Acceptable conditions are defined in accordance with regulatory or industry standard requirements for building life safety, elevators, emergency generation, specialized electrical-system vehicle maintenance, and water treatment backflow and general plant operation. Specific regulatory testing, inspection and documentation are performed for these items; for example, building life safety inspections are performed, elevator testing is completed and certified according to mandatory requirements by an expert third-party, and water treatment operation standards are those set forth in the California State Water Resources Control Board regulations.

Standards for property, plant and equipment not governed by specific regulation vary significantly depending on their type and function. Acceptable building conditions include roofing and plumbing with no leaks or cracks, exterior paint with no bubbling or peeling, and functional thermostats and HVAC equipment. Factors evaluated for high voltage systems include cleanliness, signs of arching or burning, oil leaks in transformers, voltage levels and power flow. Elements considered for wastewater systems include flow, lack of cracks or damage and cleanliness. Factors evaluated for roads and trails take account of surface integrity, evenness and possible obstruction. Considerations for grounds include condition and growth rates of plantings, and incidence of pests or invasive species. Heritage and stewardship assets are managed by conservation standards in a manner that fulfills the Trust's obligation to stabilize, protect and preserve them.

Significant Changes from Prior Year

There was an overall net increase in deferred maintenance of \$554,182 from 2015 to 2016. This is due to an increase in multi-use heritage and non-historic buildings maintenance, marginally offset by the combined decrease in infrastructure and grounds categories. The year over year difference in the buildings categories is due to a substantial increase in scheduled maintenance, which is from the addition of new tasks and a refinement of task scheduling. The increase in the infrastructure balance is a result of fewer inspections and maintenance on street lights, sewer lift stations, pipes and manholes, offset by increased activities supporting the water distribution system. The decrease in the grounds balance is due to additional maintenance of road, sidewalk and other masonry, offset by decreased tree and shrub upkeep. Small decreases in the golf course and heritage building categories are immaterial.

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

Category	2015 Ending Balance	2016 Beginning Balance	2016 Ending Balance
Infrastructure & Grounds:			
Infrastructure	\$1,168,282	\$2,086,169	\$1,179,076
Stewardship & Landscape	1,058,358	1,986,799	1,026,434
Golf Course	44,290	313,890	43,587
Total Infrastructure & Grounds	2,270,930	4,386,858	2,249,097
Buildings:			
Heritage	38,790	36,947	36,947
Multi-Use Heritage	3,167,329	3,786,780	3,292,446
Non-Historic	526,748	1,063,780	935,199
Total Buildings	3,732,867	4,887,507	4,264,592
Grand Total	\$6,003,797	\$9,274,365	\$6,513,689

Other Accompanying Information:

Inspector General Summary

The Trust does not have an Inspector General (IG); therefore, this section of the Performance and Accountability Report (PAR) does not contain an IG narrative.

Improper Payments

As required under the Improper Payments Elimination and Recovery Act (IPERIA), the Trust is subject to reporting to the U.S. Treasury on payments that the Treasury suspects are improper. The Trust has had no improper payments to report and does not operate any programs that are susceptible to improper payments.

Summary of Financial Statement Audit and Management Assurances

Audit Opinion		Unmodified				
Restatement		No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance	
None	0	0	0	0	0	
Effectiveness of Internal Control over Financial Reporting						
Statement of Assurance		Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Effectiveness of Internal Control over Operations						
Statement of Assurance		See Below				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Conformance with Financial Management System Requirements						
Statement of Assurance		See Below				
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	N/A	N/A	N/A	N/A	N/A	N/A
Conformance with Federal Financial Management Improvement Act						
Statement of Assurance		Agency		Auditor		
Overall Substantial Compliance		Yes or No		N/A		
System Requirements		Yes		N/A		
Accounting Standards		Yes		N/A		
USSGL - Transaction Level		Yes		N/A		

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

Glossary

BFS – Bureau of the Fiscal Service

CAP – Camping at the Presidio

Caltrans – California State Department of Transportation

CIP – Construction in Progress

CSRS – Civil Service Retirement System

DMS – Debt Management Services

DOI – Department of the Interior

DOL – Department of Labor

FASAB – Federal Accounting Standards Advisory Board

FECA – Federal Employee Compensation Act (Worker’s Compensation)

FEGLI – Federal Employees Group Life Insurance

FERS – Federal Employees Retirement System

FMFIA – Federal Managers’ Financial Integrity Act

GAAP – Generally Accepted Accounting Principles

GGNPC – Golden Gate National Parks Conservancy

GSA – General Service Administration

MOA – Memorandum of Agreement

NPS – National Park Service

OMB – Office of Management and Budget

OPM – Office of Personnel Management

PP&E – Property, Plant, and Equipment

PTMP – Presidio Trust Management Plan

REEL – Real Estate Environmental Liability Insurance Policy

RSL – Remediation Stop Loss Insurance Policy

SFFAS – Statements of Federal Financial Accounting Standards

SFCTA – San Francisco County Transportation Authority

USSGL – United States Standard General Ledger

VMP – Vegetation Management Plan



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Independent Auditors' Report on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors of
The Presidio Trust:

We have audited, in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in accordance with Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2016 and 2015, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2016, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control. 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 14, 2016



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors of
The Presidio Trust:

We have audited, in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in accordance with Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2016 and 2015, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2016.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed that management, as disclosed in their assurance statements, has not fully complied with the Federal Information Security Management Act (FISMA). The results of our tests disclosed no other instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on the Trust's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 14, 2016