

THE PRESIDIO TRUST 2008 YEAR-END REPORT

Today at the Presidio



...the day begins **6:00am**

Cover: The Presidio has more views of the Golden Gate Bridge than any other place around the Bay.

It is 6:00 a.m. in the Presidio, and as the sun rises over the Golden Gate Bridge and the city of San Francisco, people are already out in the park on their morning run, on their way to work, or getting ready for school. The Presidio community has grown as homes and work places have been rehabilitated, trails and recreational facilities have been improved, and opportunities to volunteer have increased. Today, more than 7,000 people live a significant part of their daily lives in the park.

People make the Presidio the unique national park that it is. The vitality and dedication of the Presidio community will ensure that the park is preserved, and that it continues to evolve to meet people's needs.

David H. Grubb, Chair of the Board of Directors, and Craig Middleton, Executive Director, at the new Crissy Field Overlook, opened in July 2008.

The Presidio is more beautiful today than it ever was. Historic buildings are being rehabilitated, gardens restored, trees replanted, homes repainted, and roads repaved. Trails now point the way through the park, and a new overlook above Crissy Field joins overlooks at Inspiration and Immigrant points, making for a trio of spectacular views. Within five years, the Presidio will have more than 24 miles of trails and bikeways and eight scenic overlooks. Ground has been broken at Rob Hill, San Francisco's only campground, as well as at the Public Health Service Hospital District, which is the Presidio's largest historic rehabilitation project. This district has been largely vacant for more than two decades, and so it is with great satisfaction that we have begun its revitalization as a new park community and new gateway to the Presidio.

All of us at the Presidio Trust are extremely proud of these accomplishments. But nothing makes us more proud than the growing number of people in the park – working here, living here, participating in programs, attending events, volunteering as stewards and docents, and simply enjoying all that the Presidio has to offer. Community life has returned to the Presidio.

Much of what happens in the Presidio today is not all that different from what went on here when it was a busy military post: children play ball on its fields and camp at Rob Hill, community celebrations fill the Officers' Club with music and laughter, and people go about their daily business. But as the Presidio takes on an increasingly public character, the activity in the park is becoming more diverse. The archaeology program brings fourth graders to the Main Post where they can learn about the original Spanish settlement and the birth of San Francisco. *Shakespeare in the Park* and *Film in the Fog* have become annual rituals. A climbing wall and children's swim school bring families and recreational enthusiasts to the historic hangar buildings on Crissy Field. Visitors come to dine in the park's ten restaurants.



Soon plans to make the Main Post a center for culture and history will come to fruition and the public character of the park will be even richer. Proposals include a museum of contemporary art, a park lodge, a heritage and archaeology center, places to linger, and new open spaces that will draw people to the heart of the park and establish it as one of the country's great public places.

The Presidio Trust's 2008 Year-End Report celebrates the life of the Presidio, its daily rhythms and its different experiences. To all who are a part of this community, our deep thanks for helping us preserve the Presidio as a national treasure and for working with us to make it a local jewel.

DAVID H. GRUBB
Chair of the Presidio Trust Board of Directors

CRAIG MIDDLETON
Executive Director of the Presidio Trust

PresidiGo takes the place of hundreds of cars on city and park streets.

More than 200 organizations and businesses are located in the Presidio, and it has never been easier to get to work. A fleet of PresidiGo shuttles, powered by natural gas, carries nearly 1,400 riders every weekday to and from downtown, connecting with regional mass transit.

Use of the shuttle has increased by more than 28 percent over the past year as commuters discover a calmer, more social way to begin their day. PresidioGo also carries people around the park seven days a week, serving more than 40 destinations within the Presidio – from Baker Beach to Crissy Field to the park’s residential neighborhoods.

This year the Presidio Trust received an \$840,000 grant from the Federal Transit Administration’s Alternative Transportation in the Parks and Public Lands Program to improve the shuttle fleet.

In 2008, the Presidio was named a “Bicycle Friendly Community” for the sixth time.





...around the park **7:30am**

10:15am

...learning with all five senses





Providing a meaningful experience for every child in San Francisco is one of the Trust's most important goals.

The park is a magical schoolroom, where students can immerse themselves in the world around them, stretch their imagination to think about what once was, and dream about the world they want to make. Four pre-schools and one high school are among the 17 educational and youth development programs in the park, including the Presidio Nursery, which introduces youngsters and adults alike to the ecology of the park while fostering a spirit of stewardship.

In addition to the students who come to school in the park every day, approximately 20,000 youngsters take advantage of programs and facilities in the park over the course of the year. They can learn about the history of San Francisco and California, as well as about the people who lived here before the Spanish arrived in 1776. By gathering seeds and planting trees they can learn very directly how people shape the world. In 2008, the first class of high school seniors were graduated from the Presidio's Bay School, which opened in 2004.



Forester Peter Ehrlich dashes among newly planted cypress in the historic forest.

The Presidio forest seems enchanted for many reasons. Planted by the Army in sand dunes, it is a wonder that the cypress, pines, and eucalyptus took root and thrived over the past century. As a man-made landscape, it combines the surprise of both artifice and nature. Since 2002, the Trust has planted nearly 2,000 trees to revitalize the declining forest, which was originally planted to beautify the Presidio, make it more habitable, and make it appear more imposing. While maintaining the unusual “rank and file” alignment of trees, reforestation is also creating a more diverse understory providing healthier wildlife habitat as well as a richer park experience for visitors.

Forest walks were one of the park’s most popular activities in 2008, holding out the promise of discovering some of the Presidio’s secrets and giving insights to a world that is filled with the uncanny sounds of the eucalyptus; the smell of cypress and pine; and the varied plumage of nearly 200 species of birds.

...deep in the woods

12:01 pm



The historic airplane hangars along Crissy Field are being reused to expand indoor recreational opportunities, with La Petite Baleen's swimming program for children and Planet Granite's climbing gym among the Presidio's newest facilities.



The golf course is one of the Presidio's largest historic features.



Children tear onto the Presidio's playing fields, working up a sweat in the waning light and dropping temperatures of Presidio afternoons. Whether goofing around or getting ready for weekend competitions, they are carrying on a great Presidio tradition. Children from local schools and sports leagues have been playing and competing on Presidio fields for nearly a century.

The Presidio offers a wide variety of recreational and fitness opportunities for everyone, from team sports to individual activities and personal training. Eleven organizations dedicated to sports and fitness are located in the park, supporting the athletes who train here and encouraging the community to hike and bike the park's trails, climb its hills, and to be fit in body and mind.

The Trust has built five miles of new trails and bikeways and anticipates completing the 24-mile network in the next five years. Efforts to increase the number of ball fields and upgrade playgrounds are also underway.

A group of children are playing soccer on a grassy field at sunset. The sun is low in the sky, creating a warm, golden light. The children are in various poses, some running and some kicking the ball. The background shows a fence and some buildings.

2:05pm letting off steam...



3:30pm

caring for the park's treasures...

Architectural conservator Christina Wallace and project manager Peter Foley oversee a three-year preservation maintenance program at Fort Scott, the last historic district awaiting full rehabilitation.



Considered the largest historic preservation effort underway in the country today, the Presidio showcases a century of military architecture. The Trust has rehabilitated more than half of the park’s historic buildings, and continues to set the standard for historic building preservation and reuse.

A team of unsung heroes maintains this national treasure of nearly 800 buildings: preservation experts, historic architects and carpenters, skilled craftsmen and technicians—all creative troubleshooters. A preservation maintenance program ensures that vacant historic buildings will be ready when it comes time for full rehabilitation and new uses; cyclic and preventive maintenance keep the park’s occupied buildings looking trim and will extend their usefulness; and a swift work order response provides exceptional customer service to the many people who live and work in the park.



The Arguello Gate was painstakingly restored in 2008; Lombard Gate will be restored in 2009 thanks to a grant from the Cowell Foundation.



Laura and Greg Spivy and their four young children were the first family to move into one of the rehabilitated Queen Anne homes.

Drawn by the large homes, abundant greenery, and the slower tempo of the park,

families with children account for nearly 29 percent of the households in the Presidio. Domestic and community life in the Presidio are rich with tradition and lore, especially along Funston Avenue, the oldest existing streetscape in San Francisco. Constructed less than 20 years after the U.S. Army took control of the Presidio, Funston Avenue was the first family “neighborhood” on the post. The wood frame buildings were constructed in a simple, Victorian style. Over the years, the Army added bay windows, gables, and dormers, and enhanced the streetscape, often referred to as “Officers’ Row,” with street lamps, white picket fences, and gardens. In 2008, Trust construction crews rehabilitated six of the Civil War-era houses as well as the four larger “Queen Anne” homes that were built in 1885 to accommodate the post’s highest ranking officers and their families. The buildings are being leased for a mix of residential and office uses.

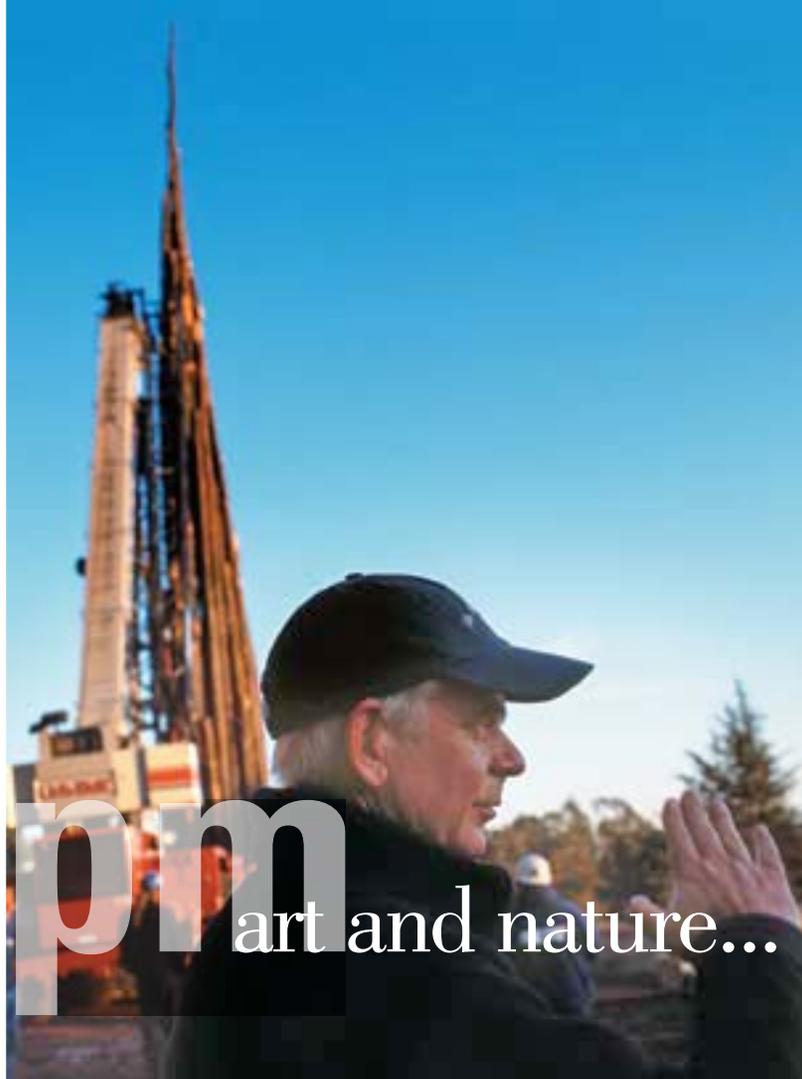


...at home in the park

5:20pm

British artist Andy Goldsworthy's new work, *Spire*, pays homage to the Presidio forest—its history and natural rhythms—as it welcomes a new generation of trees.

6:03 pm art and nature...



"People also leave a presence in a place even when they are no longer there."
— Andy Goldsworthy

The Trust forestry crew worked with Goldsworthy to construct the 90-foot sculpture, which is made from cypress trees felled as part of the Presidio's reforestation program.





Dr. Randolph Delehanty, Presidio Trust historian and curator, trains docents for the Trust's 16th exhibition, *War & Dissent: U.S. in the Philippines*.

...history and culture 7:40pm

The Presidio allows for broad discussions about history and culture, art and nature, their interconnections as well as incongruities. More than 186,000 people participated in planned events and programs in 2008. Activities included exhibits that posed important questions about art and history; young musicians in concert and *Shakespeare in the Park*; programs that literally delve into Presidio history through archaeological explorations; and national commemorations and community celebrations. This year, the Presidio provided an extraordinary venue for artists Andy Goldsworthy and Jeannene Przyblyski. Goldsworthy's sculpture, *Spire*, stands sentinel to the historic forest, while Przyblyski's work invoked early life in the Presidio with stories about what might have occurred along San Francisco's oldest trail, Lovers' Lane. Over the next few years, the Trust will undertake planning for a center dedicated to history, heritage, and archaeology. Visitors will start their exploration of the Presidio from the center, which will provide orientation and interpretive information.

...under the stars

9:10pm





Children enjoy their first camping experience under the stars and the watchful eyes of a Great Horned Owl.

In its second year, Camping at the Presidio (CAP) served 860 local youngsters who had never before been camping. CAP, a joint program with the Golden Gate National Parks Conservancy and Bay Area Wilderness Training, prepares teachers and leaders of youth groups to oversee the camping trip. Park staff introduces the novice campers to the Presidio through activities and programs designed to help them feel comfortable in the park so they can explore the natural environment. With its exceptional diversity of landscapes and wildlife, the Presidio is the “wilderness,” an outdoor classroom, and a great place to run around and have fun.

Numerous programs at the Presidio provide training to adults who can then bring children to the park. Three hundred teachers attended the 2008 *Presidio Teachers' Night*, now in its 7th year. The event introduces educators to award-winning, curriculum-based programs and other resources that help students understand and address the environmental and cultural issues that they face in their communities.

A view of the Main Post looking east toward San Francisco.

Organizations at the Presidio

3 Degrees Group	Consumer Advocacy	Hub Strategy and	Northern California	Rudolf Steiner Foundation
Acre Café	Core Studio	Communications, Inc.	Independent Booksellers	San Francisco Conservation
African American Association	Cow Hollow School	ICON Exhibits	Association	Corps
Alexa Internet	Coyote Films	Institute for the Study and	Object Health	San Francisco Film Centre
Alliance for California	Crissy Field Center	Development of Legal	Offices of Susie Tompkins	San Francisco Film Society
Traditional Arts	Crissy Field Media	Systems	Buell	San Francisco Gymnastics
Althea Foundation	Cultural Conservancy	Interfaith Center	Omnia Foundation	San Francisco Medical
America Invents, LLC	DADA	International Forum on	One World Children's Fund	Science
Angel Island Immigration	Deborah Bellingham, L.M.F.T.	Globalization	Orphanage	San Francisco Medical
Station Foundation	Dish Café	Internet Archive	Pachamama Alliance	Society
Ann Getty and Associates	Door Dog Music Productions	InterScholastic Company, LLC	Pacific Forest Trust	San Francisco National
ARCS Foundation	Douglas Wright Consulting	Interview Clips	Pacific Union Co.	Cemetery
Arion Press	Duler & Company	Interwoven	Pacific Union Real Estate	San Francisco Ocean Film
ArtSeed	ECB Management Services,	It's Yoga Kids	Brokerage Company	Festival, Inc.
ArtsFest	Inc.	Jenifer Altman Foundation	Planet Granite	San Francisco Psychotherapy
Aviation Personnel	ECOR-SF Holdings, Inc.	Joe Goode Performance	Plant Construction Company	Research Group
International	EcoTalk	Group	Pohaku Fund	SenSpa, LLC
Babcock & Brown	Energy Foundation	John Stewart Company/ Presidio Residences	Positive Coaching Alliance	Serra Preschool
Bauman Landscape Inc.	Environmental History Project	Just Answer!	Potruck Family Foundation	SF Green Clean
Base Partners Inc.	Equal Access	Just Think Foundation	Pres a Vi	Social Venture Network
Bay Area Ridge Trail Council	Equity Community Builders,	JVQ California	Presidio Bowling Center	Solutions
Bay Kids	LLC	KACO Solar	Presidio Café	Solutions Alert
Bay School of San Francisco	e-Ride	Kao & Company	Presidio Child Development	Soma Development
Management	Eucalyptus Associates, Inc.	King Oscar, Inc.	Center	Sports Basement
Bellingham Investment	Eureka House, Inc.	Kitchell Films	Presidio Community YMCA	State Farm
Management	Exploratorium	La Petite Baleen	Presidio Dance Theatre	Swords to Plowshares
Benningfield Financial	First Graduate	La Terrasse	Academy	Veterans Academy
Advisors	First Home, Inc.	Lawyers for Clean Water	Presidio Fitness, LLC	Thomas Beischer
BLUM, Inc.	First Republic Bank	Ledoux Esquire Inc.	Presidio Golf Course	Thoreau Center for
Body of Work	Fleishhacker Foundation	Lens Ventures	Presidio Historical	Sustainability
BoxIT	Foghorn Creative	Letterman Digital Arts Ltd./	Association	Threshold Foundation
Bright Minds Institute	Foundation for Environmental	Lucasfilm	Presidio IT	Tides Center
Buffalo Soldiers Museum	Education	Lexnet	Presidio Laser Medicine	Tides Foundation
and Library	Francisco Partners	LoBue & Majdalany	Presidio Performing Arts	United Religions Initiative
Building 38	Management	Management Group	Foundation	United States Postal Service
Cabezon Capital	Friends of the Urban Forest	London Bay Capital, LLC	Presidio School of	Van Acker Construction
Management, LLC	Garden Conservancy	Lone Mountain Children's	Management	Assoc.
California Clean Money	Gay-Lynn Blanding	Center	Presidio Social Club	Veracity, Inc.
Campaign	Geographic Expeditions, Inc.	L.S.B. Leakey Foundation	Presidio Sport and Medicine	Veriditas, Inc.
California Engineering	GMAC Mortgage	M&H Type	Presidio Wine Bunker	Verity Wealth Advisors, LLC
Contractors, Inc.	Goldman Environmental Prize	March Foundation	PresPoint Capital, LLC	Vintrust, LLC
California Environmental	Gordon and Betty Moore	Marie Crouch	Projects!	W&JP Fund
Associates	Foundation	Medicine Restaurant Group	Public Storage	W. Clement and Jessie V.
CB Richard Ellis	Grabhorn Institute	MegaPixie	R & A Investment Forestry	Stone Foundation
CDA Services LLC	Grantmakers Without Borders	Miller Video and Film, Inc.	Raven Group	Walt Disney Family
Center for Citizen Initiatives	Greywolf Capital	Mobility Plus	Regeneration Project	Foundation
Center for Leadership	Management LP	Transportation, LLC	Rex Foundation	Westbase Productions
Renewal	Groundspring.org	Monte Vista Management	Richard & Rhoda Goldman	WestEnd Capital
Center for Policy Analysis on	Grove Consultants	Company	Fund	Management
Trade and Health	International	Nature Nurture Adventure!	Richard Beggs	Winton duPont Films
Children's Channel	Haight Ashbury Free Clinics,	New Field Foundation	Rick Murray	World Business Academy
Clarium Capital Management	Inc.	New Ways to Work, Inc.	Rights Workshop	World Wildlife Fund
Columbia Foundation	Hamilton Zanze & Company	Next Advisor Inc.	RockRose Institute	WorldLink Foundation
Community Clinics Initiative	Herbst International	Nora Eccles Treadwell	Room to Read	WorldLink Media
Constellation Fund	Exhibition Hall	Foundation	Rough House Editorial	Your Health
Consultative Group on	Hint, Inc.		Rubin Glickman	
Biodiversity				





David H. Grubb is chairman of the Presidio Trust board of directors. He is chairman emeritus and former chief executive officer of Swinerton Incorporated, a prominent San Francisco-based general contractor. He has served on several cultural and business community committees and has lent his support to a number of charitable organizations including: board of regents and trustees for Saint Patrick's Seminary, Zoological Society, The Meadow Club, and San Domenico School. Mr. Grubb previously served on the board of trustees for the Golden Gate National Parks Conservancy, chairing the projects committee which oversaw the restoration of Crissy Field. He earned a bachelor of sciences from Princeton University in 1958, and a master's degree in construction management from Stanford University in 1962.

William Wilson, vice-chairman of the Presidio Trust board of directors, has founded and led Bay Area-based real estate investment firms for over 40 years, including William Wilson and Associates, Wilson/Cornerstone Properties, and Wilson/Equity Office. He currently serves as managing partner of Wilson Meany Sullivan, Inc. Previously, he founded the Borel Companies (1963), Webcor Builders Inc. (1971), and Rusty Scupper Restaurants (1980). Mr. Wilson serves on several boards, including the California Academy of Sciences, the Multiple Myeloma Research Foundation and Consortium, Douglas Emmett, Inc., the Lawrenceville School in New Jersey (Emeritus), and the Stanford University Department of Athletics' Investment Trust (Emeritus). Mr. Wilson earned a bachelor of sciences in engineering from Stanford University in 1958.

Nancy Hellman Bechtle serves on the board of directors for the Charles Schwab Corporation and is the chairman of the board for the Sugar Bowl Corporation. Previously, she was chief financial officer and director for J.R. Bechtle & Company from 1979 to 1998. From 1987 to 2001, she was president and chief executive officer of the San Francisco Symphony and has served as a member of the San Francisco Symphony board of governors since 1984. Previously, she served on the boards of the San Francisco Opera Association and the Charles and Helen Schwab Foundation, among others. She has received several honors, including the Lifetime Achievement in the Arts from the California Arts Council and the Investment in Leadership award from the Coro Foundation. She holds a bachelor of arts from Stanford University.

T. Robert Burke is the managing director of Metropolitan Real Estate Equity Management, and is the chairman and co-founder of Institutional Housing Partners. He is the former chairman and co-founder of AMB Property Corporation and was a partner with Morrison and Foerster from 1975 to 1984. Previously, he was a staff attorney with the National Housing Law Project of the O.E.O. Legal Services Program. He formerly served as a trustee with Stanford University, and served on the boards of the Stanford Management Company, Catholic Social Services of San Francisco, and the Fine Arts Museums of San Francisco. He is a member of the investment committee of the Hewlett Foundation and serves on the board of the UCSF Foundation. He holds a law degree (1967) and a bachelor of arts from Stanford University.

Nancy Conner has served the Bay Area's parks and cultural institutions for more than 25 years. Since 1980, Ms. Conner has been a board member of the San Francisco Parks Trust (aka the Friends of Recreation and Parks), serving currently as past board chair. She also serves on the boards of the Golden Gate Park Concourse Authority and the San Francisco Symphony. Previously, Ms. Conner was a board member of the Bothin Foundation, the San Francisco Boys' Chorus, and the U.C. Berkeley Environmental Design Archives Advisory Board, among others. She co-founded the San Francisco Landscape Garden Show as a benefit event for city parks and recreation programs. Ms. Conner received a master's degree from Stanford University in 1967 and a bachelor of arts from Wellesley College in 1964.

Curtis F. Feeny testified before the U.S. Senate and House of Representatives when the Presidio Trust was first being formed by Congress. He brings 25 years of experience in real estate development and capital investment to the Trust board. Mr. Feeny is the managing director for Voyager Capital, a Venture Capital firm. He worked from 1992 to 2000 as executive vice president with Stanford Management Company at Stanford University. Previously, Mr. Feeny worked for twelve years with Trammell Crow Company and served on its board; he currently serves on the board of CBRE (CBG:NYSE), the world's largest real estate services firm, and the Stanford Federal Credit Union. He graduated from the Harvard School of Business in 1981, and holds a bachelor of sciences magna cum laude from Texas A&M University.

J. Michael Shepherd is president and chief executive officer of Bank of the West. Previously, he served as general counsel of The Bank of New York Company, Inc. and of Shawmut National Corporation. He was a partner in the San Francisco law firm of Brobeck, Phleger & Harrison LLP and special counsel to Sullivan & Cromwell. Mr. Shepherd also served as senior deputy Comptroller of the Currency, associate counsel to the President of the United States, and deputy assistant Attorney General. In addition to serving as a director of Bank of the West and BancWest Corporation, Mr. Shepherd is a director of Pacific Mutual Holding Company, Pacific Life, and Promontory Interfinancial Network. He also serves as a director of Episcopal Charities of California. He is a member of the Council on Foreign Relations and the Financial Services Roundtable. Mr. Shepherd is a graduate of Stanford University and the University of Michigan Law School.

Craig Middleton assumed the post of executive director in December 2002, after having served the Trust in several key roles. In 1997, he was selected by the Trust's board of directors as the agency's first employee. He served for four years as deputy director for government affairs, programs, and administration, and for one year as acting executive director. From 1993 to 1997, Middleton was director of government affairs for the Golden Gate National Parks Conservancy, where he worked closely with the Presidio Council, a blue-ribbon panel established by the Parks Conservancy to plan for the Presidio's transition. Previously, he was a senior aide to Congresswoman Nancy Pelosi (D-San Francisco). Middleton holds a master's degree in public administration from the Monterey Institute of International Studies and a bachelor's degree in social science from the University of California at Santa Barbara.

Board of Directors

The Presidio 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.

Back Row: J. Michael Shepherd, Curtis F. Feeny, William Wilson, Craig Middleton, T. Robert Burke

Front Row: David H. Grubb, Nancy Conner, Nancy Hellman Bechtle



Presidio of San Francisco

Founded by Spain in 1776, the Presidio is the birthplace of San Francisco. The U.S. Army assumed control of the post in 1846, and the Presidio remained the seat of western military power for the western states through World War II. The Presidio was named a National Historic Landmark district in 1962 with the discovery of *el presidio*, the archaeological remains of the original Spanish fort. In 1994 the U.S. Army left the Presidio and it became a national park site.

Sitting at the southern anchor of the Golden Gate Bridge, with views of San Francisco Bay, the Pacific Ocean, the Marin Headlands, and the chiaroscuro skyline of San Francisco, the Presidio enjoys one of the most dramatic settings in the world. Unlike the wilderness parks that were set aside in the early 20th century, the Presidio is a man-made environment that evolved in response to the needs of the military. It continues to evolve as an urban national park, responding to the needs of the local community, the nation, and visitors from around the world. The Presidio provides opportunities for learning and for recreation, for service and for solitude, in settings of exceptional beauty. It also offers all Americans time to reflect upon how our nation developed, from east to west.



The Presidio Trust

Congress created the Presidio Trust in 1996 to preserve and enhance the Presidio as an enduring resource for the American people. It is governed by six presidential appointees and the Secretary of the Interior, or his designee. The Trust is required to fund the Presidio's operations, maintenance, and ongoing upgrades with income earned from rehabilitating and reusing the park's buildings. With nearly 800 structures, 1,200 residences, and the infrastructure of a small town, the Presidio has unique assets and challenges, in response to which the Trust was established. The Presidio is the only national park that is managed in this way. The Trust has won numerous awards for planning and historic preservation. In 2006 the Trust received Urban Land Institute's Award for Global Excellence, that organization's highest honor.





Performance and Accountability Report

Years Ended September 30, 2008 and 2007,
with Report of Independent Certified Public Accountants



Performance and Accountability Report

Years ended September 30, 2008 and 2007

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Management's Discussion and Analysis

MESSAGE FROM THE EXECUTIVE DIRECTOR

The Presidio Trust's (the "Trust") mission is to preserve the Presidio of San Francisco as an enduring resource for the American people. The Fiscal Year 2008 Annual Report illustrates our progress and demonstrates our commitment to transforming the Presidio into a great national park.

The Trust's financial systems conform to government-wide standards, and the financial and performance data provided in this report are reliable and complete. No material internal control weaknesses have been identified.

OVERVIEW

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

The Trust Act² mandates that the Trust become independent of annual federal appropriations by the end of FY 2012. The Trust finances its operations through a direct appropriation, leasing revenue from both residential and commercial property, reimbursable agreements with other governmental agencies, and fees for services provided by the Trust. Federal appropriations are invested in projects that generate revenue which will replace federal appropriations.

The Trust assumed management of the Presidio in July 1998, and has made significant progress towards rehabilitating its historic landscapes

and buildings, preserving and enhancing the Presidio's natural beauty and native habitats, making the former military post inviting to the public, and finally towards establishing a strong economic foundation for the park's future. In 2006, the Presidio Trust won the Urban Land Institute's prestigious "Global Award for Excellence" for progress in implementing the *Presidio Trust Management Plan*.

The Trust's operating costs have been fully covered by earned revenue since 2004. The Trust has invested federal dollars effectively and has established strong sources of revenue to support the park in perpetuity.

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

¹ *The Presidio Trust oversees the interior 1,100 acres of the Presidio, and the National Park Service manages the 300 coastal acres.*

² *P.L. 104-333, November 12, 1996, 16 U.S.C. 460bb appendix.*

MISSION, GOALS, AND ORGANIZATIONAL STRUCTURE

Mission and Goals

The Presidio Trust's mission is to preserve the Presidio as an enduring resource for the American people. To achieve this mission the Trust is transforming the Presidio into a national park that welcomes the public; is building a community to support the park; is enhancing the Presidio's scenic, natural, and cultural resources; and is forging public-private partnerships to finance the park. In so doing, the Trust seeks to become a model of Park management. The Trust integrates financial and preservation goals to manage the Presidio in a way that meets its specific challenges.

In 2002 the Trust adopted *The Presidio Trust Management Plan: Land Use Policies for Area B of the Presidio of San Francisco* (PTMP), which sets the framework for how the Trust will balance resource preservation, public use, and revenue generation. The PTMP presents a vision of the Presidio as a unique park, one that is animated by people whose everyday activity – living in the post's homes and working in its historic buildings – is not only critical for its economic feasibility, but is also essential for preserving its historic character.

In fiscal year 2005, the Trust developed a five-year strategic plan and identified four goals that are essential to achieving its mission:

- 1. Preserve and enhance the Presidio's rich historical, cultural, and natural resources**

- 2. Generate revenue and develop philanthropy to support the preservation, enhancement, and operation of the Presidio as a national park**
- 3. Operate, maintain, and upgrade the Presidio's facilities and infrastructure in an efficient and sustainable manner**
- 4. Encourage public use, understanding, and enjoyment of the Presidio**

Organizational Structure

The Presidio Trust was established by Congress as a wholly-owned corporation of the Federal Government. Congress requires the Trust to be accountable for multiple mandates – cultural and natural resource preservation, Park enhancement, and public use – while also ensuring that it develops the financial capacity to sustain the Park in perpetuity. The Trust Act (Public Law 104-333) gives the Trust the flexibility to operate in the marketplace, make real-time decisions, and retain revenues to reinvest in the Park.

Authority is vested in a seven-member board of directors, six of whom are appointed by the President of the United States, and the seventh is the Secretary of the Interior or the Secretary's designee. An executive director oversees an organization that includes a chief operating officer, chief of park projects and programs, chief financial officer, general counsel, director of public affairs, director of human resources, and other positions essential to operating this unique Park.

FISCAL YEAR 2008 PERFORMANCE

The attached *Fiscal Year 2008 Performance Report* presents a discussion of all goals identified in the FY 2008 Trust's Budget Justification. In the section that follows, management discusses the most significant results of the year and provides information about key performance and financial challenges facing the Trust.

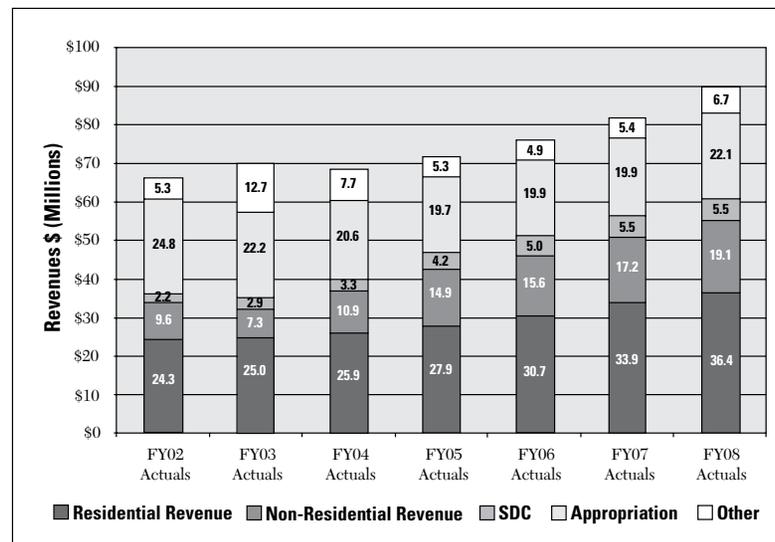
Five-Year Capital Plan

During FY 2008 the Trust updated and extended its Five-Year Capital Plan, to cover the period FY 2009 – FY 2013. This plan completes the rehabilitation of four principle districts of the Presidio: Main Post, Public Health Service Hospital, Crissy Field, and Thornburgh, leaving only Fort Scott for future redevelopment.

Demand for both residential and commercial leased property continued to be strong in the San Francisco Bay Area during FY 2008, providing the economic conditions that enabled the Trust to modestly outperform its revenue budget. The following table summarizes the growth in revenues for the period FY 2002 – FY 2008.

Late in FY 2008, the slowdown in the regional and national economies and stress in the national financial sector began to have an impact on local real estate markets. While the impacts on the Trust's finances have been minimal thus far, Trust management is following regional and local trends closely and will be prepared to make adjustments to spending and to capital planning as the need arises.

Increases in construction costs continue to affect the Presidio by making it more difficult to enlist investors in the rehabilitation of



Presidio buildings, particularly as rents begin to soften. The Trust is working to move quickly, therefore, to rehabilitate Presidio buildings. We do this with confidence that returns will improve as current recessionary pressures abate.

Philanthropic Gifts

Fundraising is essential to the Trust's ability to create improvements and programs that directly serve the public. During FY 2008, the Trust and its philanthropic partner, the Golden Gate National Parks Conservancy, raised \$2.5 million in philanthropic gifts and grants. This success enabled the Trust to meet the terms of a \$10 million matching grant from the Evelyn and Walter Haas, Jr. Fund, which stipulated that the partnership must raise this threshold amount to access a \$3 million installment from the Fund. These funds are being used to

create a 24-mile system of trails and bikeways. Two earlier gifts from the Haas, Jr. Fund have also allowed for other dramatic improvements in the park: \$1 million was used to construct the third scenic overlook in the Presidio, the Crissy Field Overlook, completed in summer 2008, and \$4 million are being used to improve and expand the Rob Hill Campground, which will be completed in summer 2009. The Trust/Conservancy partnership is also raising funds for other important projects and programs in the park.

The Main Post

Redeveloping the Main Post as the “Heart of the Presidio” is a long-standing goal of the Trust, and considerable progress was made in the past year. In FY 2008, the Trust issued a draft “Main Post Update” to the *Presidio Trust Management Plan* and an associated draft environmental impact statement under the provisions of the National Environmental Policy Act (NEPA). The “Main Post Update” provides a comprehensive vision for the Main Post as a vibrant center for history and culture, and a central focus of visitor activity. A 7-acre parking lot that now occupies the site of a former open parade ground will be transformed into a major open space at the center of the Main Post. The Trust is undertaking both environmental and historic compliance activities relative to the Main Post, which include a number of opportunities for public involvement in the conversation about the future of the district. The Trust expects to complete compliance in early 2009.

Concurrently, the Trust has initiated discussions with organizations that have proposed uses in the Main Post.

- In September 2006, the Trust began negotiations with Larkspur Hotels and Restaurants to create lodging at the Main Post. Larkspur has proposed to rehabilitate an historic barracks and develop a new building that would face the newly-transformed Main Parade.
- The Trust has also held discussions with Doric and Don Fisher to create the "Contemporary Art Museum at the Presidio" (CAMP), a 140-000 square foot museum and educational facility that would include the rehabilitation of a Montgomery Street barrack and the development of new buildings that would house galleries showcasing works of art from the world's leading contemporary artists.
- The Trust hopes soon to sign a lease with the Family Violence Prevention Fund to create the "International Center to End Violence" in another of the stately historic buildings that face the Main Parade.
- The San Francisco Film Society has proposed a rehabilitation of the Presidio's historic movie theater, which, along with an addition to the building, would become home to the San Francisco Film Festival and other events and programs related to film arts.

Each of these negotiations would conclude only after the current environmental and historic compliance is completed.

The Trust is currently seeking worthy tenants for the Montgomery Street Barracks (buildings 101, 103, and 105). One of the barracks (building 102) remains under the jurisdiction of the National Park Service; the Trust is working with the NPS to determine the future of this building and a location and funding strategy for the development of a jointly-supported visitor center.

At the end of FY 2008, rehabilitation of three key historic Main Post buildings (104, 108 and 122) is well underway. The buildings will serve as a museum offering a retrospective on the life and times of Walt Disney. The Walt Disney Family Foundation Museum is scheduled to open in September 2009.

The Trust is also planning a Heritage and Archaeology Center that will celebrate the Presidio's unique history as a colonial outpost and military post serving under three flags over 232 years. Design work for the Archaeology Center will conclude in FY 2009. Planning for the Heritage Center will continue through 2009. Fundraising for both projects is underway.

In November 2007, the Trust completed its environmental review process for the rehabilitation of the post's Main Parade ground. Plans allow for the historic parade to re-emerge as a civic open space and public esplanade ringed by new and historic buildings that will offer programs and amenities for the public. The Trust plans to incorporate interpretive elements into the project that will convey the important military and social history of the Presidio. Fundraising for the project is ongoing.

On the eastern edge of the Main Post district is a row of Civil War-era homes and the oldest intact streetscape in San Francisco. In FY 2008, the Trust completed the rehabilitation of these homes, nearly all of which have been leased as residences or offices. Trust archeologists, working with students and educators from area universities, designed and implemented a landscape treatment for these homes along Funston Avenue that will ensure that the important subterranean remnants of the early Spanish fort, or "el Presidio," remain intact and undisturbed.

The Public Health Service Hospital District

The Trust has recently signed a lease with Forest City Enterprises to redevelop the Public Health Service Hospital, converting this historic building into residential units and adding a modicum of new construction for seven townhouses. Architectural and engineering work for the hospital building is complete and interior demolition has begun.

Early in FY 2009, the non-historic wings of the 332,000 square foot hospital building will be demolished and construction will commence on the rehabilitation of the historic core of the building. Design development continues for the new townhouses, which are expected to earn at least a silver level Leadership in Energy and Environmental Design (LEED) Green Building Rating. Both buildings are expected to be open for occupancy in the fall of 2010.

During the year, the Trust obligated funds for the full historic rehabilitation of a former Nurses' Quarters in the district (building 1808) into small office units. The building will be available for occupancy in spring 2009. The Trust is also upgrading the district's infrastructure and undertaking site improvements.

Enhanced Public Access and Use of the Park

The Trust undertook a number of initiatives during the year to enhance public access and enjoyment of the Park. Several trail and overlook projects were completed, including the Crissy Field Overlook with sweeping views of San Francisco and the Bay. Design is underway for an additional five overlooks.

Work progressed on several trails throughout the park. San Francisco's oldest trail, Lovers' Lane was resurfaced and was the location of an art in the park program that told the story of the trail throughout its history; a new trail connecting Immigrant Point Overlook, nearby Rob Hill, and the Bay Area Ridge Trail with the Coastal Trail and beach access will be completed by the end of 2008; and the final phase of construction along the Presidio Promenade will begin this Fall, connecting the Lombard Gate to the Golden Gate Bridge.

Construction has commenced on a transformation of the Rob Hill Campground into a premier facility for camping and youth leadership programs. The campground will open in the summer of 2009.

El Polin Spring is an important natural and cultural resource of the Presidio. The Spring played a prominent role in the development of the post. In FY 2008, the Trust completed environmental compliance for enhancements to el Polin Spring and the Tennessee Hollow watershed and began work on restoration of the Spring. Improvements include trail linkages, an interpretive garden, a picnic area, improved parking and circulation, and educational facilities for a new outdoor classroom focused on the Presidio's Native American and Spanish eras. In a parallel process, the Trust has initiated planning efforts aimed at increasing the number of playing fields in the park and improving existing fields, some of which are located within the watershed.

The Trust has undertaken a number of new public programs that give children a rich experience in the park. The first full program year of the new Trust-funded Camping at the Presidio program brought more than

860 youth from underserved Bay Area communities into the Presidio for a unique urban national park camping experience. The Trust also piloted a new education program, "Excavate History," which uses the Presidio's rich archaeological resources to immerse 4th and 5th graders in early California's history – in its first year the program served over 600 children.

There is a strong tradition of stewardship in the park that the Trust is expanding with a new volunteer program that will provide opportunities for members of the public to engage in the stewardship of the Park's natural areas, historic gardens, historic forest, and trails.

Environmental Remediation

The Trust's environmental remediation program made great progress in FY2008, including remediation of two challenging sites on the bluffs above Baker Beach. The cleanup allows for restoration of the bluffs and realignment of the Coastal Trail. In addition to the Baker Beach sites, the Trust remediated 13 sites under the CERCLA program, two former tank release sites under the petroleum program, as well as completing numerous assessments and clean-ups of building sites under the lead-based paint in soil program. The Trust has also substantially completed the planning for four additional CERCLA sites that will undergo remedial construction in 2009.

The master schedule for completing the environmental remediation program was also updated, showing completion of the program in 2014.

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

FINANCIAL RESOURCES AND RESULTS OF OPERATIONS

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 2008 and 2007. 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, 2008 and in comparison to its position a year earlier.

The Trust's total assets were \$310.8 million at the end of FY 2008, and \$294.7 at the end of FY 2007. This growth of \$16.1 million in assets is primarily the result of the Trust's investment in property, plant and equipment, which grew by \$20.4 million, net of depreciation, during the year. During the fiscal year the Trust invested an additional \$31.8 million in land improvements, plant and equipment, retired plant and equipment with a value of \$4.0 million, and recorded additional depreciation of \$6.6 million.

There were \$139.4 million in liabilities at the end of FY 2008, and \$145.4 million at the end of FY 2007, a decrease of \$6.0 million. Trust liabilities include \$50.0 million in debt to the U.S. Treasury. Payments on this debt are for interest only until 2015, and the debt is to be repaid in full by 2029. FY 2008 liabilities also include an environmental remediation cleanup cost of \$56.9 million, of which \$39.8 million is unfunded, with the balance funded by an advance from the Army. The Trust holds insurance policies against excess costs and unknown contaminants which are expected to provide support for these unfunded liabilities.

The Trust's net position was \$171.4 million at the end of FY 2008, and \$149.3 million at the end of FY 2007, an increase in net position during the year of \$22.1 million. This growing "equity" position of the Trust provides further evidence of the transformation of the Presidio into a self sustaining national park.

Net Cost of Operations

This statement is intended to report net costs of the Trust as a component unit of the federal government and the net cost to the public. Costs reported on this statement are stated on a proprietary basis, including depreciation and all remediation activities.

The statement demonstrates that the Trust had a net cost of operations of \$1.0 million during FY 2008, below the net cost a year earlier of \$5.5 million, as the Trust moves closer to financial self sufficiency. This net cost includes the Trust's expense during FY 2008 on remediation and depreciation of fixed assets.

Budgetary Resources

The Trust follows federal accounting standards. This statement reports on the Trust's budgetary resources, the extent to which obligations exist as claims on those resources, and the relationship of those obligations to outlays.

Budgetary resources amounted to \$169.7 million for 2008, compared to \$157.1 million a year earlier. Of this amount, the Trust obligated \$108.2 million in 2008 and \$89.8 million in 2007. Unobligated balances or reimbursable exempt from apportionment budget authority at the end of FY 2008 and FY 2007 were \$61.5 million and \$67.3 million respectively. This unobligated balance is due primarily to the advance of funds from the Army for environmental remediation and funds held for purposes other than operations, such as tenant security deposits and philanthropic donations.

Risks and Uncertainties

The Presidio Trust is responsible for environmental cleanup on the Presidio. An environmental remediation study by third-party consultants was performed during Fiscal Year 2006, and Trust staff modified those estimates during 2007 and 2008 as additional information became available. Management based its total estimated cost at completion on this study which makes certain assumptions at a point in time. Furthermore, external risk factors such as regulatory requirements and increases in construction costs will have an affect on the final costs. See Note 12 to the accompanying financial statements for an in-depth discussion of the risks and uncertainties related to the environmental cleanup as of September 30, 2008. The Trust will periodically re-evaluate its estimates; however, actual costs will likely vary from these estimates.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The Trust has prepared its Financial Statements to report its financial position and results of operation. These Financial Statements have been prepared from the Trust's general ledger and subsidiary reports in accordance with the formats prescribed by the Office of Management and Budget. 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 in view of the fact that the Trust is a federal corporation, and therefore, liabilities cannot be liquidated without authorizing legislation.

The Financial Statements and footnotes have been prepared by Trust management. The accuracy of the information contained in the principal Financial Statements and the quality of internal controls rests with management. Management is confident that sufficient segregation of duties and other internal controls exist so that the Financial Statements are reliable and complete.

The Financial Statements of the Trust for the year ended September 30, 2008 have been audited by KPMG, LLP, an independent public accounting firm. Their opinion on our statements is contained in their letter, which is found herein.



Craig Middleton
November 14, 2008

MANAGEMENT ASSURANCES

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

Statement of Assurance on Internal Controls over Financial Reporting

The Presidio 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 Presidio Trust conducted its assessment of the effectiveness of the Presidio Trust internal controls over financial reporting in accordance with OMB Circular A-123, Management's Responsibility for Internal Control.

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

Statement of Assurance on Financial Systems

The financial management systems of the Trust conform to federal financial system requirements, FASAB standards, and the U.S. Standard General Ledger at the transaction level.

Statement of Assurance on Internal Controls over Operations

The Presidio 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.



Craig Middleton

November 14, 2008

EXHIBIT I

Summary of Scope Limitation and Management Action Plan

Internal Audit Finding

The Trust received philanthropic grants and contributions from certain organizations. The Trust expects to continuously receive grants and contributions in the future. The Trust has not completed the documentation and testing of the internal controls on this process as of September 30, 2008.

Management Action Plan

The Trust will establish and document the controls and procedures to manage, record and report contributions and grants received by the Trust from various organizations and individuals in the year ahead. The Trust will summarize all internal controls in a control matrix and will evaluate and test the effectiveness of those internal controls in 2009.

Fiscal Year 2008 Performance Report

Strategic Goal 1: Preserve and enhance the Presidio's rich historical, cultural, and natural resources

Strategic Objective	Fiscal Year 2008 Plan	Fiscal Year 2008 Results	Fiscal Year 2009 – 5 Year goal
1.1 Preserve the Presidio's historic buildings through reuse: Complete rehabilitation of the Presidio's historic homes; secure unoccupied historic buildings to prevent damage due to weather, pests, and vandalism	<p>Complete lease agreement, begin rehabilitation; complete Wyman Terrace</p> <p>Complete buildings 104, 102; rehabilitate Mason Street warehouse buildings; continue evaluation of Presidio Theater proposal</p> <p>Implement preservation maintenance based on 2006/07 assessment</p> <p>Complete leasing at West Crissy and Stables</p> <p>Complete Funston rehabilitation and leasing</p>	<p>Lease with Forest City Enterprise signed. Rehabilitation of PHSH will be completed in FY2010; Wyman Terrace rehabilitation planned for FY 2009</p> <p>Building 104 rehabilitation on schedule to be completed in FY2010; RFP for Montgomery Street Barracks remains open</p> <p>Tenant defaulted on Mason Street warehouse buildings; Trust prevailed in the lawsuit, and rehabilitation now planned for FY 2009-10</p> <p>Proposal received from the San Francisco Film society for rehabilitation of the Presidio Theater; project included in Main Post environmental and historic preservation review process</p> <p>Three-year Fort Scott preservation maintenance project began in FY 2008 and is on schedule to be completed by the end of FY2010.</p> <p>Buildings 924 and 933 are leased; proposals under review for 926; 920 has short-term tenant; 934, 935, 933-B, and 937 available; NPS possible tenant for four of five stables</p> <p>Funston Avenue historic homes rehabilitated, all but one is leased, and streetscape restored</p>	<p>Rehabilitate approximately 930,000 square feet of historic buildings for reuse; assess preservation priorities annually and prevent loss of significant historic structures through preventative maintenance.</p>

Strategic Goal 1: Preserve and enhance the Presidio's rich historical, cultural, and natural resources

Strategic Objective	Fiscal Year 2008 Plan	Fiscal Year 2008 Results	Fiscal Year 2009 – 5 Year goal
<p>1.2 Convert the even-aged historic forest to a healthier, more sustainable uneven-aged forest through incremental reforestation and innovative forestry practices</p>	Complete rehabilitation and leasing of Kobbe Avenue homes	Kobbe Avenue historic homes are rehabilitated and leased	<p>Reforest 10-15 acres, approximately 10% of the acreage that is declining, staggering its replanting while retaining its historic character; maintain all forested areas to minimize loss of healthy trees; and mitigate hazardous conditions</p>
	Redevelop West Letterman/ Thornburgh area	Developers selected for West Letterman/Thornburgh; environmental review process will be completed early in FY2009	
	Complete RFP process Develop lodging on the Main Post	Developer selected for Main Post Lodge; project included in Main Post environmental and historic review process.	
	<p>Total: 234,435 square ft.</p>	<p>Total: 88,607 square ft.</p>	
<p>1.3 Restore historic character of designed landscapes, while using contemporary landscape practices</p>	Continue work at Agruello stand, approximately 0.5 acres	0.5 acres will be planted in 2009 at the Arguello stand	<p>Rehabilitate 25-30 acres of the Presidio's 690 acres of designed landscapes, focusing on the park's most historically significant landscapes, such as residential neighborhoods and entry corridors; establish a zone management plan for ongoing landscape maintenance.</p>
	Continue work at Kobbe stand, approximately 0.5 acres	1.0 acres-will be planted in 2009 at the Kobbe stand; 0.67 acres planted at Kobbe in 2008	
	Continue work on West Pacific stand, approximately 0.5 acres	0.5 acres planted at West Pacific	
	Continue phase 2 of Julius Kahn stand, approximately 0.5 acres	0.5 acres planted at Julius Kahn in 2008	
	Continue to abate tree hazards based on tree hazard assessment; perform an update to the hazard assessment plan	Continued implementation of Tree Hazard Mitigation program	
	<p>Total: 2.0 acres</p>	<p>Total 3.17 acres</p>	
	Continue construction on Main Parade	Design for Main Parade rehabilitation will be completed in FY2009; construction and staging plan complete; timing of implementation depends on availability of philanthropy	
	Complete landscaping of Funston Avenue	Funston Avenue landscaping completed, 1.2 acres	

Strategic Goal 1: Preserve and enhance the Presidio's rich historical, cultural, and natural resources

Strategic Objective	Fiscal Year 2008 Plan	Fiscal Year 2008 Results	Fiscal Year 2009 – 5 Year goal
	<p>Begin West Letterman & Thornburgh streetscape</p> <p>Complete Wyman Landscape</p> <p>Complete West Crissy Streetscape</p>	<p>Will be completed as part of West Letterman & Thornburgh redevelopment project</p> <p>FY2009 Wyman rehabilitation will include landscape and site upgrades</p> <p>Completed West Crissy streetscape, .5 acres</p>	
	<p>Total acres: 14 acres</p>	<p>Total acres: 1.7 acres</p>	
<p>1.4 Further the understanding and preservation of the significant archeological resources of the Presidio</p>	<p>Continue excavation of El Presidio and documentation of artifacts</p> <p>Continue efforts on El Presidio and classroom events</p> <p>Undertake Officers' Club rehabilitation, and develop Heritage and Archaeology Center (Bldgs 44, 47, 48, 49, and 50)</p> <p>Continue summer archaeological program</p> <p>Continue working on CERCLA sites, anticipate 11 additional sites completed</p> <p>Continue working on PETRO site clean-up; anticipate 113 tanks cleaned up</p>	<p>Completed excavation at 1780 chapel site; installed interpretive landscape</p> <p>297 elementary students participated in the El Presidio programs</p> <p>Program planning has begun; fundraising is underway; building rehabilitation is planned for FY 2010</p> <p>Elementary and middle school students participated in week-long summer camps, and in programs during the winter holidays</p> <p>11 CERCLA sites were in construction in FY2008</p> <p>130 PETRO tanks have been remediated</p>	<p>Monitor all excavations in archeologically sensitive areas, approximately 300 acres per year; inventory all items uncovered through excavation; begin implementation of the y archaeological management strategy for the El Presidio quadrangle</p>

Strategic Goal 1: Preserve and enhance the Presidio's rich historical, cultural, and natural resources

Strategic Objective	Fiscal Year 2008 Plan	Fiscal Year 2008 Results	Fiscal Year 2009 – 5 Year goal
<p>1.5 Remediate former Army landfills and petroleum sites to a standard befitting a national park site</p>	<p>Contain evasive species to 30% on 95.9 acres</p>	<p>Created baseline study in order to establish an invasive species threshold for each of the 13 native plant communities; this baseline will allow for a percentage target</p>	<p>The Trust anticipates that it would be substantially completed with its environmental remediation program. It anticipates completion in FY 2013.</p>
	<p>Continue revegetation of remediation site north of Thompson Reach (FS6A)</p>	<p>Continued revegetation at Thompson Reach, Baker Beach Housing Enhancement projects I, II, and III, Wherry Dunes, and Dragonfly Creek</p>	
<p>1.6 Restore natural processes of the Presidio, giving special attention to areas which support special status species and Presidio wildlife: protect, rehabilitate, and enhance natural water resources</p>	<p>Continue nursery program to provide at least 75 % of the plants needed</p>	<p>100% of plants needed for restoration projects were provided by the Presidio Nursery</p>	<p>Revegetate 10 acres of native habitat; provide 75 percent of the native plants needed for restoration projects from the Presidio Nursery; Contain incursion of exotic species to 30 percent cover in rare and sensitive habitats; complete wildlife inventory; restore 3.3 acres of natural wetland and riparian habitat, and continue wetland protection and enhancement activities.</p>
	<p>Continue Wildlife inventories</p>	<p>Completed 11 studies to date that include 150 wildlife species; in FY2008, completed spider inventory (report pending); completed aquatic macro-invertebrate inventory of Lobos Creek, Dragonfly Creek, Thompson Reach, and remnant reach of Tennessee Hollow</p>	<p>Completed wildlife inventory; restore 3.3 acres of natural wetland and riparian habitat, and continue wetland protection and enhancement activities.</p>
	<p>Begin design for Tennessee Hollow project</p>	<p>Completed Wildlife Management Plan</p> <p>Completed baseline water monitoring; begun design for El Polin Spring as part of the Tennessee Hollow rehabilitation project</p>	<p>Continue revegetation in Nike Swale and Landfill 10</p>
	<p>Total: 1 acre restored</p>	<p>Total: 3.5 acres under restoration</p>	

Strategic Goal 2: Generate revenue and develop philanthropy

Strategic Objective	Fiscal Year 2008 Plan	Fiscal Year 2008 Results	Fiscal Year 2009 – 5 Year goal
2.1 Rehabilitate and lease the Presidio’s residential properties	Increase revenues to \$31.9 million	Exceeded budget revenue and five-year projections: \$36.4 million earned revenue	Complete residential rehabilitation program, and increase residential revenues to \$29.3 million. Anticipate \$32.8 million in revenues.
2.2 Rehabilitate and lease the Presidio’s non-residential properties	Increase revenues to \$21.9 million	\$19.1 million earned revenue	Complete West Letterman, PHSB, Main Post, and West Crissy, and increase non-residential revenue to \$25.6 million. Anticipate \$24.9 million in revenues.
2.3 Develop philanthropy for park enhancements	Continue partnership with Parks Conservancy to develop philanthropy	Raised \$2.5 million	Raise \$25-30 million for park enhancements
2.4 Generate revenue through special uses of park venues	Generate \$1.65 million in revenue	\$1.8 million earned revenue	Increase annual special events revenues by 100% to \$2 million
	Total: \$55.45 million	Total: \$57.3 million	

Strategic Goal 3: Operate, maintain, and upgrade the Presidio's facilities and infrastructure

Strategic Objective	Fiscal Year 2008 Plan	Fiscal Year 2008 Results	Fiscal Year 2009 – 5 Year goal
3.1 Maintain a safe workplace and increase productivity	Continue efforts and training to reduce injury and illness rates Continue to reduce workers compensation. However, workers compensation is tied to older cases, so reductions are significantly based on older accounts being resolved	Injury Rate 1.1, OSHA Industry Standard of 6.2 Workers' compensation costs down 10%; controllable costs down 37%; claims reduced by 29%	This goal will be revised in the FY 2009 and 2013 Strategic Plan to provide better measurements
3.2 Minimize vehicular traffic in the park and encourage alternative means of transportation	Continue implementing programs; improve shuttle and alternative transportation Continue with non-residential regulated parking program in Main Post Survey effectiveness of TDM Programs	Expanded PresidiGo Downtown service with 2 larger busses; average of 1,374 riders per weekday, an increase of 28% 400 parking spaces regulated in FY2008; 1,000 spaces will be added in FY09; program will be fully implemented 2010. FY2008 parking lot counts confirm forecasts of trip generation and parking demand and effectiveness of the TDM effort	Implement transportation management program to reduce automobile use in the park so that at least 35% of work-based trips are by means other than single-occupancy vehicles; all residential and public parking is paid for either through permits/meters
3.3 Improve operational efficiency			This goal will be revised in the FY 2009-2013 Strategic plan to provide better measurements
3.4 Upgrade the Presidio's infrastructure to meet increasing needs of building occupancy and public use; encourage resource conservation and efficient operations	Complete PHSH utility upgrades Begin West Letterman utilities improvements Complete infrastructure master plan Complete recycled water plant	Project began in FY 2008 and will be completed in FY 2009 Project pending Thornburgh rehabilitation Booz Allen Hamilton infrastructure study completed; develop district-wide master plans as needed; in FY 2008 developed a master plan for PHSH and West Crissy, and began implementation Project pending West Letterman/ Thornburgh redevelopment – Financial alternatives being explored	Develop and implement an infrastructure master plan to coordinate infrastructure planning with real estate leasing projects; charge the cost of utilities directly to consumers, where feasible; complete the recycled water plant

Strategic Goal 3: Operate, maintain, and upgrade the Presidio's facilities and infrastructure

Strategic Objective	Fiscal Year 2008 Plan	Fiscal Year 2008 Results	Fiscal Year 2009 – 5 Year goal
<p>3.5 Address necessary upgrades and long-term maintenance of roads and grounds – landscapes, paved areas, and sidewalks – to support revitalization of Presidio districts and to ensure visitor orientation and safety</p>	<p>Continue ADA work and continue to respond to needs as they are identified</p> <p>Continue landscape and automatic systems program: West Crissy, West Letterman & Thornburgh, Girard, PHSH, and Park Blvd</p>	<p>Accessibility improvements completed for Presidio Promenade, Park/Kobbe intersection upgrade, Lovers' Lane crossing of West Pacific Avenue and Liggett Avenue, Graham Street parking, and West Crissy streetscape. Curb ramp improvements at MacArthur/Presidio intersection</p> <p>West Crissy site improvements complete; PHSH improvements will be completed as part of the district rehabilitation in FY2009 and 2010; Park Blvd plan pending</p>	<p>Maintain and upgrade paved areas, with special attention to ADA compliance; incorporate 25-30 acres of newly rehabilitated landscapes into zone maintenance plan</p>
<p>3.6 Conserve water, reduce waste, and prevent pollution in the park</p>	<p>Continue programs to divert a minimum of 60% waste</p> <p>Continue composting efforts</p>	<p>71.5% of waste diverted</p> <p>2,300 cubic yards of green debris diverted</p> <p>1,364.5 cubic yards of compost produced</p>	<p>Apply water conservation practices in grounds maintenance and building upgrades; compost “green debris” to support grounds management; maintain low use of chemicals throughout the Presidio</p>
<p>3.7 Effectively manage corrective and cyclic maintenance of occupied buildings; maintain residential properties in support of Trust leasing activities to a standard appropriate to a national park; preserve unoccupied historic buildings</p>	<p>Address cyclic maintenance on 15% of the occupied residential buildings</p> <p>Continue cyclic maintenance of non-residential buildings</p> <p>Continue efforts to reduce turn times to below 20 days for standard turns</p> <p>Continue maintenance on 2-3 more historic buildings based on results from 2006/07 condition assessment</p>	<p>Addressed cyclic maintenance on 25% of occupied residential buildings, 10% more than previous years; program is on schedule</p> <p>Addressed cyclic maintenance on 10 commercial buildings</p> <p>Turns times average 20.5</p> <p>Completed preservation maintenance on 10 historic buildings (see 1.1)</p>	<p>Implement cyclic maintenance Program and re-roof, paint, and deferred maintenance for 60% of Presidio's occupied residential units; continue cyclic maintenance of occupied non-residential buildings; complete standard turns of residential units in an average of 15 days; establish annual preservation maintenance priorities and stabilize all historic buildings that are not identified as part of near-term development projects</p>

Strategic Goal 4: Encourage public use, understanding, and enjoyment of the Presidio

Strategic Objective	Fiscal Year 2008 Plan	Fiscal Year 2008 Results	Fiscal Year 2009 – 5 Year goal
4.1 Provide opportunities to enjoy and understand the Presidio’s history and resources	Facilitate 40 special events	The Presidio Trust facilitated more than 50 Special Events in FY2008	Increase participation in educational and cultural programs, special events, festivals, and tours by 50 percent, from 150,000 per year to 300,000; increase volunteer participation in park programs by 25%
	Implement interpretive plan for Main Post	Begun planning for a heritage center that will interpret the Presidio’s historic and natural resources; planning will continue in FY2009	
	Show incremental increase in program and volunteer participation	Trust special events and public programs had 186,000 participants; volunteer hours totaled 35, 727	
4.2 Provide current information and opportunities for public discussion and comment	Undertake user-survey for informational materials	Conducted focus group surveys and initiated user surveys	Continue developing media and comprehensive marketing for the park; judge success by our success in achieving objectives, such as developing philanthropy
4.3 Improve public access and orientation	Implement comprehensive park signage project, as funding allows	Trail Signage program began in FY2008; installation of Phase 1 in FY09 Have initiated design of a park-wide directional and building identification signage program which will be competed in FY2009	Complete construction of the Main Post Transit Center; complete installation of bus shelters; develop a coherent system of signs and waysides; facilitate completion of a Presidio Visitor Center; establish lodging at the Presidio
	Complete RFP Main Post Lodging	Selected developer for Main Post lodging; project under environmental review	
	Implement comprehensive ADA program	Identified residential units that could be converted and completed 80% design; initiating site design; included ADA standards in new landscape designs and building rehabilitations (see 3.5)	

Strategic Goal 4: Encourage public use, understanding, and enjoyment of the Presidio

Strategic Objective	Fiscal Year 2008 Plan	Fiscal Year 2008 Results	Fiscal Year 2009 – 5 Year goal
<p>4.4 Implement and increase recreational opportunities; survey use and visitor satisfaction</p>	<p>Implement Presidio Trails and Bikeways and construct eight scenic overlooks</p> <p>Construct Cemetery Overlook</p> <p>Expand Camping at the Presidio program</p> <p>Conduct user surveys</p>	<p>More than 20% of the Trails and Bikeways system is completed: Crissy Field Overlook completed; Lovers' Lane, Phase I surface repairs completed, design for Phase II completed, construction completed in November; design for Presidio Promenade completed, construction to begin in November; Immigrant Point Connector Trail Design underway, construction to begin in November; Park Trail is underway and will be completed in FY2009</p> <p>Design is underway and construction will begin in summer 2009</p> <p>860 youngsters served in FY2008; program will move to its permanent location at Rob Hill Campground in summer 2009</p> <p>OMB approved survey instrument and methodology; Presidio-wide visitor intercept surveys and follow-up phone surveys completed; draft report of results due in December 2008</p>	<p>Complete construction of 24 miles of new or rehabilitated trails and four scenic overlooks; develop a Presidio Trails guide, and create two additional, Kids on Trails guides; complete rehabilitation of Rob Hill Campground; operate and maintain trails, picnic areas, ball fields, campground, and public restrooms to meet user satisfaction by a minimum of 75%</p>

Chief Financial Officer Letter

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

As discussed in Note 7 to the Financial Statements, because of the lack of available information from the National Park Service and the United States Army, the Trust valued buildings less than 40 years old by using appropriate construction industry indices, less an accumulated depreciation adjustment to ascertain net asset value at the date of the Trust's formation. However, improvements made to buildings more than 40 years old and land improvements have been valued at zero net book value but may still have a net value. Under SFFAS No. 6, the Trust should have recorded these improvements at fair value. Estimating the fair market values of these improvements would be a process that would be lengthy, cost prohibitive, and would result in information that is meaningless to the users of the Trust's financial statements.

Periodically, the Trust will evaluate the cost/benefit of removing this qualifying statement from the otherwise clean opinion received from the independent auditors.



Michael Rothman
November 14, 2008



Independent Auditor's Report

To the Board of Directors of
The Presidio Trust

We have audited the accompanying balance sheet of the Presidio Trust (the Trust) as of September 30, 2008 and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements of the Trust as of September 30, 2007, were audited by other auditors whose report thereon dated November 14, 2007, expressed a qualified opinion on those financial statements due to the Trust's valuation methodology for certain property, plant and equipment transferred to the Trust at its inception.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04, require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

The Trust assumed jurisdiction over approximately 1,100 acres of federal land and over 800 buildings on July 1, 1998 from the National Park Service (NPS). Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant and Equipment (PP&E)*, requires the Trust to recognize transferred PP&E at the cost previously recorded by the transferring entity, net of accumulated depreciation. If

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such amounts cannot be reasonably determined, the Trust should record the PP&E at its fair market value at the time of transfer. Many of the structures, which were administered by the United States Army before NPS, were over 40 years old and considered fully depreciated at the date of transfer. However, as discussed in Note 7 to the financial statements, because of the lack of available information from NPS and the United States Army, the Trust valued improvements made to buildings over 40 years old and land improvements at zero net book value. Under SFFAS No. 6, the Trust should have recorded these improvements at fair value. Estimating the values of these improvements would have been a process that the Trust considers to be lengthy, cost prohibitive, and which would have resulted in information that is meaningless to the users of the Trust's financial statements. We were unable to satisfy ourselves as to the estimate of the carrying amount for these assets.

In our opinion, except for the effects of adjustments to the financial statements, if any, that might have been necessary had we been able to examine evidence supporting the recorded balances of improvements within the property, plant and equipment accounts, the financial statements referred to above present fairly, in all material respects, the financial position of the Presidio Trust as of September 30, 2008 and its net costs, changes in net position, and budgetary resources for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 8 to the financial statements, the Trust changed its method of reporting for heritage assets and stewardship land for the year ended September 30, 2008 to adopt the applicable provisions of the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) No. 29, *Heritage Assets and Stewardship Land*.

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 14, 2008, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 14, 2008

Financial Statements

BALANCE SHEETS

	SEPTEMBER 30,	
	2008	2007
ASSETS		
Intragovernmental Assets		
Fund Balance with Treasury [NOTE 2]	\$ 5,003,201	\$ 5,029,660
Investments [NOTE 4]	96,675,581	98,937,233
Accounts Receivable, Net [NOTE 5]	69,277	2,472,462
	<u>101,748,059</u>	<u>106,439,355</u>
Cash and Other Monetary Assets [NOTE 3]	38,864	3,365
Accounts Receivable, Net [NOTE 5]	2,409,227	2,221,853
General Property, Plant, and Equipment (PP&E), Net [NOTE 7]	190,496,587	170,069,589
Stewardship PP&E [NOTE 8]	0	0
Other Assets		
Government Improvement Accounts [NOTE 9]	35,069	34,410
Prepayments [NOTE 9]	721,716	755,687
Deferred Rent Receivable [NOTE 9]	15,340,291	15,184,789
	<u>209,041,754</u>	<u>188,269,693</u>
TOTAL ASSETS	310,789,813	294,709,048
LIABILITIES		
Intragovernmental Liabilities		
Accounts Payable	2,192,633	1,248,079
Debt [NOTE 11]	49,978,000	49,978,000
Other Liabilities		
Employer Contributions Payable [NOTE 13]	178,105	170,563
Other Post Employment Benefits Payable [NOTE 13]	1,118,186	1,269,157
Unearned Revenue [NOTE 13]	5,468,596	4,066,132
FECA Actuarial Liability [NOTE 10]	31,113	32,611
	<u>58,966,633</u>	<u>56,764,542</u>
Accounts Payable	9,483,410	10,884,265
Other Liabilities		
Environmental Remediation Liability [NOTE 12]	56,879,549	67,292,671
Contingent Liabilities [NOTE 15]	301,065	115,000
Security Deposits [NOTE 13]	3,999,635	4,138,510
Unearned Revenue [NOTE 13]	5,172,154	2,021,485
Payroll Payable [NOTE 13]	1,302,448	1,079,753
Annual Leave Liability [NOTE 10]	1,985,786	1,830,484
Unfunded Accounts Payable [NOTE 10]	0	130,354
Rent Credit Liability [NOTE 10]	438,663	116,337
Prepaid Rents & Services [NOTE 13]	788,489	971,232
Other Liabilities [NOTE 13]	71,350	89,594
	<u>80,422,549</u>	<u>88,669,685</u>
TOTAL LIABILITIES	139,389,182	145,434,227
NET POSITION		
Unexpended Appropriation – Other Funds	0	0
Cumulative Results of Operations – Other Funds	171,400,631	149,274,821
TOTAL NET POSITION	171,400,631	149,274,821
TOTAL LIABILITIES & NET POSITION	\$ 310,789,813	\$ 294,709,048

The accompanying notes are an integral part of these statements.

STATEMENTS OF NET COST

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2008	2007
PROGRAM COSTS		
Intragovernmental Gross Costs [NOTE 16]	\$ 18,080,618	\$ 16,696,947
Less: Intragovernmental Earned Revenues [NOTE 16]	20,928,782	23,949,400
Intragovernmental Net Costs	(2,848,164)	(7,252,453)
Gross Cost with the Public	76,400,316	77,832,462
Less: Earned Revenues	72,559,329	65,039,547
Net Costs with the Public	3,840,987	12,792,915
Total Net Cost	992,823	5,540,462
NET COST OF OPERATIONS	\$ 992,823	\$ 5,540,462

The accompanying notes are an integral part of these statements.

**STATEMENTS OF CHANGES
IN NET POSITION**

	FOR THE YEARS ENDED SEPTEMBER 30,			
	2008		2007	
	<i>Cumulative Results of Operations</i>	<i>Unexpended Appropriations</i>	<i>Cumulative Results of Operations</i>	<i>Unexpended Appropriations</i>
Beginning Balances	\$ 149,274,821	\$ 0	\$ 134,430,275	\$ 0
Budgetary Financing Sources				
Appropriations Received	0	22,400,000	0	20,059,388
Other Adjustments (rescissions, etc.) (+/-)	0	(349,440)	0	(199,048)
Appropriations Used	22,050,560	(22,050,560)	19,860,340	(19,860,340)
Other Financing Sources				
Imputed Financing from Costs Absorbed by Others	1,068,073		524,668	
Total Financing Sources	23,118,633	0	20,385,008	0
Net Cost of Operations	992,823		5,540,462	
ENDING BALANCES	\$ 171,400,631	\$ 0	\$ 149,274,821	\$ 0

The accompanying notes are an integral part of these statements.

**STATEMENTS OF
BUDGETARY RESOURCES**

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2008	2007
BUDGETARY RESOURCES		
Unobligated Balance – Brought Forward, October 1	\$ 67,294,201	\$ 61,693,398
Budget Authority		
Appropriation	22,400,000	20,059,388
Spending Authority from Offsetting Collections		
Collected	91,315,068	85,742,376
Change in Receivables from Federal Sources	(3,868,690)	1,243,656
Change in Unfilled Customer Orders:		
Advance Received	(7,098,117)	(11,421,479)
Total Spending Authority from Offsetting Collections	80,348,261	75,564,553
Permanently Not Available	349,440	199,048
TOTAL BUDGETARY RESOURCES	\$ 169,693,022	\$ 157,118,291
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred		
Reimbursable	\$ 108,225,564	\$ 89,824,090
Subtotal	108,225,564	89,824,090
Unobligated Balances – Available:		
Apportioned	61,415,944	67,294,201
Unobligated Balances – Unavailable	51,514	0
Subtotal	61,467,458	67,294,201
Unobligated Balance Not Available	0	0
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 169,693,022	\$ 157,118,291
CHANGE IN OBLIGATED BALANCE		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 41,625,118	\$ 53,252,453
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(6,983,657)	(5,740,002)
Total Unpaid Obligated Balance, Brought Forward, October 1	34,641,461	47,512,451
Obligations Incurred Net (+/-)	108,225,564	89,824,090
Less: Gross Outlays	(106,524,971)	(101,451,425)
Change in Uncollected Customer Payments from Federal Sources (+/-)	3,868,690	(1,243,656)
Obligated Balance, Net, End of Period		
Unpaid Obligations	43,325,711	41,625,118
Less: Uncollected Customer Payments from Federal Sources	(3,114,968)	(6,983,658)
TOTAL UNPAID OBLIGATED BALANCE, END OF PERIOD	\$ 45,780,027	\$ 21,770,469
NET OUTLAYS		
Gross Outlays	106,524,971	101,451,425
Less: Offsetting Collections	(84,216,951)	(74,320,897)
Less: Offsetting Receipts	0	(2,374,311)
NET OUTLAYS	\$ 22,308,020	\$ 29,504,839

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

September 30, 2008 and 2007

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Presidio Trust

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

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 1,100 acres of non-coastal areas.

The Trust is guided by the Presidio Trust Act to operate in accordance with general objectives of the 1994 General Management Plan Amendment for the Presidio and the Government Corporation Control Act. The Trust is overseen by a seven member board of directors including a designee from the Department of Interior (DOI) and six individuals from the private sector.

It currently finances operations through appropriations, which will decrease over the next four years, reimbursable agreements with other government agencies, and rental leases for both residential and non-residential property. If the Trust fails to achieve self-sufficiency by fiscal year 2013, the net assets will be transferred to the General Services Administration for disposition.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

The Accounting Standards

These financial statements have been prepared to report the financial position and results of operations of the Trust. The 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 form and content specified by the Office of Management and Budget (OMB) in OMB Circular No. A-136, “Financial Reporting Requirements”.

GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), designated by the American Institute of Certified Public Accountants (AICPA) as the official standards setting body for the Federal Government. These financial statements are two year comparatives.

Basis of Accounting

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 (USSGL). Use of sub-accounts allows transactions to be recorded at a more detailed level and provide relevant management information.

Although, the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are on an accrual basis, underlying transactions are recorded using both the accrual basis of accounting and a budgetary basis of accounting. The Statement of Budgetary Resources is on a budgetary basis. Under the accrual method, expenses are recognized when resources are consumed, without regard to the payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

Balance Sheets

The balance sheets present amounts of future economic benefits owned or managed by the Trust (assets), probable future sacrifices of economic benefits (liabilities), and amounts that comprise the difference (net position). The major components are described below.

ASSETS include assets that the Trust holds and has the authority to use in its operations.

Intragovernmental assets are receivables due to the Trust and funds held by other Federal entities.

LIABILITIES represent amounts owed by the Trust as the result of transactions that have occurred.

Intragovernmental Liabilities are claims against the Trust by other Federal entities.

NET POSITION can contain the following components:

Unexpended Appropriations include the portion of the Trust's appropriations represented by undelivered orders and unobligated balances. The Trust has had no unexpended appropriations in the last two fiscal years.

Cumulative Results of Operations represent the net results of operations since the inception of the Trust.

Statements of Net Cost

The Statements of Net Cost show the components of the net cost of the Trust's operations for the periods presented.

Program Cost represents the gross costs or expenses incurred by the Trust for all of its activities either with the public or with other Government entities.

Earned Revenues or exchange revenues arise when a Government entity provides goods and services to the public or to another Government entity for a fee.

Net Cost is the difference between the program's gross costs and its related exchange revenues.

Statements of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position and is affected by changes in Cumulative Results of Operations and Unexpended appropriations. Major components are described below.

Budgetary Financing Sources are non-exchange revenues that include appropriations and, transfers of assets from other Government entities.

Other Financing Sources do not represent budgetary resources and include imputed financing from costs absorbed by others, including financing of certain costs by one Federal entity on behalf of another Federal entity.

Statement of Budgetary Resources

The Statement of Budgetary Resources provides information about the availability of budgetary resources as well as their status at the end of the year. Major components are described below.

Budgetary Resources represents the total resources available through appropriations, direct spending authority, obligation limitations, and unobligated balances at the beginning of the period or transferred in during the period, spending authority from offsetting collections, and any adjustments to budgetary authority.

Status of Budgetary Resources represents resources as obligated and unobligated. Obligated amounts are no longer available and unobligated balances remain available to the Trust.

Use of Estimates in Preparing Financial Statements

Preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Revenue Recognition

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. Deferred rent receivable is included in other assets (see **Note 9**).

IntraGovernmental Relationships and Transactions

In the course of its operations, the Trust has relationships and financial transactions with numerous Federal agencies.

Department of Interior (DOI)

An interagency agreement exists between the Trust and the DOI's National Business Center (NBC) to provide payroll services. Additional interagency agreements between the Trust, the National Park Service, and US Park Police cover public safety services. The Trust provides space and utility services to DOI.

Department of the Treasury (Treasury)

All banking activities are conducted in accordance with the directives issued by the Department of the Treasury – Financial Management Service (FMS). Trust investments in non-marketable U.S. Treasury securities are traded through and held in book entry form at the Department of the Treasury - Bureau of the Public Debt (BPD). The Trust manages collection of bad debt through the Department of Treasury – Debt Management Services (DMS).

Retirement Plans

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

A primary feature of FERS is that it offers a savings plan to which the Trust contributes one percent of pay and matches any employee contribution up to four percent of pay. For FERS employees the Trust also contributes the employer's matching share of Social Security. The Trust does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel Management and the Federal Employees retirement System. The Trust does report as an imputed financing source and a program expense, the difference between its contributions to Federal employee pension and other retirement benefits and the estimated actuarial costs as computed by the Office of Personnel Management the amounts reported as of September 30, 2008 and September 30, 2007 are \$1,068,073 and \$524,668 respectively.

2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury by fund type as of September 30, 2008 and September 30, 2007 are as follows:

	2008	2007
Revolving Funds	\$ 5,003,201	\$ 5,029,660

Status of Fund Balance with Treasury on September 30, 2008 and September 30, 2007 are as follows:

	2008	2007
Available Fund Balance with Treasury and Overnight Investments	\$ 68,434,201	\$ 68,691,660
Less Invested Unpaid Obligated Balance	(45,780,027)	(21,770,469)
Less Invested – Unobligated – Available	17,650,973	(41,891,531)
Fund Balance – Unobligated – Available	\$ 5,003,201	\$ 5,029,660

3. CASH AND OTHER MONETARY ASSETS

	2008	2007
Cash	\$ 38,864	\$ 3,365

The Trust does not maintain a petty cash fund or any bank accounts; however, the residential property management company under contract with the Trust maintains a petty cash account and security deposit refund account. The balance in the petty cash account as of September 30, 2008 and 2007 was \$600. The amount in the security deposit refund account as of September 30, 2008 and September 30, 2007 was \$6,264 and \$2,765 respectively. In addition, at the close of fiscal year 2008 the Trust had \$32,000 in an escrow account for project work associated with the production and installation of artwork on the Presidio. The monies in escrow were transferred to the Trust in October 2008.

4. INVESTMENTS

The Trust is required by Public Law 104-333 to invest excess cash only in non-marketable Treasury securities issued by the BPD.

INVESTMENTS AS OF SEPTEMBER 30, 2008 INTRAGOVERNMENTAL SECURITIES

	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Cost/ Par Value</i>	<i>Unamortized Discount</i>	<i>Net Value</i>
Non-marketable/Market Based	10/1/08	0.33%	\$ 63,431,000	\$ 0	\$ 63,431,000
Non-marketable/Market Based	9/30/29	5.52%	2,978,000	0	2,978,000
Non-marketable/Market Based	9/30/29	6.12%	30,266,000	0	30,266,000
			96,675,000	0	96,675,000
Interest Receivable			581	0	581
TOTAL INVESTMENTS			\$ 96,675,581	\$ 0	\$ 96,675,581

For all fair market value approximates the net value at both September 30, 2008 and 2007. Both of the investments with a September 30, 2029 maturity date are investments of the proceeds from Trust borrowings from the Treasury (see **Note 11**). The BPD invests these proceeds with the agreement that the borrowing and investment net to zero unless the Trust needs access to the cash. As of September 30, 2008, the Trust was owed \$581 of interest on the investments with a maturity date of October 1, 2008. That amount was paid in full to the Trust by the BPD on October 1, 2008.

INVESTMENTS AS OF SEPTEMBER 30, 2007 INTRAGOVERNMENTAL SECURITIES

	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Cost/ Par Value</i>	<i>Unamortized Discount</i>	<i>Net Value</i>
Non-marketable/Market Based	10/1/07	3.99%	\$ 63,662,000	\$ 0	\$ 63,662,000
Non-marketable/Market Based	9/30/29	5.52%	2,978,000	0	2,978,000
Non-marketable/Market Based	9/30/29	6.12%	30,266,000	0	30,266,000
			96,906,000	0	96,906,000
Interest Receivable			2,031,233	0	2,031,233
TOTAL INVESTMENTS			\$ 98,937,233	\$ 0	\$ 98,937,233

As of September 30, 2007, the Trust was owed \$14,112 of interest on the investments with a maturity date of October 1, 2007 and \$2,017,121 of interest on the investments that represent the proceeds from Trust borrowings. Those amounts were paid in full to the Trust by the BPD on October 1, 2007.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2008, is comprised of the following:

	<i>Intra-Government</i>	<i>Non-Government</i>	<i>Total</i>
Gross Accounts Receivable	\$ 69,277	\$ 3,068,228	\$ 3,137,505
Less Allowance for Uncollectible Accounts	0	(659,001)	(659,001)
NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2008	\$ 69,277	\$ 2,409,227	\$ 2,478,504

Receivables consist of amounts due from rental properties, service district charges, utilities, reimbursable contracts, and other miscellaneous services. The Trust's methodology for calculating an allowance for uncollectible accounts is as follows:

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

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

Accounts receivable as of September 30, 2007, is comprised of the following:

	<i>Intra-Government</i>	<i>Non-Government</i>	<i>Total</i>
Gross Accounts Receivable	\$ 2,472,462	\$ 2,601,823	\$ 5,074,285
Less Allowance for Uncollectible Accounts	0	(379,970)	(379,970)
NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2007	\$ 2,472,462	\$ 2,221,853	\$ 4,694,315

6. DIRECT LOANS AND LOAN GUARANTEE, NON-FEDERAL BORROWERS

The Trust has authority to operate the following direct loan and/or loan guarantee programs:

- The Trust is empowered to provide direct loans to non-Federal borrowers. As of September 30, 2008, the Trust had not exercised this authority.
- The Trust is empowered to guarantee loans to non-Federal borrowers for construction and renovation. As of September 30, 2008, the Trust had not exercised this authority.

7. GENERAL PROPERTY, PLANT AND EQUIPMENT

General Property, Plant and Equipment (PP&E) includes fixed assets owned by the Trust as the result of purchases by the Trust and/or transfers from other governmental entities, primarily the NPS. In general, the Trust capitalizes fixed assets valued in excess of \$25,000 with a useful life of two or more years.

<i>Classification</i>	<i>Estimated Useful Life</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Balance at 9/30/08</i>	<i>Net Balance at 9/30/07</i>
Land and Land Rights	N/A	\$ 0	\$ 0	\$ 0	\$ 0
Improvements to Land	10 years	15,371,550	4,333,927	11,037,623	2,122,279
Construction-in-Progress	N/A	31,616,606	N/A	31,616,606	20,326,403
Buildings, Improvements, Renovations & Rehabilitations	40 years ¹	166,495,214	35,939,888	130,555,326	121,473,687
Other Property, Plant and Equipment (including furnishings, equipment, and software)	²	26,955,351	9,668,319	17,287,032	26,147,220
		\$ 240,438,721	\$ 49,942,134	\$ 190,496,587	\$ 170,069,589

Specific Trust capitalization and depreciation guidelines are as follows:

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

² Other Property, Plant and Equipment are depreciated using a straight line method over their estimated useful lives ranging from three to twenty years.

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

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

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

Land is considered to be general PP&E and, in accordance with SFFAS No. 6, is to be recorded at cost. The land comprising the Presidio was acquired as an outcome of the resolution of hostilities between the United States and the government of Mexico in the mid-19th century. As such, no cost can be affixed to the land and land rights.

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

- any transferred building over 40 years old, including the cost of related renovations or rehabilitations prior to the Trust's formation, was considered fully depreciated and was recorded at a book value of \$0
- any transferred structure less than 40 years old (built in 1959 or later) was recorded at estimated replacement cost reduced for the effects of inflation by using appropriate construction

industry indices, less an accumulated depreciation adjustment to ascertain net asset value at the date of the Trust's formation

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

Capital assets are depreciated using the straight line method over their useful lives in accordance with the Trust guidelines. 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.

8. STEWARDSHIP PROPERTY PLANT & EQUIPMENT

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

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

Heritage and Multi-Use Heritage assets are the historic buildings. Heritage assets are the buildings that will never be occupied by a tenant but will be preserved to ensure that historic integrity remains intact. Multi-use heritage assets, while historical in nature, are buildings that are leased out to tenants. A building can only be added to the heritage category if it is deemed that the building will not ever be occupied.

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

The following table depicts the number of physical units at the end of fiscal year 2007, additions and withdrawals during fiscal year 2008 and the ending number of units at the end of fiscal year 2008.

<i>Classification</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Withdrawals</i>	<i>Ending Balance</i>
	<i># Buildings</i>			<i># Buildings</i>
Heritage	16	0	0	16
Multi-Use Heritage	412	0	0	412
		<i>Acres Added</i>	<i>Acres Withdrawn</i>	
	<i># Acres</i>			<i># Acres</i>
Land Stewardship	862	2.1	2.1	862

9. OTHER ASSETS

	2008	2007
Government Improvement Account	\$ 35,069	\$ 34,410
Prepayments	721,716	755,687
Deferred Rent Receivable	15,340,291	15,184,789
TOTAL OTHER ASSETS	\$ 16,097,076	\$ 15,974,886

The Government Improvement Account (GIA) is a bank account that has contributions made by a tenant in lieu of rent for the sole purpose of improving the government facilities. Neither the Trust nor the tenant is able to withdraw monies from the account unilaterally.

Prepayments represent premiums paid on insurance policies and the remaining balance of employee commuter checks that have not been disbursed. Insurance premiums are amortized over the life of the policy.

Deferred rent receivable is the revenue recognized on a straight-line basis for long-term property leaseholds. There is no allowance for uncollectible accounts for the deferred receivables as they are all deemed collectible at this time.

10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	2008	2007
INTRAGOVERNMENTAL		
FECA Actuarial	\$ 31,113	\$ 32,611
OTHER		
Contingent Liabilities [NOTE 15]	301,065	115,000
Environmental Remediation Liability [NOTE 12]	39,820,260	36,300,000
Annual Leave Liability	1,985,786	1,830,484
Rent Credit Liability	438,663	116,337
Accounts Payable	0	130,354
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	42,576,887	38,524,786
Liabilities Covered by Budgetary Resources	96,812,295	106,909,441
TOTAL LIABILITIES	\$ 139,389,182	\$ 145,434,227

Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are those liabilities that may be funded from future resources.

FECA Actuarial represents future workers' compensation payments, is an estimate based upon historical data and is unfunded (see **Note 13**).

Annual leave is accrued as it is earned by employees and it is included in personnel compensation and benefits costs. An unfunded liability is

recognized for earned but unused annual leave since, from a budgetary standpoint, this annual leave will be paid from future appropriations.

The unfunded accounts payable is a liability that has been incurred by the residential property management company that had not been submitted to the Trust for reimbursement as of the fiscal year end. Financial reconciliation procedures with the property management company were refined in fiscal year 2008 and the practice of accruing unfunded accounts payable was discontinued. All expenses incurred by the residential property manager are now accrued on a funded basis.

Liabilities Covered by Budgetary Resources

Liabilities covered by budgetary resources are funded by: (1) new budget authority, (2) spending authority from offsetting collections, (3) recoveries of unexpired budget authority, (4) unobligated balances of budgetary resources at the beginning of the year, and (5) permanent indefinite appropriation or borrowing authority.

11. DEBT

	<i>Maturity Date</i>	2008	2007
DEBT TO THE TREASURY			
Note C (dated 9/29/00)	9/30/2029	\$ 20,000,000	\$ 20,000,000
Note C (dated 9/28/00)	9/30/2029	20,000,000	20,000,000
Note C (dated 9/29/01)	9/30/2029	9,978,000	9,978,000
TOTAL PRINCIPAL		\$ 49,978,000	\$ 49,978,000

The Presidio Trust Act granted the Trust the authority to borrow from the U.S. Treasury. The aggregate amount of outstanding obligations

at any one time is limited to \$150 million. These borrowings financed building and infrastructure rehabilitation by the Trust. Borrowing was contingent on the Secretary of the Treasury determining that the projects to be funded from the proceeds were creditworthy. In 1999, the Trust and the Secretary of the Treasury established a written borrowing agreement to advance funds for capital improvement projects. The Trust executed a promissory note for the requested amount to evidence the obligation of the Trust to repay the Treasury the sum borrowed, together with any late charges that might be incurred.

In Fiscal Year 2008, no additional debt obligations were issued. The Trust has issued the following promissory notes to the BPD:

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

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

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

Principal amount is \$20 million. The amount of the request was used for the capital improvement projects activities in, on, or in support of any Trust assets. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220 and

Building 36. The note carries an interest rate of 6.122% and matures on September 30, 2029.

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

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

The Trust incurred \$2,999,087 and \$2,999,087 in interest cost in 2008 and 2007, respectively, all of which was included in program costs.

12. OTHER LIABILITIES – ENVIRONMENTAL REMEDIATION

Agent Responsibilities for Environmental Cleanup

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

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

When Congress created the Trust in 1996, it separated the administrative jurisdiction of the Presidio into two areas: Area A, over

which DOI retained authority, and Area B, which was transferred to the Trust in July 1998.

Under a Memorandum of Agreement (the Presidio MOA) among the Trust, DOI, and the Army, the Trust assumed the Army's responsibilities as lead agent for the environmental cleanup in both Area A and Area B. The Army provided \$99 million to the Trust in exchange for the Trust's assumption of such responsibilities. The funds that have not been spent to-date are included in the Environmental Remediation Liability on the Trust's financial statements.

Under a separate memorandum of agreement between the Trust and DOI (the Area A MOA), the Trust confirmed its agreement to take over lead agent responsibility for the cleanup of Area A of the Presidio. The Area A MOA also set out specific time periods, priorities and processes for remedy selection for environmental cleanup of Area A. In particular, the Trust agreed to set aside a total of \$25 million for the environmental remediation of Area A.

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

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

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

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

The RSL policy provides the Trust with insurance against cost overruns in implementing environmental remedies that have been approved by the appropriate regulatory agencies for known contamination at enumerated sites. The RSL policy pays for remediation costs in excess of \$100 million (self-insured retention) spent by the Trust for "necessary and reasonable" costs. The RSL policy has a liability limit of \$100 million. The RSL policy is set up so that the Trust pays the first \$100 million of remediation costs and the RSL policy would pay for the second \$100 million. The Army and DOI are each named as an additional insured on the RSL policy.

The REEL policy provides coverage for unknown contamination. The REEL policy has a limit of \$10 million (with a \$25,000 deductible per claim) and a \$50 million total for all claims. DOI is a named insured under the REEL policy. At present, the Trust has claims pending against the REEL coverage but the amount of recovery cannot be determined at this time.

Liability for Environmental Cleanup Costs

In 2006 the Trust, in conjunction with third party consultants, updated the total estimated cost at completion of all work related to the environmental cleanup of the Presidio. The independent third party

also provided management with an analysis of the progress made related to the environmental remediation of the Presidio. This total estimated cost to complete has been updated to reflect the estimates as of September 30, 2008.

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

	<i>Known Contaminants As of 9/30/2008</i>		<i>Unknown Contaminants As of 9/30/2008</i>		<i>Total Spent As of 9/30/2008</i>	<i>Total Estimated Cost At Completion</i>
	<i>Spent</i>	<i>At Completion</i>	<i>Spent</i>	<i>At Completion</i>		
Allowable Costs*	\$ 63.8	\$ 118.9	\$ 6.5	\$ 16.2	\$ 70.3	\$ 135.1
Other Costs*	17.0	20.9	0.0	0.0	17.0	20.9
TOTAL COSTS*	\$ 80.8	139.8	\$ 6.5	16.2	87.3	156.0
Add						
Environmental Remediation Liability per Balance Sheet*					56.9	
Less Resources						
Army/Other (Reimbursement)*		100.0		4.4	(4.4)	104.4
Insurance or Army (Estimate)*		0.0		11.8		11.8
TOTAL AFTER RESOURCES*		\$ 39.8		\$ 0.0		\$ 39.8
TOTAL OF KNOWN CONTAMINANTS AT COMPLETION*					\$139.8	
Anticipated Interest Income*		\$ 19.9		\$ 0.0		\$ 19.9

*Dollars Noted in Millions

The Trust's financial statements reflect a liability for environmental remediation clean up costs of \$56.9 million, of which \$39.8 million is unfunded as of September 30, 2008. This represents the total estimated cost at completion less the expected Army and filed insurance reimbursements. The actual cost at completion may vary from the current estimated cost at completion. The Trust has earned \$19.2 million of interest income and anticipates earning an additional \$0.7 million which is recognized as revenue by the Trust in the year in which it is earned. The change in liability from fiscal year 2007 to fiscal year 2008 is reflected in the chart below:

<i>Liability per Balance Sheet</i>	2008	2007
Beginning Balance	\$ 67.3	\$ 66.8
Less Expenses Incurred	15.9	16.1
Plus Estimated Addition to Cost to Complete	3.9	14.0
Plus Reimbursements	1.6	2.6
TOTAL LIABILITY	\$ 56.9	\$ 67.3

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

13. OTHER LIABILITIES

	2008		2007	
	Non-Current	Current	Non-Current	Current
INTRAGOVERNMENTAL				
Employer Contributions Payable	\$ 0	\$ 178,105	\$ 0	\$ 170,563
Other Post Employment Benefits	580,610	537,576	672,142	597,015
Unearned Revenue	0	5,468,596	0	4,066,132
FECA Actuarial	0	31,113	0	32,611
TOTAL INTRAGOVERNMENTAL	580,610	6,215,390	672,142	4,866,321
Environmental Remediation Cleanup Cost Liability [NOTE 12]	42,325,050	14,554,499	49,376,030	17,916,641
Contingent Liabilities [NOTE 15]	0	301,065	0	115,000
Security Deposits	3,999,635	0	4,137,010	1,500
Unearned Revenue	0	5,172,154	0	2,021,485
Payroll Payable	0	1,302,448	0	1,079,753
Annual Leave Liability [NOTE 10]	0	1,985,786	0	1,830,484
Unfunded Accounts Payable [NOTE 10]	0	0	0	130,354
Rent Credit Liability [NOTE 10]	68,861	369,802	96,104	20,233
Prepaid Rents & Services	0	788,489	0	971,232
Other Liabilities	0	71,350	0	89,594
TOTAL OTHER LIABILITIES	\$ 46,974,156	\$ 30,760,983	\$ 54,281,286	\$ 29,042,597

Other Post Employment Benefits

Other post employment benefits include worker's compensation (FECA) and unemployment payable to the Department of Labor.

FECA Actuarial Liability

OMB requires that Federal agencies report an actuarial liability related to Future Workers' Compensation (FWC). The FWC benefits include the expected liability related to death, disability, medical and miscellaneous costs for approved compensation cases as well as a component for calculating incurred but not reported claims. The liability is determined by utilizing the historical benefit payment patterns related to a specific incurred period to estimate the future payments related to that period.

Security Deposits

The residential lease management company, John Stewart Company, collects security deposits from the residential tenants and deposits them directly into the Trust's Treasury General Account. The non-residential lease management company, CB Richard Ellis, collects security deposits from the non-residential tenants and deposits them directly into the Trust's Treasury General Account. The Trust also collects security deposits for other services managed by the Trust.

Unearned Revenue

The Presidio Trust collects permit fees for events that are held at Trust facilities. These events are paid for in advance by the clients. The revenue has not been earned for these events until the event has occurred. The amount in unearned revenue represents the monies collected for events that will be taking place in a fiscal year subsequent to the current year. Unearned revenue also includes monies received for specific projects (i.e. grants for specified improvements) on which the revenue is deferred because either the work has not been completed or the requirements of the agreement governing the work have not yet been met.

Rent Credit Liability

The rent credit liability is related to rent credits given to three tenants for tenant improvements. The credits are amortized over the lives of the leases as per the terms of each of the leases.

Other Liabilities

Other liabilities are for an item related to the acquisition of the Presidio Golf Course, specifically water reclamation, in the amount of \$39,350 and a liability for an escrow account for project work associated with the production and installation of artwork on the Presidio in the amount of \$32,000.

14. LEASES

Trust as Lessee

Capital Leases

The Trust currently maintains no capital leases.

Operating Leases

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

Trust as Lessor

Operating Leases

Description of Lease Arrangements:

The Trust's properties are leased under terms from one month up to 60 years. The Trust expects that these leases will be renewed or replaced by other leases in the normal course of business. In addition, eight leases are operated under contingent rental agreements wherein the monthly rental revenue is either a percent of the lessees' monthly revenue or base rent plus additional rent based upon a percent of the lessees' monthly revenue.

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

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

<i>Fiscal Year</i>	<i>Total</i>
2009	\$ 13,878,486
2010	12,345,603
2011	11,654,800
2012	10,360,919
2013	9,423,452
Thereafter	367,739,077
TOTAL	\$ 425,402,346

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 pending five tort claims and four claims of workplace discrimination.

The Trust is actively processing each of these claims and has assigned a contingent liability of \$301,065 to all of the claims, in the aggregate. One of the workplace discrimination claims was settled in October of 2008.

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 US Treasury is from earnings on investments. Revenue earned from the Department of the Army is largely related

to the environmental remediation liability. Revenue is recognized when expenditures are made (see **Note 12**). Revenue earned from the Department of Defense is primarily related to a grant for work on the Main Post.

<i>Agency</i>	<i>Amount of Revenue Earned</i>	
	<i>2008</i>	<i>2007</i>
U.S. Treasury	\$ 4,111,485	\$ 6,403,733
Department of the Army	15,781,165	15,242,965
Department of the Interior	350,929	676,046
Department of Defense	561,073	1,478,683
Other	124,130	147,973
TOTAL	\$ 20,928,782	\$ 23,949,400

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

<i>Agency</i>	<i>Amount of Cost Incurred</i>	
	<i>2008</i>	<i>2007</i>
Office of Personnel Management	\$ 5,784,532	\$ 4,850,501
Department of the Interior	8,100,334	7,582,319
U.S. Treasury	3,002,058	3,008,573
Department of Labor	479,148	600,288
General Services Administration	616,505	580,332
Other	98,041	74,994
TOTAL	\$ 18,080,618	\$ 16,697,007

17. EXCHANGE REVENUES

The Trust provides services to the public and other government entities which are priced at market value.

18. AVAILABLE BORROWING AUTHORITY, END OF PERIOD

There was no borrowing authority available at September 30, 2008 or September 30, 2007.

19. TERMS OF BORROWING AUTHORITY USED

The Trust was granted \$49,978,000 in borrowing authority. The terms surrounding the Trust's borrowing authority have been described in **Note 11 – Debt**. The debt the Trust has incurred is all related to the borrowing authority granted to the Trust.

20. UNDELIVERED ORDERS AT END OF PERIOD

Undelivered orders represent amounts for which funds were obligated but the goods and/or services related to those specific orders have not been received. The balance of undelivered orders at September 30, 2008 and 2007 were \$29,056,241 and \$26,973,301, respectively.

21. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF FINANCING)

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

The reconciliation between budgetary and proprietary includes a section depicting the change in certain unfunded liabilities. The amounts in this section may not correlate exactly with the amounts shown in **Note 10 – Liabilities not covered by Budgetary Resources**. Differences primarily result from Treasury requirements related to where the changes in these liabilities are reported in the Statement of Financing. These requirements are dependent upon whether the change resulted in an increase or a decrease to the liability account.

Reconciliation of Net Cost of Operations to Budget

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2008	2007
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	\$ 108,225,565	\$ 89,824,090
Less: Spending Authority from Offsetting Collections and Recoveries	80,348,261	75,564,553
Obligations Net of Offsetting Collections and Recoveries	27,877,304	14,259,537
Less: Offsetting Receipts	0	(2,374,311)
Net Obligations	27,877,304	16,663,848
Other Resources		
Imputed Financing from Costs Absorbed by Others	1,068,073	524,668
Net Other Resources Used to Finance Activities	1,068,073	524,668
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	28,945,377	17,158,516
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	(9,181,058)	1,735,905
Other	(4,245,534)	(6,413,849)
Resources that Finance the Acquisition of Assets	(24,797,172)	(29,261,754)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect the Net Cost of Operations	(2,883,103)	(1,697,084)
TOTAL RESOURCES USED TO FUND ITEMS NOT PART OF THE NET COST OF OPERATIONS	(41,106,867)	(35,636,782)
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	(12,161,490)	(18,478,266)
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	155,302	37,183
Increase in Environmental Remediation Cleanup Cost Liability	3,520,260	13,300,000
Increase in Exchange Revenue Receivable from the Public	187,373	0
Other	725,053	1,734,147
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	4,587,988	15,071,330
Components Not Requiring or Generating Resources		
Depreciation and Amortization	9,433,332	7,682,952
Other	(867,007)	1,264,446
TOTAL COMPONENTS NOT REQUIRING OR GENERATING RESOURCES	8,566,325	8,947,398
NET COST OF OPERATIONS	\$ 992,823	\$ 5,540,462

22. PERMANENT INDEFINITE APPROPRIATIONS

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

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

The Trust has no direct obligation authority all obligations are under reimbursable authority and are exempt from apportionment. The amount of obligations incurred as of September 30, 2008 and September 30, 2007 was \$108,225,564 and \$89,824,090 respectively.

Required Supplementary Information (Unaudited)

September 30, 2008 and 2007

1. DEFERRED MAINTENANCE

Deferred maintenance is maintenance not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period. 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 asset so that it continues to provide acceptable service and achieve its expected life.

Deferred maintenance is determined using a total life-cycle cost method for all of its categories of major assets. In past fiscal years, the deferred maintenance estimate had been based upon a condition assessment study performed by the NPS and the Army. That estimate was updated by internal Trust managers in subsequent fiscal years. In fiscal year 2008, the Trust determined, through use of staff expertise, the amount of deferred maintenance by using a lifecycle cost method. This effort was worked on throughout the year and completed in September 2008.

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

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

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

	<i>2007 Ending Balance</i>	<i>2008 Scheduled Maintenance</i>	<i>2008 Maintenance Performed*</i>	<i>2008 Ending Balance</i>
CATEGORY				
Utilities				
Infrastructure	\$ 0.867	\$ 1.910	\$ 0	\$ 1.910
Grounds				
Stewardship		0.008	0	0.008
Land Improvements		0.577	0	0.577
Grounds (Paved Areas)		0.246	0	0.246
Total Grounds		0.831	0	0.831
Buildings				
Heritage		0.149	0	0.149
Multi-Use Heritage		8.533	3.026	5.507
Non-Historic		7.967	0.826	7.141
Total Buildings	5.200**	16.649	3.852	12.797
GRAND TOTAL	\$ 6.067	\$ 19.390	\$ 3.852	\$ 15.538

All Amounts in Millions.

**Forecast and actual maintenance are the same due to budget constraints restricting the amount of maintenance that can be completed*

***Buildings were not broken out into categories in fiscal year 2007.*

Other Accompanying Information

SUMMARY OF FINANCIAL STATEMENT AUDIT

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

SUMMARY OF MANAGEMENT ASSURANCES

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING						
Statement of Assurance		Unqualified				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	NA	NA	NA	NA	NA	NA
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS						
Statement of Assurance		See Below*				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	NA	NA	NA	NA	NA	NA
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS						
Statement of Assurance		See Below*				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	NA	NA	NA	NA	NA	NA
CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT						
Statement of Assurance		Agency	Auditor			
Overall Substantial Compliance		Yes	Yes or No			
System Requirements		Yes	NA			
Accounting Standards		Yes	NA			
USSGL at Transaction Level		Yes	NA			

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



Independent Auditor's Report on Internal Control Over Financial Reporting

The Board of Directors of
The Presidio Trust

We have audited the balance sheet of the Presidio Trust (the Trust) as of September 30, 2008 and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the year then ended, and have issued our report thereon dated November 14, 2008, which was qualified due to the Trust's valuation methodology for certain property, plant and equipment transferred to the Trust at its inception. Our report also states that the Trust changed its method of reporting for heritage assets and stewardship land for the year ended September 30, 2008.

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

The management of the Trust is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2008 audit, we considered the Trust's internal control over financial reporting by obtaining an understanding of the Trust's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. To achieve this purpose, we did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Trust's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Trust's financial statements that is more than inconsequential will not be prevented or detected by the Trust's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Trust's internal control.

In our fiscal year 2008 audit, we consider the deficiency, described in Exhibit I to be a significant deficiency in internal control over financial reporting. However, we believe that the significant deficiency described in Exhibit I is not a material weaknesses. The Trust's response to the finding identified in our audit is presented in Exhibit I. We did not audit the Trust's response and, accordingly, we express no opinion on it.

We noted certain additional matters that we have reported to management of the Trust in a separate letter dated November 14, 2008.

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

KPMG LLP

November 14, 2008

EXHIBIT I – SIGNIFICANT DEFICIENCY

Offsetting Receipts

We identified a deficiency in the Trust's internal controls over offsetting receipts. Offsetting receipts are payments to the government that are deposited in offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Federal accounting financial statements include offsetting receipts as a reconciling item in the Net Outlays section of the Statement of Budgetary Resources, Net Outlays. They are also a required component of the Reconciliation of Net Costs of Operations to Budget footnote. The Trust had calculated offsetting receipts using historical practices and was not reconciling offsetting receipts to supporting guidance such as the Treasury FAST Book, the President's budget, and the Treasury Crosswalk to the financial statements. Presidio calculated offsetting receipts in fiscal year 2008 when no offsetting receipts existed, however, this amount was corrected prior to issuing the financial statements.

Recommendation

We recommend that the Presidio implement procedures to properly calculate offsetting receipts, if any, and ensure that it agrees with the Treasury FAST Book, the President's Budget, and is presented in the statements according to the Treasury Crosswalk.

Management Response

Staff agrees with the recommendation and will take steps to ensure that offsetting receipts are correctly stated in future financial statements according to federal guidance.

Staff recognizes that mistakes such as this arise because of the highly technical and wide range of guidance from the federal establishment and because the Trust operates with a small accounting staff as compared to most federal reporting entities.

Staff will also increase time spent in review of technical guidance, increase our participation in federally sponsored web seminars and similar on-the-job training programs and conferences and will also make greater use of outside technical accounting consulting resources.

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Independent Auditor's Report on Compliance and Other Matters

To the Board of Directors of
The Presidio Trust

We have audited the balance sheet of the Presidio Trust (the Trust) as of September 30, 2008 and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the year then ended, and have issued our report thereon dated November 14, 2008, which was qualified due to the Trust's valuation methodology for certain property, plant and equipment transferred to the Trust at its inception. Our report also states that the Trust changed its method of reporting for heritage assets and stewardship land for the year ended September 30, 2008.

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

The management of the Trust is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Trust. As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of the Trust's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the Trust. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

KPMG LLP

November 14, 2008

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