SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

AUDIT COMMITTEE
and
SPECIAL BOARD MEETING *

AGENDA

Monday, November 20, 2017
10:00 A.M.

San Diego International Airport
SDCRAA Administration Building -- Third Floor
Board Room
3225 N. Harbor Drive
San Diego, CA 92101

This Agenda contains a brief general description of each item to be considered. If comments are made to the Board without prior notice, or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

Staff Reports and documentation relating to each item of business on the Agenda are on file in Corporate and Information Governance and are available for public inspection.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

***NOTE:** This Committee Meeting also is noticed as a Special Meeting of the Board (1) to foster communication among Board members in compliance with the Brown Act; and (2) to preserve the advisory function of the Committee.

Board members who are not members of this Committee may attend and participate in Committee discussions. Since sometimes more than a quorum of the Board may be in attendance, to comply with the Brown Act, this Committee meeting also is noticed as a Special Meeting of the Board.

To preserve the proper function of the Committee, only members officially assigned to this Committee are entitled to vote on any item before the Committee. This Committee only has the power to review items and make recommendations to the Board. Accordingly, this Committee cannot, and will not, take any final action that is binding on the Board or the Authority, even if a quorum of the Board is present.

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Gleason, Hollingworth, Robinson (Chair), Schumacher, Sessom, Tartre, Van Sambeek

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Committee on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Committee. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

Note: Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board.

NEW BUSINESS:

1. **APPROVAL OF MINUTES:**
RECOMMENDATION: Approve the minutes of the September 11, 2017, regular meeting.

2. **EXTERNAL AUDITOR'S FISCAL YEAR ENDED JUNE 30, 2017, REPORTS: A) AUDITED FINANCIAL STATEMENTS, B) SINGLE AUDIT REPORTS, C) PASSENGER FACILITY CHARGE COMPLIANCE REPORT, D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND E) LETTER TO THE BOARD:**
RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance. ***(Requires five (5) affirmative votes of the Audit Committee)***
Presented by: Kathy Kiefer, Senior Director, Finance & Asset Management; David Coleman, CPA, Director, BKD, LLP; and Mark A. Burchyett, Chief Auditor

3. **REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2017:**
RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.
Presented by: Kathy Kiefer, Senior Director, Finance & Asset Management

4. FISCAL YEAR 2018 FIRST QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:
RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance, and provide, if necessary, direction to staff on audit recommendations.
Presented by: Mark A. Burchyett, Chief Auditor; and Fred Bolger, Manager, Audit Services

5. REVISION TO THE FISCAL YEAR 2018 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:
RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for approval. ***(Requires five (5) affirmative votes of the Audit Committee.)***
Presented by: Fred Bolger, Manager, Audit Services

NON-AGENDA PUBLIC COMMENT:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Policy for Public Participation in Board, Airport Land Use Commission (ALUC), and Committee Meetings (Public Comment)

1) Persons wishing to address the Board, ALUC, and Committees shall complete a "Request to Speak" form prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
2) The Public Comment Section at the beginning of the agenda is limited to eighteen (18) minutes and is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board. A second Public Comment period is reserved for general public comment later in the meeting for those who could not be heard during the first Public Comment period.
3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees. Public comment on specific items is limited to twenty (20) minutes – ten (10) minutes for those in favor and ten (10) minutes for those in opposition of an item. Each individual speaker will be allowed three (3) minutes, and applicants and groups will be allowed five (5) minutes.
4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
6) After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

NOTE: This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2400 at least three (3) working days prior to the meeting to ensure availability.

For your convenience, the agenda is also available to you on our website at www.san.org.

For those planning to attend the Board meeting, parking is available in the public parking lot located directly in front of the Administration Building. Bring your ticket to the third floor receptionist for validation.

You may also reach the Administration Building by using public transit via the San Diego Metropolitan Transit System, Route 992. The MTS bus stop at Terminal 1 is a very short walking distance from the Administration Building. ADA paratransit operations will continue to serve the Administration Building as required by Federal regulation. For MTS route, fare and paratransit information, please call the San Diego MTS at (619) 233-3004 or 511. For other Airport related ground transportation questions, please call (619) 400- 2685.

UPCOMING MEETING SCHEDULE

Date	*Day*	*Time*	*Meeting Type*	*Location*
February 12, 2018	Monday	10:00 a.m.	Regular	Board Room

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITEE MEETING
MINUTES
MONDAY SEPTEMBER 11, 2017
BOARD ROOM

CALL TO ORDER: Chair Robinson called the Audit Committee Meeting to order at 10:00 a.m., on Monday, September 11, 2017, in the Board Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Chair Robinson led the Pledge of Allegiance.

ROLL CALL:

Present:	Committee Members:	Gleason, Hollingworth, Robinson (Chair), Sessom, Tartre
Absent:	Committee Members:	Schumacher, Van Sambeek

Also Present: Kimberly J. Becker, President/CEO; Amy Gonzalez, General Counsel; Tony R. Russell, Director, Corporate and Information Governance/ Authority Clerk; Ariel Levy Mayer, Assistant Authority Clerk I

NON-AGENDA PUBLIC COMMENT: None.

PRESENTATIONS:

A. PRESENTATION ON CYBER SECURITY
Rick Belliotti, Director, Innovation & Small Business Development, provided a presentation on Cyber Security, which included Cyber Security Current State, Threats and Incident Handling, and Cyber Security Future State.

NEW BUSINESS:

1. APPROVAL OF MINUTES:
RECOMMENDATION: Approve the minutes of the May 15, 2017, regular meeting.

ACTION: Moved by Committee Member Tartre and seconded by Committee Member Hollingworth to approve staff's recommendation. Motion carried unanimously, noting Board Member Sessom's ABSTENTION and Board Member Schumacher and Committee Member Van Sambeek as ABSENT.

2. FISCAL YEAR 2017 ANNUAL REPORT FROM THE AUDIT COMMITTEE:
RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

ACTION: Moved by Committee Member Hollingworth and seconded by Board Member Sessom to approve staff's recommendation. Motion carried unanimously, noting Board Member Schumacher and Committee Member Van Sambeek as ABSENT.

3. FISCAL YEAR 2017 ANNUAL AUDIT ACTIVITIES REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

Mark A. Burchyett, Chief Auditor; and Fred Bolger, Manager, Audit Services, provided a presentation on the Fiscal Year 2017 Annual Audit Activities Report from the Office of the Chief Auditor, which included Audit Activities, Recommendation Follow-up, Performance Measures, and Summary of Ethics Inquiries.

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance and provide, if necessary, direction to staff on audit recommendations. ***(Requires five (5) affirmative votes of the Audit Committee)***

ACTION: Moved by Board Member Sessom and seconded by Committee Member Tartre to approve staff's recommendation. Motion carried unanimously, noting Board Member Schumacher and Committee Member Van Sambeek as ABSENT.

4. ETHICS PROGRAM UPDATE:

Callie Ullman, Senior Auditor, provided a presentation on the Ethics Program Update, which included Ethics Training and Ethics Activity.

Board Member Sessom questioned the noticeable reduction of Ethics concerns reported compared to prior years.

Board Member Gleason questioned the noticeable reduction of Ethics concerns reported for General Workplace Concerns and stated that there may be a claim suppression issue.

Committee Member Hollingworth suggested using an external service to receive complaints from internal employees. He also suggested that staff check Glassdoor for any employee comments, stating that if employees are afraid to complain internally they will usually comment on this website.

NON-AGENDA PUBLIC COMMENT: None.

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting was adjourned at 10:51 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 20th DAY OF NOVEMBER, 2017.

MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE & INFORMATION
GOVERNANCE/AUTHORITY CLERK

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Item No.
2

AUDIT COMMITTEE

Meeting Date: **NOVEMBER 20, 2017**

Subject:

External Auditor's Fiscal Year Ended June 30, 2017, Reports: A) Audited Financial Statements, B) Single Audit Reports, C) Passenger Facility Charge Compliance Report, D) Customer Facility Charge Compliance Report, and E) Letter to the Board

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

Background/Justification:

Government auditing standards and generally accepted auditing standards require that, annually, an independent external auditor perform an audit of the San Diego County Regional Airport Authority's (Authority) financial statements.

As per Section 170018 (f) (5) of the *Public Utilities Code,* the Audit Committee is responsible for overseeing the Authority's annual audit by the external auditor and for any internal audits performed.

The Charter of the Audit Committee directs the Audit Committee to review the Comprehensive Annual Financial Report (CAFR) and other external auditor annual reports, and to forward them to the San Diego County Regional Airport Authority Board for approval. The Charter of the Audit Committee encompasses the compliance and regulatory oversight responsibilities of the Audit Committee regarding the engagement of the Authority's external auditor and the disclosure of financial matters.

On May 1, 2014, the Board adopted Resolution No. 2014-0039, approving and authorizing the President/CEO to execute an agreement with BKD, LLP, as the Authority's external auditor for a three year term with an option for two (2) one year extensions.

On November 20, 2017, the Authority's external auditor, BKD, LLP, will present the Fiscal Year Ended June 30, 2017, audited financial statements and reports (Attachments A through E) to the Audit Committee for their review and acceptance.

Fiscal Impact:

Adequate funding for the audit conducted by BKD, LLP, is included in the adopted Fiscal Year 2018 and conceptually approved Fiscal Year 2019 Operating Expense Budgets within the Accounting Department Services – Auditing line item.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

☐ Community Strategy	☒ Customer Strategy	☐ Employee Strategy	☒ Financial Strategy	☒ Operations Strategy

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (“CEQA”), as amended. 14 Cal. Code Regs. §15378. This Board action is not a “project” subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

ATTACHMENT A

San Diego County Regional Airport Authority

Financial Statement

For the Fiscal Years Ended

June 30, 2017 and 2016

BKD LLP

CPAs & Advisors

San Diego County Regional Airport Authority

June 30, 2017 and 2016

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BKD LLP
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 // Dallas, TX 75254-2961
972.702.8262 // fax 972.702.0673 // bkd.com

Independent Auditor's Report

To the Members of the Board
San Diego County Regional Airport Authority
San Diego, CA

We have audited the accompanying basic financial statements of the San Diego County Regional Airport Authority (Airport Authority) which are comprised of a statements of net position as of June 30, 2017 and 2016, and statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Members of the Board
San Diego County Regional Airport Authority

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Dallas, Texas
October 23, 2017

Management's Discussion and Analysis

For The Period July 1, 2016 to June 30, 2017

INTRODUCTION

The San Diego County Regional Airport Authority (Airport Authority) was established on January 1, 2002, as an independent agency. On January 1, 2003, the operations and assets of San Diego International Airport (SDIA) transferred from the San Diego Unified Port District (District) to the Airport Authority.

The Airport Authority is a self-sustaining entity receiving most of its revenues through user fees and rents from airline and non-airline business partners operating at SDIA. Since the Airport Authority is not funded by tax revenues, accounts are maintained in an enterprise fund on the accrual basis of accounting. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows. Users of SDIA's facilities provide most of the revenues to operate, maintain, and acquire necessary services and facilities.

SAN DIEGO INTERNATIONAL AIRPORT

History of Ownership

The public policy decision to transfer responsibility for SDIA from the District to the newly created Airport Authority emanated from recommendations made by the San Diego Regional Efficiency Commission (Commission). The Commission was established to evaluate regional governance in San Diego County and report recommended improvement measures to the California State Legislature.

Because of the significant regional consequences of airport development and operations, the Commission concluded that a regional decision-making process should address the future development of airport facilities in San Diego County. In October 2001, the enabling legislation, Assembly Bill 93 (AB 93) established the composition and jurisdiction of the Airport Authority's governing body in a manner that is designed to reflect the collective interests of the entire San Diego region.

Legislative Background

AB 93 was signed into California State law in October 2001. The Act established the Airport Authority on January 1, 2002, as a local agency of regional government with jurisdiction throughout the County of San Diego. Subsequent legislative changes to AB 93 were introduced and passed in California Senate Bill 1896 (Act). The amendment addresses several points pertaining to the transfer of aviation employees, date of transfer, property leases, property acquisition and purchase of services from the District.

On January 1, 2008, Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was enacted into law expanding the responsibilities of the Airport Authority. The Airport Authority is vested with five principal responsibilities:

(1) Operation of SDIA;

(2) Planning and operation of any future airport that could be developed as a supplement or replacement to SDIA;

(3) Development of comprehensive airport land use plans for the airports in the county;

(4) Serving as the region's Airport Land Use Commission; and

(5) In accordance with SB 10, preparing a Regional Aviation Strategic Plan (completed in fiscal year 2011).

In August 2013, Assembly Bill 1058 was signed into law. This bill made minor clarifying and technical changes to the Airport Authority Act.

Airport Activities Highlights (2015 – 2017)

The Airport Authority experienced continued growth in all areas during the current and prior two fiscal years. This followed the trend seen at many commercial airports reflecting the gradual improvements in the economy.

The changes in the SDIA's major activities for the three years are as follows:

	FY 2015	FY 2016	**FY 2017**
Enplaned passengers	9,713,066	10,206,222	**10,596,483**
% increase	6.9%	5.1%	**3.8%**
Total passengers	19,409,683	20,397,170	**21,140,067**
% increase	7.0%	5.1%	**3.6%**
Aircraft operations	195,268	193,451	**201,011**
% increase	4.0%	(0.9%)	**3.9%**
Freight and mail (in tons)	178,615	185,655	**188,607**
% increase	8.3%	3.9%	**1.6%**
Landed weight (in thousands)	11,524	12,048	**12,456**
% increase	3.0%	4.6%	**3.4%**

Overall, the strong economy is reflected in the aircraft operation results at SDIA. There was an increase in enplaned passengers in fiscal year 2017 of 3.8 percent. Also, total passengers increased by 3.6 percent and freight and mail tons increased slightly by 1.6 percent. New airline routes factored into the increases of aircraft operations and landed weight.

Statement of Revenues, Expenses and Changes in Net Position (in thousands)

The metric 'Changes in Net Position' is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net position increased in 2015, followed by a 4.7 percent increase in 2016, and was followed by a slight .9 percent increase in 2017. Following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

	FY 2015	FY 2016	**FY 2017**
Operating revenues	$ 210,505	$ 233,994	**$ 248,847**
Operating expenses	(222,136)	(241,429)	**(258,955)**
Nonoperating revenues, net	24,583	31,933	**15,428**
Capital contributions and grants	10,765	10,477	**1,904**
Increase in net position	23,717	34,975	**7,224**
Net position, beginning of year	727,017	742,741	**775,949**
Prior-period adjustment	(7,993)	(1,767)	**-**
Net position, end of year	$ 742,741	$ 775,949	**$ 783,173**

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections that follow. The implementation of GASB 68 in fiscal year 2015 caused a prior-period adjustment in that year. The cumulative changes in accounting for pension liabilities are reflected in this adjustment.

FINANCIAL HIGHLIGHTS

Operating Revenues (in thousands)

	FY 2016	**FY 2017**	From 2016 to 2017 Increase (Decrease)	% Change
Airline revenue:				
Landing fees	$ 23,985	**$ 24,612**	$ 627	2.6%
Aircraft parking fees	2,701	**2,927**	226	8.4%
Building rentals	51,273	**54,283**	3,010	5.9%
Security surcharge	29,223	**29,468**	245	0.8%
Other aviation revenue	5,023	**5,091**	68	1.4%
Total airline revenue	112,205	**116,381**	4,176	3.7%
Concession revenue	56,274	**61,256**	4,982	8.9%
Parking and ground transportation revenue	48,106	**49,407**	1,301	2.7%
Ground and non-airline terminal rentals	16,226	**20,053**	3,827	23.6%
Other operating revenue	1,183	**1,750**	567	47.8%
Total operating revenue	$ 233,994	**$ 248,847**	$ 14,853	6.3%

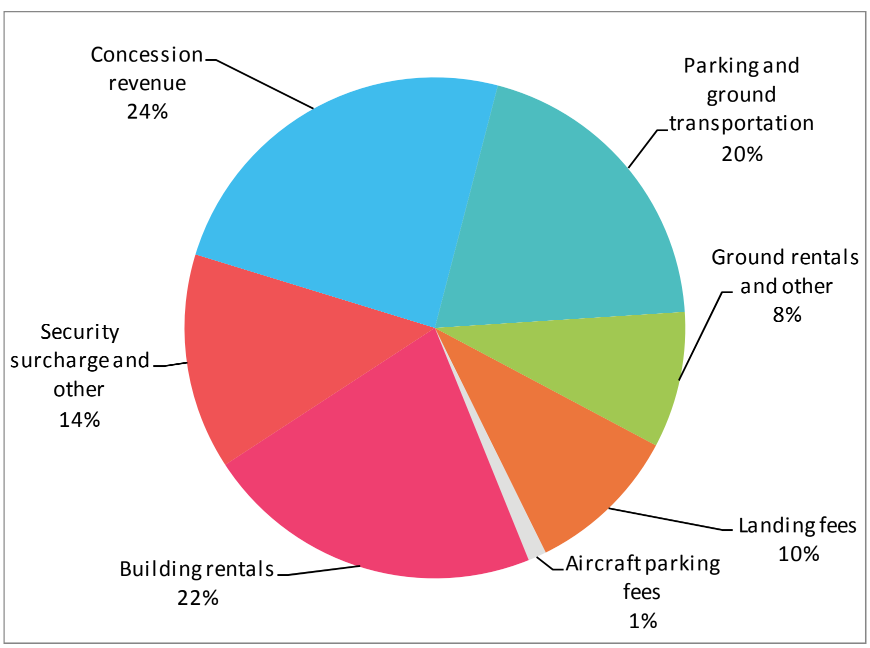
	FY 2015	FY 2016	From 2015 to 2016 Increase (Decrease)	% Change
Airline revenue:				
Landing fees	$ 21,390	$ 23,985	$ 2,595	12.1%
Aircraft parking fees	2,716	2,701	(15)	(0.6%)
Building rentals	48,153	51,273	3,120	6.5%
Security surcharge	25,180	29,223	4,043	16.1%
Other aviation revenue	4,893	5,023	130	2.7%
Total airline revenue	102,332	112,205	9,873	9.6%
Concession revenue	52,496	56,274	3,778	7.2%
Parking and ground transportation revenue	41,633	48,106	6,473	15.5%
Ground and non-airline terminal rentals	13,073	16,226	3,153	24.1%
Other operating revenue	971	1,183	212	21.8%
Total operating revenue	$ 210,505	$ 233,994	$ 23,489	11.2%

Operating Revenues, Continued

Fiscal year 2017 compared to 2016: Total airline revenues increased by $4.2 million, or 3.7 percent, primarily due to an increased cost recovery from the airlines which was higher in fiscal year 2017, compared to 2016. Landing fees increased by $627 thousand or 2.6 percent due to increased airfield operating costs and new capital projects. Aircraft parking fees increased by $226 thousand or 8.4 percent, due to increased airfield-related costs. Building rentals increased by $3.0 million or 5.9 percent due to higher terminal maintenance costs and changes in rentable square footage. Security surcharge increased slightly by $245 thousand or .8 percent, partially due to increased security checkpoint expenses and increased security equipment costs. Concession revenue increased by $5.0 million or 8.9 percent, reflecting higher sales per enplaned passenger. Parking and ground transportation increased by $1.3 million or 2.7 percent, due to higher enplanements, valet revenue, and permits. Ground and non-airline terminal rentals increased by $3.8 million or 23.6 percent, due in part to new non-tenant agreements and increased FBO rents. Other operating revenue increased by $567 thousand or 47.8 percent, primarily due to higher landing fees at the Fixed Base Operator, and higher fees for miscellaneous services.

Fiscal year 2016 compared to 2015: Total airline revenues increased by $9.9 million, or 9.6 percent, primarily due to an increased cost recovery for the airlines which was higher in fiscal year 2016, compared to 2015. Landing fees increased by $2.6 million or 12.1 percent due to increased airfield costs. Building rentals increased by $3.1 million or 6.5 percent due to increased terminal costs. Security surcharge increased by $4.0 million or 16.1 percent, primarily due to increased Harbor Police expenses and higher terminal rental rate for security checkpoints. Non-airline terminal rent decreased by $473 thousand or 31.4 percent, primarily due to consolidation of ground servicing companies. Concession revenue increased by $3.8 million or 7.2 percent, reflecting increased enplanements and higher sales per enplaned passenger. Parking and ground transportation increased by $6.5 million or 15.5 percent, due to higher enplanements and higher cost recovery on ground transportation. Ground rentals increased by $3.6 million or 31.3 percent, primarily due to the Rental Car Center land lease starting January 2016. Other operating revenue increased by $212 thousand or 21.8 percent, primarily due to higher landing fees at the Fixed Base Operator, higher utility reimbursements, and higher fees for miscellaneous services.

San Diego County Regional Airport Authority
Fiscal Year Ended June 30, 2017
Operating Revenues



Operating Expenses (in thousands)

	FY 2016	**FY 2017**	From 2016 to 2017 Increase (Decrease)	% Change
Salaries and benefits	$ 42,025	**$ 46,874**	$ 4,849	11.5%
Contractual services	38,215	**44,927**	6,712	17.6%
Safety and security	28,721	**28,422**	(299)	(1.0%)
Space rental	10,367	**10,190**	(177)	(1.7%)
Utilities	11,480	**10,736**	(744)	(6.5%)
Maintenance	14,122	**14,270**	148	1.0%
Equipment and systems	708	**502**	(206)	(29.1%)
Materials and supplies	536	**651**	115	21.5%
Insurance	950	**956**	6	0.6%
Employee development and support	1,242	**1,393**	151	12.2%
Business development	2,390	**2,351**	(39)	(1.6%)
Equipment rentals and repairs	2,852	**2,454**	(398)	(14.0%)
Total operating expenses before depreciation	153,608	**163,726**	10,118	6.6%
Depreciation	87,821	**95,229**	7,408	8.4%
Total operating expense	$ 241,429	**$ 258,955**	17,526	7.3%

	FY 2015	FY 2016	From 2015 to 2016 Increase (Decrease)	% Change
Salaries and benefits	$ 39,212	$ 42,025	$ 2,813	7.2%
Contractual services	32,422	38,215	5,793	17.9%
Safety and security	23,466	28,721	5,255	22.4%
Space rental	10,433	10,367	(66)	(0.6%)
Utilities	10,152	11,480	1,328	13.1%
Maintenance	14,516	14,122	(394)	(2.7%)
Equipment and systems	1,805	708	(1,097)	(60.8%)
Materials and supplies	519	536	17	3.3%
Insurance	1,145	950	(195)	(17.0%)
Employee development and support	1,136	1,242	106	9.3%
Business development	2,493	2,390	(103)	(4.1%)
Equipment rentals and repairs	2,951	2,852	(99)	(3.4%)
Total operating expenses before depreciation	140,250	153,608	13,358	9.5%
Depreciation	87,887	87,821	(66)	(0.1%)
Total operating expense	$ 228,137	$ 241,429	$ 13,292	5.8%

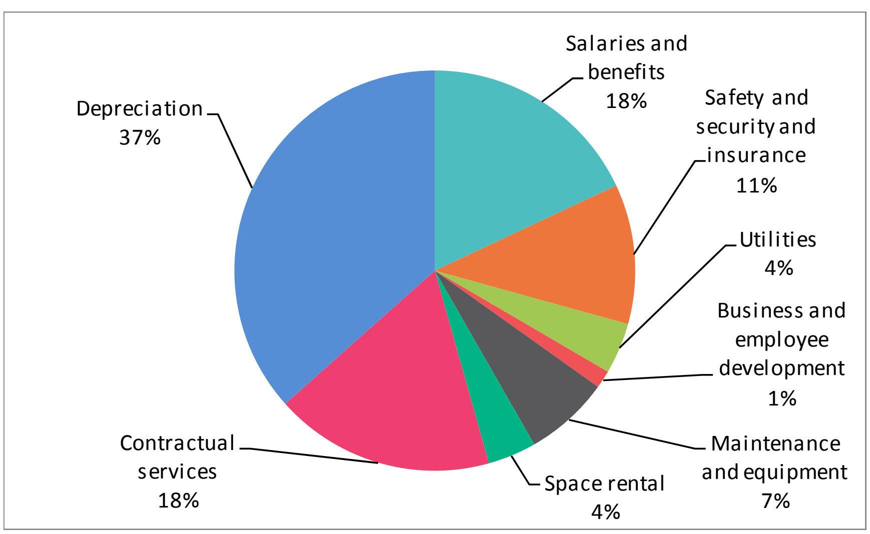
Fiscal year 2017 compared to 2016: Total fiscal year 2017 operating expenses increased by $17.5 million or 7.3 percent. Salaries and benefits increased by $4.8 million or 11.5 percent, due to a GASB 68 valuation adjustment and planned wage and benefit increases. Contractual services increased by $6.7 million or 17.6 percent, mainly due to higher expenses in parking, noise monitoring, and a full year of RCC bussing. Maintenance expenses increased $148 thousand, or 1.0 percent, due in part to slightly higher major maintenance projects. Materials and supplies increased $115 thousand or 21.5% due to higher expenditures. Employee development and support increased by $150 thousand or 12.1 percent, mainly due to higher recruitment and training expenses. Depreciation increased by $7.4 million or 8.4 percent, due to the Rental Car Center being in service for a full year.

Offsetting this increase in operating expenses were the following decreases: Safety and security decreased by $299 thousand or 1 percent due to a retroactive adjustment recorded in fiscal year 2016 pertaining to expenses incurred in 2015. Space rental decreased by $177 thousand or 1.7 percent, due to the termination of the taxi hold lot lease. Utilities decreased by $744 thousand or 6.5 percent, mainly due to lower rates and usage, as well as state energy credits. Equipment and systems decreased by $206 thousand or 29.1 percent, mainly due to lower office movement and reconfiguration expenses. Equipment rentals and repairs decreased by $398 thousand or 14.0 percent, mainly due to lower maintenance contract and computer licensing expenses.

Fiscal year 2016 compared to 2015: Total fiscal year 2016 operating expenses increased by $13.3 million or 5.8 percent. Salaries and benefits increased $2.8 million or 7.2 percent, mostly due to planned wage and benefit increases. Contractual services increased by $5.8 or 17.9 percent, resulting in higher bussing costs of the Rental Car Center that opened in January 2016. Safety and Security increased $5.3 million or 22.4 percent, reflecting an increase in law enforcement training and benefit costs. Utilities increased $1.3 million or 13.1 percent, due to higher rates and increased power usage of the Rental Car Center. Materials and supplies increased slightly by $17 thousand or 3.3 percent, mainly due to higher purchases of small equipment and operating supplies. Employee development and support increased by $106 thousand or 9.3 percent, primarily due to higher training costs.

Offsetting this increase in operating expenses were the following decreases: Maintenance of $394 thousand or 2.7 percent, due to access control expenses being transferred to the Safety and security category; Equipment and systems of $1.1 million or 60.8 percent, due to lower office equipment purchases; Insurance of $195 thousand or 17.0 percent, primarily due to lower property insurance rates; Business development of $103 thousand or 4.1 percent, due to a delay in planned advertising; Equipment rentals and repairs of $99 thousand or 3.4 percent, due primarily to lower IT maintenance contracts and lower printer costs.

San Diego County Regional Airport Authority
Fiscal Year Ended June 30, 2017
Operating Expenses



Nonoperating Revenues (Expenses) (in thousands)

	FY 2016	FY 2017	From 2016 to 2017 Increase (Decrease)	% Change
Passenger facility charges	$ 40,258	**$ 42,200**	$ 1,942	4.8%
Customer facility charges	33,208	**36,528**	3,320	10.0%
Quieter Home Program, net	(3,698)	**(785)**	2,913	78.8%
Joint studies program	(101)	**-**	101	100.0%
Interest income	5,999	**8,134**	2,135	35.6%
Interest expense, net	(45,979)	**(53,528)**	(7,549)	(16.4%)
Other nonoperating income (expenses)	2,246	**(17,121)**	(19,367)	(862.3%)
Nonoperating revenues, net	$ 31,933	**$ 15,428**	$ (16,505)	(51.7%)

	FY 2015	FY 2016	From 2015 to 2016 Increase (Decrease)	% Change
Passenger facility charges	$ 38,517	$ 40,258	$ 1,741	4.5%
Customer facility charges	32,465	33,208	743	2.3%
Quieter Home Program, net	(2,811)	(3,698)	(887)	(31.6%)
Joint studies program	(145)	(101)	44	30.3%
Interest income	5,747	5,999	252	4.4%
Interest expense, net	(50,557)	(45,979)	4,663	8.5%
Other nonoperating income (expenses)	1,367	2,246	879	64.3%
Nonoperating revenues, net	$ 24,583	$ 31,933	$ 7,435	36.7%

Passenger Facility Charges (PFCs) were established by Congress in 1990 as part of the Aviation Safety and Capacity Expansion Act of 1990. The Airport Authority collects a $4.50 PFC from revenue enplaned passengers to pay for the cost to design and construct eligible Airport capital projects or to repay debt service issued to build such projects. PFCs are collected by the air carriers when passengers purchase their tickets and are remitted to the Airport Authority the month following collection less a $0.11 administration fee.

Customer Facility Charges (CFCs) are authorized under Section 1936 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected have been used to plan and construct a consolidated rental car facility and related ground transportation system. The rental car agencies remit to the Airport Authority collection of the fee monthly. In January 2017 the fee was increased from $7.50 to $9.00 per day, up to five days for rental car transactions. This fee applies to transactions that originated at the Rental Car Center. For car rental transactions of non-RCC tenants, the CFC rate was increased from $2.17 to $2.42 per day, up to five days for rental car transactions.

Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multifamily dwellings with six or fewer units located in the Year 2000 65 dB Community Noise Equivalent Level contour. The project is eligible for the Airport Improvement Program (AIP). From inception through the end of fiscal year 2017, the Airport Authority has spent $191.9 million and received reimbursement for $154.6 million.

Interest income is derived from interest earned by the Airport Authority on investments and notes receivable from the District.

Interest expense includes interest paid and accrued on the 2010, 2013 and 2014 Series Bonds, Variable Debt, and Lease Interest. This is netted with the capitalization of bond interest to the construction in progress assets that the bond and variable debt finances. The capitalized interest in fiscal years ended

June 30, 2017 and 2016 was $4.8 million and $12.4 million, respectively. The bond premium amortization from all three bond series is also netted with interest expense. The 2010 Series C Bonds were issued as Build America Bonds and, as such, the Airport Authority receives a cash subsidy from the U.S. Treasury equal to 32.59 percent of the interest payable. The interest subsidy for the fiscal years ended June 30, 2017 and 2016 was $4.7 million.

Other nonoperating income (expense) includes proceeds and expenses for legal settlements, gain (loss) on the sale of assets, unrealized gain (loss) on investments, and other miscellaneous revenue and expenses.

Fiscal year 2017 compared to 2016: Nonoperating revenues (net) decreased by $16.5 million or 51.7 percent. Passenger facility charges increased by $1.9 million or 4.8 percent, mainly due to a 3.8 percent increase in enplaned passengers. Customer facility charges increased by $3.3 million or 10.0 percent, due to a corresponding increase in rental car transactions and increase in fee effective January 1, 2017. Quieter Home Program expenses (net) decreased by 2.9 million or 78.8 percent, due to lower sound attenuation activity. Interest income increased by $2.1 million or 35.6 percent, due to an increase in dollars invested as well as improved market performance compared to fiscal year 2016.

Offsetting the nonoperating income was a higher net interest expense of $7.5 million or 16.4 percent, mainly due to lower capitalized interest. Other nonoperating expense increased by $19.4 million or 862.3 percent, primarily due to a loss on fixed asset disposal resulting from the new FIS project.

Fiscal year 2016 compared to 2015: Nonoperating revenues (net) increased by $7.4 million or 36.7 percent. Passenger facility charges increased by $1.7 million or 4.5 percent, due to a 5.1 percent increase in enplaned passengers. Customer facility charges increased by $743 thousand or 2.3 percent, due to an overall increase in rental car transactions. Interest income increased by $252 thousand or 4.4 percent, primarily due to improved market performance compared to fiscal year 2015, though dollars invested had decreased. Net Interest expense decreased by $4.7 million or 8.5 percent, mainly due to higher capitalized interest. Other nonoperating income increased by $879 thousand or 64.3 percent, mainly due to unrealized gains on investments.

Offsetting the nonoperating income was a higher net expense in the Quieter Home Program of $887 thousand or 31.6 percent, due to increased program activity.

Capital Grant Contributions (in thousands)

			From 2016 to 2017	
	FY 2016	**FY 2017**	Increase (Decrease)	% Change
Federal grants	$ 10,477	**$ 1,903**	$ (8,574)	(81.8%)

			From 2015 to 2016	
	FY 2015	**FY 2016**	Increase (Decrease)	% Change
Federal grants	$ 10,765	**$ 10,477**	$ (288)	(2.7%)

Capital Grant Contributions are comprised of AIP entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2017 capital grant contributions decreased by $8.6 million or 81.8% compared to fiscal year 2016, and in fiscal year 2016, capital grant contributions decreased by $288 thousand or 2.7%, compared to fiscal year 2015. Variances from year to year relate to the amount of work completed on eligible projects during the fiscal year. In fiscal year 2017, the storm drain project and taxiway project were completed.

Assets, Liabilities and Net Position (in thousands)

The statements of net position present the financial position of the Airport Authority as of a period in time. The statements include all assets, deferred outflows, liabilities, deferred inflows and net position of the Airport Authority. A summary comparison of the Airport Authority's assets, liabilities and net position at June 30, 2015, 2016 and 2017, is as follows:

	FY 2015	FY 2016	**FY 2017**
Assets and Deferred Outflows of Resources			
Current assets	$ 204,491	$ 169,078	**$ 217,077**
Capital assets, net	1,544,909	1,551,007	**1,544,909**
Noncurrent assets	540,472	491,362	**468,270**
Total assets	2,231,673	2,211,447	**2,230,256**
Deferred outflows of resources	5,853	4,260	**20,245**
Total assets and deferred outflows of resources	2,237,526	2,215,707	**2,250,501**
Liabilities and Deferred Inflows of Resources			
Current liabilities	131,457	103,136	**136,975**
Long-term liabilities	1,355,160	1,334,816	**1,328,538**
Total liabilities	1,486,617	1,437,952	**1,465,513**
Deferred inflows of resources	8,168	1,807	**1,815**
Total liabilities and deferred inflows of resources	1,494,785	1,439,759	**1,467,328**
Net Position			
Net investment in capital assets	316,251	310,339	**263,952**
Restricted	215,968	214,533	**225,088**
Unrestricted	210,522	251,076	**294,133**
Total net position	$ 742,741	$ 775,948	**$ 783,173**

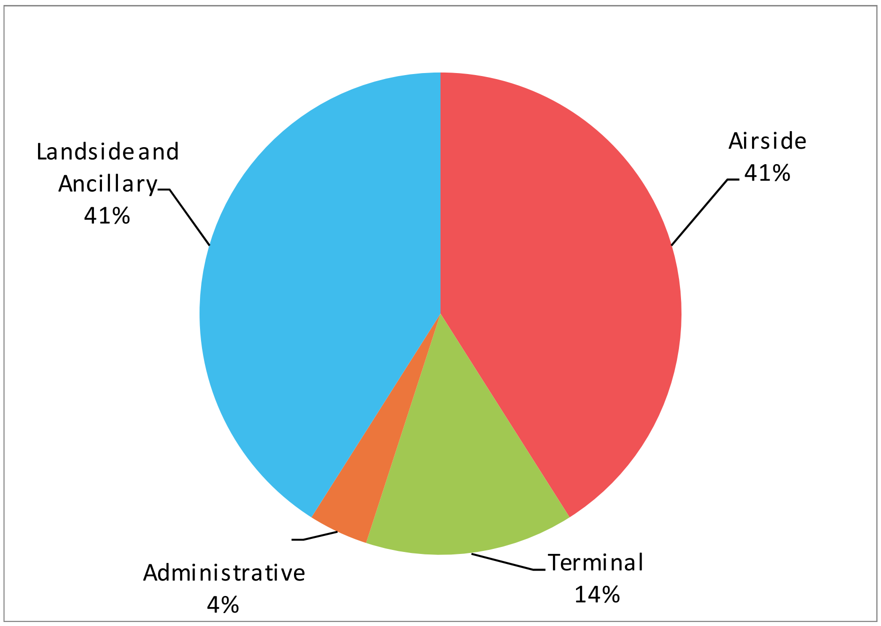
As of June 30, 2017, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $783.2 million. This reflects a $7.2 million increase in net position from June 30, 2016. The Airport Authority uses the capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, it is noted that the funds required to repay this debt must be provided annually from operations. The unrestricted net position of $294.1 million as of June 30, 2017, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2017, 2016 and 2015, management has designated unrestricted funds in the amount of $25.8 million, $31.3 million, $22.6 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

Capital Improvement Program (CIP)

The Capital Improvement Program is a rolling five-year program that provides critical improvements and asset additions. The program includes capital improvement projects that address federal security requirements, airfield security, environmental remediation, terminal upgrades and development. Funding sources for the projects include the Federal Aviation Administration's Airport Improvement Program, Transportation Security Agency grants, Passenger Facility Charges, Customer Facility Charges, airport operating revenues, airport revenue bonds, special facility bonds and short-term borrowing using commercial paper/revolving lines of credit.

The current CIP, which includes projects through 2022, consists of $424.3 million for airside projects, $422.0 million for landside and ancillary projects, $140.3 million for terminal projects, and $45.6 million for administrative projects. The current SDIA CIP does not include noise reduction and related projects.

Capital Improvement Program (CIP) Projects by Type



Additional information of the Airport Authority's capital assets can be found in Note 4 to the financial statements.

Capital Financing and Debt Management

On October 5, 2010, the Airport Authority issued $572.6 million of Subordinate Airport Revenue Bonds Series 2010 A, B and C (Series 2010 Bonds). The bonds are rated A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The Subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the Subordinate Series 2010 Bonds through and including January 1, 2013, refund $142.2 million of the Airport Authority's outstanding commercial paper notes, fund the subordinate bond reserve fund and pay the costs of issuance of the Subordinate Series 2010 Bonds.

The Series 2010 A and B bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series 2010 C Bonds were issued as Build America Bonds and include a cash subsidy payment from the U. S. Treasury; currently, 32.62 percent of interest payable. The interest rate on the Series 2010 C Bonds, net of subsidy, is 4.48 percent and the bonds mature in fiscal year 2041.

The Subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate trustee under the subordinate indenture. The Subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues on parity with the Airport Authority's subordinate commercial paper notes. As of June 30, 2017, the principal balance on the subordinate Series 2010 Bonds was $546.4 million.

On January 30 2013, the Airport Authority issued $379.6 million of Senior Airport Revenue Bonds Series 2013 A and B (Series 2013 Bonds). The Series 2013 Bonds are rated A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The Senior Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the senior Series 2013 Bonds through and including July 1, 2015, fund the senior reserve fund and pay the costs of issuance of the Senior Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2017, amounted to $18.35 million, including accrued interest of $9.2 million. The principal balance on the Series 2013 Bonds as of June 30, 2017 was $375.5 million.

The Senior Series 2013 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system (b) certain funds and accounts held by the senior trustee under the senior indenture.

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a reserve account with the bond trustee and to reserve certain amounts in the Airport Authority's books, as shown in Note 2.

On February 1, 2014, the Airport Authority issued $305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, fund deposits to the senior reserve fund, the rolling coverage fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent and mature in fiscal years 2019 to 2045. As of June 30, 2017, the principal balance on the Series 2014 Bonds was $305.3 million.

The Series 2014 Bonds are special limited obligations of the Airport Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, Customer Facility Charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the Customer Facility Charges and the Bond Funding Supplemental Consideration (as defined in the Indenture), are pledged to the payment of the Series 2014 Bonds.

On September 5, 2014, the Airport Authority replaced its commercial paper program with a $125,000,000 revolving line of credit, issued by US Bank, which was used to refund the outstanding Series B and Series C commercial paper balances. The revolving line of credit is a three year facility. As of June 30, 2017, the Airport Authority's outstanding debt under this agreement consists of $15.8 million of Series B (AMT) and $10.6 million Series C (taxable).

Subsequent to end of the fiscal year end, on August 3, 2017, the Airport Authority issued $291,210,000 of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund $32,550,000 of the Airport Authority's outstanding variable rate debt which was issued during 2017, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of $48,423,687, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year.

The revolving line of credit is payable solely from and secured by a pledge of subordinate net revenues. Subordinate net revenues are generally defined as all revenues and other cash receipts of the Airport Authority's airport operations remaining after Senior Lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture.

Additional information of the Airport Authority's long-term debt can be found in Note 5 to the financial statements.

The SDIA's PFC program was established in 1994, and currently authorizes the imposition of a $4.50 fee on enplaning passengers. There are currently four active applications which provide authority to impose and use PFC revenue through November 1, 2037.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately $24.7 million in grant awards for the federal fiscal year ended September 30, 2017, as compared to $500 thousand for 2016. Grant awards are recognized as nonoperating revenue or capital contributions as eligible expenses are incurred.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Airport Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Accounting Department, P.O. Box 82776, San Diego, CA 92138. The Accounting Department can also be reached at (619) 400-2807. A copy of the financial report is available at www.san.org.

Statements of Net Position
June 30, 2017 and 2016

Assets and Deferred Outflows of Resources	**2017**	2016
Current Assets		
Unrestricted:		
Cash and cash equivalents (*Note 2*)	**$ 10,743,557**	$ 16,244,182
Investments (*Notes 2 and 10*)	**97,353,685**	74,354,944
Tenant lease receivables, net	**9,321,940**	8,528,816
Grants receivable	**3,354,396**	7,623,419
Note receivable, current portion (*Note 3*)	**1,801,694**	1,705,491
Other current assets	**4,433,986**	3,392,579
Total unrestricted current assets	**127,009,258**	111,849,431
Restricted cash, cash equivalents and investments with trustees (*Notes 2 and 5*)	**64,297,770**	57,228,146
Total current assets	**191,307,028**	169,077,577
Noncurrent Assets		
Restricted assets (*Notes 2 and 5*):		
Restricted cash, cash equivalents and investments not with trustees	**175,907,551**	168,074,212
Restricted investments with trustees	**97,763,717**	127,070,127
Passenger facility charges receivable (*Note 1*)	**6,155,618**	4,497,657
Customer facility charges receivable (*Note 1*)	**3,717,575**	2,968,920
Other restricted assets	**2,791,385**	3,033,990
Total restricted assets	**286,335,846**	305,644,906
Other noncurrent assets:		
Investments, noncurrent (*Note 2*)	**148,319,754**	119,052,416
Note receivable, long-term portion (*Note 3*)	**33,242,085**	35,043,779
Cash and cash equivalents designated for specific capital projects and other commitments (*Notes 2 and 10*)	**25,792,246**	31,270,718
Workers' compensation security deposits	**349,943**	349,943
Total other noncurrent assets	**207,704,028**	185,716,856
Capital assets (*Note 4*):		
Land, land improvements and nondepreciable assets	**111,041,142**	109,974,224
Buildings and structures	**1,431,417,373**	1,415,691,585
Machinery and equipment	**98,289,644**	94,326,157
Runways, roads and parking lots	**626,871,756**	590,772,032
Construction in progress	**171,498,031**	152,703,001
	2,439,117,946	2,363,466,999
Less accumulated depreciation	**(894,209,246)**	(812,459,642)
Capital assets, net	**1,544,908,700**	1,551,007,357
Total noncurrent assets	**2,038,948,574**	2,042,369,119
Total assets	**2,230,255,602**	2,211,446,696
Deferred outflows of resources		
Deferred pension contributions (*Note 6*)	**5,197,849**	3,972,596
Deferred pension investment loss (*Note 6*)	**6,089,002**	-
Deferred pension change of assumptions (*Note 6*)	**8,728,242**	-
Deferred pension experience loss (*Note 6*)	**230,441**	288,051
Total deferred outflows of resources	**20,245,534**	4,260,647
Total assets and deferred outflows of resources	**$ 2,250,501,136**	$ 2,215,707,343

See Notes to Financial Statements.

Statements of Net Position
June 30, 2017 and 2016

Liabilities, Deferred Inflows of Resources and Net Position	**2017**	2016
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	**$ 7,195,303**	$ 9,643,474
Accrued liabilities	**29,254,589**	33,062,074
Compensated absences, current portion (*Note 5*)	**3,217,748**	2,833,970
Other current liabilities	**160,600**	92,887
Long-term debt, current portion (*Note 5*)	**298,449**	275,421
Total payable from unrestricted assets	**40,126,689**	45,907,826
Payable from restricted assets:		
Accounts payable	**1,135,312**	3,168,316
Accrued liabilities	**18,873,753**	10,016,026
Long-term debt, current portion (*Note 5*)	**11,585,000**	11,090,000
Accrued interest on bonds and commercial paper (*Note 5*)	**32,703,705**	32,953,804
Total payable from restricted assets	**64,297,770**	57,228,146
Total current liabilities	**104,424,459**	103,135,972
Long-Term Liabilities		
Compensated absences, net of current portion (*Note 5*)	**13,278**	528,143
Other noncurrent liabilities	**804,082**	827,143
Long-term debt, net of current portion (*Note 5*)	**1,342,159,363**	1,331,779,357
Net pension liability (*Note 6*)	**18,111,482**	1,680,759
Total long-term liabilities	**1,361,088,205**	1,334,815,402
Total liabilities	**1,465,512,664**	1,437,951,374
Deferred inflows of resources		
Deferred pension experience gains *(Note 6)*	**1,815,440**	-
Deferred pension investment gains *(Note 6)*	**-**	1,807,420
Total liabilities and deferred inflows of resources	**$ 1,467,328,104**	$ 1,439,758,794
Net Position		
Net investment in capital assets (*Note 1*)	**263,951,847**	310,339,489
Restricted:		
Debt Service	**83,274,140**	80,712,157
Construction	**121,177,898**	113,669,206
Operation and maintenance expenses	**13,844,912**	13,118,064
Small business bond guarantee	**4,000,000**	4,000,000
OCIP loss reserve	**2,791,385**	3,033,990
Total restricted net position	**225,088,335**	214,533,417
Unrestricted net position	**294,132,850**	251,075,643
Total net position	**$ 783,173,032**	$ 775,948,549

See Notes to Financial Statements.

Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Airline revenue:		
Landing fees	$ **24,612,412**	$ 23,984,793
Aircraft parking fees	**2,926,972**	2,701,219
Building rentals (*Note 11*)	**54,283,330**	51,273,320
Security surcharge	**29,468,089**	29,223,097
Other aviation revenue	**5,090,654**	5,022,809
Concession revenue	**61,255,811**	56,274,089
Parking and ground transportation revenue	**49,407,235**	48,105,641
Ground and non-airlilne terminal rentals (*Note 11*)	**20,053,031**	16,225,648
Other operating revenue	**1,749,405**	1,183,435
Total operating revenues	**248,846,939**	233,994,051
Operating expenses:		
Salaries and benefits (*Notes 6, 7 and 8*)	**46,873,859**	42,024,678
Contractual services (*Note 13*)	**44,927,419**	38,215,315
Safety and security	**28,421,603**	28,721,250
Space rental (*Note 12*)	**10,189,944**	10,367,148
Utilities	**10,735,957**	11,479,888
Maintenance	**14,269,953**	14,121,738
Equipment and systems	**501,897**	708,404
Materials and supplies	**650,706**	536,006
Insurance	**956,358**	949,491
Employee development and support	**1,392,564**	1,242,336
Business development	**2,351,124**	2,390,028
Equipment rentals and repairs	**2,454,148**	2,852,173
Total operating expenses before depreciation	**163,725,532**	153,608,455
Income from operations before depreciation	**85,121,407**	80,385,596
Depreciation expense	**95,229,026**	87,820,864
Operating loss	**(10,107,619)**	(7,435,268)

(Continued)

See Notes to Financial Statements.

Statements of Revenues, Expenses and Change in Net Position, Continued
June 30, 2017 and 2016

	2017	2016
Nonoperating revenues (expenses):		
Passenger facility charges	$ 42,199,763	$ 40,257,993
Customer facility charges	36,527,853	33,207,946
Quieter Home Program grant revenue (*Note 1*)	1,413,999	8,573,133
Quieter Home Program expenses (*Note 1*)	(2,198,744)	(12,270,742)
Joint Studies Program	-	(101,360)
Interest income	8,133,765	5,998,970
Interest expense (*Note 5*)	(58,178,865)	(50,635,027)
Build America Bonds subsidy (*Note 5*)	4,651,203	4,656,199
Other revenues (expenses), net	(17,120,558)	2,246,541
Nonoperating revenue, net	15,428,416	31,933,653
Income before federal grants	5,320,797	24,498,385
Federal grants (*Note 1*)	1,903,686	10,477,054
Change in net position	7,224,483	34,975,439
Net position, as previously reported*	775,948,549	742,740,318
Prior-period adjustment	-	(1,767,208)
Net position, beginning of year	775,948,549	740,973,110
Net position, end of year	$ 783,173,032	$ 775,948,549

See Notes to Financial Statements.

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Receipts from customers	**$ 247,823,092**	$ 233,448,605
Payments to suppliers	**(122,079,920)**	(108,629,115)
Payments to employees	**(49,487,337)**	(43,605,962)
Other receipts	**1,793,123**	10,801,571
Net cash provided by operating activities	**78,048,958**	92,015,099
Cash Flows From Noncapital Financing Activities		
Settlement receipts (payments)	**(2,350,067)**	377,167
Quieter Home Program grant receipts	**1,413,999**	5,784,088
Quieter Home Program payments	**(2,198,744)**	(12,270,742)
Joint Studies Program payments	**-**	(101,360)
Net cash used in noncapital financing activities	**(3,134,812)**	(6,210,847)
Cash Flows From Capital and Related Financing Activities		
Capital outlay	**(97,053,113)**	(190,233,095)
Proceeds on Build America Bonds subsidy	**4,651,203**	4,656,199
Proceeds from sale of capital assets	**-**	248,255
Proceeds from variable debt	**32,550,000**	-
Federal grants received (excluding Quieter Home Program)	**6,172,709**	16,552,478
Proceeds from passenger facility charges	**40,541,802**	42,064,330
Proceeds from customer facility charges	**35,779,198**	34,090,936
Payment of principal on bonds	**(17,223,000)**	(16,819,000)
Payment of capital lease	**(275,421)**	(254,258)
Interest and debt fees paid	**(62,605,537)**	(54,720,481)
Net cash used in capital and related financing activities	**(57,462,159)**	(164,414,636)
Cash Flows From Investing Activities		
Sales and maturities of investments	**106,870,324**	250,352,658
Purchases of investments	**(144,732,956)**	(162,296,751)
Interest received on investments and note receivable	**7,726,057**	5,998,970
Principal payments received on notes receivable	**1,705,491**	1,608,986
Net cash provided by (used in) investing activities	**(28,431,084)**	95,663,863
Net increase (decrease) in cash and cash equivalents	**(10,979,097)**	17,053,479
Cash and cash equivalents, beginning of year	**47,514,900**	30,461,421
Cash and cash equivalents, end of year	**$ 36,535,803**	$ 47,514,900

(Continued)

See Notes to Financial Statements.

Statements of Cash Flows, Continued
Years Ended June 30, 2017 and 2016

		2017		2016
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position				
Unrestricted cash and cash equivalents	**$**	**10,743,557**	$	16,244,182
Cash and cash equivalents designated for specific capital projects and other commitments		**25,792,246**		31,270,718
Total cash and cash equivalents	**$**	**36,535,803**	$	47,514,900
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities				
Operating loss	**$**	**(10,107,619)**	$	(7,435,268)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation expense		**95,229,030**		87,820,864
Change in pension expense		**453,856**		(1,503,558)
Changes in assets and liabilities:				
Tenant lease receivables		**(793,124)**		633,506
Other assets		**(391,094)**		1,833,936
Accounts payable		**(2,448,171)**		159,929
Accrued liabilities		**(3,807,485)**		9,465,402
Compensated absences		**(131,087)**		185,602
Other liabilities		**44,652**		854,686
Net cash provided by operating activities	**$**	**78,048,958**	$	92,015,099
Supplemental Disclosure of Noncash Investing, Capital and Financing Activities				
Additions to capital assets included in accounts payable	**$**	**20,009,065**	$	13,184,342

See Notes to Financial Statements.

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Note 1. Nature of Organization and Summary of Significant Accounting Policies

Reporting entity: The San Diego County Regional Airport Authority (the Airport Authority), an autonomous public agency, was established in accordance with, Assembly Bill 93 (2001), as modified by Senate Bill 1896 (2002), which together comprise the San Diego County Regional Airport Authority Act (the Act). The Act required, among other things, the transfer of the assets and operations of the San Diego International Airport (SDIA) from the San Diego Unified Port District (the District) to the Airport Authority. Effective January 1, 2003 (inception), the District transferred all airport operations and certain related assets and liabilities to the Airport Authority, pursuant to the Act and the Memorandum of Understanding (MOU) dated as of December 31, 2002, between the Airport Authority and the District, which implemented the Act.

Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was effective January 1, 2008. Responsibilities of the Airport Authority include, among other things, the operation, maintenance, development, management and regulation of SDIA and its facilities. In addition, the Airport Authority has the responsibility to plan or to expand the existing SDIA. Under one of the requirements of SB 10, the Airport Authority completed a Regional Aviation Strategic Plan and the Airport Authority prepared and adopted an Airport Multimodal Accessibility Plan. In addition, the Airport Authority acts as the Airport Land Use Commission within San Diego County.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements should include all organizations, agencies, boards, commissions and authorities for which the Airport Authority is financially accountable. The Airport Authority has also considered all other potential organizations for which the nature and significance of their relationships with the Airport Authority are such that exclusion would cause the Airport Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

The Airport Authority is governed by a nine-member, appointed Board of Directors (Board), representing all areas of San Diego County and three additional members serving as non-voting, ex-officio Board members. Three Board members are appointed by the Mayor of the City of San Diego (the City). Two Board members are appointed by the San Diego County Board of Supervisors. The remaining four Board members are each appointed by the Mayors of the following defined jurisdictions: the east county cities, south county cities, north coastal area cities and north county inland cities. The Board members serve three year terms in accordance with California SB 10.

Measurement focus and basis of accounting: The accounting policies of the Airport Authority conform to accounting principles generally accepted in the United States of America applicable to state and local government agencies, and as such, the Airport Authority is accounted for as a proprietary fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of the change in Airport Authority net position.

Use of estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, as well as the 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 could differ from those estimates.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of the statements of cash flows, cash and cash equivalents includes unrestricted (including designated) cash on hand, demand deposits and investment securities with original maturities of three months or less from the date of acquisition.

Investments: Investments in the state and county investment pools are recorded at fair value based upon the Airport Authority's pro rata share of the fair value provided by the state and county investment pools for the entire respective pool. All other investments are stated at market value based on quoted market prices.

Tenant lease receivables: Tenant lease receivables are carried at the original invoice amount for fixed-rent tenants and at estimated invoice amount for concession (variable) tenants, less an estimate made for doubtful receivables for both fixed-rent and concession tenants. Management determines the allowance for doubtful accounts by evaluating individual tenant receivables and considering a tenant's financial condition and credit history and current economic conditions. Tenant lease receivables are written off when deemed uncollectible. Recoveries of tenant lease receivables previously written off are recorded when received.

Federal grants: Outlays for airport capital improvements and certain airport nonoperating expenses, primarily those relating to the Airport Authority's Quieter Home Program, are subject to reimbursement from federal grant programs. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

Airport Improvement Program (AIP): AIP grants are authorized and disbursed by the FAA under the Airway Improvement Act of 1982, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. As of June 30, 2017 and 2016, the Airport Authority recovered $1,903,686 and $10,477,054, respectively, for approved capital projects and $1,413,999 and $8,573,133 respectively, for the Quieter Home Program. Related recoverable costs as of June 30, 2017 and 2016 were $2,443,112 and $10,454,351 respectively, for capital projects and $1,767,499 and $12,270,742, respectively, for the Quieter Home Program.

Passenger facility charges (PFC): The PFC program is authorized by the Aviation Safety and Capacity Expansion Act of 1990 (the Expansion Act). In accordance with the Expansion Act, the Airport Authority's AIP Passenger Entitlement Apportionment is reduced by certain percentages, dependent upon the level of PFC received by the Airport Authority.

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2017 and 2016, accrued PFC receivables totaled $6,155,618 and $4,497,657, respectively, and there were $73,311,046 and $73,279,889 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2017 and 2016, respectively.

On May 20, 2003, the FAA approved an increase in the Airport Authority's PFC charge per enplaned passenger from $3.00 to $4.50, beginning August 1, 2003. Currently, there are four active applications that allow the Airport Authority to impose and use $1.2 billion in PFC revenue through November 1, 2037. The Airport Authority has formally closed five previously approved applications and withdrawn one pending application which has been integrated in a ninth application to impose and use approximately $32 million in PFC revenue. The latest application was approved by the FAA in October 2016 providing collection authority with a charge effective date through November 2037. In accordance with the Aviation Investment Reform Act (AIR-21), airports imposing a $4.50 collection level are required to reduce AIP Passenger Entitlement Apportionment to 75 percent.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Customer facility charges (CFC): The Airport Authority received approval in May 2009 from the State of California under Section 1936 of the California Civil Code to impose a $10.00 CFC per contract on rental cars at SDIA.

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects. Effective January 1, 2017, the CFC rate went from $7.50 to $9.00 per day for a maximum of five days. As of June 30, 2017 and 2016, accrued CFC receivables totaled $3,717,575 and $2,968,920, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2017 and 2016, were $37,830,593 and $32,922,068, respectively.

Deferred Outflows/Inflows of Resources: In addition to assets and liabilities, the statement of net position may report a separate section for deferred outflows of resources and deferred inflows of resources, respectively. These separate financial statement elements represent the consumption or addition to net position that applies to a future period(s) and as such will not be recognized as flows of resources (expenses/revenues) until then.

- Employer Contributions – Pensions – These contributions are those made after the measurement date through the fiscal year end (July 1st – June 30th) resulting in a cash outlay not yet recognized under GASB 68. This amount is deferred and recognized in the following fiscal year. This item is presented as a deferred outflow of resources.

- Investment difference – Pensions – These amounts represent the difference in projected and actual earnings on pension plan assets. These differences are deferred and amortized over a closed five-year period. This item can be presented as both a deferred outflow and deferred inflow of resources and is combined annually as a single net unamortized balance.

- Experience difference – Pensions – These amounts represent the difference in expected and actual pension experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

- Assumption changes – Pensions – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension liability. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

Capital assets: Capital assets are recorded at cost, except for capital assets contributed by third parties, which are recorded at acquisition value as of the date of acquisition. The Airport Authority capitalizes incremental overhead costs and interest cost associated with the construction of capital assets. Capital assets are defined by the Airport Authority as assets with an initial, individual cost of more than $5,000 and an initial useful life of one year or greater.

The Airport Authority recognizes lessee-financed improvements as capital assets based upon the asset's estimated value at the time the asset reverts to the Airport Authority.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Depreciation is computed by use of the straight-line method over the following estimated useful lives:

Asset Category	Useful Life (Years)
Land improvements	30-40
Runways, roadways and parking lots	
Lighting, security and minor improvements	3-10
Airfield and parking lots and improvements	12-25
Drainage systems, gas lines, pedestrian bridges	30
Roadways, bridges and infrastructure	40-50
Buildings and structures	
Passenger loading bridges, security systems, general upgrades and remodels	3-10
Baggage handling systems, HVAC, structural improvements, fuel and storage facility	12-20
Buildings and smart curb improvements	25-50
Machinery and equipment	
Vehicles and emergency vehicles	3-15
Office furniture and equipment	3-10
Communication and electronic systems	3-20
Works of art	15-30

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred. Major outlays for capital assets and improvements are capitalized as construction in progress as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the fiscal years ended June 30, 2017 and 2016, the Airport Authority capitalized interest of $4,774,693 and $12,387,044, respectively.

Capital asset impairment: The Airport Authority's capital assets include property, equipment and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Airport Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Common indicators of impairment include evidence of physical damage where restoration efforts are needed to restore service utility, enactment or approval of laws or regulations setting standards that the capital asset would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset or construction stoppage. The Airport Authority reports the effects of capital asset impairments in its financial statements when they occur and accounts for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairments of capital assets currently exist.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Retentions payable: The Airport Authority enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Airport Authority. The Airport Authority's policy is to record the retention payable only after completion of the work and acceptance of the contractor invoices have occurred. Retentions payable on completed contracts are included with accounts payable on the accompanying statements of net position. Amounts related to unpaid retentions on uncompleted contracts are included in accrued liabilities.

Compensated absences: All employees of the Airport Authority earn annual leave that is paid upon termination or retirement. Annual leave is accrued at current rates of compensation and based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Bond discounts, premiums and issuance costs: Bond discounts and premiums are deferred and amortized over the term of the respective bonds using the effective interest method. Bond issuance costs are expensed as incurred.

Airport Authority net position: Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

Restricted net position represents amounts that are appropriated or legally segregated for a specific purpose. The Airport Authority's net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Airport Authority or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Unrestricted net position as of June 30, 2017 and 2016 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2017	2016
Operating contingency	$ 2,000,000	$ 2,000,000
Insurance contingency	9,531,966	8,813,970
Capital projects and other commitments	14,260,280	20,456,748
Total designated net position	$ 25,792,246	$ 31,270,718

When both restricted and unrestricted resources are available for use, it is the Airport Authority's policy to use restricted resources first and then unrestricted resources as they are needed.

Revenue and expense recognition: Revenues from airlines, concessionaires, lessees and parking are reported as operating revenues. Operating expenses include the cost of administering the airport system, including depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Concentrations: A significant portion of the Airport Authority's earnings and revenues are directly or indirectly attributed to the activity of a number of major airlines. The Airport Authority's earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the Airport Authority be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers.

The four largest airlines in terms of enplaned passengers are as follows:

	2017	2016
Southwest Airlines	**37.4%**	37.6%
American Airlines	**12.6%**	13.4%
United Airlines	**11.9%**	11.4%
Delta	**10.3%**	10.4%

Defined Benefit Pension Plan: The Airport Authority has a single-employer defined benefit pension plan (Plan) administered through San Diego City Employee Retirement System (SDCERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications: Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. The reclassifications had no effect on the changes in financial position.

Pronouncements issued but not yet adopted: GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Airport Authority:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the Airport Authority's year ending June 30, 2018.

Pronouncements adopted: The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2017:

- GASB Statement No. 82, *Pension Issues –an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the Airport Authority's year ending June 30, 2017.

The implementation of Statement No. 82 resulted in a restatement of beginning net position as of July 1, 2016, which is the beginning of the earliest period presented. This restatement reclassifies a portion of amounts previously classified as deferred outflows of resources for employer contributions to retirement expense. Based on application of this statement, member contributions paid by the employer should be recorded similar to salaries or fringe benefits in the period paid. Adjustments to beginning net position for the adoption of this statement follow:

Net position, July 1, 2016	1,767,208	
Deferred pension contributions		1,724,510
Retirement expense		42,698

Note 2. Cash, Cash Equivalents and Investments

Summary of Cash, cash equivalents and investments: Cash, cash equivalents and investments are reported in the accompanying statements of net position as follows at June 30:

	2017	2016
Unrestricted and Undesignated:		
Cash and cash equivalents	$ 10,743,557	$ 16,244,182
Current investments	97,353,685	74,354,944
Noncurrent investments	148,319,754	119,052,416
Total unrestricted and undesignated	256,416,996	209,651,542
Designated for specific capital projects and other commitments: cash and cash equivalents	25,792,246	31,270,718
Restricted:		
Current cash, cash equivalents and investments, with trustees	90,068,047	57,228,146
Noncurrent cash, cash equivalents and investments, not with trustees	175,907,551	168,074,212
Noncurrent investments, with trustees	71,993,440	127,070,127
Total restricted cash, cash equivalents and investments	337,969,038	352,372,485
Total cash, cash equivalents and investments	$ 620,178,280	$ 593,294,745

The components of restricted cash, cash equivalents and investments at June 30, are summarized below:

	2017	2016
Restricted cash, cash equivalents and investments:		
Bond reserves:		
Operation and maintenance reserve subaccount	$ 41,534,736	$ 39,354,191
Operation and maintenance subaccount	13,844,912	13,118,064
Renewal and replacement account	5,400,000	5,400,000
Total bonds reserves	60,779,648	57,872,255
Passenger facility charges unapplied	73,311,497	73,279,889
Customer facility charges unapplied	37,830,593	32,922,068
Customer facility charges unapplied	-	672
Small business development bond guarantee	4,000,000	4,000,000
Revolving Line of credit Construction Fund	162,616	-
2010 Series debt service reserve fund	51,512,762	51,351,322
2010 Series debt service account	25,001,407	24,660,324
2013 Series construction fund	1,720,948	13,037,611
2013 Series debt service reserve fund	33,322,247	33,460,392
2013 Series debt service account	11,338,002	11,297,645
2014 Series construction fund	37,044	13,582,767
2014 Series debt service reserve fund	22,180,178	22,170,728
2014 Series capital interest account	-	8,087,171
2014 Series debt service account	8,153,925	-
2014 Series rolling coverage fund	6,718,716	6,649,641
2014 Series renew and replace	1,899,455	-
Total restricted cash, cash equivalents and investments	$ 337,969,038	$ 352,372,485

Note 2. Cash, Cash Equivalents and Investments (Continued)

Investments authorized in accordance with California Government Code Section 53601 and under the provisions of the Airport Authority's investment policy: The table that follows identifies the investment types that are authorized by the Airport Authority's investment policy and State Government Code. The table also identifies certain provisions of the Airport Authority's investment policy that address interest rate risk, credit risk and concentration of credit risk.

This table does not address investments of bond proceeds held by the bond trustee that are governed by provisions of debt agreements of the Airport Authority, in addition to the general provisions of the Airport Authority's investment policy and State Government Code.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	N/A	None	None
U.S. agency securities	5 years	N/A	None	None
Supranationals	5 years	AA	30 percent	None
Bankers' acceptances	180 days	AAA/Aaa	40 percent	10 percent
Commercial paper	270 days	A-1; P-1; F-1	25 percent	10 percent
Negotiable certificates of deposit	5 years	A	30 percent	10 percent
Medium-term notes	5 years	A	15 percent	10 percent
Money market mutual funds	N/A	AAA/Aaa	20 percent	10 percent
Repurchase agreements	1 year	A	None	None
Local Agency Investment Fund	N/A	N/A	None	$65 million
San Diego County Investment Pool	N/A	N/A	None	$65 million
Local Government Investment Pool	N/A	N/A	None	$65 million
U.S. State and California agency indebtedness	5 years	A	20 percent	5 percent
Placement service certificates of deposits	3 years	N/A	30 percent	10 percent
Time certificates of deposit	3 years	*	20 percent	10 percent
Bank deposits	N/A	*	None	None

* Financial institution must have at least an overall satisfactory rating under the Community Reinvestment Act for meeting the credit needs of California communities in its most recent evaluation. Collateralization required per Cal. Gov. Code Section 53630 et seq.

Investment in state investment pools: The Airport Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Airport Authority's investments in this pool are reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of each portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

Investment in county investment pool: The Airport Authority is a voluntary participant in the San Diego County Investment Pool (SDCIP) that is regulated by California Government Code Section 16429 under the oversight of the County Treasurer of San Diego. The Airport Authority's investments in this pool are reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by SDCIP for the entire SDCIP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by SDCIP.

Note 2. Cash, Cash Equivalents and Investments (Continued)

Investments authorized by debt agreements: Investments held by the bond trustee are governed by the provisions of the debt agreement, in addition to the general provisions of the California Government Code and the Airport Authority's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee, according to the Master Trust Indenture. In the event of a conflict between the Airport Authority's investment policy and permitted investments associated with any Airport Authority debt issuance, the debt agreement shall control. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	None	N/A	None	None
U.S. agency securities	None	N/A	None	None
State Obligations	None	AAA/Aaa	None	None
Commercial paper	None	A-1; P-1; F-1	None	None
Negotiable certificates of deposit	None	AAA/Aaa	None	None
Long term and Medium-term notes	None	Two highest ratings	None	None
Money market mutual funds	None	Two highest ratings	None	None
Municipal bonds	None	Two highest ratings	None	None
Repurchase agreements	None	BBB*	None	None
Investment agreements	None	N/A	None	None
Local Agency Investment Fund	None	N/A	None	None
San Diego County Investment Pool	None	N/A	None	None
Deposit accounts	None	N/A	None	None
Any other investment which is a permitted investment of the Authority in accordance with the laws of the State.				

*Investment requires collateralization

The primary objective of the Airport Authority's investment policy is to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Airport Authority. Assets of the Airport Authority that are not bond proceeds, which are invested in securities as permitted in the bond indenture, are described in the preceding table. In addition, there are various credit criteria as defined in the Airport Authority's investment policy as depicted in the previous section entitled "Investments authorizes in accordance with California Government Code Section 53601 and under the provisions of the Airport Authority's investment policy."

Investments held by Trustee: The Airport Authority has monies held by trustees pledged for the security and payment of certain debt instruments, the payment of bond interest during construction and the payment of capital project costs.

Disclosures related to interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater fair value sensitivity to changes in market interest rates. One of the ways the Airport Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities. These staggered maturities also provide consistent cash flow and fulfill liquidity needs for operations. The Airport Authority monitors interest rate risk inherent in its portfolio by measuring the segmented time distribution of its portfolio. The Airport Authority has no specific limitations with respect to this metric.

Note 2. Cash, Cash Equivalents and Investments (Continued)

Custodial credit risk (deposits): Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Airport Authority maintains deposits at several institutions in order to minimize custodial credit risk. These deposits are collateralized by various instruments such as U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). California Government Code requires that a financial institution secure deposits made by a state or local government by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Airport Authority deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured deposits.

Insurance through the Federal Deposit Insurance Corporation (FDIC) may be applicable to the first $250,000 of institutional deposit accounts, with any balance above this amount covered by the collateralization requirement. Certificates of deposit held by the Airport Authority's third-party custodians are fully insured by the FDIC, as the individual amounts do not exceed the FDIC-insured limits, or are collateralized in accordance with the California Government Code.

Custodial credit risk (investments): Custodial credit risk for investments is the risk that the Airport Authority will not be able to recover the value of its investments in the event of a counterparty failure. The Airport Authority uses third-party banks' custody and safekeeping services for its registered investment securities. Securities are held in custody at third-party banks registered in the name of the Airport Authority and are segregated from securities owned by those institutions or held in custody by those institutions.

Disclosures related to credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. California Government Code Section 53601 (as referenced previously in this note) limits the types of investment instruments that may be purchased by the Airport Authority.

Note 2. Cash, Cash Equivalents and Investments (Continued)

The maturity ranges and credit ratings for the Airport Authority's investment securities as of June 30, are presented in the following tables:

	2017				
		Investment Maturities (in Years)			
Investment Type	**Total**	**0 - 1**	**1 - 2**	**2 - 5**	**Ratings**
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	$ 85,201,348	$ 9,973,800	$ 49,865,262	$ 25,362,286	AAA (1)
U.S. agency securities	109,436,513	4,438,252	41,168,904	63,829,357	AAA (1)
Supranationals	5,982,120	-	2,968,080	3,014,040	AAA (1)
Commercial paper	8,485,280	8,485,280	-	-	A-1+/P-1
Negotiable certicates of deposit	46,592,680	25,528,280	21,064,400	-	A-1+/P-1
Medium-term notes	22,457,198	10,443,358	7,497,765	4,516,075	AA
	17,107,339	1,501,860	7,603,761	8,001,718	A
Money market mutual funds	630,996	630,996	-	-	AAA (1)
Local Agency Investment Fund	48,182,813	48,182,813	-	-	Unrated
San Diego County Investment Pool	157,252,092	157,252,092	-	-	AAA (1)
CalTrust Fund	15,297,173	15,297,173	-	-	AAA (1)
Total investments subject to credit and interest rate risk:	516,625,552	281,733,904	130,168,172	104,723,476	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	15,413,828				
Total Investments	$532,039,380				

	2016				
		Investment Maturities (in Years)			
Investment Type	**Total**	**0 - 1**	**1 - 2**	**2 - 5**	**Ratings**
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	$ 95,094,109	$ -	$ 47,437,150	$ 47,656,959	AAA (1)
U.S. agency securities	50,679,745	-	21,004,503	29,675,242	AAA (1)
Supranationals	3,010,290	-	-	3,010,290	AAA (1)
Commercial paper	13,942,250	13,942,250	-	-	A-1+/P-1
Negotiable certicates of deposit	3,999,640	3,999,640	-	-	A-1+/P-1
	21,013,400	4,000,000	17,013,400	-	AA
	17,500,000	9,000,000	8,500,000	-	A
Medium-term notes	25,955,952	800,272	19,057,880	6,097,800	AA
	12,742,165	-	5,039,500	7,702,665	A
Money market mutual funds	40,427,839	40,427,839	-	-	AAA (1)
Local Agency Investment Fund	47,906,365	47,906,365	-	-	Unrated
San Diego County Investment Pool	172,695,968	172,695,968	-	-	AAA (1)
CalTrust Fund	15,177,301	15,177,301	-	-	AAA (1)
Total investments subject to credit and interest rate risk:	520,145,024	307,949,635	118,052,433	94,142,956	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	36,247,049				
Total Investments	$556,392,073				

Ratings per Standard and Poor's, Moody's and Fitch.

(1) Includes investments that have split ratings betw een S&P (AA+), Moodys (AAA) and Fitch (AAA)

Note 2. Cash, Cash Equivalents and Investments (Continued)

Concentration of credit risk: The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated in the table provided earlier in this note. The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2017 and 2016.

Foreign currency risk: The Airport Authority's investment policy does not allow investments in foreign securities.

Note 3. Note Receivable

As part of the transfer of airport operations from the District to the Airport Authority, and pursuant to the associated MOU, the District issued a $50,000,000 unsecured promissory note to the Airport Authority. According to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years, maturing on December 31, 2030. The note is subordinate to all bond indebtedness of the District and carries a fixed interest rate of 5.5 percent per annum. At June 30, 2017 and 2016, the balance of the note receivable was $35,043,779 and $36,749,270, respectively.

The required principal payments owed from the District for note receivable for the fiscal years ending June 30 are as follows:

Years Ending June 30,	Amount
2018	$ 1,801,694
2019	1,903,323
2020	2,006,052
2021	2,123,843
2022	2,243,644
2023-2027	13,261,730
2028-2031	11,703,493
	$ 35,043,779

Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2017 and 2016 are as follows:

	Balance at June 30, 2016	Increases	Decreases	**Balance at June 30, 2017**
Nondepreciable assets:				
Land	$ 22,167,595			**$ 22,167,595**
Construction in progress	152,703,001	100,687,513	(81,892,482)	**171,498,032**
Intangible asset	440,000			**440,000**
Total nondepreciable assets	175,310,596	100,687,513	(81,892,482)	**194,105,627**
Depreciable assets:				
Land improvements	87,806,629	1,066,918		**88,873,547**
Buildings and structures (1)	1,415,251,585	38,732,334	(23,006,546)	**1,430,977,373**
Machinery and equipment (2)	94,326,157	3,963,486		**98,289,643**
Runw ays, roads and parking lots	590,772,032	41,343,092	(5,243,368)	**626,871,756**
Total capital assets being depreciated	2,188,156,403	85,105,830	(28,249,914)	**2,245,012,319**
Less accumulated depreciation for:				
Land improvements	(9,315,258)	(4,279,999)		**(13,595,257)**
Building and structures	(492,481,777)	(63,647,619)	8,476,841	**(547,652,555)**
Machinery and equipment	(49,619,914)	(6,772,742)		**(56,392,656)**
Runw ays, roads and parking lots	(261,042,693)	(20,528,667)	5,002,582	**(276,568,778)**
Total accumulated depreciation	(812,459,642)	(95,229,026)	13,479,423	**(894,209,246)**
Total capital assets being depreciated, net	1,375,696,761	(10,123,196)	(14,770,492)	**1,350,803,073**
Capital assets, net	$ 1,551,007,357	$ 90,564,317	$ (96,662,974)	**$ 1,544,908,700**

(1) Includes capitalized lease of building w ith a net present value of future lease payments of $7,237,033

(2) Includes capitalized leases of office equipment w ith a net present value of future lease payments of $205,281

Note 4. Capital Assets (Continued)

	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
Nondepreciable assets:				
Land	$ 22,415,850	$ -	$ (248,255)	$ 22,167,595
Construction in progress	387,054,944	150,231,346	(384,583,289)	152,703,001
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	409,910,794	150,231,346	(384,831,544)	175,310,596
Depreciable assets:				
Land improvements	50,147,668	37,658,961	-	87,806,629
Buildings and structures (1)	1,115,012,539	307,002,484	(6,763,438)	1,415,251,585
Machinery and equipment (2)	53,700,294	41,027,046	(401,183)	94,326,157
Runw ays, roads and parking lots	590,459,084	1,252,586	(939,638)	590,772,032
Total capital assets being depreciated	1,809,319,585	386,941,077	(8,104,259)	2,188,156,403
Less accumulated depreciation for:				
Land improvements	(6,249,662)	(3,065,596)	-	(9,315,258)
Building and structures	(441,622,939)	(57,470,295)	6,611,457	(492,481,777)
Machinery and equipment	(44,701,987)	(5,327,455)	409,528	(49,619,914)
Runw ays, roads and parking lots	(239,946,253)	(21,957,518)	861,078	(261,042,693)
Total accumulated depreciation	(732,520,841)	(87,820,864)	7,882,063	(812,459,642)
Total capital assets being depreciated, net	1,076,798,744	299,120,213	(222,196)	1,375,696,761
Capital assets, net	$ 1,486,709,538	$ 449,351,559	$ (385,053,740)	$ 1,551,007,357

(1) Includes capitalized lease of building w ith a net present value of future lease payments of $7,442,013

(2) Includes capitalized leases of office equipment w ith a net present value of future lease payments of $275,723

Note 5. Long-Term Liabilities

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2017 and 2016:

	Balance at June 30, 2016	Additions /New Issuances	Reductions/ Repayments	**Balance at June 30, 2017**	Due Within One Year
Variable Rate Debt					
Series A tax-exempt	$ -	$ 32,550,000	$ -	**$ 32,550,000**	$ -
Series B tax-exempt	16,884,000	-	(1,035,000)	**15,849,000**	-
Series C taxable	15,697,000		(5,098,000)	**10,599,000**	-
Total variable rate debt	32,581,000	32,550,000	(6,133,000)	**58,998,000**	-
Bonds payable:					
Series 2010 Bonds	555,420,000	-	(9,000,000)	**546,420,000**	9,430,000
Series 2013 Bonds	377,555,000	-	(2,090,000)	**375,465,000**	2,155,000
Series 2014 Bonds	305,285,000	-	-	**305,285,000**	-
Bond premiums	64,586,043	-	(4,153,545)	**60,432,498**	-
Total bonds payable	1,302,846,043	-	(15,243,545)	**1,287,602,498**	11,585,000
Capital leases	7,717,734	-	(275,420)	**7,442,314**	298,449
Total capital leases	1,343,144,777	32,550,000	(21,651,965)	**1,354,042,812**	11,883,449
Other liabilities					
Compensated absences	3,362,113	3,086,661	(3,217,748)	**3,231,026**	3,217,748
Net pension liability	1,680,759	27,275,582	(10,844,859)	**18,111,482**	-
Total other liabilities	5,042,872	30,362,243	(14,062,607)	**21,342,508**	3,217,748
Total long-term liabilities	$ 1,348,187,649	$ 62,912,243	$ (35,714,572)	**$ 1,375,385,320**	$ 15,101,197

	Balance at June 30, 2015	Additions /New Issuances	Reductions/ Repayments	Balance at June 30, 2016	Due Within One Year
Variable Rate Debt					
Series B tax-exempt	$ 17,909,000	$ -	$ (1,025,000)	$ 16,884,000	$ -
Series C taxable	20,796,000		(5,099,000)	15,697,000	-
Total variable rate debt	38,705,000	-	(6,124,000)	32,581,000	-
Bonds payable:					
Series 2010 Bonds	564,085,000	-	(8,665,000)	555,420,000	9,000,000
Series 2013 Bonds	379,585,000	-	(2,030,000)	377,555,000	2,090,000
Series 2014 Bonds	305,285,000	-	-	305,285,000	-
Bond premiums	68,829,291	-	(4,243,248)	64,586,043	-
Total bonds payable	1,317,784,291	-	(14,938,248)	1,302,846,043	11,090,000
Capital Leases	7,971,993	-	(254,259)	7,717,734	275,421
Total capital leases	1,364,461,284	-	(21,316,507)	1,343,144,777	11,365,421
Other liabilities					
Compensated absences	3,176,511	3,019,571	(2,833,969)	3,362,113	2,833,970
Net Pension Liability	(3,351,341)	16,160,068	(11,127,968)	1,680,759	-
Total other liabilities	(174,830)	19,179,639	(13,961,937)	5,042,872	2,833,970
Total long-term liabilities	$ 1,364,286,454	$ 19,179,639	$ (35,278,444)	$ 1,348,187,649	$ 14,199,391

Note 5. Long-Term Liabilities (Continued)

Senior Lien Airport Revenue Bonds, Series 2005 and Refunded Series 1995: The California Maritime Infrastructure Authority issued $76,690,000 of Airport Revenue Bonds (Series 1995 Bonds) for the District, pursuant to a trust agreement dated December 1, 1995. The proceeds of the Series 1995 Bonds, together with investment income thereon, were used solely to pay a portion of the construction and installation of the West Terminal Expansion at SDIA, fund a Reserve Account and pay certain expenses in connection with the issuance of the Series 1995 Bonds. In conjunction with the transfer of airport operations to the Airport Authority on January 1, 2003, these bond obligations were assumed by the Airport Authority.

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2017 and 2016, the amount held in escrow by the trustee was $20,603,125 and $25,668,549, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was $18,985,000 and $23,145,000, respectively.

Senior Lien Airport Revenue Bonds, Series 2013: On January 30, 2013, the Airport Authority issued $379,585,000 of Series A and B Senior Airport Revenue Bonds (Series 2013 Bonds). The Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the Series 2013 Bonds through and including July 1, 2015, fund the senior reserve fund and pay the costs of issuance of the Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55,934,101, which is being amortized over the life of the bonds. Interest on the senior Series 2013 Bonds is payable semiannually on January 1 and July 1, of each year. Interest for the fiscal years ended June 30, 2017 and 2016, was $18,349,950 and $18,414,600, respectively, including accrued interest of $9,174,975 and $9,207,300 for fiscal years ending June 30, 2017 and 2016, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2017 and 2016, was $375,465,000 and $377,555,000, respectively.

The senior Series 2013 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system (b) certain funds and accounts held by the senior trustee under the senior indenture.

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2017 and 2016, the amount held by the trustee was $46,381,196 and $57,795,652, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund and capitalized interest funds. The total additional amounts reserved by the Airport Authority for fiscal years 2017 and 2016 was $60,779,648 and $57,782,255, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2017, are A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

Note 5. Long-Term Liabilities (Continued)

The required debt service payments for the Series 2013 Bonds for the fiscal years ending June 30, are as follows:

Years Ending June 30,	Principal	Interest	Total
2018	$ 2,155,000	$ 18,306,850	$ 20,461,850
2019	2,240,000	18,218,950	20,458,950
2020	2,320,000	18,127,750	20,447,750
2021	7,925,000	17,883,225	25,808,225
2022	8,315,000	17,477,225	25,792,225
2023-2027	48,240,000	80,552,500	128,792,500
2028-2032	51,890,000	67,536,775	119,426,775
2033-2037	28,990,000	58,678,000	87,668,000
2038-2042	97,485,000	47,728,375	145,213,375
2043-2045	125,905,000	6,220,125	132,125,125
	$ 375,465,000	$ 350,729,775	$ 726,194,775

Subordinate Lien Series 2010 Bonds: On October 5, 2010, the Airport Authority issued $572,565,000 of Series A, B and C Subordinate Airport Revenue Bonds (Series 2010 Bonds). The subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the subordinate Series 2010 Bonds through and including January 1, 2013, refund $142,176,000 of the Airport Authority's then outstanding commercial paper notes, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2010 Bonds.

The Series 2010 A and 2010 B Bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series 2010 C Bonds were issued as taxable Build America Bonds (BAB), which benefit from periodic cash subsidy payments from the U.S. Treasury, originally equal to 35 percent of interest payable on such bonds. As a result of the automatic spending cuts imposed under the Budget Control Act of 2011, the Airport Authority's BAB subsidies were reduced by 7.2 percent (the BAB Sequester) from October 2013 through September 2014 and 7.3 percent from October 2014 through September 2015. Due to the continued extension of the BAB Sequester, BAB subsidies for the remainder of fiscal year 2016 were reduced by 6.8 percent and such reduction will remain in place through September 2016. The BAB interest subsidies received by the Airport Authority for fiscal years ended June 30, 2017 and 2016, amounted to $4,651,203 and $4,656,199, respectively. The interest rate on the Series 2010 C Bonds, net of the subsidy, is 4.47 percent and the bonds mature in fiscal year 2041. The bonds were issued at a premium of $26,154,344, which is being amortized over the life of the bonds. Interest on the subordinate Series 2010 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2017 and 2016, amounted to $30,716,248 and $31,151,799, respectively, including accrued interest of $15,358,125 and $15,575,899, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2017 and 2016 was $546,420,000 and $555,420,000, respectively.

The subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and

Note 5. Long-Term Liabilities (Continued)

accounts held by the subordinate trustee under the subordinate indenture. The subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues. The irrevocably committed PFC amount $19,209,338 was fully utilized in fiscal year 2016, there was no irrevocable pledge of PFCs in FY 2017.

As subordinate lien bonds, the Series 2010 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Series 2010 Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2017 and 2016, the amount held by the trustee was $76,514,170 and $76,011,647, respectively, which included the July 1 payment and a debt service reserve fund.

The required debt service payments for the Series 2010 Bonds for the fiscal years ending June 30, are as follows:

Years Ending June 30,	Principal	Interest	Total
2018	$ 9,430,000	$ 30,487,998	$ 39,917,998
2019	9,890,000	30,020,298	39,910,298
2020	10,365,000	29,529,823	39,894,823
2021	10,865,000	29,007,173	39,872,173
2022	11,415,000	28,463,486	39,878,486
2023-2027	66,060,000	133,041,898	199,101,898
2028-2032	94,955,000	114,089,164	209,044,164
2033-2037	168,560,000	76,049,488	244,609,488
2038-2041	164,880,000	20,516,434	185,396,434
	$ 546,420,000	$ 491,205,763	$ 1,037,625,763

Subordinate Variable Rate Debt Program: During fiscal year 2015, the Airport Authority replaced its commercial paper program with a $125,000,000 Revolving Line Of Credit issued by US Bank. The Revolving Line Of Credit was used to refund the outstanding Series B and Series C CP Note balances. The Revolving Line Of Credit is a three-year agreement that took effect on September 5, 2014. The agreement was amended on June 29, 2017 to extend the commitment through June 29, 2020.

At June 30, 2017 the Authority had an outstanding principal balance on Series A Revolving Obligations of $32,550,000 (the balance was $0 as at June 30 2016). At June 30, 2017 and 2016, the outstanding principal balances of the Series B Revolving Obligations were $15,849,000 and $16,884,000, respectively. The Series A and Series B Revolving Obligations bear interest at the tax-exempt rate which is based on a spread to LIBOR. The outstanding principal balances of the Series C Revolving Obligations at June 30, 2017 and 2016 were $10,599,000 and $15,697,000 respectively, and bear interest at the taxable rate, also based on a spread to LIBOR.

In April of 2017 the Authority established a Subordinate Drawdown Bond program with RBC Municipal Products of up to $100,000,000. On April 1, 2017 the Authority and RBC Municipal Products agreed upon a Bondholders Agreement and on April 19, 2017 the Authority and RBC Capital Markets LLC agreed upon a Subordinate Drawdown Bond Purchase Agreement. When issued, all Subordinate Drawdown Bonds will be purchased by the Subordinate Drawdown Bond Purchaser in accordance with the terms of the Subordinate Drawdown Bondholder's Agreement and the Subordinate Drawdown Bond Purchase Agreement. The Authority currently has no Subordinate Drawdown Bonds outstanding. This commitment will expire on April 17, 2020.

Note 5. Long-Term Liabilities (Continued)

The Revolving Line Of Credit and Subordinate Drawdown Bonds are payable solely from and secured by a pledge of "Subordinate Net Revenues." Subordinate Net Revenues are generally defined as all revenues and other cash receipts of the Airport Authority's airport operations remaining after senior lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture.

Subordinate Lien Series 2017 Bonds: Subsequent to the end of the fiscal year, the Airport Authority issued $291,210,000 of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds) on August 3, 2017. The Subordinate Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund $32,550,000 of the Airport Authority's outstanding variable rate debt, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of $48,423,687, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year.

The public ratings of the Series 2010 Bonds as of June 30, 2017, are A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

Senior Lien Special Facilities Revenue Bonds, Series 2014: On February 1, 2014, the Airport Authority issued $305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, fund deposits to the senior reserve fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent. The bonds were issued at a premium of $594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2017 and 2016, was $16,341,210, including accrued interest of $8,170,605 each year. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2017 and 2016 was $305,385,000.

The Series 2014 Bonds are special limited obligations of the Airport Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, customer facility charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the customer facility charges and the Bond Funding Supplemental Consideration (as defined in the bond indenture), are pledged to the payment of the Series 2014 Bonds. The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's net position, as show previously in the notes. For the fiscal years ended June 30, 2017 and 2016, the amount held by the trustee was $38,989,317 and $50,490,303, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund, capitalized interest funds and the rolling coverage fund.

Note 5. Long-Term Liabilities (Continued)

The required debt service payments for the Series 2014 Bonds for the fiscal years ending June 30 are as follows:

Years Ending June 30,	Principal	Interest	Total
2018	$ -	$ 16,341,210	$ 16,341,210
2019	5,580,000	16,270,428	21,850,428
2020	5,720,000	16,114,217	21,834,217
2021	5,890,000	15,928,365	21,818,365
2022	6,090,000	15,714,362	21,804,362
2023-2027	35,330,000	73,277,825	108,607,825
2028-2032	46,385,000	61,917,390	108,302,390
2033-2037	60,890,000	47,003,086	107,893,086
2038-2042	79,935,000	27,424,786	107,359,786
2043-2045	59,465,000	4,721,599	64,186,599
	$ 305,285,000	$ 294,713,267	$ 599,998,267

Line of credit: In fiscal year 2017, the Airport Authority maintained a $4,000,000 line of credit held with US Bank, which is collateralized with a bank certificate of deposit. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2017, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

Capital Leases

Office equipment leases: The Airport Authority has entered into five year capital lease agreements for office equipment that require monthly lease payments of $6,849.

Receiving distribution center lease: The Airport Authority entered into an installment purchase agreement for a receiving and distribution center (RDC) in fiscal year 2013. This agreement has been determined to be a capital lease and requires monthly lease payments of $73,108. The Airport Authority will become the owner of the RDC at the conclusion of the 20 year installment purchase agreement.

Note 5. Long-Term Liabilities (Continued)

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, the office equipment capital leases, and the net present value of the future lease payments at June 30, 2017:

Years Ending June 30,		Amount
2018	$	959,486
2019		959,486
2020		932,090
2021		877,298
2022		877,298
2023-2027		4,386,489
2028-2032		4,386,489
2033		365,541
Total lease payments		13,744,177
Less amount representing interest		(6,301,863)
Present value of future lease payments	$	7,442,314

Note 6. Defined Benefit Plan

Plan description: The Airport Authority's defined benefit pension plan (Plan), administered by SDCERS, provides service retirement, disability benefits, death and survivor benefits to Plan members and beneficiaries. SDCERS is a multi-employer public employee retirement system that acts as a common investment and administrative agent for three separate single-employer defined benefit pension plans for the City, the District, and Airport Authority.

From January 1, 2003 through June 30, 2007, SDCERS administered a qualified employer defined benefit plan for the City, the District and Airport Authority. However, as of July 1, 2007, the City, the District and the Airport Authority plans were separated into independent, qualified, single-employer governmental defined benefit plans and trusts. The assets of the three separate plans and trusts were pooled in the SDCERS Group Trust, which was established as of July 1, 2007. SDCERS invests and administers the Group Trust as a common investment fund and accounts separately for the proportional interest of each plan and trust that participates in the Group Trust.

SDCERS is governed by a 13-member Board, responsible for the administration of retirement benefits for the City, the District, and the Airport Authority and for overseeing the investment portfolio of the retirement system's trust fund. The Board is comprised of seven appointed members, four active members, one retired member and one ex-officio member.

SDCERS acts as a common, independent investment and administrative agent for the City, the District and the Airport Authority, whose plans cover all eligible employees. In a defined benefit plan, pension benefits are actuarially determined by a member's age at retirement, number of years of service credit and final compensation, typically based on the highest salary earned over a one-year or three-year period. Airport Authority members who are participants under the California Public Employees' Pension Reform Act (PEPRA) are subject to pensionable compensation caps.

The San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.0100 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in SDCERS to the SDCERS Board. The Airport Authority contributes to the Federal Social Security Program. The SDCERS

Note 6. Defined Benefit Plan (Continued)

Board issues a publicly available financial report that includes financial statements and required supplementary information for SDCERS. The financial report may be obtained by writing to the San Diego City Employees' Retirement System, 401 B Street, Suite 400, San Diego, California 92101.

Benefits provided: The Airport Authority provides retirement, disability and death benefits.

There are two types of participants, the classic participants and the PEPRA participants. A classic participant means any member who is not a PEPRA participant. A PEPRA participant is any member hired on or after January 1, 2013, who has never been a member of a public retirement system or who had a break in service of more than six months before their Airport Authority hire date.

The classic participant retirement benefit is calculated by using monthly salary amounts based on the highest continuous 26 bi-weekly pay periods divided by 12. The eligibility of the classic participants begins at age 62 with five years of service, or age 55 with 20 years of service.

The PEPRA participant's benefit is calculated by using monthly salary amounts based on the highest 36 consecutive months divided by 36. Base salary cannot exceed 100 percent of the Social Security contribution and benefit base, indexed to the CPI-U. The eligibility of the PEPRA participants begins at age 52 with five years of service.

The Airport Authority provides monthly payments for the life of the employee, with 50 percent continuance to the eligible spouse, domestic partner, or dependent child under 21 years of age upon the member's death. If there is no eligible spouse, the member may receive either a lump sum payment equal to the accumulated surviving spouse contributions or an actuarially equivalent annuity.

Employees with ten years of continuous service are eligible to receive non-industrial disability and employees with no service requirement can receive industrial disability.

The death benefit for non-industrial death before the employee is eligible to retire is a refund of the employee contributions, with interest plus one month's salary for each completed year of service to a maximum of six months' salary. A non-industrial death benefit after the employee is eligible to retire from service is 50 percent of earned benefit payable to eligible surviving spouse, domestic partner, or dependent child under 21 years of age. The industrial death benefit is 50 percent of the final average compensation preceding death, payable to eligible surviving spouse, domestic partner or dependent child under 21 years of age.

As of the measurement dates June 30, 2016 and June 30, 2015, Plan membership was as follows:

	2016	2015
Inactive employees or beneficiaries currently receiving benefits	90	76
Inactive employees entitled to but not yet receiving benefits	112	99
Active employees	385	369
Total	587	544

Contributions: SDCERS uses actuarial developed methods and assumptions to determine what level of contributions are required to achieve and maintain an appropriate funded status for the Plan. The actuarial process uses a funding method that attempts to create a pattern of contributions that is both stable and predictable. The actual employer and member contribution rates in effect each year are based upon actuarial valuations performed by an independent actuary and adopted by the SDCERS Board annually.

The actuarial valuation is completed as of June 30, of each year. Once accepted by the SDCERS Board, the approved rates for Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2017, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2015 actuarial valuation.

Note 6. Defined Benefit Plan (Continued)

The funding objective of SDCERS is to fully fund the plan's actuarially accrued liability with contributions, which over time will remain as a level percent of payroll for the Airport Authority. Under this approach, the contribution rate is based on the normal cost rate and an amortization of any unfunded actuarial liability.

For the years ended June 30, 2017 and 2016, employees contributed $2,967,269 and $2,840,236 respectively, and the Airport Authority contributed $4,047,780 and $3,897,545, respectively, to the Plan. For the years ended June 30, 2017 and 2016, the Airport Authority paid 7.00% or 8.50% of general member contributions and 10.48% of executive member contributions. These contributions are included in the employee contribution.

Net Pension Liability: The Airport Authority's net pension liability as of June 30, 2017 is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability as of June 30, 2017 is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

Actuarial Assumptions: The total pension liability in the June 30, 2016 and 2015, actuarial valuations were determined using the following actuarial assumptions, applied to all period included in the measurement:

Summary of Key Actuarial Assumptions
Per actuarial valuation as of June 30, 2016 and June 30, 2015

	June 30, 2016	June 30, 2015
Valuation date	June 30, 2015	June 30, 2014
Measurement date	June 30, 2016	June 30, 2015
Actarial cost method	Entry-age normal funding method	Entry-age normal funding method
Asset valuation method	Expected value with smoothing	Expected value with smoothing
Actuarial assumptions:		
Investment rate of return [1]	7.00%	7.125%
Projected salary increase [2]	3.05%	3.175%
Cost-of-living adjustment	1.90%	2.000%
Termination rate [3]	3.0% - 11.0%	3.0% - 11.0%
Disability rate [4]	0.01% - 0.30%	0.02% - 0.45%
Mortality	0.02% - 13.54% [5]	0.02% - 18.34% [6]

(1) Net of investment expense

(2) Net Plus merit component based on employee classification and years of service

(3) Based on years of service

(4) Based on age

(5) All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014 Experience Study, projected 20 years from the 2009 base year using variation of scale MP-2015, with a 10% increase to healthy retired female rates. Disabled: CalPERS Work Related Diability Mortality Table, projected 20 years from 2009 base year using a variation of scale MP-2015.

(6) All active and retired healthy members: RP2000 Combined Mortality Table. Disabled retirees are variations of the CalPERS Disability Tables.
Further details of the mortality rates can be found in the SDCERS June 30, 2016 and June 30 , 2015 actuarial reports.

Note 6. Defined Benefit Plan (Continued)

Discount Rate: For the June 30, 2016 and 2015 actuarial valuations, the discount rates used to measure the total pension liability were 7.0 percent and 7.125 percent, respectively. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

The long-term expected rate of return estimates for equity and fixed income are developed using a geometric (long-term compounded) building block approach: 1) expected returns based on observable information in the equity and fixed income markets and consensus estimates for major economic and capital market inputs, such as earnings and inflation, and 2) where necessary, judgment-based modifications are made to these inputs. Return assumptions for other assets classes are based on historical returns, current market characteristics, and professional judgements from SDCERS general investment consultant specialist research teams.

Best estimates of geometric long-term real rates and nominal rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rates of Return	Long-term Expected Nominal Rates of Return
U.S. equity	21.0%	4.5%	6.7%
Non-U.S. developed equity	15.0%	5.5%	7.8%
Global equity	5.0%	5.1%	7.3%
U.S. fixed income	22.0%	0.9%	3.0%
Emerging market debt	5.0%	3.7%	5.9%
Real estate	11.0%	3.6%	5.8%
Private equity and infrastructure	13.0%	6.6%	8.8%
Opportunity fund	8.0%	4.4%	6.6%
	100.0%		

Changes in the Net Pension Liability: Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) through the year ended June 30, 2016 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 6/30/15	$ 140,197,047	$ 138,516,288	$ 1,680,759
Changes for the year:			
Service cost	6,205,263	-	6,205,263
Interest on total pension liability	10,277,611	-	10,277,611
Difference between expected and			-
actual experience	(2,178,527)	-	(2,178,527)
Changes in assumptions	10,473,890		10,473,890
Employer contributions	-	4,047,780	(4,047,780)
Member contributions	-	2,967,269	(2,967,269)
Net investment income	-	1,651,283	(1,651,283)
Benefit payments	(3,023,391)	(3,023,391)	-
Administrative expense		(318,818)	318,818
Net changes	21,754,846	5,324,123	16,430,723
Balances as of 6/30/16	$ 161,951,893	$ 143,840,411	$ 18,111,482

Note 6. Defined Benefit Plan (Continued)

Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) through the year ended June 30, 2015, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of 6/30/14	$ 126,851,793	$ 130,203,134	$ (3,351,341)
Changes for the year:			
Service cost	6,154,579	-	6,154,579
Interest on total pension liability	9,327,538	-	9,327,538
Difference between expected and actual experience	345,661	-	345,661
Employer contributions	-	3,897,547	(5,664,755)
Member contributions	-	2,840,236	(1,073,028)
Net investment income	-	4,390,185	(4,390,185)
Benefit payments	(2,482,524)	(2,482,524)	-
Administrative expenses	-	(332,290)	332,290
Net changes	13,345,254	8,313,154	5,032,100
Balances as of 6/30/15	$ 140,197,047	$ 138,516,288	$ 1,680,759

Sensitivity of the Net Pension Liability to Discount Rate Changes: The following presents the resulting net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal years ended June 30, 2017:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total pension liability	$ 184,896,870	$ 161,951,893	$ 143,053,624
Plan fiduciary net position	(143,840,411)	(143,840,411)	(143,840,411)
Net pension liability	$ 41,056,459	$ 18,111,482	$ (786,787)
Plan fiduciary net position as a percentage of the total pension liability	77.8%	88.8%	100.5%

Note 6. Defined Benefit Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan: For the years ended June 30, 2017 and 2016, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of $7,451,396 and $4,048,248, respectively. At June 30, 2017 and 2016, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

For June 30, 2016 Measurement Date:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ 6,089,002	$ -
Differences between expected & actual experience	230,441	1,815,440
Changes in assumptions	8,728,242	
Employer contributions made subsequent to June 30, 2016 measurement date	5,197,849	-
Total	$ 20,245,534	$ 1,815,440

For June 30, 2015 Measurement Date:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ -	$ 1,807,422
Differences between expected & actual experience	288,051	-
Employer contributions made subsequent to June 30, 2015 measurement date	3,972,596	-
Total	$ 4,260,647	$ 1,807,422

The deferred outflows of resources, at June 30, 2016 and 2015, related to pensions resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net pension liability at June 30, 2017 and 2016, respectively.

Other amounts reported as deferred outflows/inflows of resources related to the plan will be recognized in pension expense as follows:

Fiscal Year-end:	
2018	$ 2,211,333
2019	2,211,333
2020	4,253,329
2021	3,173,690
2022	1,382,560
	$ 13,232,245

Note 7. Employees' Deferred Compensation Plan

The Airport Authority offers its employees a deferred compensation plan, which was created in accordance with Internal Revenue Code (IRC) Section 457. The Plan, which is available to all full-time Airport Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, total disability, death or unforeseeable emergency.

The plan is administered by the Airport Authority and contracted to an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are held in trust for employees.

Employee assets to be held in the IRC Section 457 plans are not the property of the Airport Authority and are not subject to the claims of the Airport Authority's general creditors. Accordingly, employee assets are not reflected in the Airport Authority's financial statements.

Note 8. Other Postemployment Benefits

The Airport Authority provides a single-employer postemployment benefit plan (the OPEB Plan). The OPEB Plan provides postretirement medical, dental, vision and life insurance benefits for nonunion employees hired prior to May 1, 2006 and union employees hired prior to October 1, 2008. The employees are eligible for these benefits if they retire from active employment after age 55 with 20 years of service or age 62 with five years of service.

Plan description: As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 1.5 million California public employees, retirees and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States, managing more than $250 billion in assets for more than 2,500 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding policy: CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the annual required contributions (ARCs). As of May 9, 2009, the agreement with CERBT was approved. The retirees' contribution rate was raised from 5 percent to 10 percent of plan costs for single coverage and the entire cost of vision benefits, lowering the OPEB liabilities of the Airport Authority. Annually, the Airport Authority's goal is to fund 100 percent of the actuarially calculated ARC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ARC which has resulted in a net OPEB asset.

Note 8. Other Postemployment Benefits (Continued)

Annual OPEB cost and actuarial methods and assumptions: The Airport Authority's annual OPEB cost is calculated based on the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The Airport Authority has elected to perform an actuarial valuation of the OPEB on a biennial basis, the most recent of which is dated as of July 1, 2015. According to the July 1, 2015, actuarial valuation, the ARC was $ 2,013,000 and $ 1,959,000 for fiscal years 2017, and 2016, respectively. The ARC was determined using the entry age normal cost method with amortization of the unfunded accrued liability occurring over a 30-year period ending June 30, 2037.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used by CERBT include (a) a 7.28 percent investment rate of return, (7.36 percent was used in the prior valuations), net of administrative expenses, RP-2015 Mortality Tables with fully generational projection using MP-2015 scale and (b) projected salary increases of 3.00 percent. The annual healthcare cost trend rate ranged from 4.5 to 9.0 percent for medical and assumes a 5.0 percent rate for dental. In establishing the discount rate, an inflation rate of 2.75 percent was used. The 2015 actuarial valuation included a 10 percent retirees' contribution of plan costs for single coverage; previously it was 5 percent.

The entry age normal cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the entry age normal cost method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The actuarial accrued liability is the cumulative value, on the valuation date, of prior service costs. For retirees, the actuarial accrued liability is the present value of all projected benefits.

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs.

Development of the net OPEB obligation (NOO/Asset) and annual OPEB cost for the past three years is as follows (dollars in thousands):

Actuarial Valuation Date	Fiscal Year	ARCs	Employer Contribution	NOO/(Asset) End of Year	Interest on NOO/(Asset)	Adjustment to the ARC	Annual OPEB Cost
7/1/13	14/15	2,403	2,403	(59)	(4)	4	2,403
7/1/15	15/16	1,959	1,959	(59)	(4)	4	1,959
7/1/15	16/17	2,013	2,013	(59)	(4)	4	2,013

Note 8. Other Postemployment Benefits (Continued)

The Airport Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2017, 2016 and 2015, were as follows (dollars in thousands):

Fiscal Year Ended	Annual OPEB Costs	Employer Contribution	Percentage of OPEB Cost Contributed	NOO/ (Asset)
6/30/15	2,403	2,403	100.0%	(59)
6/30/16	1,959	1,959	100.0%	(59)
6/30/17	2,013	2,013	100.0%	(59)

Funded status and funding progress: The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the accompanying notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status of the Plan based on the most recent biennial actuarial valuation for the plan, dated as of July 1, 2015, was as follows (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
7/1/15	$ 18,917	$ 34,587	$ 15,670	54.7%	$ 16,809	93.2%	7.3%	3.0%

Note 9. Risk Management

The Airport Authority has a comprehensive Risk Management Program comprising commercial insurance, self-insurance, loss prevention, loss control and claims administration. The Airport Authority's coverage includes a variety of retentions or deductibles.

Commercially issued insurance:

- The Airport Authority maintains a minimum of $500 million in limits for general liability insurance with a war, hijacking and other perils endorsement in the amount of $150 million.
- The Airport Authority maintains a property insurance policy with minimum limits of $750 million providing all risk and flood coverage for physical assets.
- The Airport Authority also maintains policies for workers' compensation, commercial auto, fiduciary liability, privacy and network security, crime, and public entity and employment practices liability, among others.

Note 9. Risk Management (Continued)

Self-insurance: Due to the exorbitant cost of earthquake insurance, the Airport Authority self-insures for losses due to earthquake damage. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist public entities through the Federal Emergency Management Agency and the California Disaster Assistance Act. As of June 30, 2017 and 2016, the Airport Authority has designated $9,531,966 and $8,813,970, respectively, from its net position, as an insurance contingency.

A $2,000,000 reserve has been established within unrestricted net position by the Airport Authority's management to respond to uninsured and underinsured catastrophic losses. This fund is maintained pursuant to Board action only; there is no requirement that it be maintained.

Loss prevention: The Airport Authority has an active loss prevention program, staffed by a full-time risk manager, one risk analyst, a safety manager and two safety analysts. In addition, third party loss control engineers conduct safety surveys on a periodic basis. Employees receive regular safety training and claims are monitored using a claims information system.

During fiscal year 2017, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

Note 10. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Note 10. Disclosures About Fair Value of Assets (Continued)

Recurring Measurements:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017 and 2016:

June 30, 2017	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury obligations	$ 85,201,348	$ 85,201,348	$ -	$ -
U.S. agency securities	109,436,513	-	109,436,513	-
Non-U.S Securities	5,982,120	5,982,120	-	-
Commercial paper	8,485,280	-	8,485,280	-
Negotiable certicates of deposit	46,592,680	-	46,592,680	-
Medium-term notes	39,564,537	-	39,564,537	-
Local Agency Investment Fund	48,182,813	48,182,813	-	-
San Diego County Investment Pool	157,252,092	157,252,092	-	-
Total investments by fair value level	500,697,382	$ 296,618,373	$ 204,079,009	$ -
Investments measured at amortized cost	630,996			
Investments measured at net asset value	15,297,174			
Non-negotiable certificate of deposit	15,413,829			
Total investments	$ 532,039,380			

June 30, 2016	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury obligations	$ 95,094,109	$ 95,094,109	$ -	$ -
U.S. agency securities	50,679,745	-	50,679,745	-
Non-U.S Securities	3,010,290	3,010,290	-	-
Commercial paper	13,942,250	-	13,942,250	-
Negotiable certicates of deposit	42,513,040	-	42,513,040	-
Medium-term notes	38,698,117	-	38,698,117	-
Local Agency Investment Fund	47,906,365	47,906,365	-	-
San Diego County Investment Pool	172,695,968	172,695,968	-	-
Total investments by fair value level	464,539,884	$ 318,706,732	$ 145,833,152	$ -
Investments measured at amortized cost	40,427,839			
Investments measured at net asset value	15,177,301			
Non-negotiable certificate of deposit	36,247,049			
Total investments	$ 556,392,073			

Note 11. Lease Revenues

The Airport Authority leases certain of its capital assets, such as loading bridges and building space, to signatory airlines and other tenants under operating leases. Substantially all capital assets are held by the Airport Authority for the purpose of rental or related use. A majority of the lease payments are determined each year based upon the actual costs of the airport. Such costs are allocated pro rata to each tenant based upon factors such as landed weights, enplanements, square footage, acres, etc. A majority of the Airport Authority's lease commitments are primarily on a month-to-month basis and accordingly are not reflected in the schedule below.

The Airport Authority's recent expansion of approximately 25,000 additional square feet results in the increase of the number of food service and retail concession locations from 55 to 87. The Authority has implemented a comprehensive Concessions Development Program (CDP) to provide a world class shopping and dining experience for the millions of passengers who use SDIA each year. The full program build out was completed during fiscal year 2015. The CDP replaces the Airport Authority's one master concessionaire.

The Airport Authority's CFC revenues and Bonds funded construction of the Rental Car Center Facility (RCC), which was completed and placed in service on January 20, 2016. The RCC facility sits on 24.85 acres of land and houses all the major and small operator rental car tenants. The land rent leases for the RCC commenced on the opening date of the facility and will continue until the Bonds are repaid or defeased. This land rent is a non-cancellable lease and will convert to Facility Rent when bonds are repaid.

The minimum future lease payments to be received under the above operating lease agreements as of June 30, are as follows:

Years Ending June 30,	Amount
2018	$ 13,525,790
2019	12,429,005
2020	12,576,606
2021	12,694,216
2022	12,746,504
2023-2027	66,508,364
2028-2032	72,625,155
2033-2037	79,948,801
2038-2042	88,646,995
2043-2047	92,401,712
2048-2052	27,619,069
2053-2057	724,440
2058-2062	724,440
2063-2067	724,440
2068-2072	217,332
Total	**$ 494,112,869**

Note 12. Lease Commitments

Operating Leases

General Dynamics lease: The Airport Authority is required, by legislation mandating the transfer of airport operations from the District, to lease from the District 89.75 acres of the former General Dynamics property on Pacific Highway adjacent to SDIA for 66 years commencing January 1, 2003. The lease agreement as amended calls for rent payments of $6,750,000 annually through December 31, 2068. A portion of the land is leased back to the District for employee parking at the same fair market value rent paid by the Airport Authority.

SDIA lease: The Airport Authority is leasing from the District 480 acres of land on North Harbor Drive for an annual rent of $1 per year under a lease that expires December 31, 2068.

Teledyne Ryan lease: The Airport Authority is leasing from the District 46.88 acres on North Harbor Drive referred to as the Teledyne Ryan lease that commenced on January 1, 2005 and expires December 31, 2068, for $3 million in annual rent.

Under current law, in the event SDIA is relocated and the District leases are no longer used by the Airport Authority for airport purposes, all District leases will terminate and use of the property will revert to the District.

The future rental commitment under the above operating lease agreements as of June 30, are due as follows:

Years Ending June 30,	Amount
2018	$ 10,176,660
2019	10,176,660
2020	10,176,660
2021	10,176,660
2022	10,176,660
2023-2027	50,883,300
2028-2032	50,883,300
2033-2037	50,883,300
2038-2042	50,883,300
2043-2047	50,883,300
2048-2052	50,883,300
2053-2057	50,883,300
2058-2062	50,883,300
2063-2067	50,883,300
2068-2069	15,264,990
	$ 524,097,990

Note 12. Lease Commitments (Continued)

The total rental expense charged to operations for the years ended June 30, consists of the following:

	2017	2016
Rental payments made	$ 10,189,944	$ 10,367,148

Note 13. Commitments and Contingencies

Commitments: As of June 30, 2017 and 2016, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

i. The Airport Authority has funds which have been classified as current assets, primarily for the unpaid contractual portion of capital projects that are currently in progress, and will not be funded by grants or additional debt, but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2017 and 2016, these funds totaled approximately $14.3 million and $20.5 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

ii. Support services. As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at the current location. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2017 and 2016, the Airport Authority expensed $17,799,133 and $18,764,780 respectively for these services.

iii. In fiscal year 2012, the Board approved two contracts with Ace Parking Management Inc., for parking management services in the amount of $29.7 million and airport shuttle services in the amount of $31.3 million. In fiscal year 2017, the Board approved an additional $9.9 million for parking management services and $19.7 million for shuttle services. The total amounts spent as of June 30, 2017, were $29.8 million for parking management services and $36.9 million for airport shuttle services. These contracts are scheduled for completion in 2018.

iv. In fiscal year 2014, the Board approved a contract with Austin-Sundt JV for the design and construction of the Rental Car Center in the amount of $14.0 million and an additional approval of $10.0 million. In fiscal year 2015, the Board approved an additional $223.9 million. In fiscal year 2016, the Board approved an additional $5.1 million. As of June 30, 2017, $252.4 million had been spent and the contract was completed in fiscal year 2017.

v. In fiscal year 2013, the Board approved a contract with Demattei Wong Architecture in support of the Rental Car Center project in the amount of $10.0 million and an additional approval of $12.0 million. In fiscal year 2015, the Board approved an additional $5.0 million. As of June 30, 2017, $25.2 million had been spent and the contract was completed in fiscal year 2017.

Note 13. Commitments and Contingencies (Continued)

vi. In fiscal year 2015, the Board approved a $29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management and maintenance of the shuttle vehicles. In fiscal year 2016, the Board approved an additional $1.2 million. As of June 30, 2017, $10.8 million had been spent and the contract is due to be completed in fiscal year 2021.

vii. In fiscal year 2015, the Board approved a $5.9 million contract with Granite Construction Company for the construction of the Northside bypass Taxiway. As of June 30, 2017, $5.9 million had been spent and the contract was completed early in the fiscal year 2017.

viii. In fiscal year 2015, the Board approved a $60.0 million contract with AECOM Technical Services, Inc. for project support for the development of the Northside solar projects. As of June 30, 2017, $27.5 million had been spent and the contract is due to be completed in fiscal year 2018.

ix. In fiscal year 2016, the Board approved a $3.2 million contract with Granite Construction Company for the Employee Parking Lot 6 Expansion. As of June 30, 2017, $3.2 million had been spent and the contract was completed early in the fiscal year 2017.

x. In fiscal year 2016, the Board approved a $12 million contract with Swinerton Builders for a Design-Build for the T2 Parking Plaza. In fiscal year 2017, the Board approved an additional $85.7 million As of June 30, 2017, $33.8 million had been spent and the contract is due to be completed in fiscal year 2019.

xi. In fiscal year 2016, the Board approved a $3.2 million contract with Hazard Construction Company for a Taxi hold lot. As of June 30, 2017, $3 million had been spent and the contract was completed in fiscal year 2017.

xii. In fiscal year 2016, the Board approved a $4.7 million contract with Hazard Construction Company to rehabilitate the Cross Taxiway. As of June 30, 2017, $4.2 million had been spent and the contract was completed in fiscal year 2017.

xiii. In fiscal year 2017, the Board approved a $186.6 million contract with Turner-PCL A Joint Venture for Terminal 2 West Federal Inspection Station build out. As of June 30, 2017, $7.5 million had been spent and the contract is due to be completed in fiscal year 2020.

xiv. In fiscal year 2017, the Board approved a $3.3 million contract with Vasquez Construction Company to replace terminal seating in Terminal 1 and 2. As of June 30, 2017, $536 thousand had been spent and the contract is due to be completed in fiscal year 2018.

Note 13. Commitments and Contingencies (Continued)

Contingencies: As of June 30, 2017, the Airport Authority is subject to contingencies arising from legal matters as described below:

The Airport Authority has leases and operating agreements with various tenants. These agreements typically include provisions requiring the tenants/operators to indemnify the Airport Authority for any damage to property or losses to the Airport Authority as a result of the tenant's operations. Also, the leases and operating agreements typically require the Airport Authority to be named as an additional insured under certain insurance policies of the tenants/operators. The Airport Authority also tenders these claims to its own insurers once they become asserted claims. When these types of claims are asserted against the Airport Authority, the Airport Authority not only vigorously opposes them but also vigorously seeks contribution and/or indemnity from all tenants/operators involved, from the tenants'/operators' insurers and from its own insurers. The Airport Authority's legal counsel cannot predict the net exposure to the Airport Authority with respect to these matters, or the probability or remoteness of any outcome.

Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2017

Schedule of OPEB funding progress for the Airport Authority is as follows (dollars in thousands)*:

Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability AAL	Unfunded Actuarial Accrued Liability UAAL	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
7/1/09	$ 2,674	$ 12,206	$ 9,532	21.9%	$ 19,514	48.8%	7.75%	3.25%
7/1/10	4,474	14,149	9,675	31.6%	20,148	48.0%	7.75%	3.25%
7/1/11	7,604	22,197	14,593	34.3%	18,728	77.9%	7.60%	3.25%
7/1/12	7,604	22,197	14,593	34.3%	18,728	77.9%	7.61%	3.25%
7/1/13	12,667	31,553	18,886	40.1%	17,567	107.5%	7.36%	3.00%
7/1/15	18,917	34,587	15,670	54.7%	16,809	93.2%	7.36%	3.00%

* In accordance with GASB Statement No. 45, the Airport Authority has an actuarial valuation completed biennially.

Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2017

Schedule of Changes in the Net Pension Liability and Related Ratios
Last 10 Fiscal Years (Plan year reported in subsequent fiscal year)

	2017	2016	2015
Total Pension Liability:			
Service cost	$ 6,205,263	$ 6,154,579	$ 6,099,481
Interest (includes interest on service cost)	10,277,611	9,327,538	8,465,485
Differences between expected and actual experience	(2,178,527)	345,661	-
Effect of changes of assumptions	10,473,890	-	-
Benefit payments, including rerfunds of member contributions	(3,023,391)	(2,482,524)	(2,913,221)
Net change in total pension liability	21,754,846	13,345,254	11,651,745
Total pension liability - beginning	140,197,047	126,851,793	115,200,048
Total pension liability - ending	$ 161,951,893	$ 140,197,047	$ 126,851,793
Plan Fiduciary Net Position:			
Contributions - employer	$ 4,047,780	$ 3,897,547	$ 3,924,988
Contributions - employee	2,967,269	2,840,236	2,765,079
Net investment income	1,651,283	4,390,185	18,302,683
Benefit payments, including refunds of member contributions	(3,023,391)	(2,482,524)	(2,913,221)
Administrative expense	(318,818)	(332,290)	(332,645)
Net change in plan fiduciary net position	5,324,123	8,313,154	21,746,884
Plan fiduciary net position - beginning	138,516,288	130,203,134	108,456,250
Plan fiduciary net position - ending	$ 143,840,411	$ 138,516,288	$ 130,203,134
Net pension liability (asset) - ending	$ 18,111,482	$ 1,680,759	$ (3,351,341)
Plan fiduciary net position as a percentage of the total pension liability	88.82%	98.80%	102.64%
Covered employee payroll	$ 29,189,357	$ 27,955,455	$ 26,380,323
Net pension liability as a percentage of covered employee payroll	62.05%	6.01%	-12.70%

Note to schedule: This schedule is intended to display the most recent 10 years of data for annual changes in the net pension liability. Until such time has elapsed after implementing GASB Statement No. 68, this schedule will only present information from those years that are available.

Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2017

Schedule of contributions, last 10 fiscal years (in thousands):

	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 3,765	$ 3,666	$ 3,823	$ 2,900	$ 2,600
Contributions in relation to the actuarially determined contribution	5,198	4,048	3,898	3,925	2,600
Contribution deficiency (excess)	$ (1,433)	$ (382)	$ (75)	$ (1,025)	$ -
Covered-employee payroll	$ 31,506	$ 29,189	$ 27,955	$ 26,380	$ 24,840
Contributions as a percentage of covered-payroll	16.50%	13.87%	13.94%	14.88%	10.47%

	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 3,800	$ 4,300	$ 3,000	$ 3,000	$ 2,200
Contributions in relation to the actuarially determined contribution	3,800	4,300	7,600	3,035	2,520
Contribution deficiency (excess)	$ -	$ -	$ (4,600)	$ (35)	$ (320)
Covered-employee payroll	$ 25,148	$ 25,596	$ 24,693	$ 23,488	$ 21,957
Contributions as a percentage of covered-payroll	15.11%	16.80%	30.78%	12.92%	11.48%

ATTACHMENT B

San Diego County Regional Airport Authority

Single Audit Reports

Year Ended June 30, 2017
(With Independent Auditor's Report Thereon)

BKD LLP
CPAs & Advisors

San Diego County Regional Airport Authority
June 30, 2017

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San Diego County Regional Airport Authority

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Transportation - Federal Aviation Administration:				
Direct Programs:				
Airport Improvement Program (AIP)	20.106		$ -	$ 1,028,681
Airport Improvement Program (AIP)	20.106		-	194,091
Airport Improvement Program (AIP)	20.106		-	936,835
Airport Improvement Program (AIP)	20.106		-	477,164
Airport Improvement Program (AIP)	20.106		-	23,208
Airport Improvement Program (AIP)	20.106		-	657,706
Total U.S. Department of Transportation - Federal Aviation Administration			-	3,317,685
Total Federal Awards Expended			$ -	$ 3,317,685

The accompanying notes are an integral part of this Schedule.

Notes to Schedule:

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of San Diego County Regional Airport Authority (Airport Authority) under a program of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Airport Authority.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal* Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Airport Authority has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

BKD LLP
CPAs & Advisors

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the Board
San Diego County Regional Airport Authority
San Diego, CA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the San Diego County Regional Airport Authority (Airport Authority), which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2017.

Internal Control Over Financial Reporting

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Airport Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Airport Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BKD, LLP

Dallas, Texas
October 23, 2017

BKD LLP
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Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Members of the Board
San Diego County Regional Airport Authority
San Diego, CA

Report on Compliance for the Major Federal Program

We have audited San Diego County Regional Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Airport Authority's major federal program for the year ended June 30, 2017. The Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Airport Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Airport Authority as of and for the year ended June 30, 2017, and have issued our report thereon dated October 23, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Dallas, Texas
October 23, 2017

San Diego County Regional Airport Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award program was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

San Diego County Regional Airport Authority
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

7. The Airport Authority's major program was:

Cluster/Program	CFDA Number
Airport Improvement Program	20.106

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The Organization qualified as a low-risk auditee? ☒ Yes ☐ No

San Diego County Regional Airport Authority
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding

No matters are reportable.

San Diego County Regional Airport Authority

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2017

Reference Number	Summary of Finding	Status

No matters are reportable.

ATTACHMENT C

San Diego County Regional Airport Authority

Passenger Facility Charge Compliance Report

Year Ended June 30, 2017
(With Independent Auditor's Report Thereon)

BKD LLP
CPAs & Advisors

San Diego County Regional Airport Authority
Passenger Facility Charge Program
June 30, 2017

Contents

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San Diego County Regional Airport Authority

Passenger Facility Charge Program

Schedule of Passenger Facility Charge Collections and Expenditures

Year Ended June 30, 2017

Revenues	Date Approved	Amount Approved For Use	Cumulative Total - June 30, 2016	Quarter Ended September 30, 2016	Quarter Ended December 31, 2016	Quarter Ended March 31, 2017	Quarter Ended June 30, 2017	Year Ended June 30, 2017	Cumulative Total - June 30, 2017
Passenger facility charge collections			$ 609,958,899	$ 10,542,532	$ 9,375,636	$ 9,174,278	$ 11,449,357	$ 40,541,803	$ 650,500,702
Interest earned			12,387,786	142,807	145,471	147,694	167,304	603,276	12,991,062
Total passenger facility charge revenue received			$ 622,346,685	$ 10,685,339	$ 9,521,107	$ 9,321,972	$ 11,616,661	$ 41,145,079	$ 663,491,764
Expenditures									
Application 95-01-C-04-SAN	7/26/1995	$ 103,804,864	$ 103,804,864	$ -	$ -	$ -	$ -	$ -	$ 103,804,864
Application 98-02-C-04-SAN	7/24/1998	45,496,665	45,496,665	-	-	-	-	-	45,496,665
Application 03-03-C-01-SAN	5/20/2003	65,058,035	65,058,035	-	-	-	-	-	65,058,035
Application 05-04-C-01-SAN	11/22/2005	44,822,518	44,822,518	-	-	-	-	-	44,822,518
Application 08-05-C-01-SAN	6/27/2008	19,031,690	19,031,690	-	-	-	-	-	19,031,690
Application 09-07-C-00-SAN	9/30/2009	85,181,950	79,489,990	-	-	-	-	-	79,489,990
Application 10-08-C-00-SAN	11/24/2010	1,118,567,229	168,896,155	7,501,332	7,501,332	7,501,332	7,501,332	30,005,328	198,901,483
Application 12-10-C-00-SAN	7/3/2012	27,835,280	21,075,648	-	874,523	-	(51,327)	823,196	21,898,844
Application 15-11-U-00-SAN	7/1/2008	1,391,894	1,391,894	-	-	-	-	-	1,391,894
Application 16-12-C-00-SAN	10/28/2016	43,795,768	-	-	10,284,735	-	-	10,284,735	10,284,735
Total passenger facility charge revenue expended		$ 1,554,985,893	$ 549,067,459	$ 7,501,332	$ 18,660,590	$ 7,501,332	$ 7,450,005	$ 41,113,259	$ 590,180,718

See Notes to Schedule of Passenger Facility Charge Collections and Expenditures.

San Diego County Regional Airport Authority
Passenger Facility Charge Program
Notes to Schedule of Passenger Facility Charge Collections and Expenditures
Year Ended June 30, 2017

Note 1. General

This schedule includes the Passenger Facility Charge (PFC) Program activity of the San Diego County Regional Airport Authority (Airport Authority) and is presented on the modified cash basis of accounting. Under the modified cash basis of accounting, PFC revenues are recognized when received rather when earned and eligible expenditures are recognized when the related goods or services are provided or incurred. The information in this schedule is presented in accordance with the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements of the Airport Authority.

PFC expenditures may consist of direct project costs, administrative costs, debt service and bond financing costs, as applicable to active applications. The accompanying schedule of Passenger Facility Charge Collections and Expenditures includes eligible expenditures that have been applied against PFCs collected as of June 30, 2017.

BKD LLP
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 // Dallas, TX 75254-2961
972.702.8262 // fax 972.702.0673 // bkd.com

Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control Over Compliance; and Report on Schedule of Passenger Facility Charge Collections and Expenditures

Independent Auditor's Report

Members of the Board
San Diego County Regional Airport Authority
San Diego, CA

Report on Compliance for Passenger Facility Charge Program

We have audited the compliance of San Diego County Regional Airport Authority (Airport Authority) with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) issued by the Federal Aviation Administration that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, contracts and the terms and conditions applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Airport Authority's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the Airport Authority's compliance.

Opinion on Passenger Facility Charge Program

In our opinion, the San Diego County Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Passenger Facility Charge Collections and Expenditures

We have audited the financial statements of the Airport Authority as of and for the year ended June 30, 2017, and have issued our report thereon dated October 23, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Passenger Facility Charge Collections and Expenditures is presented for purposes of additional analysis, as specified in the Guide, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Passenger Facility Charge Collections and Expenditures is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Dallas, Texas
October 23, 2017

San Diego County Regional Airport Authority
Passenger Facility Charge Audit Summary
Year Ended June 30, 2017

Summary of Auditor's Results

1.	Type of report issued on PFC financial statements.	☒ Unmodified	☐ Qualified	
2.	Type of report on PFC compliance.	☒ Unmodified	☐ Qualified	
3.	Quarterly revenue and expenditures reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts.	☒ Yes	☐ No	
4.	PFC revenue and interest is accurately reported on FAA Form 5100-127.	☒ Yes	☐ No	
5.	The Public Agency maintains a separate financial accounting record for each application.	☒ Yes	☐ No	
6.	Funds disbursed were for PFC eligible items as identified in the FAA decision to pay only for the allowable costs of the project.	☒ Yes	☐ No	
7.	Monthly carrier receipts were reconciled with quarterly carrier reports.	☒ Yes	☐ No	
8.	PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds.	☒ Yes	☐ No	
9.	Serving carriers were notified of PFC program actions/changes approved by the FAA.	☒ Yes	☐ No	
10.	Quarterly reports were transmitted (or available via website) to remitting carriers.	☒ Yes	☐ No	
11.	The Public Agency is in compliance with Assurances 5, 6, 7 and 8.	☒ Yes	☐ No	
12.	Project design and implementation is carried out in accordance with Assurance 9.	☒ Yes	☐ No	
13.	Program administration is carried out in accordance with Assurance 10.	☒ Yes	☐ No	
14.	For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence.	☐ Yes	☐ No	☒ N/A

San Diego County Regional Airport Authority

Schedule of Passenger Facility Charge Program

Findings and Questioned Costs

Year Ended June 30, 2017

Findings Required to be Reported by the Guide

Reference Number	Finding	Questioned Costs

No matters are reportable.

San Diego County Regional Airport Authority

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2017

Reference Number	Summary of Finding	Status

No matters are reportable.

ATTACHMENT D

San Diego County Regional Airport Authority

Customer Facility Charge Compliance Report

Year Ended June 30, 2017
(With Independent Auditor's Report Thereon)

BKD LLP
CPAs & Advisors

San Diego County Regional Airport Authority
Customer Facility Charge Program
June 30, 2017

Contents

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San Diego County Regional Airport Authority

Customer Facility Charge Program

Schedule of Customer Facility Charge Collections and Expenditures

Year Ended June 30, 2017

Description	Beginning Balance, Unapplied CFC	CFC Collections	Interest Earned	Expenditures	Ending Balance, Unapplied CFC
Collections and expenditures, quarter ended September 30, 2016	$ 32,934,767	$ 8,965,822	$ 41,964	$ 8,714,347	$ 33,228,206
Collections and expenditures, quarter ended December 31, 2016	33,228,206	8,064,187	41,811	8,405,727	32,928,477
Collections and expenditures, quarter ended March 31, 2017	32,928,477	8,114,758	42,269	6,758,436	34,327,068
Collections and expenditures, quarter ended June 30, 2017	34,327,068	10,634,429	43,325	7,091,256	37,913,566
		$ 35,779,196	$ 169,369	$ 30,969,766	

See Notes to Schedule of Customer Facility Charge Collections and Expenditures.

San Diego County Regional Airport Authority

Customer Facility Charge Program

Notes to Schedule of Customer Facility Charge Collections and Expenditures

Year Ended June 30, 2017

Note 1. General

In May 2009, Assembly Bill 491 of the 2001-2002 California Legislature (codified in California Civil Code Section 1936 et seq.) authorized the San Diego County Regional Airport Authority (Airport Authority) to impose a $10 Customer Facility Charge (CFC) per contract on rental cars at the San Diego International Airport.

On October 4, 2012, the Airport Authority Board of Directors approved an alternative CFC rate modification from the $10 CFC rate per contract to $6.00 per day (up to a maximum of five days) to allow for the collection of sufficient CFC funds to cover the future costs of the anticipated consolidated rental car facility and centralized bussing system. Effective January 1, 2014, the CFC fee increased from $6.00 to $7.50 per day up to a maximum of five days. As of June 30, 2016, a CFC forecast was examined to collect an alternative fee. This resulted in a CFC increase from $7.50 to $9.00 effective as of January 1, 2017.

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects. The Airport Authority is utilizing CFC revenue for the development and operation of a consolidated rental car facility. The primary objectives of this project are to reduce vehicle traffic volume on terminal curb front and Harbor Drive, provide a long-term rental car facility and site for airport passengers and rental car concessionaires, and implement a common use bussing system.

Note 2. Basis of Presentation

The accompanying Schedule of Customer Facility Charge Collections and Expenditures includes the CFC activity of the Airport Authority and is presented on the modified cash basis of accounting. Under the modified cash basis of accounting, CFC revenues are recognized when received rather than when earned (collections) and eligible expenditures are recognized when the related goods or services are provided or incurred. The information in this schedule is presented for purposes of additional analysis, as specified in California Civil Code Section 1936.

CFC expenditures may consist of direct project costs, administrative costs, debt service and related financing costs. The accompanying Schedule of Customer Facility Charge Collections and Expenditures includes the eligible expenditures that have been applied against CFCs collected as of June 30, 2017.

BKD LLP
CPAs & Advisors

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Report on Compliance for the Customer Facility Charge Program; Report on Internal Control Over Compliance; and Report on Schedule of Customer Facility Charge Collections and Expenditures

Independent Auditor's Report

Members of the Board
San Diego County Regional Airport Authority
San Diego, CA

Report on Compliance for Customer Facility Charge Program

We have audited the compliance of San Diego County Regional Airport Authority (Airport Authority) with the types of compliance requirements described in the *California Civil Code Section 1936* (Code) that could have a direct and material effect on the customer facility charge program for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, contracts and terms and conditions applicable to its customer facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance of the Airport Authority based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the Code. Those standards and the Code require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the customer facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Code. However, our audit does not provide a legal determination on the Airport Authority's compliance.

Opinion on Customer Facility Charge Program

In our opinion, the San Diego County Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its customer facility charge program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the requirements that could have a direct and material effect on the customer facility charge program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Code, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the customer facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the customer facility charge program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the customer facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the customer facility charge program. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Customer Facility Charge Collections and Expenditures

We have audited the financial statements of the Airport Authority as of and for the year ended June 30, 2017, and have issued our report thereon, dated October 23, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Customer Facility Charge (CFC) Collections and Expenditures is presented for purposes of additional analysis, as specified in the Code, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Customer Facility Charge Collections and Expenditures is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Dallas, Texas
October 23, 2017

BKD LLP
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 // Dallas, TX 75254-2961
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To the Members of the Board
San Diego County Regional Airport Authority
San Diego, CA

As part of our audits of the financial statements and compliance of the San Diego County Regional Airport Authority (Airport Authority) as of and for the year ended June 30, 2017, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)); the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) Issued by the Federal Aviation Administration, and the *California Civil Code Section 1936*, an ordinance of the State of California.

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, OMB Uniform Guidance, the Guide and *California Civil Code Section 1936* is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement, the Guide and *California Civil Code Section 1936* that could have a direct and material effect on a major federal program, the passenger facility charge program or customer facility charge program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Airport Authority's significant accounting policies are described in *Note 1* of the Comprehensive Annual Financial Report (CAFR). With the adoption of Governmental Accounting Standards Board (GASB) Statement No. 82, the Airport's accounting policy for recording employer paid employee contributions was revised.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Fair market value of investments
- Valuation allowance for the various receivables
- Estimated useful lives used to depreciate capital assets
- Actuarial assumptions used to estimate the net pension liability/asset
- Pollution remediation obligations
- Litigation and other loss contingencies

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Cash, cash equivalents and investments
- Long-term liabilities
- Defined benefit plan
- Disclosures about fair value of assets
- Commitments and contingencies

Audit Adjustments

No matters are reportable.

<u>Auditor's Judgments About the Quality of the Entity's Accounting Principles</u>

No matters are reportable.

<u>Difficulties Encountered in Performing the Audit</u>

Our audit requires cooperative effort between management and the audit team. There were no difficulties encountered during the course of our audit. Management of the Airport Authority assisted with all audit requests in a timely manner.

<u>Other Material Written Communication</u>

Listed below is a material written communication between management and us related to the audit:

- Management representation letter *(attached)*

OTHER MATTERS

We observed the following matter related to ongoing standard setting by the GASB. This matter is offered as a constructive suggestion for the consideration of management as a part of the ongoing process of modifying and improving financial accounting and reporting in accordance with accounting standards generally accepted in the United States of America. We can discuss this matter further at your convenience and may provide assistance with implementation including initial and ongoing considerations.

<u>Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement)</u>

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended, Statement No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*, as they relate to governmental employers that that account for OPEB provided through trusts that meet certain criteria.

GASB 75 requires governments to report a liability on the face of the financial statements, in accordance with the following:

- Employers that are responsible only for OPEB liabilities for their own employees and that provide OPEB through a defined benefit OPEB plan administers through a trust that meets specified criteria will report a net OPEB liability (the difference between the total OPEB liability and the assets accumulated in trust to make the benefit payments)

- Employers that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to the employer's proportionate share for the collective OPEB liability for all employers participating in the plan

- Employers that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability for their own employees

GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. GASB 75 is effective for fiscal years beginning after June 15, 2017 and requires restatement of any prior years presented, if practical.

This communication is intended solely for the information and use of the Audit Committee, Members of the Board and management and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

October 23, 2017

SAN DIEGO
INTERNATIONAL AIRPORT
LET'S GO.

October 23, 2017

BKD, LLP
Certified Public Accountants
14241 Dallas Parkway, Suite 1100
Dallas, Texas 95254

We are providing this letter in connection with your audits of our financial statements as of and for the years ended June 30, 2017 and 2016 and your audit of our compliance with requirements applicable to our major federal award program as of and for the year ended June 30, 2017. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except regarding certain representations whereby we have previously communicated with you, we confirm to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated June 7, 2017 for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. We have provided you with:

   (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.

   (b) Additional information that you have requested from us for the purpose of the audit.

(c) Unrestricted access to persons within the San Diego County Regional Airport Authority (Airport Authority) from whom you determined it necessary to obtain audit evidence.

(d) All minutes of meetings of the governing body held through the date of this letter.

(e) All significant contracts and grants.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:

(a) Misappropriation of assets.
(b) Misrepresented or misstated assets, liabilities or net position.

7. Except as previously disclosed, we have no knowledge of any known or suspected:

(a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
(b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.

8. Aside from matters previously communicated, we have no knowledge of any allegations of fraud or suspected fraud affecting the Airport Authority received in communications from employees, customers, regulators, suppliers or others.

9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.

10. Except as reflected in the financial statements, there are no:

(a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

(b) Material transactions omitted or improperly recorded in the financial statements.

(c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

(d) Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.

(e) Agreements to purchase assets previously sold.

(f) Restrictions on cash balances or compensating balance agreements.

(g) Guarantees, whether written or oral, under which the Airport Authority is contingently liable.

11. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

12. We have no reason to believe the Airport Authority owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

13. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

14. Adequate provisions and allowances have been accrued for any material losses from:

(a) Uncollectible receivables.

(b) Reducing obsolete or excess inventories to estimated net realizable value.

(c) Sales/lease/service commitments, including those unable to be fulfilled.

(d) Purchase commitments in excess of normal requirements or above prevailing market prices.

15. Except as disclosed in the financial statements, we have:

(a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.

(b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

16. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory

agency with authority to enforce environmental laws and regulations.

17. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.

18. With regard to deposit and investment activities:

    (a) All deposit and investment transactions have been made in accordance with legal and contractual requirements.

    (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.

    (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

19. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.

20. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.

21. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

22. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.

23. We have a process to track the status of audit findings and recommendations.

24. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.

25. With regard to federal awards, passenger facility charge and customer facility charge programs:

    (a) We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.

(b) We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget* (OMB) *Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance (or availability) of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations. We have also identified all compliance requirements of the passenger facility charge and customer facility charge programs.

(c) We are responsible for complying, and have complied, with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(d) We are responsible to understand and comply with the requirements of federal statutes, regulations and the terms and conditions of federal awards related to each of our federal awards programs, as well as the passenger facility charge and customer facility charge programs, and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the Airport Authority has complied with all applicable compliance requirements.

(e) We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards, passenger facility charge and customer facility charge programs in compliance with requirements of laws, regulations, contracts and grants applicable to those programs.

(f) We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.

(g) The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.

(h) The costs charged to federal awards are in accordance with applicable cost principles.

(i) The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency or the applicable payment system.

(j) Amounts claimed or used for matching were determined in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or OMB Circular A-87regarding cost principles.

(k) We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.

(l) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.

(m) The reporting package does not contain any protected personally identifiable information.

26. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of net position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

27. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

28. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis and pension/other post-employment benefit information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or

presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

29. With regard to supplementary information:

(a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

(b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

(c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.

(d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

(e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

Kimberly J. Becker, President/CEO

Scott Brickner, Vice President Finance & Asset Management/Treasurer

ITEM 2

SAN DIEGO INTERNATIONAL AIRPORT

LET'S GO.

Report to the Audit Committee

November 20, 2017

Annual Audit - Year Ended June 30, 2017

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2017 Highlights

Independent Auditor's Report on Basic Financial Statements	**Unmodified**
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*	**Unmodified**
Report on Compliance for the Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	**Unmodified**
Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control Over Compliance; and Report on Schedule of Passenger Facility Charge Collections and Expenditures	**Unmodified**
Report on Compliance for the Customer Facility Charge Program; Report on Internal Control Over Compliance; and Report on Schedule of Customer Facility Charge Collections and Expenditures	**Unmodified**

- During fiscal year 2017, the Airport Authority received its Certificate of Achievement for Excellence in Financial Reporting for its 2016 CAFR. This was the 14th consecutive year the Airport Authority has received this prestigious award. There was only minor comments received from the GFOA.
- There were no material weaknesses or significant deficiencies in internal controls identified during the audit.
- For fiscal year 2017, the Airport Authority had one major federal award program that required testing, the FAA's *Airport Improvement Program* . We identified no compliance or internal control matters related to this program during compliance audit testing.

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2017 Highlights (Cont.)

- **Asset highlights:** Cash, cash equivalents and investments increased $27 million primarily as a result of operations. Capital assets, net decreased slightly due to depreciation expense being greater than 2017 additions. Grants receivable decreased by $4 million or 56% resulting from completed grant construction projects and decreased Quieter Home Program activities. The net pension liability recognized under GASB Statement No. 68 increased from $2 million to $16 million primarily due to differences between actual and forecasted investment return and a change of assumptions.
- **Liability highlights:** Accrued liabilities increased by $5 million related to the Federal Inspection Station, increasing the amount of construction related accruals and retainages payable. Long-term debt increased by $27 million due to issuance of $33 million in variable debt. Accrued interest payable decreased slightly in line with decreasing outstanding principle balances.
- **Net position highlights:** Net investment in capital assets decreased by $46 million, which is primarily resulting from repayment of capital related debt and disposal of Terminal 2 segment for Federal Inspection Station construction. Amounts restricted for debt service increase $3 million based on scheduled payments. Amounts restricted for construction increased by $8 million as a result of increased PFC and CFC reserves. Unrestricted net position rose by $42 million, which is primarily due to the accumulation of additional liquid reserves, complemented by decreases in debt payable from restricted and unrestricted resources.
- **Revenue highlights:** Airline revenue grew by $4 million or 4%, reflecting higher cost recovery from the airlines in 2017. Concession revenue increased by $5 million, primarily stemming from the Airport Authority's expanded concession program and an increase in enplaned passengers. Parking and ground transportation revenue rose by $1 million due to increased enplanements. Ground rentals revenue increased $4 million, which is attributable to a full year of rental changes for the Rental Car Center placed in service early calendar 2016.
- **Expense highlights:** Salaries and benefits increased $5 million due to the GASB 68 adjustment to pension expense as calculated by the pension plan's actuary. Contractual services increased by $7 million as a result of higher parking and bussing costs of the Rental Car Center.
- **Cash flow highlights:** Cash flows from operating activities continue to grow and reflect a strong trend and unrestricted liquid reserves ($288 million) are significant, representing 98% of total unrestricted net position and more than one year of current operating expenses (exclusive of depreciation).
- **Current change in accounting principles:** There were no significant changes to the Airport Authority's significant accounting policies, except with regard to adoption of GASB Statement No. 82, *Pension Issues* , resulting in a restatement of 2016 net position of $2 million. This statement clarifies the classification of employer and member paid contributions, requiring employer paid member contributions to be expensed in the period paid, similar to salaries or fringe benefits.

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Future Change in Accounting Principles

- **For the fiscal year ended June 30, 2018, the Airport Authority will implement the following accounting principle:**

  - **GASB Statement No. 75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

    This statement includes guidance for accounting for participating employers in single-employer and multiple-employer OPEB plans. This statement requires governments providing OPEB plans to recognize their long-term obligation for OPEB benefits as a liability, to provide consistent and comprehensive guidance for all postemployment benefits, parallel to the standards of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

    Based on the most recent actuarial study as of July 1, 2015, the unfunded actuarial accrued liability was approximately $15.7 million. Annual payments have been made in accordance with the annual required contribution.

- **Future changes in accounting principle the Airport Authority will implement:**

  - **GASB Statement No. 87**, *Leases*

    This statement includes guidance for lessor and lessee treatment of exchange or exchange-like contracts that convey control of the right of use of a nonfinancial asset.

    Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this standard will apply to all revenue leases other than airline agreements.

    For leases governed or limited by external laws, regulations or legal rulings, recognition of respective lease assets and liabilities is not permitted, though additional note disclosure will be required. Disclosure only requirements will be applicable for airline agreements as these have legal restrictions and limitations.

    This Statement is effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

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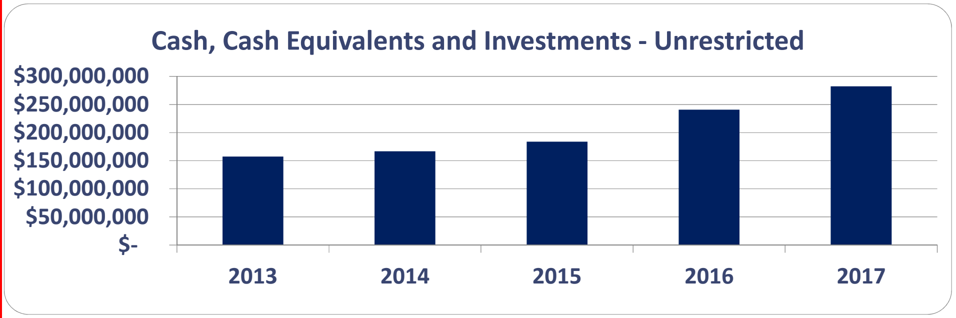
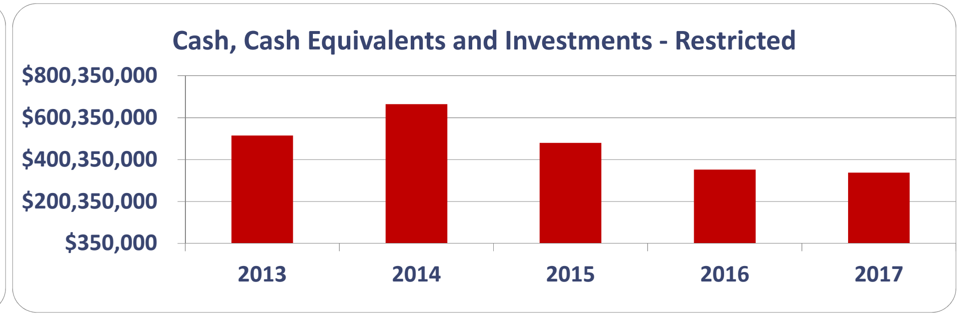
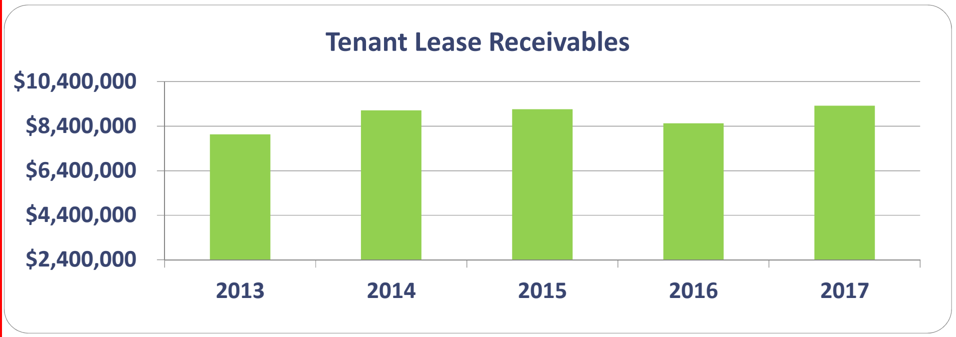
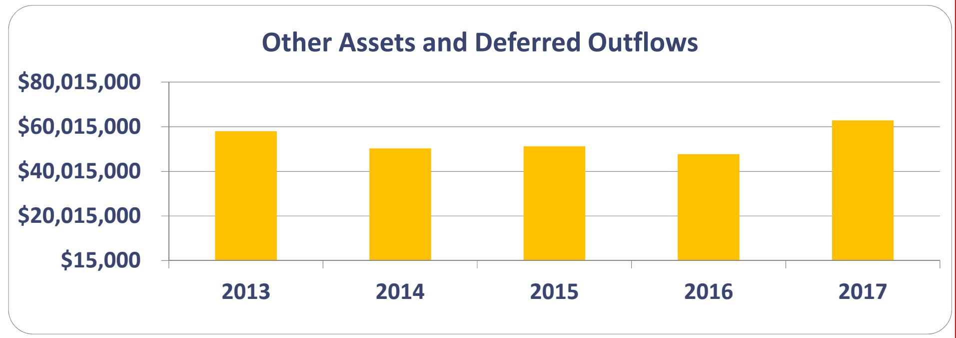
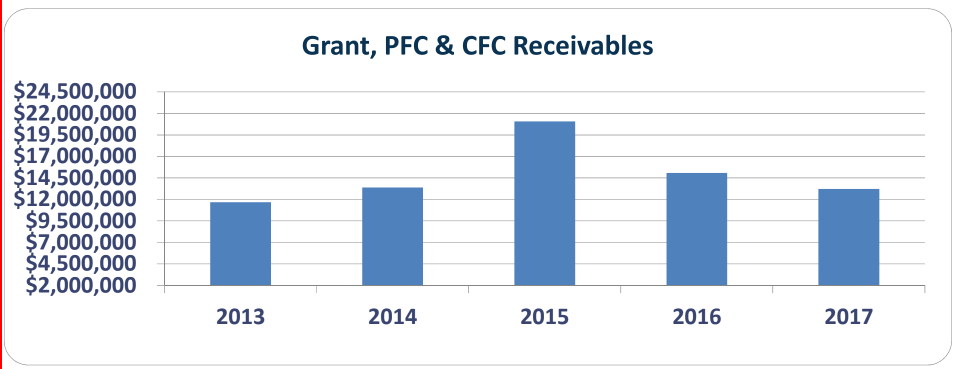
Assets and Deferred Outflows Composition Trends

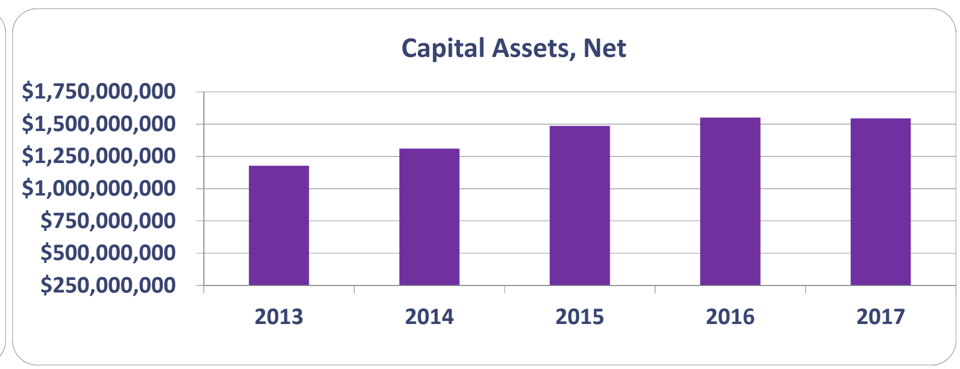












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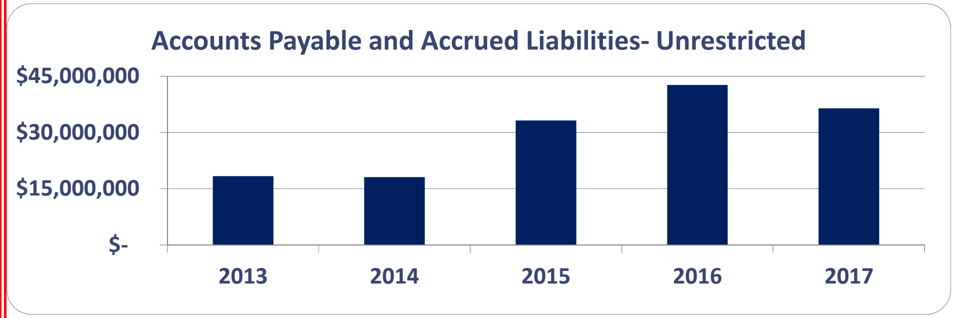
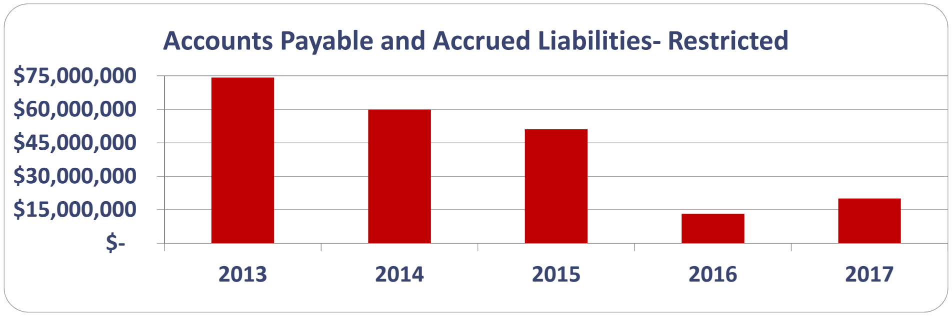
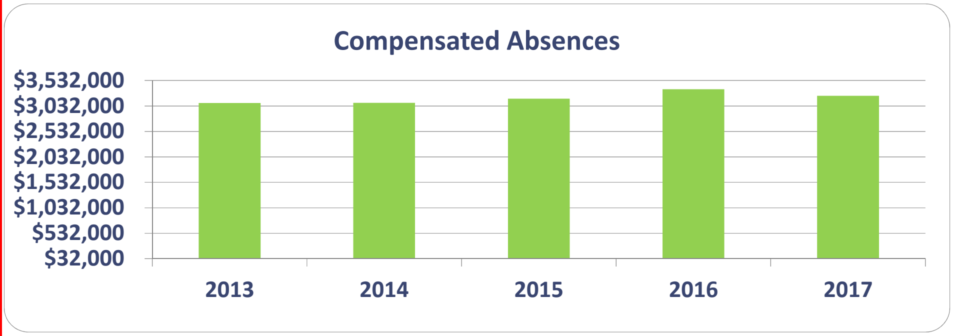
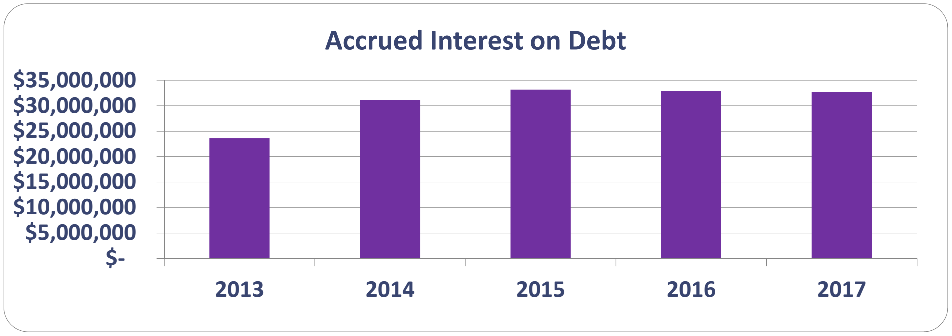
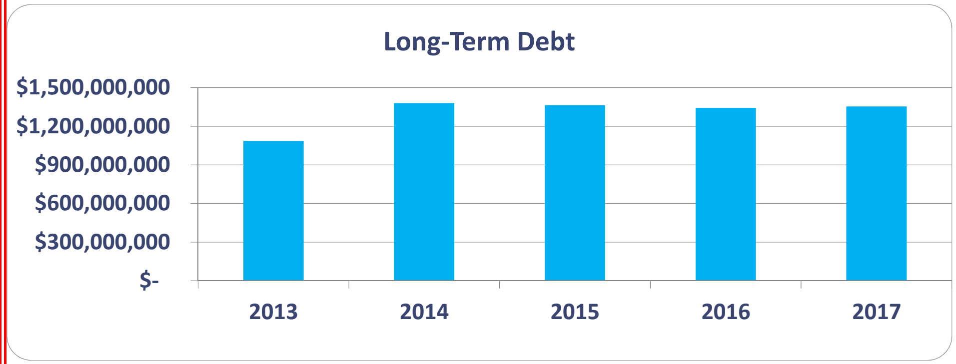
Liabilities and Deferred Inflows Composition Trends

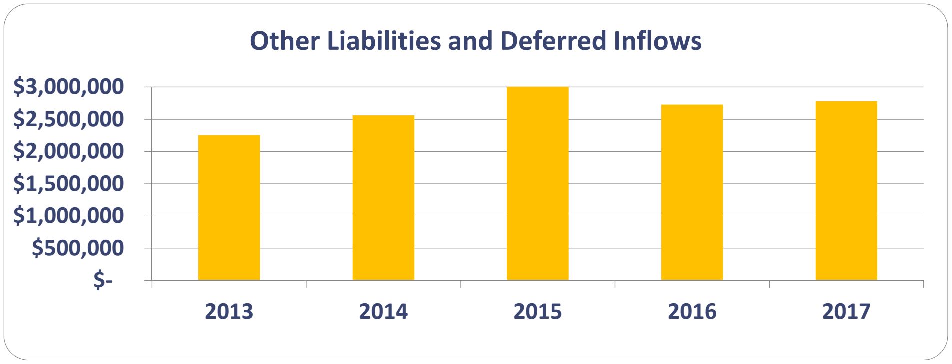












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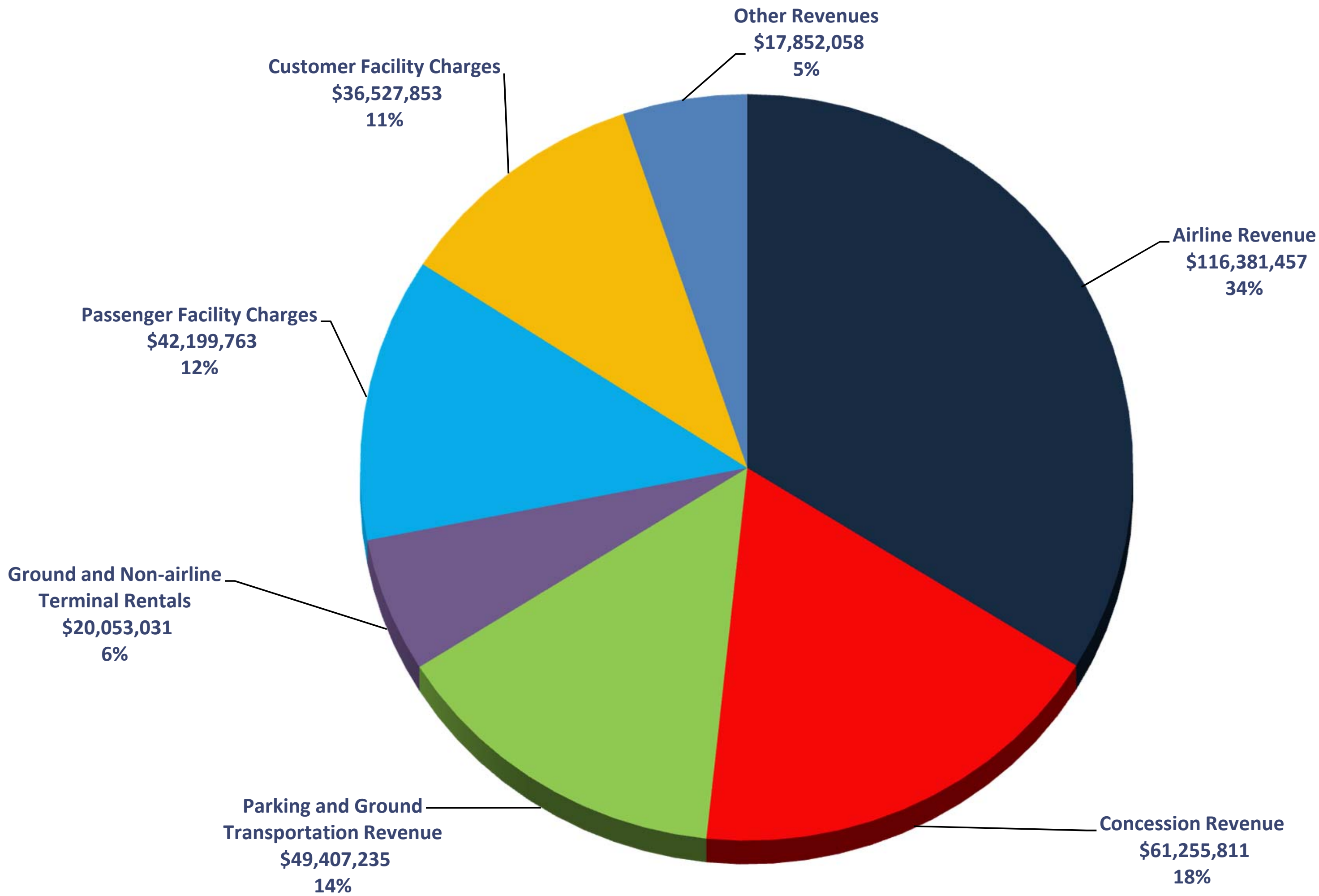
Total Revenues and Capital Contributions Composition for the Year Ended June 30, 2017



Total Revenues = $343,677,208

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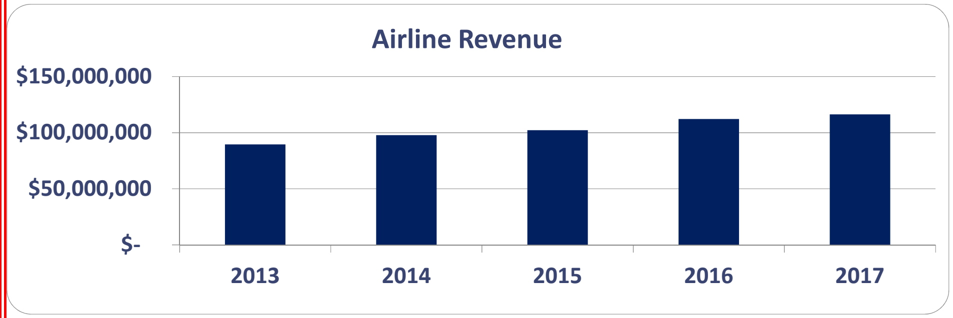
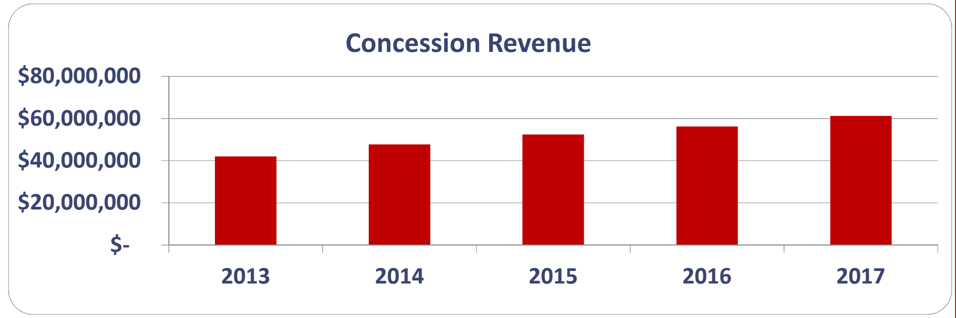
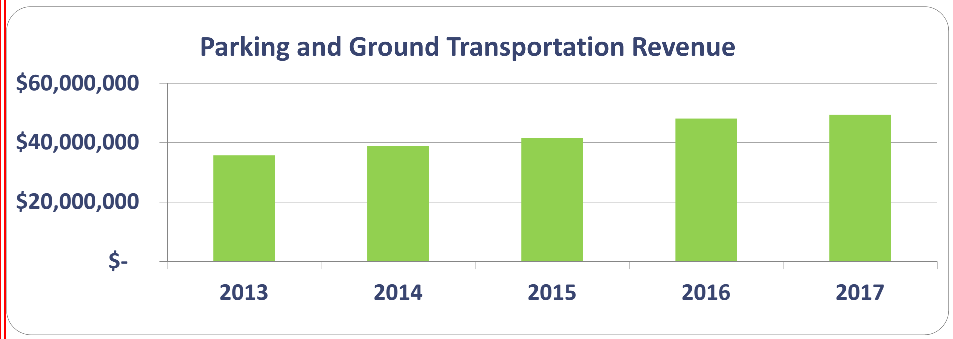
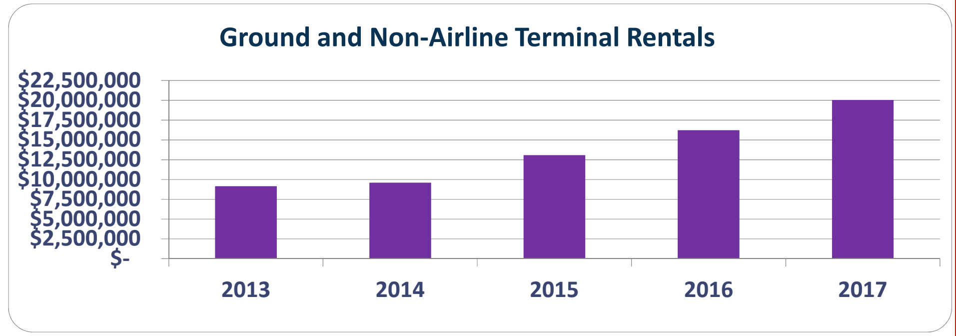
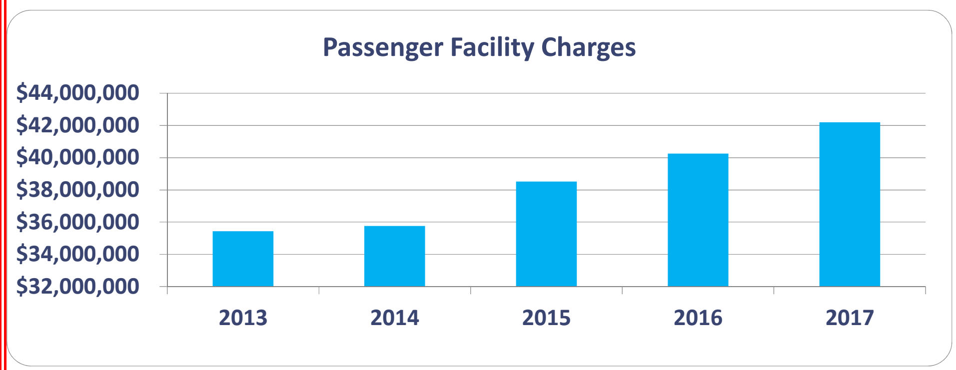
Total Revenues and Capital Contributions Trends

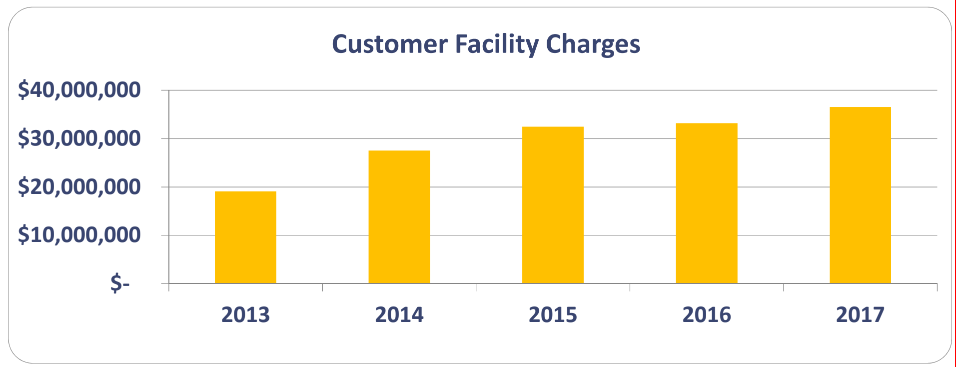












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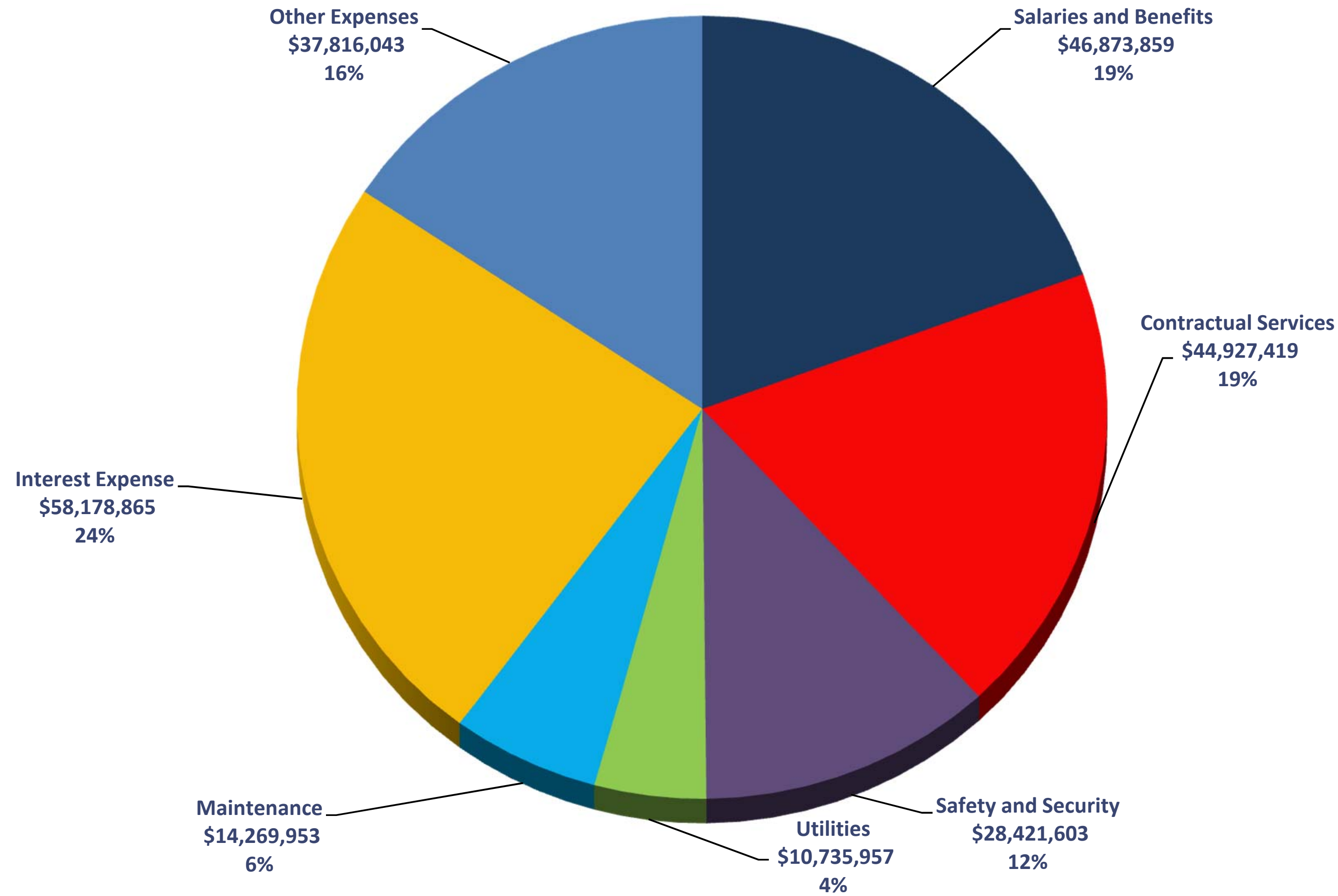
Expense Composition for the Year Ended June 30, 2017
(Excl. Depreciation)



Total Expenses (Excl. Depreciation of $95,229,026) = $241,223,699

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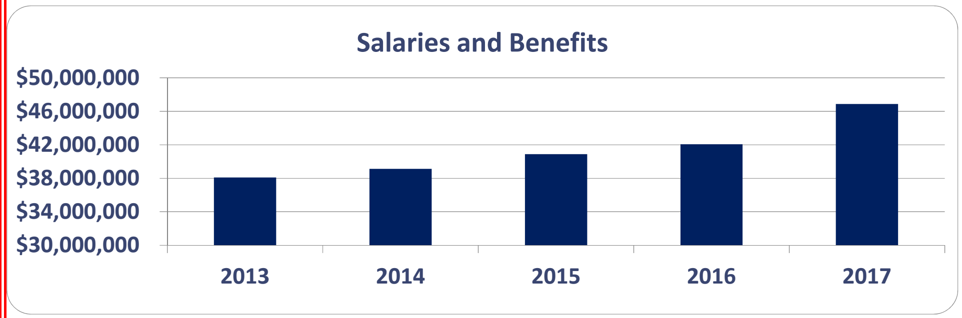
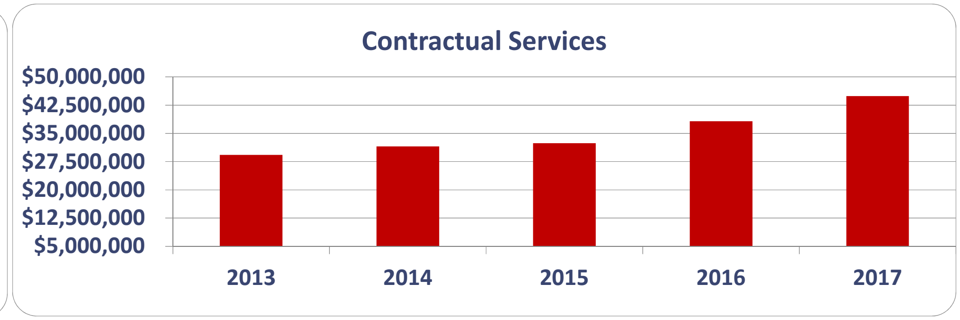
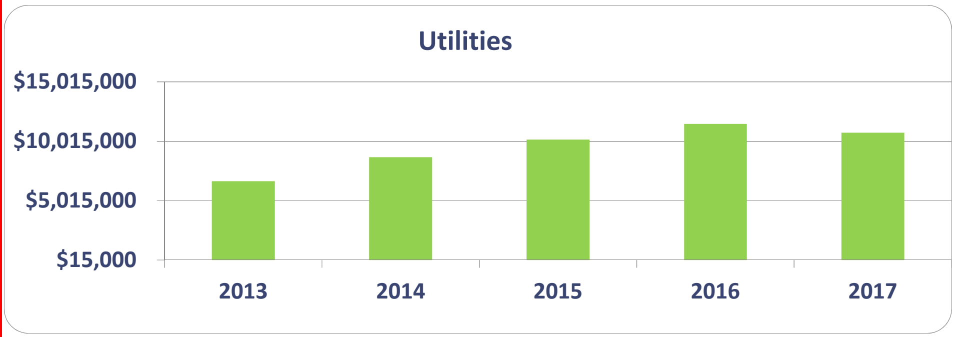
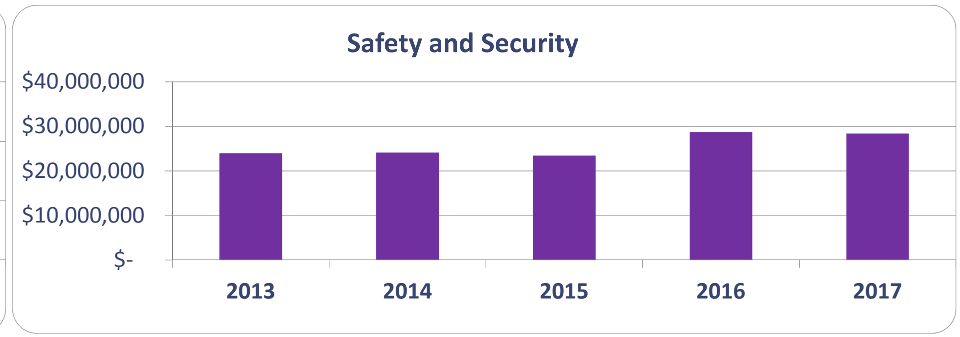
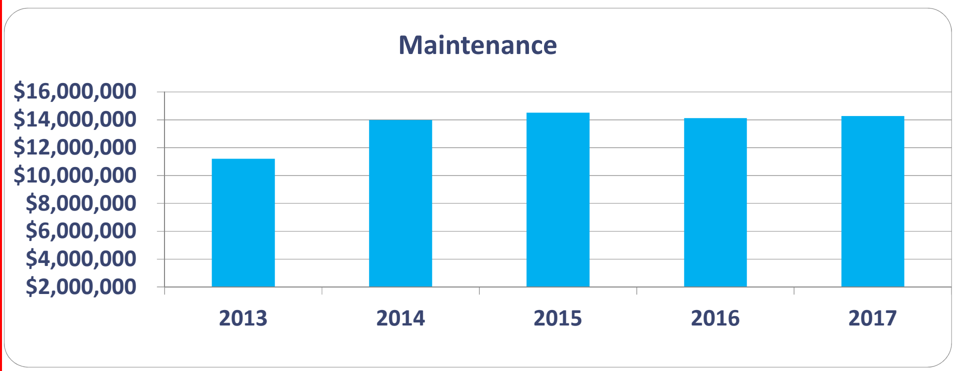
Expense Trends

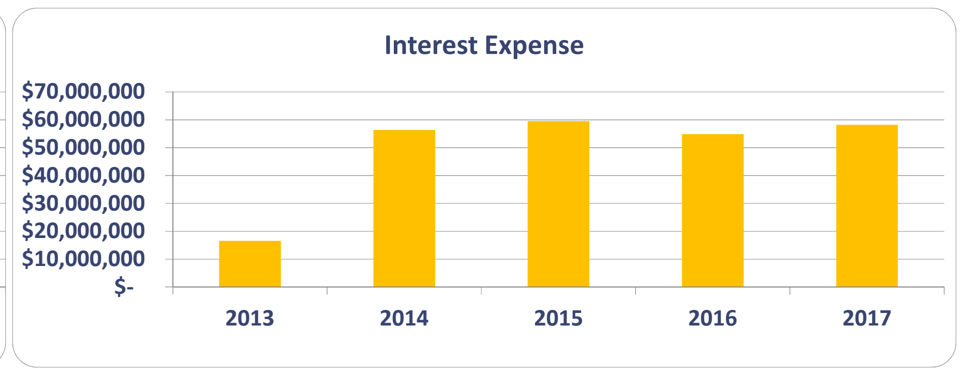












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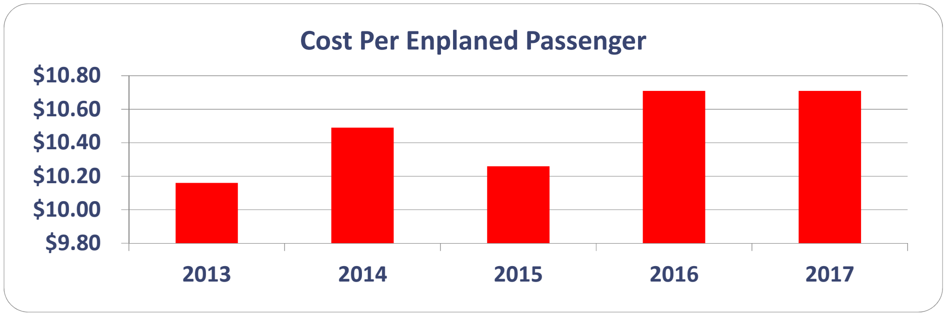
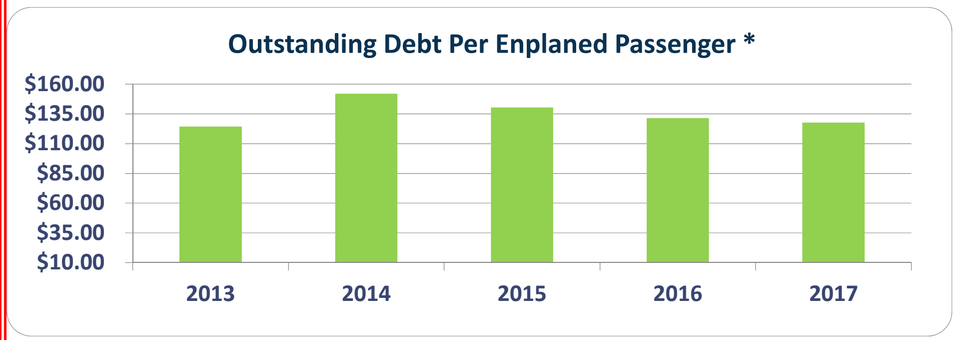
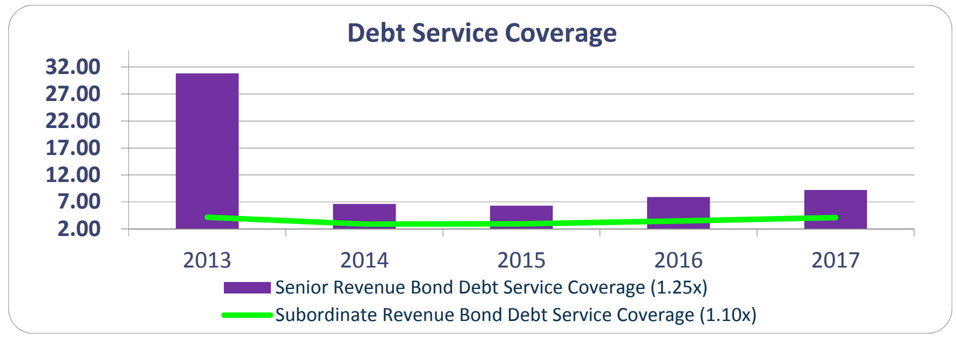
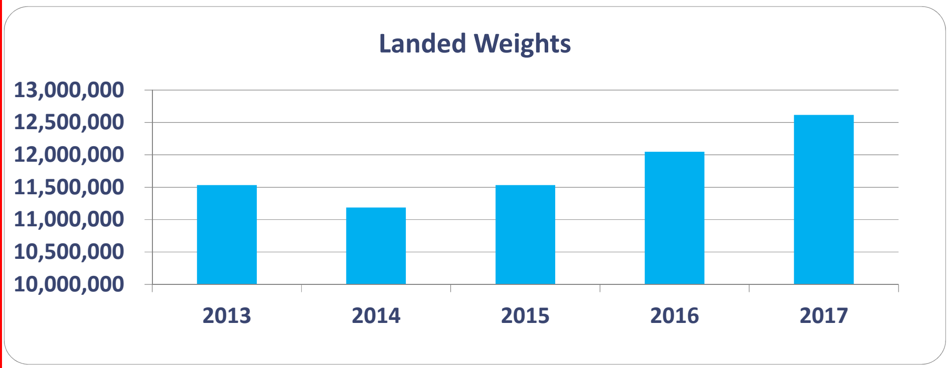
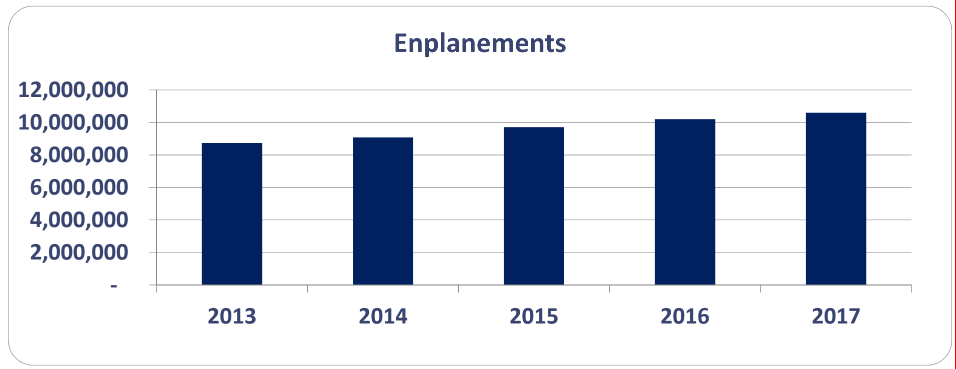
Other Relevant Trends











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*** Beginning in 2014, outstanding debt includes the Series 2014 CFC Bonds.**

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Item No.
3

AUDIT COMMITTEE

Meeting Date: **NOVEMBER 20, 2017**

Subject:

Review of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2017

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

Background/Justification:

A Comprehensive Annual Financial Report (CAFR) is a set of U.S. government financial statements that encompass the financial report of a state, municipal, or other governmental entity that conforms with the accounting requirements of the Governmental Accounting Standards Board (GASB).

The CAFR provides a measure of financial transparency on local and state government spending. It is a more thorough report when compared to the audited financial statements, and includes three major sections: the introductory section, which provides general information on the Airport's organization structure; the financial section, which includes the Airport's audited financial statements; and the statistical section, which provides data trends.

The Charter of the Audit Committee directs the Committee to review the CAFR and other external auditor annual reports, and to forward them to the San Diego County Regional Airport Authority Board for approval.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017, is submitted as Attachment A.

Fiscal Impact:

Adequate funding for the audit conducted by BKD, LLP, is included in the adopted Fiscal Year 2018 and conceptually approved Fiscal Year 2019 Operating Expense Budgets within the Accounting Department Services – Other line item.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

☐ Community Strategy ☒ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

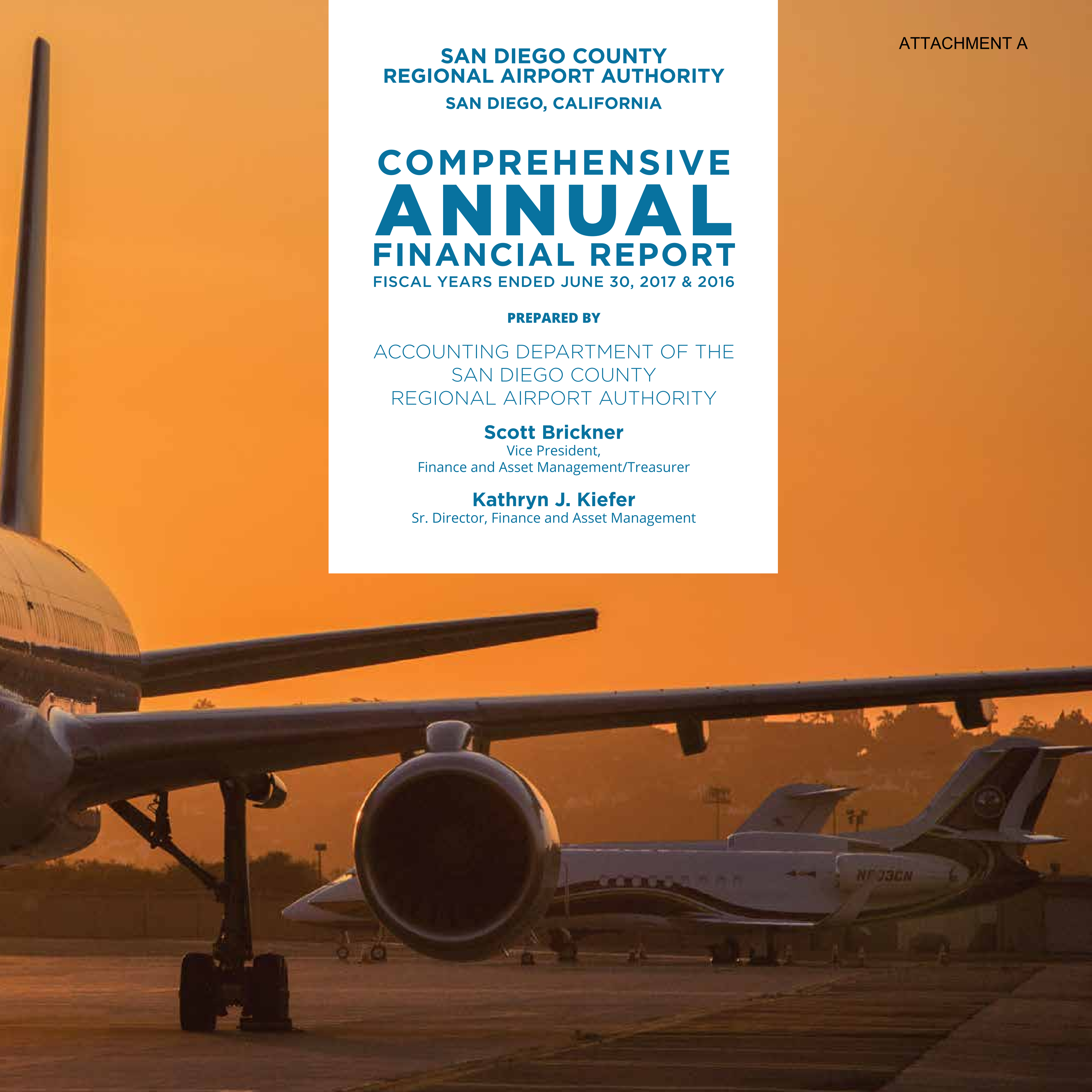
Application of Inclusionary Policies:

Not Applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

ATTACHMENT A



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

SAN DIEGO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2017 & 2016

PREPARED BY

ACCOUNTING DEPARTMENT OF THE
SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Scott Brickner
Vice President,
Finance and Asset Management/Treasurer

Kathryn J. Kiefer
Sr. Director, Finance and Asset Management

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SAN DIEGO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 & 2016

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JAPAN AIRLINES

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

AUTHORITY ORGANIZATION CHART

AUTHORITY BOARD MEMBERS AND EXECUTIVE STAFF

GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
P.O. BOX 82776, SAN DIEGO, CA 92138-2776
619.400.2400 WWW.SAN.ORG

SAN DIEGO INTERNATIONAL AIRPORT
LET'S GO.

October 23, 2017
To the Public:

We are pleased to present the Comprehensive Annual Financial Report of the San Diego County Regional Airport Authority ("Airport Authority") for the fiscal years ended June 30, 2017 and 2016. The purpose of this report is to provide the Airport Authority Board, the public and other interested parties with reliable information concerning the financial condition and results of the operations of the Airport Authority. The Airport Authority's Accounting Department prepared this report following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). Responsibility for the accuracy, completeness and fairness of the presented data, including all disclosures, rests with the Airport Authority management.

To the best of our knowledge and belief, this report fairly presents and fully discloses the Airport Authority's financial position, changes in financial position, results of operations and cash flows in accordance with generally accepted accounting principles in the United States of America (GAAP).

The Airport Authority has established and maintains a comprehensive framework of internal controls to provide reasonable assurance that assets are properly safeguarded, transactions are properly executed, and the financial statements are free from material misstatement.

The Airport Authority engaged the Certified Public Accounting firm BKD, LLP to perform the annual independent audit of the basic financial statements contained in this report. The auditors issued an unmodified (or clean) opinion on the Airport Authority's financial statements for the fiscal years ended June 30, 2017 and 2016.

GAAP requires that management provide a narrative overview and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal should be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditors in the Financial Section of this report.

PROFILE OF AIRPORT AUTHORITY AND ORGANIZATIONAL STRUCTURE

The Airport Authority began operations on January 1, 2003, as an independent agency to manage the day-to-day operations of San Diego International Airport (SDIA) and address the region's long-term air transportation needs.

The legislation that created the Airport Authority mandates three main responsibilities:

- Operate San Diego International Airport
- Plan for the future air transportation needs of the region
- Serve as the region's Airport Land Use Commission – and ensure the adoption of land use plans that protect public health and safety surrounding all 16 of the county's airports.

The Airport Authority is governed by an appointed Board of Directors ("Board") of nine members representing all areas of San Diego County and three additional members serving as non-voting, ex-officio Board members. Three Board members serve as the Executive Committee consisting of one Board member from each of the following "defined jurisdictions:" the City of San Diego, the County of San Diego, and one Board member from among the east county cities, south county cities, north county coastal or north county inland cities. The Board members serve three-year terms.

The management and operations of SAN are carried out by a staff headed by the President/ Chief Executive Officer, who is appointed by and reports directly to the Airport Authority Board of Directors.

ECONOMIC CONDITION

Economic and industry trends drive passenger traffic and airline operations at SAN, directly impacting our operating environment and airport finances. The U.S. economy continues to slowly strengthen. Gross Domestic Product (GDP) increased 2.0% during 2016, reflecting continued modest growth in the national economy.

The Air Trade Area for SAN includes San Diego County and portions of neighboring Orange and Riverside Counties and Baja California del Norte, Mexico. The California Department of Finance estimated the population of San Diego County to be 3.3 million as of January 1, 2017. The county is the second largest in California, behind Los Angeles County, and the fifth largest county in the United States. The majority of the County's population is concentrated in the western coastal areas. The largest cities in the County are San Diego (42 percent), Chula Vista (8 percent), Oceanside (5 percent), Escondido (5 percent), Carlsbad (3 percent), and El Cajon (3 percent). The combined San Diego/Tijuana metropolitan population exceeds five million inhabitants.

The region's economy is diverse with a strong tourism sector, a large defense industry and a bustling technology cluster. Over the next five years, job gains are expected in professional and business services, leisure and hospitality, education and healthcare and government. San Diego County has enjoyed a relatively stable economic climate during the past four years, with lower unemployment rates than the State of California. In June 2017, the County's unemployment rate was 4.3 percent compared to June 2016, at 4.9 percent. California's unemployment rate was 4.7 percent in June 2017 and 5.6 percent in June 2016, and the national unemployment rate was 4.4 percent as of June 2017 compared to 4.9 percent as of June 2016. See the Statistical Section for additional economic information.

SAN's enplaned passengers grew 3.8 percent in fiscal year 2017, reflecting continuing economic strength. Total enplaned passengers were 10.6 million, compared to 10.2 million in fiscal year 2016. See the MD&A section of the Financial Section of this report for further discussion of the current year activity.

AIRPORT AUTHORITY NAMES NEW PRESIDENT/CEO

Kim Becker was hired as the Airport Authority's second President/CEO, effective May 1, 2017. She had been with Mineta San Jose International Airport since 1995, and Director since 2013. Becker succeeded Thella F. Bowens, who retired March 31, 2017.

Airport Authority Board Chairman April Boling said she looks forward to Becker continuing the fine work started by Bowens, including execution of a five-year strategic plan recently approved by the Board. Strategic goals of the plan include:

1. Exceed our customers' expectations by introducing innovative service and facility enhancements
2. Grow and efficiently manage capacity for future demand, both landside and airside, including international facilities
3. Enhance community understanding of SAN as an economic engine and a portal for prosperity that enhances our quality of life
4. Develop leaders and a workforce aligned to the needs of our Strategic Plan and an inclusive environment that reflects the diversity of our community
5. Execute a Plan of Finance that provides the financial resources necessary to achieve the 2022 Future State while maintaining the enterprise's strong financial position

Becker's proven leadership capabilities and collaborative style will be instrumental in SAN's future success. She intends to spend time in the community to hear what the public wants.

Becker also worked at Teterboro Airport in New Jersey and Burbank-Glendale-Pasadena Airport for a total of 10 years. She earned a B.S. in Business Administration from Indiana University of Pennsylvania and an MBA in Aeronautics from Embry-Riddle Aeronautical University.

AIRPORT BREAKS GROUND ON FEDERAL INSPECTION STATION IN TERMINAL 2 WEST

The Airport Authority officially kicked off construction of a new Federal Inspection Station (FIS) at the west end of Terminal 2 in May 2017. The new Customs facility is being designed to accommodate the increase in international passengers resulting from recently added overseas flights and expected future demand.

SAN has experienced significant growth in international arrivals in the past 25 years – from about 50,000 passengers annually in the early 1990s to nearly 300,000 annually in 2016. That number – and the associated economic impact – will continue to grow as more international nonstop flights are added.

SAN offers nonstop flights to and from six countries – Japan, Germany, Switzerland, the U.K., Mexico and Canada. Construction of a larger Customs facility for international flight arrivals will allow the airport to process these passengers with greater ease and efficiency.

The new facility will improve the processing experience for passengers with reduced wait times and create a more welcoming environment. Features of the new facility will include a second baggage claim and more queuing space in the lower level Customs hall, as well as the newest processing technologies introduced by U.S. Customs and Border Protection.

The new FIS facility will replace the current facility in Terminal 2 East. It will be an estimated 130,000 square feet, compared to the 26,000 square feet in the current facility. The new facility will also increase the number of international gates from three to six.

The $229.4 million facility is scheduled to be operational in summer 2018. The economic impact of international flights is significant – about $432 million annually for the region.

AIRPORT COMMEMORATES START OF CONSTRUCTION ON TERMINAL 2 PARKING PLAZA

Construction on the highly anticipated Terminal 2 Parking Plaza began in September 2016. The cutting-edge Parking Plaza will be located in front of Terminal 2 and will have three floors with approximately 3,000 parking stalls. It will replace the existing surface parking lot for Terminal 2.

There is great demand for more close-in parking at the airport. The Parking Plaza will enhance customer service by integrating state-of-the-art parking technology that will allow motorists to reserve spaces in advance, find available parking spaces, and streamline payment.

The Parking Plaza is also expected to have environmental benefits by reducing air emissions caused by vehicles that are circulating and idling while searching for an available parking space. Additionally, it will have an aesthetically pleasing design with open light wells, glass-front elevators and public art.

The Parking Plaza has an estimated cost of $127.8 million, will take approximately 20 months to complete and will be open for summer travel in 2018.

LUFTHANSA TO LAUNCH NON-STOP SERVICE LINKING FRANKFURT & SAN

Lufthansa announced in June 2017 that it will offer direct flights between its largest hub, Frankfurt, Germany, and San Diego on a year-round basis beginning in March 2018.

The flight represents a speedy, efficient and convenient connection between Europe and Southern California for both business and leisure travelers.

The flight will operate out of Frankfurt International Airport (FRA) five-times weekly. It will maintain year-round service to the European Union, and will connect to over 85 destinations in Europe, Africa, Middle East and the Indian sub-continent. New destinations available with a single flight connection include: Bangalore, Casablanca, Florence, Gdansk, Kiev, Krakow, Nuremberg, Riga, Riyadh, St. Petersburg, Sofia and Zagreb.

Lufthansa, which has never served SAN before, will use the 279-seat Airbus 340-300 aircraft on the route configured with Business, Premium Economy and Economy class cabins. The flight will be co-marketed and sold in conjunction with United Airlines.

AIRPORT AUTHORITY ISSUES ANNUAL SUSTAINABILITY REPORT

The Airport Authority's Sustainability Report was released in June 2017. This report, produced annually, highlights the Airport Authority's activities and accomplishments for calendar year 2016 and serves as a useful barometer for SAN's relationship to the environment, the traveling public, its stakeholders and the greater San Diego community. As before, the Global Reporting Initiative (GRI) has guided the development of this report.

In 2008, SAN was the first major airport in the U.S. to establish a sustainability policy, and in 2011 was one of the first to publish a sustainability report adhering to Global Reporting Initiative (GRI) standards. In November 2017, SAN will sign the "Airports Sustainability Declaration" that is aligned with the United Nations Sustainable Development Goals, calling for action on climate change.

SAN has defined sustainability as "building an enduring and resilient enterprise by effectively managing our financial, social and environmental risks, obligations and opportunities." That definition is founded on the concept of a "triple bottom line" using financial, social and environmental yardsticks.

Financial: Although all three metrics are vitally important to carrying out the Airport Authority's sustainability mission, the financial strategy serves as the bedrock. The Airport Authority is committed to a financial strategy that is flexible, nimble and able to proactively address future changes in the aviation industry and in the overall economy.

Social: The "social" part of the sustainability strategy has two components, the first being a commitment to ensuring the highest level of employee commitment and performance; and the second being more externally focused on the community and acting as a good neighbor and responsive regional agency.

Environment: SAN occupies 661 acres of sensitive waterfront property. In addition, the airport is a major consumer of water and energy. The extent to which it can preserve and protect the immediate environment while conserving scarce natural resources will ultimately define the airport's success as a sustainable enterprise.

A copy of the report is available at sustain.san.org.

AIRPORT EARNS LEED GOLD CERTIFICATION FOR CONSOLIDATED RENTAL CAR CENTER

SAN was awarded Leadership in Energy and Environmental Design (LEED) Gold certification for its consolidated Rental Car Center from the U.S. Green Building Council (USGBC) in February 2017. LEED certification is considered the industry standard in defining and measuring “green,” sustainable construction.

The $316 million Rental Car Center opened in January 2016. The 2-million-square-foot facility houses most of the rental car companies serving the airport, including national brands, as well as local, independent and small business rental car companies, in one central location off Pacific Highway.

Sustainability was a key goal of the project. The Rental Car Center was designed and built with sustainable strategies to achieve LEED certification. As a 24-hour, 365-day-a-year operation, the lighting was designed to be energy efficient by reducing lighting levels in some areas during off-peak times. The facility’s energy efficient design also earned a $150,000 incentive from San Diego Gas & Electric by achieving an annual energy savings of over 2 million kilowatt hours (kWh) – equivalent to powering more than 300 homes for a full year.

Featuring 15 car wash bays, utilizing resourceful water collection and reuse methods were important components to the project. The facility reclaims 85–90 percent of the water used onsite, and 7 bio-swale areas collect rainwater and run-off, preventing either from reaching San Diego Bay. Aesthetically, landscaping around the facility is climate and site appropriate, drought tolerant and low maintenance.

The facility’s convenient location off Pacific Highway means that virtually all rental car traffic (vehicles and shuttle buses) is removed from Harbor Drive, reducing total traffic volume by 15 percent. Use of SAN-owned, alternate-fuel buses along a dedicated, on-airport roadway helps to reduce GHG emissions.

AIRPORT ACHIEVES AIRPORT CARBON ACCREDITATION

SAN was certified through the Airports Council International's Airport Carbon Accreditation program in October 2016. The program creates a framework that helps airports identify, manage, and ultimately reduce their carbon emissions.

SAN was certified at "Level 2," which means that the airport is actively implementing a carbon management plan and has reduced the emissions under its control. Over the past two years, SAN built highly energy efficient facilities such as its Rental Car Center, installed solar energy panels on roofs and in parking lots, converted its shuttle fleet to alternative fuels, and launched a carbon offset program to enable passengers to reduce the environmental impact of their travel.

Recognition of SAN's certification took place during the Airports Council International – North America's (ACI-NA) 2016 World Annual Conference in Montréal in September 2016. SAN is one of only 20 commercial airports in North America to successfully become certified through this program.

AIRPORT LAUNCHES FASTER, MORE EFFICIENT WI-FI SERVICE

SAN kicked off 2017 with enhanced Wi-Fi service throughout the terminals. The improved service provides bandwidth speeds up to 30 times faster than previously available. Customers are now able to download and stream movies, music and much more. Most importantly, the service will continue to be free to airport visitors.

As part of the upgrade, passengers can connect to the airport's Wi-Fi service for up to 2 hours per session, an increase from 30 minutes previously.

In November 2016, SAN ranked third best among 30 of the busiest airports in the country according to a study by ThePointsGuy.com. The study looked at factors impacting a passenger's airport experience, including timeliness, accessibility and amenities, including Wi-Fi.

THE GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA ("GFOA") CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

This recognition is for the Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2016. The Airport Authority has received this award each year since its inception in 2003. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Airport Authority believes its current CAFR continues to meet the Certificate of Achievement Program's requirements. We will submit it to the GFOA to determine its eligibility for another certificate.

THE GFOA DISTINGUISHED BUDGET PRESENTATION AWARD

In recognition for its annual budget for the fiscal year beginning July 1, 2016 the Airport Authority received the GFOA Distinguished Budget Presentation Award. The achievement of this award is based on a governmental entity's preparation and issuance of budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting. This was the twelfth consecutive year that the Airport Authority received this award.

EXCELLENCE IN PROCUREMENT AWARD

The Achievement of Excellence in Procurement Award is designated to recognize organizational excellence within Procurement. The continuously evolving criteria measures innovation, ethics, electronic commerce, leadership, trends and best practices. The Airport Authority was one of 28 special districts in the United States and Canada to receive the award. The team also received special recognition for innovation. This is the eighth year that the Authority has received this award.


JCB
JCB

BUDGET PROCESS AND FINANCIAL PLAN

Annually, the Airport Authority prepares a five year capital program budget, an operating budget for the fiscal year and a conceptual budget for the next year. The budget process begins in the fall with senior management collaborating with the Board to update, review and formulate the strategies and initiatives that drive business performance. The management team engages in cross-functional discussions to arrive at key decisions and agreements. The effort is designed to align divisional requirements with the Airport Authority's overall strategies and initiatives.

The capital program provides critical improvements and asset preservation. The security, environmental remediation, terminal upgrades and development are the main focus of the capital program.

To ensure that the budget and the financial plan is funded adequately and to maintain the Airport Authority's strong financial condition, the Financial Management team prepares a revenue budget that incorporates budget expenditure requests into the rate setting formula to determine projected rates, fees and charges to the airlines and other tenants.

The financial plan includes the operating budget, the next year conceptual operating budget and the capital program. Other major factors affecting the Airport Authority's financial plan include the airline operating agreement, master and subordinate bond indentures, Memorandum of Understanding with the California Attorney General, and various levels of federal funding.

FINANCIAL INFORMATION

The Airport Authority Board sets policy that provides for appropriate internal controls and provides oversight to ensure that the assets of the Airport Authority are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

The Airport Authority completed fiscal year 2017 with operating income (before depreciation) of $85.1 million. Fiscal year 2017 also grew as compared to fiscal year 2016, with enplanements increasing 3.8 percent, total passengers increasing 3.6 percent, and freight and mail tons increasing 1.6 percent. The accompanying Management's Discussion and Analysis provides a detailed narrative overview.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service and efforts of the Airport Authority's Accounting, Financial Management and Vision, Voice and Engagement Departments. We wish to express our sincere appreciation for their dedication to ensure fiscal transparency and accountability and to maintain and present the Airport Authority's financial statements in conformance with the highest professional standards.

Finally we would like to thank members of the Airport Authority Board for their continued leadership, guidance and support towards the execution of our Mission to plan for and provide air transportation services to the region with safe, effective facilities that exceed customer expectations. We are committed to operating San Diego's air transportation gateways in a manner that promotes the region's prosperity and protects its quality of life.

Respectfully submitted,

Kimberly J. Becker

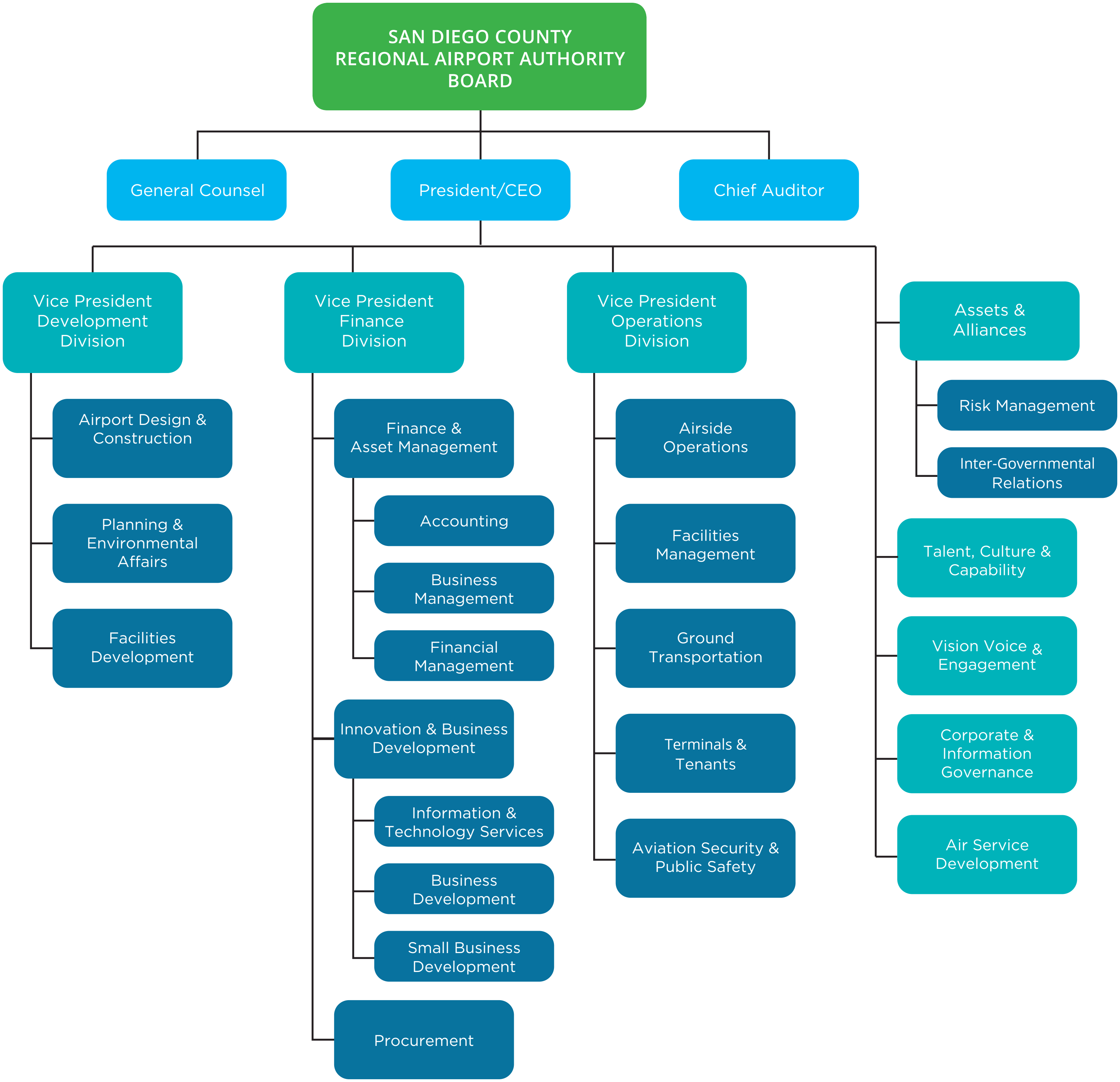
President | Chief Executive Officer

Kimberly J Becker

Scott Brickner, CPA

Vice President Finance & Asset Management | Treasurer

Scott Br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Procurement
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Capability
Vision Voice &
Engagement
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AUTHORITY BOARD MEMBERS AND EXECUTIVE STAFF

AS OF JUNE 30, 2017

AIRPORT AUTHORITY BOARD

EXECUTIVE COMMITTEE MEMBERS

C. APRIL BOLING, CHAIR

PAUL ROBINSON, VICE CHAIR

JIM JANNEY

GENERAL MEMBERS

SUPERVISOR GREG COX

MAYOR JIM DESMOND

ROBERT H. GLEASON

COUNCILMEMBER MARK KERSEY

COUNCILMEMBER MICHAEL SCHUMACHER

MARY SESSOM

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LAURIE BERMAN

ERAINA ORTEGA

COLONEL JASON G. WOODWORTH

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KIMBERLY J. BECKER, PRESIDENT/CHIEF EXECUTIVE OFFICER

SCOTT BRICKNER, VICE PRESIDENT, CFO/TREASURER, FINANCE AND ASSET MANAGEMENT

ANGELA SHAFER-PAYNE, VICE PRESIDENT, OPERATIONS DIVISION

JEFFREY WOODSON, VICE PRESIDENT, DEVELOPMENT DIVISION

MARK BURCHYETT, CHIEF AUDITOR

AMY GONZALEZ, GENERAL COUNSEL

HAMPTON BROWN, DIRECTOR, AIR SERVICE DEVELOPMENT

KURT GERING, DIRECTOR, TALENT CULTURE & CAPABILITY

MATT HARRIS, SENIOR DIRECTOR, ASSETS AND ALLIANCES

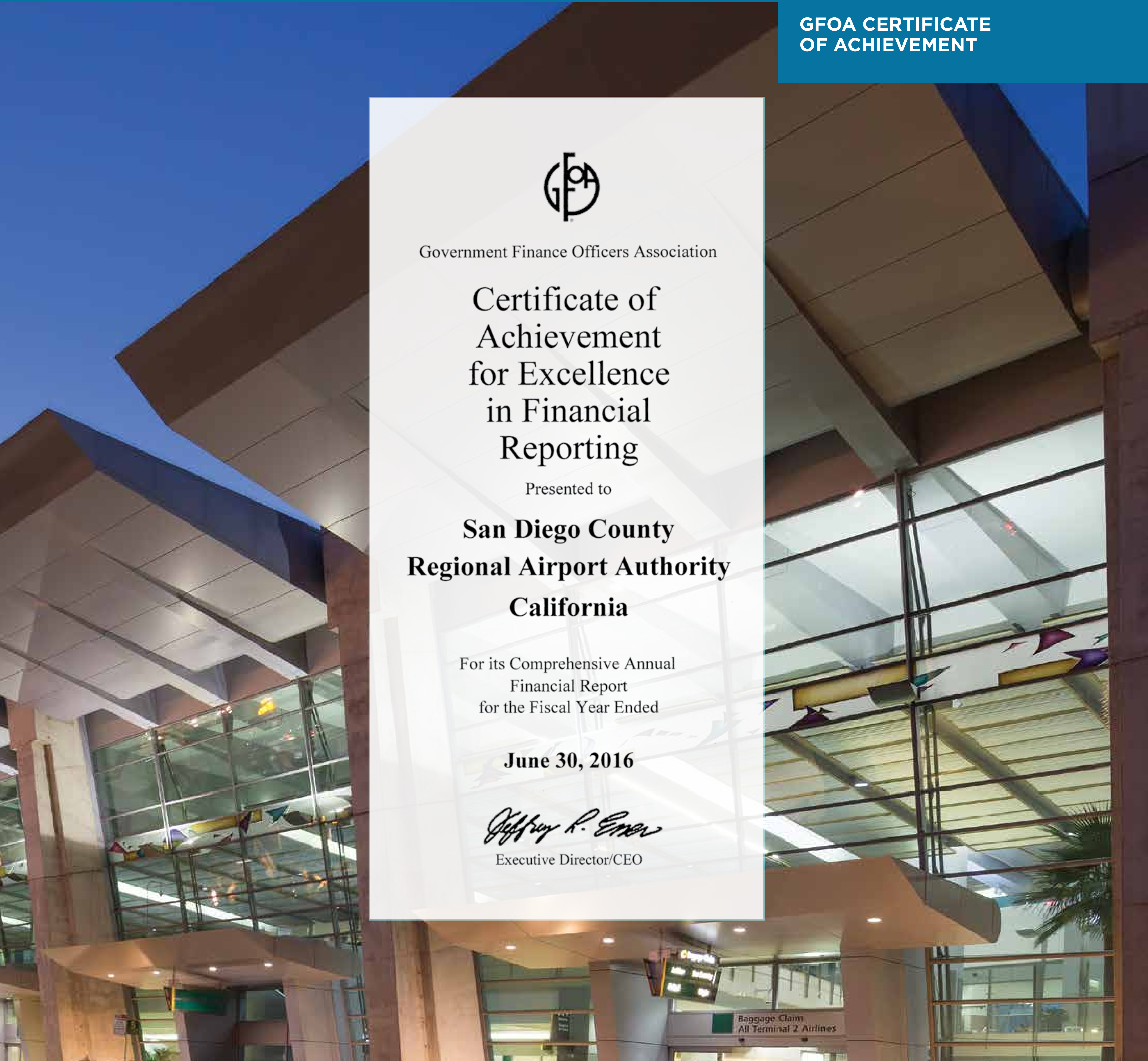
DIANA LUCERO, DIRECTOR, VISION, VOICE AND ENGAGEMENT

TONY RUSSELL, DIRECTOR/AUTHORITY CLERK, CORPORATE AND INFORMATION GOVERNANCE

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Diego County Regional Airport Authority (California) for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This is the thirteenth consecutive year that the Airport Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego County
Regional Airport Authority
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Jeffrey R. Emer

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

BASIC FINANCIAL STATEMENTS:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

BKD LLP
CPAs & Advisors
14241 Dallas Parkway, Suite 1100 // Dallas, TX 75254-2961
972.702.8262 // fax 972.702.0673 // bkd.com

Independent Auditor's Report

To the Members of the Board
San Diego County Regional Airport Authority
San Diego, CA

We have audited the accompanying basic financial statements of the San Diego County Regional Airport Authority (Airport Authority) which are comprised of a statements of net position as of June 30, 2017 and 2016, and statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Introductory and Statistical Sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Dallas, Texas
October 23, 2017


Transportation / USO

INTRODUCTION

The San Diego County Regional Airport Authority (Airport Authority) was established on January 1, 2002, as an independent agency. On January 1, 2003, the operations and assets of San Diego International Airport (SDIA) transferred from the San Diego Unified Port District (District) to the Airport Authority.

The Airport Authority is a self-sustaining entity receiving most of its revenues through user fees and rents from airline and non-airline business partners operating at SDIA.

Since the Airport Authority is not funded by tax revenues, accounts are maintained in an enterprise fund on the accrual basis of accounting. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows. Users of SDIA's facilities provide most of the revenues to operate, maintain, and acquire necessary services and facilities.

SAN DIEGO INTERNATIONAL AIRPORT

HISTORY OF OWNERSHIP

The public policy decision to transfer responsibility for SDIA from the District to the newly created Airport Authority emanated from recommendations made by the San Diego Regional Efficiency Commission (Commission). The Commission was established to evaluate regional governance in San Diego County and report recommended improvement measures to the California State Legislature.

Because of the significant regional consequences of airport development and operations, the Commission concluded that a regional decision-making process should address the future development of airport facilities in San Diego County. In October 2001, the enabling legislation, Assembly Bill 93 (AB 93) established the composition and jurisdiction of the Airport Authority's governing body in a manner that is designed to reflect the collective interests of the entire San Diego region.

LEGISLATIVE BACKGROUND

AB 93 was signed into California State law in October 2001. The Act established the Airport Authority on January 1, 2002, as a local agency of regional government with jurisdiction throughout the County of San Diego. Subsequent legislative changes to AB 93 were introduced and passed in California Senate Bill 1896 (Act). The amendment addresses several points pertaining to the transfer of aviation employees, date of transfer, property leases, property acquisition and purchase of services from the District.

On January 1, 2008, Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was enacted into law expanding the responsibilities of the Airport Authority. The Airport Authority is vested with five principal responsibilities:

1. Operation of SDIA;
2. Planning and operation of any future airport that could be developed as a supplement or replacement to SDIA;
3. Development of comprehensive airport land use plans for the airports in the county;
4. Serving as the region's Airport Land Use Commission; and
5. In accordance with SB 10, preparing a Regional Aviation Strategic Plan (completed in fiscal year 2011).

AIRPORT ACTIVITIES HIGHLIGHTS (2015 – 2017)

In August 2013, Assembly Bill 1058 was signed into law. This bill made minor clarifying and technical changes to the Airport Authority Act.

AIRPORT ACTIVITIES HIGHLIGHTS (2015 – 2017)

The Airport Authority experienced continued growth in all areas during the current and prior two fiscal years. This followed the trend seen at many commercial airports reflecting the gradual improvements in the economy.

The changes in the SDIA's major activities for the three years are as follows:

	FY 2015	FY 2016	**FY 2017**
Enplaned passengers	9,713,066	10,206,222	**10,596,483**
% increase	6.9%	5.1%	**3.8%**
Total passengers	19,409,683	20,397,170	**21,140,067**
% increase	7.0%	5.1%	**3.6%**
Aircraft operations	195,268	193,451	**201,011**
% increase	4.0%	(0.9%)	**3.9%**
Freight and mail (in tons)	178,615	185,655	**188,607**
% increase	8.3%	3.9%	**1.6%**
Landed weight (in thousands)	11,524	12,048	**12,456**
% increase	3.0%	4.6%	**3.4%**

Overall, the strong economy is reflected in the aircraft operation results at SDIA. There was an increase in enplaned passengers in fiscal year 2017 of 3.8 percent. Also, total passengers increased by 3.6 percent and freight and mail tons increased slightly by 1.6 percent. New airline routes factored into the increases of aircraft operations and landed weight.

The metric 'Changes in Net Position' is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net position increased in 2015, followed by a 4.7 percent increase in 2016, and was followed by a slight .9 percent increase in 2017.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (IN THOUSANDS)

Following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

	FY 2015	FY 2016	**FY 2017**
Operating revenues	$ 210,505	$ 233,994	**$ 248,847**
Operating expenses	(222,136)	(241,429)	**(258,955)**
Nonoperating revenues, net	24,583	31,933	**15,428**
Capital contributions and grants	10,765	10,477	**1,904**
Increase in net position	23,717	34,975	**7,224**
Net position, beginning of year	727,017	742,741	**775,949**
Prior-period adjustment	(7,993)	(1,767)	
Net position, end of year	$ 742,741	$ 775,949	**$ 783,173**

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections that follow. The implementation of GASB 68 in fiscal year 2015 caused a prior-period adjustment in that year. The cumulative changes in accounting for pension liabilities are reflected in this adjustment.

OPERATING REVENUES (IN THOUSANDS)

	FY 2016	FY 2017	From 2016 to 2017 Increase (Decrease)	From 2016 to 2017 % Change
Airline revenue:				
Landing fees	$ 23,985	**$ 24,612**	$ 627	2.6%
Aircraft parking fees	2,701	**2,927**	226	8.4%
Building rentals	51,273	**54,283**	3,010	5.9%
Security surcharge	29,223	**29,468**	245	0.8%
Other aviation revenue	5,023	**5,091**	68	1.4%
Total airline revenue	112,205	**116,381**	4,176	3.7%
Concession revenue	56,274	**61,256**	4,982	8.9%
Parking and ground transportation revenue	48,106	**49,407**	1,301	2.7%
Ground and non-airline terminal rentals	16,226	**20,053**	3,827	23.6%
Other operating revenue	1,183	**1,750**	567	47.8%
Total operating revenue	$ 233,994	**$ 248,847**	$ 14,853	6.3%

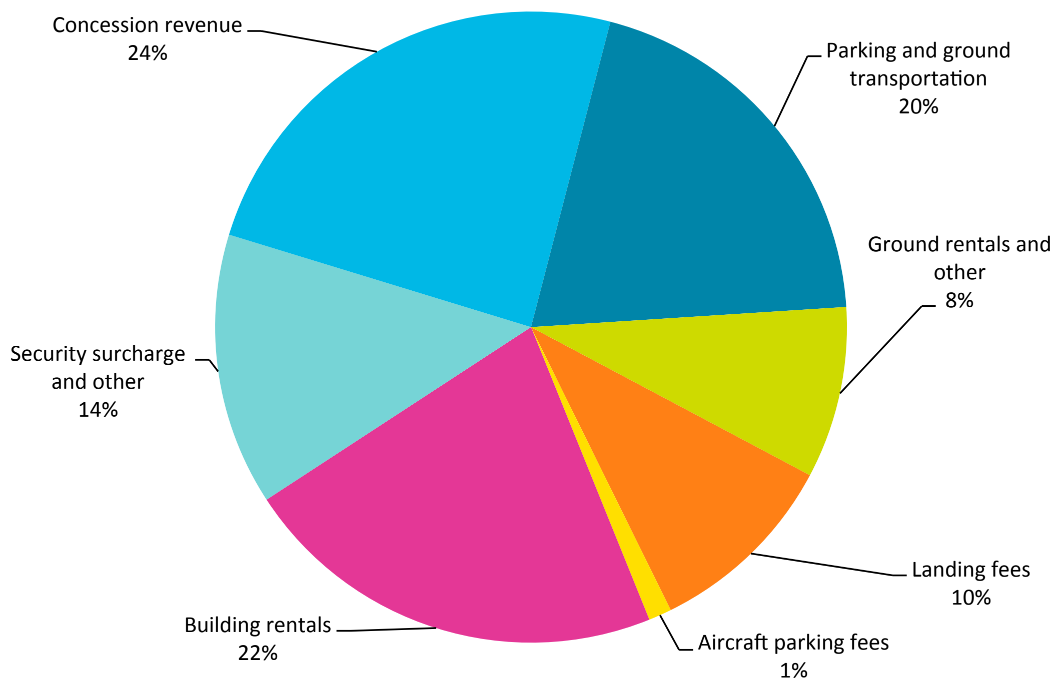
	FY 2015	FY 2016	From 2015 to 2016 Increase (Decrease)	From 2015 to 2016 % Change
Airline revenue:				
Landing fees	$ 21,390	$ 23,985	$ 2,595	12.1%
Aircraft parking fees	2,716	2,701	(15)	(0.6%)
Building rentals	48,153	51,273	3,120	6.5%
Security surcharge	25,180	29,223	4,043	16.1%
Other aviation revenue	4,893	5,023	130	2.7%
Total airline revenue	102,332	112,205	9,873	9.6%
Concession revenue	52,496	56,274	3,778	7.2%
Parking and ground transportation revenue	41,633	48,106	6,473	15.5%
Ground and non-airline terminal rentals	13,073	16,226	3,153	24.1%
Other operating revenue	971	1,183	212	21.8%
Total operating revenue	$ 210,505	$ 233,994	$ 23,489	11.2%

OPERATING REVENUES (CONTINUED)

FISCAL YEAR 2017 COMPARED TO 2016:
Total airline revenues increased by $4.2 million, or 3.7 percent, primarily due to an increased cost recovery from the airlines which was higher in fiscal year 2017, compared to 2016. Landing fees increased by $627 thousand or 2.6 percent due to increased airfield operating costs and new capital projects. Aircraft parking fees increased by $226 thousand or 8.4 percent, due to increased airfield-related costs. Building rentals increased by $3.0 million or 5.9 percent due to higher terminal maintenance costs and changes in rentable square footage. Security surcharge increased slightly by $245 thousand or .8 percent, partially due to increased security checkpoint expenses and increased security equipment costs. Concession revenue increased by $5.0 million or 8.9 percent, reflecting higher sales per enplaned passenger. Parking and ground transportation increased by $1.3 million or 2.7 percent, due to higher enplanements, valet revenue, and permits. Ground and non-airline terminal rentals increased by $3.8 million or 23.6 percent, due in part to new non-tenant agreements and increased FBO rents. Other operating revenue increased by $567 thousand or 47.8 percent, primarily due to higher landing fees at the Fixed Base Operator, and higher fees for miscellaneous services.

FISCAL YEAR 2016 COMPARED TO 2015:
Total airline revenues increased by $9.9 million, or 9.6 percent, primarily due to an increased cost recovery for the airlines which was higher in fiscal year 2016, compared to 2015. Landing fees increased by $2.6 million or 12.1 percent due to increased airfield costs. Building rentals increased by $3.1 million or 6.5 percent due to increased terminal costs. Security surcharge increased by $4.0 million or 16.1 percent, primarily due to increased Harbor Police expenses and higher terminal rental rate for security checkpoints. Non-airline terminal rent decreased by $473 thousand or 31.4 percent, primarily due to consolidation of ground servicing companies. Concession revenue increased by $3.8 million or 7.2 percent, reflecting increased enplanements and higher sales per enplaned passenger. Parking and ground transportation increased by $6.5 million or 15.5 percent, due to higher enplanements and higher cost recovery on ground transportation. Ground rentals increased by $3.6 million or 31.3 percent, primarily due to the Rental Car Center land lease starting January 2016. Other operating revenue increased by $212 thousand or 21.8 percent, primarily due to higher landing fees at the Fixed Base Operator, higher utility reimbursements, and higher fees for miscellaneous services.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FISCAL YEAR ENDED JUNE 30, 2017 | OPERATING REVENUES



OPERATING EXPENSES (IN THOUSANDS)

	FY 2016	FY 2017	From 2016 to 2017 Increase (Decrease)	% Change
Salaries and benefits	$ 42,025	**$ 46,874**	$ 4,849	11.5%
Contractual services	38,215	**44,927**	6,712	17.6%
Safety and security	28,721	**28,422**	(299)	(1.0%)
Space rental	10,367	**10,190**	(177)	(1.7%)
Utilities	11,480	**10,736**	(744)	(6.5%)
Maintenance	14,122	**14,270**	148	1.0%
Equipment and systems	708	**502**	(206)	(29.1%)
Materials and supplies	536	**651**	115	21.5%
Insurance	950	**956**	6	0.6%
Employee development and support	1,242	**1,393**	151	12.2%
Business development	2,390	**2,351**	(39)	(1.6%)
Equipment rentals and repairs	2,852	**2,454**	(398)	(14.0%)
Total operating expenses before depreciation	153,608	**163,726**	10,118	6.6%
Depreciation	87,821	**95,229**	7,408	8.4%
Total operating expense	$ 241,429	**$ 258,955**	$ 17,526	7.3%

	FY 2015	FY 2016	From 2015 to 2016 Increase (Decrease)	% Change
Salaries and benefits	$ 39,212	$ 42,025	$ 2,813	7.2%
Contractual services	32,422	38,215	5,793	17.9%
Safety and security	23,466	28,721	5,255	22.4%
Space rental	10,433	10,367	(66)	(0.6%)
Utilities	10,152	11,480	1,328	13.1%
Maintenance	14,516	14,122	(394)	(2.7%)
Equipment and systems	1,805	708	(1,097)	(60.8%)
Materials and supplies	519	536	17	3.3%
Insurance	1,145	950	(195)	(17.0%)
Employee development and support	1,136	1,242	106	9.3%
Business development	2,493	2,390	(103)	(4.1%)
Equipment rentals and repairs	2,951	2,852	(99)	(3.4%)
Total operating expenses before depreciation	140,250	153,608	13,358	9.5%
Depreciation	87,887	87,821	(66)	(0.1%)
Total operating expense	$ 228,137	$ 241,429	$ 13,292	5.8%

FISCAL YEAR 2017 COMPARED TO 2016: Total fiscal year 2017 operating expenses increased by $17.5 million or 7.3 percent. Salaries and benefits increased by $4.8 million or 11.5 percent, due to a GASB 68 valuation adjustment and planned wage and benefit increases. Contractual services increased by $6.7 million or 17.6 percent, mainly due to higher expenses in parking, noise monitoring and a full year of RCC bussing. Maintenance

OPERATING EXPENSES (CONTINUED)

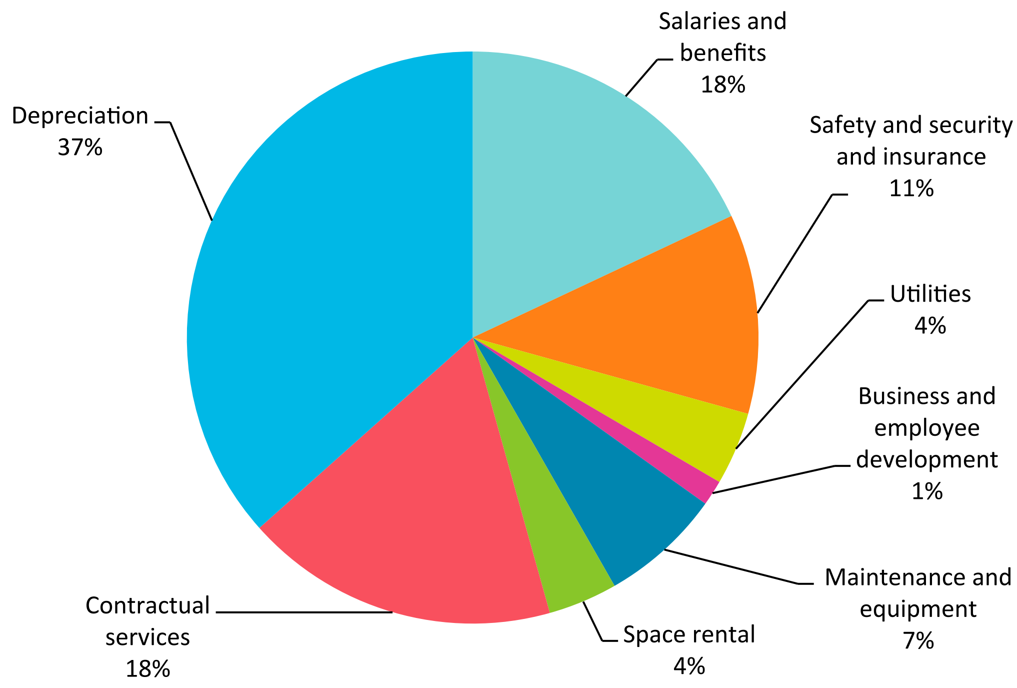
expenses increased $148 thousand, or 1.0 percent, due in part to slightly higher major maintenance projects. Materials and supplies increased $115 thousand or 21.5 percent due to higher expenditures. Employee development and support increased by $151 thousand or 12.2 percent, mainly due to higher recruitment and training expenses. Depreciation increased by $7.4 million or 8.4 percent, due to the Rental Car Center being in service for a full year.

Offsetting this increase in operating expenses were the following decreases: Safety and security decreased by $299 thousand or 1.0 percent due to a retroactive adjustment recorded in fiscal year 2016 pertaining to expenses incurred in 2015. Space rental reduced by $177 thousand on 1.7 percent due to the termination of the taxi hold lot. Utilities decreased by $744 thousand or 6.5 percent, mainly due to lower rates and usage, as well as state energy credits. Equipment and systems decreased by $206 thousand or 29.1 percent, mainly due to lower office movement and reconfiguration expenses. Equipment rentals and repairs decreased by $398 thousand or 14.0 percent, mainly due to lower maintenance contract and computer licensing expenses.

FISCAL YEAR 2016 COMPARED TO 2015:
Total fiscal year 2016 operating expenses increased by $13.3 million or 5.8 percent. Salaries and benefits increased $2.8 million or 7.2 percent, mostly due to planned wage and benefit increases. Contractual services increased by $5.8 or 17.9 percent, resulting in higher busing costs of the Rental Car Center that opened in January 2016. Safety and Security increased $5.3 million or 22.4 percent, reflecting an increase in law enforcement training and benefit costs. Utilities increased $1.3 million or 13.1 percent, due to higher rates and increased power usage of the Rental Car Center. Materials and supplies increased slightly by $17 thousand or 3.3 percent, mainly due to higher purchases of small equipment and operating supplies. Employee development and support increased by $106 thousand or 9.3 percent, primarily due to higher training costs.

Offsetting this increase in operating expenses were the following decreases: Maintenance of $394 thousand or 2.7 percent, due to access control expenses being transferred to the Safety and security category; Equipment and systems of $1.1 million or 60.8 percent, due to lower office equipment purchases; Insurance of $195 thousand or 17.0 percent, primarily due to lower property insurance rates; Business development of $103 thousand or 4.1 percent, due to a delay in planned advertising; Equipment rentals and repairs of $99 thousand or 3.4 percent, due primarily to lower IT maintenance contracts and lower printer costs.

San Diego County Regional Airport Authority
Fiscal Year Ended June 30, 2017 | Operating Expenses



NON-OPERATING REVENUES & EXPENSES (IN THOUSANDS)

	FY 2016	FY 2017	From 2016 to 2017 Increase (Decrease)	From 2016 to 2017 % Change
Passenger facility charges	$ 40,258	**$ 42,200**	$ 1,942	4.8%
Customer facility charges	33,208	**36,528**	3,320	10.0%
Quieter Home Program, net	(3,698)	**(785)**	2,913	78.8%
Joint studies program	(101)	**-**	101	100.0%
Interest income	5,999	**8,134**	2,135	35.6%
Interest expense, net	(45,979)	**(53,528)**	(7,549)	(16.4%)
Other nonoperating income (expenses)	2,246	**(17,121)**	(19,367)	(862.3%)
Nonoperating revenues, net	$ 31,933	**$ 15,428**	$ (16,505)	(51.7%)

	FY 2015	FY 2016	From 2015 to 2016 Increase (Decrease)	From 2015 to 2016 % Change
Passenger facility charges	$ 38,517	$ 40,258	$ 1,741	4.5%
Customer facility charges	32,465	33,208	743	2.3%
Quieter Home Program, net	(2,811)	(3,698)	(887)	(31.6%)
Joint studies program	(145)	(101)	44	30.3%
Interest income	5,747	5,999	252	4.4%
Interest expense, net	(50,557)	(45,979)	4,663	8.5%
Other nonoperating income (expenses)	1,367	2,246	879	64.3%
Nonoperating revenues, net	$ 24,583	$ 31,933	$ 7,435	36.7%

PASSENGER FACILITY CHARGES (PFCs) were established by Congress in 1990 as part of the Aviation Safety and Capacity Expansion Act of 1990. The Airport Authority collects a $4.50 PFC from revenue enplaned passengers to pay for the cost to design and construct eligible Airport capital projects or to repay debt service issued to build such projects. PFCs are collected by the air carriers when passengers purchase their tickets and are remitted to the Airport Authority the month following collection less a $0.11 administration fee.

CUSTOMER FACILITY CHARGES (CFCs) are authorized under Section 1936 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected have been used to plan and construct a consolidated rental car facility and related ground transportation system. The rental car agencies remit to the Airport Authority collection of the fee monthly. In January 2017 the fee was increased from $7.50 to $9.00 per day, up to five days for rental car transactions. This fee applies to transactions that originated at the Rental Car Center. For car rental transactions of non-RCC tenants, the CFC rate was increased from $2.17 to $2.42 per day, up to five days for rental car transactions.

QUIETER HOME PROGRAM includes sound attenuation construction improvements at all eligible single-family and multifamily dwellings with six or fewer units located in the Year 2000 65 dB Community Noise Equivalent Level contour. The project is eligible for the Airport Improvement Program (AIP). From inception through the end of fiscal year 2017, the Airport Authority has spent $191.9 million and received reimbursement for $154.6 million.

INTEREST INCOME is derived from interest earned by the Airport Authority on investments and notes receivable from the District.

INTEREST EXPENSE includes interest paid and accrued on the 2010, 2013 and 2014 Series Bonds, Variable Debt, and Lease Interest. This is netted with the capitalization of bond interest to the construction in progress assets that the bond and variable debt finances. The capitalized interest in fiscal years ended June 30, 2017 and 2016 was $4.8 million and $12.4 million, respectively. The bond premium amortization from all three bond series is also netted with interest expense. The 2010 Series C Bonds were issued as Build America Bonds and, as such, the Airport Authority receives a cash subsidy from the U.S. Treasury equal to 32.59 percent of the interest payable. The interest subsidy for the fiscal years ended June 30, 2017 and 2016 was $4.7 million.

OTHER NONOPERATING INCOME (EXPENSE) includes proceeds and expenses for legal settlements, gain (loss) on the sale of assets, unrealized gain (loss) on investments, and other miscellaneous revenue and expenses.

NON-OPERATING REVENUES & EXPENSES (CONTINUED)

Fiscal year 2017 compared to 2016:
Nonoperating revenues (net) decreased by $16.5 million or 51.7 percent. Passenger facility charges increased by $1.9 million or 4.8 percent, mainly due to a 3.8 percent increase in enplaned passengers. Customer facility charges increased by $3.3 million or 10.0 percent, due to a corresponding increase in rental car transactions and increase in fee effective January 1, 2017. Quieter Home Program expenses (net) decreased by 2.9 million or 78.8 percent, due to lower sound attenuation activity. Interest income increased by $2.1 million or 35.6 percent, due to an increase in dollars invested as well as improved market performance compared to fiscal year 2016.

Offsetting the nonoperating income was a higher net interest expense of $7.5 million or 16.4 percent, mainly due to lower capitalized interest. Other nonoperating expense increased by $19.4 million or 862.3 percent, primarily due to a loss on fixed asset disposal resulting from the new FIS project.

Fiscal year 2016 compared to 2015:
Nonoperating revenues (net) increased by $7.4 million or 36.7 percent. Passenger facility charges increased by $1.7 million or 4.5 percent, due to a 5.1 percent increase in enplaned passengers. Customer facility charges increased by $743 thousand or 2.3 percent, due to an overall increase in rental car transactions. Interest income increased by $252 thousand or 4.4 percent, primarily due to improved market performance compared to fiscal year 2015, though dollars invested had decreased. Net Interest expense decreased by $4.7 million or 8.5 percent, mainly due to higher capitalized interest. Other nonoperating income increased by $879 thousand or 64.3 percent, mainly due to unrealized gains on investments.

Offsetting the nonoperating income was a higher net expense in the Quieter Home Program of $887 thousand or 31.6 percent, due to increased program activity.

CAPITAL GRANT CONTRIBUTIONS (IN THOUSANDS)

			From 2016 to 2017	
	FY 2016	**FY 2017**	Increase (Decrease)	% Change
Federal grants	$ 10,477	**$ 1,903**	$ (8,574)	(81.8%)

			From 2015 to 2016	
	FY 2015	FY 2016	Increase (Decrease)	% Change
Federal grants	$ 10,765	$ 10,477	$ (288)	(2.7%)

CAPITAL GRANT CONTRIBUTIONS are comprised of AIP entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2017 capital grant contributions decreased by $8.6 million or 81.8% compared to fiscal year 2016, and in fiscal year 2016, capital grant contributions decreased by $288 thousand or 2.7%, compared to fiscal year 2015. Variances from year to year relate to the amount of work completed on eligible projects during the fiscal year. In fiscal year 2017, the storm drain project and taxiway project were completed.

ASSETS, LIABILITIES & NET POSITION (IN THOUSANDS)

The statements of net position present the financial position of the Airport Authority as of a period in time. The statements include all assets, deferred outflows, liabilities, deferred inflows and net position of the Airport Authority. A summary comparison of the Airport Authority's assets, liabilities and net position at June 30, 2015, 2016 and 2017, is as follows:

	FY 2015	FY 2016	**FY 2017**
Assets and Deferred Outflows of Resources			
Current assets	$ 204,491	$ 169,078	**$ 217,077**
Capital assets, net	1,544,909	1,551,007	**1,544,909**
Noncurrent assets	540,472	491,362	**468,270**
Total assets	2,231,673	2,211,447	**2,230,256**
Deferred outflows of resources	5,853	4,260	**20,245**
Total assets and deferred outflows of resources	2,237,526	2,215,707	**2,250,501**
Liabilities and Deferred Inflows of Resources			
Current liabilities	131,457	103,136	**136,975**
Long-term liabilities	1,355,160	1,334,816	**1,328,538**
Total liabilities	1,486,617	1,437,952	**1,465,513**
Deferred inflows of resources	8,168	1,807	**1,815**
Total liabilities and deferred inflows of resources	1,494,785	1,439,759	**1,467,328**
Net Position			
Net investment in capital assets	316,251	310,339	**263,952**
Restricted	215,968	214,533	**225,088**
Unrestricted	210,522	251,076	**294,133**
Total net position	$ 742,741	$ 775,948	**$ 783,173**

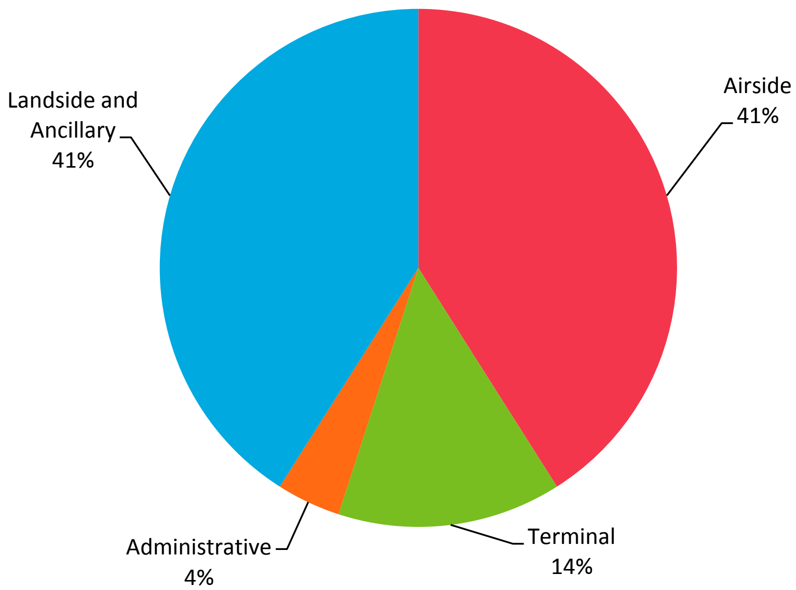
As of June 30, 2017, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $783.2 million. This reflects a $7.2 million increase in net position from June 30, 2016. The Airport Authority uses the capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, it is noted that the funds required to repay this debt must be provided annually from operations. The unrestricted net position of $294.1 million as of June 30, 2017, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2017, 2016 and 2015, management has designated unrestricted funds in the amount of $25.8 million, $31.3 million, $22.6 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program (CIP) is a rolling five-year program that provides critical improvements and asset additions. The program includes capital improvement projects that address federal security requirements, airfield security, environmental remediation, terminal upgrades and development. Funding sources for the projects include the Federal Aviation Administration's Airport Improvement Program, Transportation Security Agency grants, Passenger Facility Charges, Customer Facility Charges, airport operating revenues, airport revenue bonds, special facility bonds and short-term borrowing using commercial paper/revolving lines of credit.

The current CIP, which includes projects through 2022, consists of $424.3 million for airside projects, $422.0 million for landside and ancillary projects, $140.3 million for terminal projects, and $45.6 million for administrative projects. The current SDIA CIP does not include noise reduction and related projects.

CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECTS BY TYPE



Additional information of the Airport Authority's capital assets can be found in Note 4 to the financial statements.

CAPITAL FINANCING AND DEBT MANAGEMENT

On October 5, 2010, the Airport Authority issued $572.6 million of Subordinate Airport Revenue Bonds Series 2010 A, B and C (Series 2010 Bonds). The bonds are rated A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The Subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the Subordinate Series 2010 Bonds through and including January 1, 2013, refund $142.2 million of the Airport Authority's outstanding commercial paper notes, fund the subordinate bond reserve fund and pay the costs of issuance of the Subordinate Series 2010 Bonds.

The Series 2010 A and B bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years

CAPITAL FINANCING & DEBT MANAGEMENT (CONTINUED)

2012 to 2041. The Series 2010 C Bonds were issued as Build America Bonds and include a cash subsidy payment from the U. S. Treasury; currently, 32.62 percent of interest payable. The interest rate on the Series 2010 C Bonds, net of subsidy, is 4.48 percent and the bonds mature in fiscal year 2041.

The Subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate trustee under the subordinate indenture. The Subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues on parity with the Airport Authority's subordinate commercial paper notes. As of June 30, 2017, the principal balance on the subordinate Series 2010 Bonds was $546.4 million.

On January 30 2013, the Airport Authority issued $379.6 million of Senior Airport Revenue Bonds Series 2013 A and B (Series 2013 Bonds). The Series 2013 Bonds are rated A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The Senior Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the senior Series 2013 Bonds through and including July 1, 2015, fund the senior reserve fund and pay the costs of issuance of the Senior Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2017, amounted to $18.35 million, including accrued interest of $9.2 million. The principal balance on the Series 2013 Bonds as of June 30, 2017 was $375.5 million.

The Senior Series 2013 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system (b) certain funds and accounts held by the senior trustee under the senior indenture.

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a reserve account with the bond trustee and to reserve certain amounts in the Airport Authority's books, as shown in Note 2.

On February 1, 2014, the Airport Authority issued $305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, fund deposits to the senior reserve fund, the rolling coverage fund and pay the costs of issuance of the Series 2014 Bonds.

CAPITAL FINANCING & DEBT MANAGEMENT (CONTINUED)

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent and mature in fiscal years 2019 to 2045. As of June 30, 2017, the principal balance on the Series 2014 Bonds was $305.3 million.

The Series 2014 Bonds are special limited obligations of the Airport Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, Customer Facility Charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the Customer Facility Charges and the Bond Funding Supplemental Consideration (as defined in the Indenture), are pledged to the payment of the Series 2014 Bonds.

On September 5, 2014, the Airport Authority replaced its commercial paper program with a $125,000,000 revolving line of credit, issued by US Bank, which was used to refund the outstanding Series B and Series C commercial paper balances. The revolving line of credit is a three year facility. As of June 30, 2017, the Airport Authority's outstanding debt under this agreement consists of $15.8 million of Series B (AMT) and $10.6 million Series C (taxable).

Subsequent to end of the fiscal year end, on August 3, 2017, the Airport Authority issued $291,210,000 of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund $32,550,000 of the Airport Authority's outstanding variable rate debt, which was issued during 2017, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of $48,423,687, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year.

The revolving line of credit is payable solely from and secured by a pledge of subordinate net revenues. Subordinate net revenues are generally defined as all revenues and other cash receipts of the Airport Authority's airport operations remaining after Senior Lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture.

Additional information of the Airport Authority's long-term debt can be found in Note 5 to the financial statements.

The SDIA's PFC program was established in 1994, and currently authorizes the imposition of a $4.50 fee on enplaning passengers. There are currently four active applications which provide authority to impose and use PFC revenue through November 1, 2037.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately $24.7 million in grant awards for the federal fiscal year ended September 30, 2017, as compared to $500 thousand for 2016. Grant awards are recognized as nonoperating revenue or capital contributions as eligible expenses are incurred.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Airport Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Accounting Department, P.O. Box 82776, San Diego, CA 92138. The Accounting Department can also be reached at (619) 400-2807. A copy of the financial report is available at www.san.org.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

Assets and Deferred Outflows of Resources	**2017**	2016
Current Assets		
Unrestricted:		
Cash and cash equivalents (*Note 2*)	**$ 10,743,557**	$ 16,244,182
Investments (*Notes 2 and 10*)	**97,353,685**	74,354,944
Tenant lease receivables, net	**9,321,940**	8,528,816
Grants receivable	**3,354,396**	7,623,419
Note receivable, current portion (*Note 3*)	**1,801,694**	1,705,491
Other current assets	**4,433,986**	3,392,579
Total unrestricted current assets	**127,009,258**	111,849,431
Restricted cash, cash equivalents and investments with trustees (*Notes 2 and 5*)	**64,297,770**	57,228,146
Total current assets	**191,307,028**	169,077,577
Noncurrent Assets		
Restricted assets (*Notes 2 and 5*):		
Restricted cash, cash equivalents and investments not with trustees	**175,907,551**	168,074,212
Restricted investments with trustees	**97,763,717**	127,070,127
Passenger facility charges receivable (*Note 1*)	**6,155,618**	4,497,657
Customer facility charges receivable (*Note 1*)	**3,717,575**	2,968,920
Other restricted assets	**2,791,385**	3,033,990
Total restricted assets	**286,335,846**	305,644,906
Other noncurrent assets:		
Investments, noncurrent (*Note 2*)	**148,319,754**	119,052,416
Note receivable, long-term portion (*Note 3*)	**33,242,085**	35,043,779
Cash and cash equivalents designated for specific capital projects and other commitments (*Notes 2 and 10*)	**25,792,246**	31,270,718
Workers' compensation security deposits	**349,943**	349,943
Total other noncurrent assets	**207,704,028**	185,716,856
Capital assets (*Note 4*):		
Land, land improvements and nondepreciable assets	**111,041,142**	109,974,224
Buildings and structures	**1,431,417,373**	1,415,691,585
Machinery and equipment	**98,289,644**	94,326,157
Runways, roads and parking lots	**626,871,756**	590,772,032
Construction in progress	**171,498,031**	152,703,001
	2,439,117,946	2,363,466,999
Less accumulated depreciation	**(894,209,246)**	(812,459,642)
Capital assets, net	**1,544,908,700**	1,551,007,357
Total noncurrent assets	**2,038,948,574**	2,042,369,119
Total assets	**2,230,255,602**	2,211,446,696
Deferred outflows of resources		
Deferred pension contributions (*Note 6*)	**5,197,849**	3,972,596
Deferred pension investment loss (*Note 6*)	**6,089,002**	-
Deferred pension change of assumptions (*Note 6*)	**8,728,242**	-
Deferred pension experience loss (*Note 6*)	**230,441**	288,051
Total deferred outflows of resources	**20,245,534**	4,260,647
Total assets and deferred outflows of resources	**$ 2,250,501,136**	$ 2,215,707,343

See Notes to Financial Statements.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

Liabilities, Deferred Inflows of Resources and Net Position	2017	2016
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	$ 7,195,303	$ 9,643,474
Accrued liabilities	29,254,589	33,062,074
Compensated absences, current portion (*Note 5*)	3,217,748	2,833,970
Other current liabilities	160,600	92,887
Long-term debt, current portion (*Note 5*)	298,449	275,421
Total payable from unrestricted assets	**40,126,689**	45,907,826
Payable from restricted assets:		
Accounts payable	1,135,312	3,168,316
Accrued liabilities	18,873,753	10,016,026
Long-term debt, current portion (*Note 5*)	11,585,000	11,090,000
Accrued interest on bonds and commercial paper (*Note 5*)	32,703,705	32,953,804
Total payable from restricted assets	**64,297,770**	57,228,146
Total current liabilities	**104,424,459**	103,135,972
Long-Term Liabilities		
Compensated absences, net of current portion (*Note 5*)	13,278	528,143
Other noncurrent liabilities	804,082	827,143
Long-term debt, net of current portion (*Note 5*)	1,342,159,363	1,331,779,357
Net pension liability (*Note 6*)	18,111,482	1,680,759
Total long-term liabilities	**1,361,088,205**	1,334,815,402
Total liabilities	**1,465,512,664**	1,437,951,374
Deferred inflows of resources		
Deferred pension experience gains *(Note 6)*	1,815,440	-
Deferred pension investment gains *(Note 6)*	-	1,807,420
Total liabilities and deferred inflows of resources	**$ 1,467,328,104**	$ 1,439,758,794
Net Position		
Net investment in capital assets (*Note 1*)	263,951,847	310,339,489
Restricted:		
Debt Service	83,274,140	80,712,157
Construction	121,177,898	113,669,206
Operation and maintenance expenses	13,844,912	13,118,064
Small business bond guarantee	4,000,000	4,000,000
OCIP loss reserve	2,791,385	3,033,990
Total restricted net position	225,088,335	214,533,417
Unrestricted net position	294,132,850	251,075,643
Total net position	**$ 783,173,032**	$ 775,948,549

See Notes to Financial Statements.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

JUNE 30, 2017 AND 2016

	2017	2016
Operating revenues:		
Airline revenue:		
Landing fees	**$ 24,612,412**	$ 23,984,793
Aircraft parking fees	**2,926,972**	2,701,219
Building rentals (*Note 11*)	**54,283,330**	51,273,320
Security surcharge	**29,468,089**	29,223,097
Other aviation revenue	**5,090,654**	5,022,809
Concession revenue	**61,255,811**	56,274,089
Parking and ground transportation revenue	**49,407,235**	48,105,641
Ground and non-airlilne terminal rentals (*Note 11*)	**20,053,031**	16,225,648
Other operating revenue	**1,749,405**	1,183,435
Total operating revenues	**248,846,939**	233,994,051
Operating expenses:		
Salaries and benefits (*Notes 6, 7 and 8*)	**46,873,859**	42,024,678
Contractual services (*Note 13*)	**44,927,419**	38,215,315
Safety and security	**28,421,603**	28,721,250
Space rental (*Note 12*)	**10,189,944**	10,367,148
Utilities	**10,735,957**	11,479,888
Maintenance	**14,269,953**	14,121,738
Equipment and systems	**501,897**	708,404
Materials and supplies	**650,706**	536,006
Insurance	**956,358**	949,491
Employee development and support	**1,392,564**	1,242,336
Business development	**2,351,124**	2,390,028
Equipment rentals and repairs	**2,454,148**	2,852,173
Total operating expenses before depreciation	**163,725,532**	153,608,455
Income from operations before depreciation	**85,121,407**	80,385,596
Depreciation expense	**95,229,026**	87,820,864
Operating loss	**(10,107,619)**	(7,435,268)

(Continued)

See Notes to Financial Statements.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

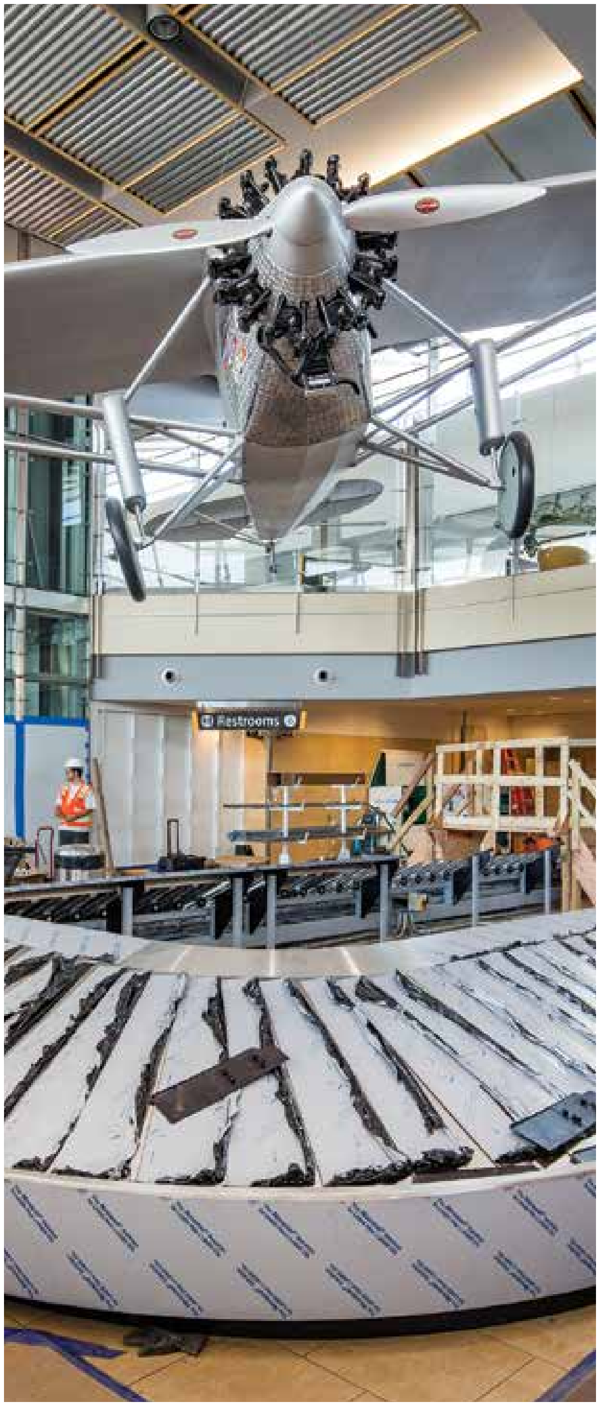
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED) JUNE 30, 2017 AND 2016

	2017	2016
Nonoperating revenues (expenses):		
Passenger facility charges	**$ 42,199,763**	$ 40,257,993
Customer facility charges	**36,527,853**	33,207,946
Quieter Home Program grant revenue (*Note 1*)	**1,413,999**	8,573,133
Quieter Home Program expenses (*Note 1*)	**(2,198,744)**	(12,270,742)
Joint Studies Program	**-**	(101,360)
Interest income	**8,133,765**	5,998,970
Interest expense (*Note 5*)	**(58,178,865)**	(50,635,027)
Build America Bonds subsidy (*Note 5*)	**4,651,203**	4,656,199
Other revenues (expenses), net	**(17,120,558)**	2,246,541
Nonoperating revenue, net	**15,428,416**	31,933,653
Income before federal grants	**5,320,797**	24,498,385
Federal grants (*Note 1*)	**1,903,686**	10,477,054
Change in net position	**7,224,483**	34,975,439
Net position, as previously reported*	**775,948,549**	742,740,318
Prior-period adjustment	**-**	(1,767,208)
Net position, beginning of year	**775,948,549**	740,973,110
Net position, end of year	**$ 783,173,032**	$ 775,948,549

See Notes to Financial Statements.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS
JUNE 30, 2017 AND 2016



	2017	2016
Cash Flows From Operating Activities		
Receipts from customers	$ 247,823,092	$ 233,448,605
Payments to suppliers	(122,079,920)	(108,629,115)
Payments to employees	(49,487,337)	(43,605,962)
Other receipts	1,793,123	10,801,571
Net cash provided by operating activities	78,048,958	92,015,099
Cash Flows From Noncapital Financing Activities		
Settlement receipts (payments)	(2,350,067)	377,167
Quieter Home Program grant receipts	1,413,999	5,784,088
Quieter Home Program payments	(2,198,744)	(12,270,742)
Joint Studies Program payments	-	(101,360)
Net cash used in noncapital financing activities	(3,134,812)	(6,210,847)
Cash Flows From Capital and Related Financing Activities		
Capital outlay	(97,053,113)	(190,233,095)
Proceeds on Build America Bonds subsidy	4,651,203	4,656,199
Proceeds from sale of capital assets	-	248,255
Proceeds from variable debt	32,550,000	-
Federal grants received (excluding Quieter Home Program)	6,172,709	16,552,478
Proceeds from passenger facility charges	40,541,802	42,064,330
Proceeds from customer facility charges	35,779,198	34,090,936
Payment of principal on bonds	(17,223,000)	(16,819,000)
Payment of capital lease	(275,421)	(254,258)
Interest and debt fees paid	(62,605,537)	(54,720,481)
Net cash used in capital and related financing activities	(57,462,159)	(164,414,636)
Cash Flows From Investing Activities		
Sales and maturities of investments	106,870,324	250,352,658
Purchases of investments	(144,732,956)	(162,296,751)
Interest received on investments and note receivable	7,726,057	5,998,970
Principal payments received on notes receivable	1,705,491	1,608,986
Net cash provided by (used in) investing activities	(28,431,084)	95,663,863
Net increase (decrease) in cash and cash equivalents	(10,979,097)	17,053,479
Cash and cash equivalents, beginning of year	47,514,900	30,461,421
Cash and cash equivalents, end of year	$ 36,535,803	$ 47,514,900

(Continued)

See Notes to Financial Statements.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS
JUNE 30, 2017 AND 2016

	2017	2016
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Unrestricted cash and cash equivalents	**$ 10,743,557**	$ 16,244,182
Cash and cash equivalents designated for specific capital projects and other commitments	**25,792,246**	31,270,718
Total cash and cash equivalents	**$ 36,535,803**	$ 47,514,900
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	**$ (10,107,619)**	$ (7,435,268)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	**95,229,030**	87,820,864
Change in pension expense	**453,856**	(1,503,558)
Changes in assets and liabilities:		
Tenant lease receivables	**(793,124)**	633,506
Other assets	**(391,094)**	1,833,936
Accounts payable	**(2,448,171)**	159,929
Accrued liabilities	**(3,807,485)**	9,465,402
Compensated absences	**(131,087)**	185,602
Other liabilities	**44,652**	854,686
Net cash provided by operating activities	**$ 78,048,958**	$ 92,015,099
Supplemental Disclosure of Noncash Investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	**$ 20,009,065**	$ 13,184,342

See Notes to Financial Statements.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NOTE 1.

NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY:
The San Diego County Regional Airport Authority (the Airport Authority), an autonomous public agency, was established in accordance with, Assembly Bill 93 (2001), as modified by Senate Bill 1896 (2002), which together comprise the San Diego County Regional Airport Authority Act (the Act). The Act required, among other things, the transfer of the assets and operations of the San Diego International Airport (SDIA) from the San Diego Unified Port District (the District) to the Airport Authority. Effective January 1, 2003 (inception), the District transferred all airport operations and certain related assets and liabilities to the Airport Authority, pursuant to the Act and the Memorandum of Understanding (MOU) dated as of December 31, 2002, between the Airport Authority and the District, which implemented the Act.

Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was effective January 1, 2008. Responsibilities of the Airport Authority include, among other things, the operation, maintenance, development, management and regulation of SDIA and its facilities. In addition, the Airport Authority has the responsibility to plan or to expand the existing SDIA. Under one of the requirements of SB 10, the Airport Authority completed a Regional Aviation Strategic Plan and the Airport Authority prepared and adopted an Airport Multimodal Accessibility Plan. In addition, the Airport Authority acts as the Airport Land Use Commission within San Diego County.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements should include all organizations, agencies, boards, commissions and authorities for which the Airport Authority is financially accountable. The Airport Authority has also considered all other potential organizations for which the nature and significance of their relationships with the Airport Authority are such that exclusion would cause the Airport Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

The Airport Authority is governed by a nine-member, appointed Board of Directors (Board), representing all areas of San Diego County and three additional members serving as non-voting, ex-officio Board members. Three Board members are appointed by the Mayor of the City of San Diego (the City). Two Board members are appointed by the San Diego County Board of Supervisors. The remaining four Board members are each appointed by the Mayors of the following defined jurisdictions: the east county cities, south county cities, north coastal area cities and north county inland cities. The Board members serve three year terms in accordance with California SB 10.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:
The accounting policies of the Airport Authority conform to accounting principles generally accepted in the United States of America applicable to state and local government agencies, and as such, the Airport Authority is accounted for as a proprietary fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of the change in Airport Authority net position.

NOTE 1.

NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES:
The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, as well as the 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 could differ from those estimates.

CASH AND CASH EQUIVALENTS:
For purposes of the statements of cash flows, cash and cash equivalents includes unrestricted (including designated) cash on hand, demand deposits and investment securities with original maturities of three months or less from the date of acquisition.

INVESTMENTS:
Investments in the state and county investment pools are recorded at fair value based upon the Airport Authority's pro rata share of the fair value provided by the state and county investment pools for the entire respective pool. All other investments are stated at market value based on quoted market prices.

TENANT LEASE RECEIVABLES:
Tenant lease receivables are carried at the original invoice amount for fixed-rent tenants and at estimated invoice amount for concession (variable) tenants, less an estimate made for doubtful receivables for both fixed-rent and concession tenants. Management determines the allowance for doubtful accounts by evaluating individual tenant receivables and considering a tenant's financial condition and credit history and current economic conditions. Tenant lease receivables are written off when deemed uncollectible. Recoveries of tenant lease receivables previously written off are recorded when received.

FEDERAL GRANTS:
Outlays for airport capital improvements and certain airport nonoperating expenses, primarily those relating to the Airport Authority's Quieter Home Program, are subject to reimbursement from federal grant programs. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

AIRPORT IMPROVEMENT PROGRAM (AIP):
AIP grants are authorized and disbursed by the FAA under the Airway Improvement Act of 1982, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. As of June 30, 2017 and 2016, the Airport Authority recovered $1,903,686 and $10,477,054, respectively, for approved capital projects and $1,413,999 and $8,573,133 respectively, for the Quieter Home Program. Related recoverable costs as of June 30, 2017 and 2016 were $2,443,112 and $10,454,351 respectively, for capital projects and $1,767,499 and $12,270,742, respectively, for the Quieter Home Program.

PASSENGER FACILITY CHARGES (PFC):
The PFC program is authorized by the Aviation Safety and Capacity Expansion Act of 1990 (the Expansion Act). In accordance with the Expansion Act, the Airport Authority's AIP Passenger Entitlement Apportionment is reduced by certain percentages, dependent upon the level of PFC received by the Airport Authority.

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2017 and 2016, accrued PFC receivables totaled $6,155,618 and $4,497,657, respectively, and there were $73,311,497 and $73,279,889 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2017 and 2016, respectively.

On May 20, 2003, the FAA approved an increase in the Airport Authority's PFC charge per enplaned passenger from $3.00 to $4.50, beginning August 1, 2003. Currently, there are four active applications that allow the Airport Authority to impose and use $1.2 billion in PFC revenue through November 1, 2037. The Airport Authority has formally closed five previously approved applications and withdrawn one pending application which has been integrated in a ninth application to impose and use approximately $32 million in PFC revenue. The latest application was approved by the FAA in October 2016 providing collection authority with a charge effective date through November 2037. In accordance with the Aviation Investment Reform Act (AIR-21), airports imposing a $4.50 collection level are required to reduce AIP Passenger Entitlement Apportionment to 75 percent.

CUSTOMER FACILITY CHARGES (CFC):
The Airport Authority received approval in May 2009 from the State of California under Section 1936 of the California Civil Code to impose a $10.00 CFC per contract on rental cars at SDIA. In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects. Effective January 1, 2017, the CFC rate went from $7.50 to $9.00 per day for a maximum of five days. As of June 30, 2017 and 2016, accrued CFC receivables totaled $3,717,575 and $2,968,920, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2017 and 2016, were $37,830,593 and $32,922,068, respectively

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:
In addition to assets and liabilities, the statement of net position may report a separate section for deferred outflows of resources and deferred inflows of resources, respectively. These separate financial statement elements represent the consumption or addition to net position that applies to a future period(s) and as such will not be recognized as flows of resources (expenses/revenues) until then.

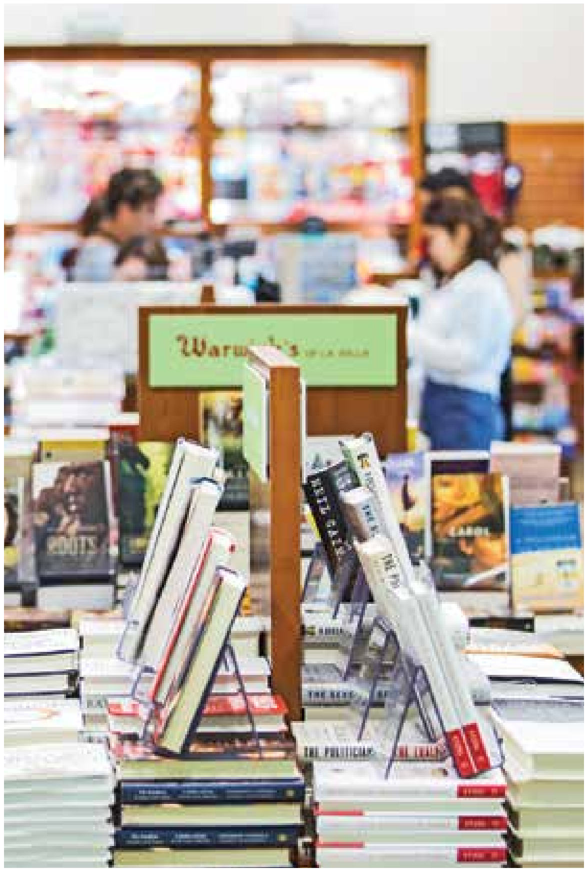
- Employer Contributions – Pensions – These contributions are those made after the measurement date through the fiscal year end (July 1st – June 30th) resulting in a cash outlay not yet recognized under GASB 68. This amount is deferred and recognized in the following fiscal year. This item is presented as a deferred outflow of resources.

- Investment difference – Pensions – These amounts represent the difference in projected and actual earnings on pension plan assets. These differences are deferred and amortized over a closed five-year period. This item can be presented as both a deferred outflow and deferred inflow of resources and is combined annually as a single net unamortized balance.

- Experience difference – Pensions – These amounts represent the difference in expected and actual pension experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

- Assumption changes – Pensions – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension liability. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there.

CAPITAL ASSETS: Capital assets are recorded at cost, except for capital assets contributed by third parties, which are recorded at acquisition value as of the date of acquisition. The Airport Authority capitalizes incremental overhead costs and interest cost associated with the



NOTE 1.

NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

construction of capital assets. Capital assets are defined by the Airport Authority as assets with an initial, individual cost of more than $5,000 and an initial useful life of one year or greater.

The Airport Authority recognizes lessee-financed improvements as capital assets based upon the asset's estimated value at the time the asset reverts to the Airport Authority.

Depreciation is computed by use of the straight-line method over the following estimated useful lives:

Asset Category	Useful Life (Years)
Land improvements	30-40
Runways, roadways and parking lots	
Lighting, security and minor improvements	3-10
Airfield and parking lots and improvements	12-25
Drainage systems, gas lines, pedestrian bridges	30
Roadways, bridges and infrastructure	40-50
Buildings and structures	
Passenger loading bridges, security systems, general upgrades and remodels	3-10
Baggage handling systems, HVAC, structural improvements, fuel and storage facility	12-20
Buildings and smart curb improvements	25-50
Machinery and equipment	
Vehicles and emergency vehicles	3-15
Office furniture and equipment	3-10
Communication and electronic systems	3-20
Works of art	15-30

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred. Major outlays for capital assets and improvements are capitalized as construction in progress as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the fiscal years ended June 30, 2017 and 2016, the Airport Authority capitalized interest of $4,774,693 and $12,387,044, respectively.

CAPITAL ASSET IMPAIRMENT:
The Airport Authority's capital assets include property, equipment and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Airport Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Common indicators of impairment include evidence of physical damage where restoration efforts are needed to restore service utility, enactment or approval of laws or regulations setting standards that the capital asset would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset or construction stoppage. The Airport Authority reports the effects of capital asset impairments

NOTE 1.

NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

in its financial statements when they occur and accounts for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairments of capital assets currently exist.

RETENTIONS PAYABLE:
The Airport Authority enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Airport Authority. The Airport Authority's policy is to record the retention payable only after completion of the work and acceptance of the contractor invoices have occurred. Retentions payable on completed contracts are included with accounts payable on the accompanying statements of net position. Amounts related to unpaid retentions on uncompleted contracts are included in accrued liabilities.

COMPENSATED ABSENCES:
All employees of the Airport Authority earn annual leave that is paid upon termination or retirement. Annual leave is accrued at current rates of compensation and based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

BOND DISCOUNTS, PREMIUMS AND ISSUANCE COSTS:
Bond discounts and premiums are deferred and amortized over the term of the respective bonds using the effective interest method. Bond issuance costs are expensed as incurred.

AIRPORT AUTHORITY NET POSITION:
Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

Restricted net position represents amounts that are appropriated or legally segregated for a specific purpose. The Airport Authority's net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Airport Authority or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Unrestricted net position as of June 30, 2017 and 2016 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2017	2016
Operating contingency	$ 2,000,000	$ 2,000,000
Insurance contingency	9,531,966	8,813,970
Capital projects and other commitments	14,260,280	20,456,748
Total designated net position	$ 25,792,246	$ 31,270,718

When both restricted and unrestricted resources are available for use, it is the Airport Authority's policy to use restricted resources first and then unrestricted resources as they are needed.

REVENUE AND EXPENSE RECOGNITION:
Revenues from airlines, concessionaires, lessees and parking are reported as operating revenues. Operating expenses include the cost of administering the airport system, including depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.

NOTE 1.

NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATIONS:
A significant portion of the Airport Authority's earnings and revenues are directly or indirectly attributed to the activity of a number of major airlines. The Airport Authority's earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the Airport Authority be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers.

The four largest airlines in terms of enplaned passengers are as follows:

	2017	2016
Southwest Airlines	**37.4%**	37.6%
American Airlines	**12.6%**	13.4%
United Airlines	**11.9%**	11.4%
Delta	**10.3%**	10.4%

DEFINED BENEFIT PENSION PLAN:
The Airport Authority has a single-employer defined benefit pension plan (Plan) administered through San Diego City Employee Retirement System (SDCERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

RECLASSIFICATIONS:
Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. The reclassifications had no effect on the changes in financial position.

PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED:
GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Airport Authority:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective for the Airport Authority's year ending June 30, 2018.

PRONOUNCEMENTS ADOPTED: The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2017:

- GASB Statement No. 82, Pension Issues –an amendment of GASB Statements No. 67, No. 68, and No. 73, effective for the Airport Authority's year ending June 30, 2017.

The implementation of Statement No. 82 resulted in a restatement of beginning net position as of July 1, 2016, which is the beginning of the earliest period presented. This restatement reclassifies a portion of amounts previously classified as deferred outflows of resources for employer contributions to retirement expense. Based on application of this statement, member contributions paid by the employer should be recorded similar to salaries or fringe benefits in the period paid. Adjustments to beginning net position for the adoption of this statement follow:

Net position, July 1, 2016	$ 1,767,208	
Deferred pension contributions		$ 1,724,510
Retirement expense		42,698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NOTE 2.

CASH, CASH EQUIVALENTS & INVESTMENTS

SUMMARY OF CASH, CASH EQUIVALENTS AND INVESTMENTS:

Cash, cash equivalents and investments are reported in the accompanying statements of net position as follows at June 30:

		2017		2016
Unrestricted and Undesignated:				
Cash and cash equivalents	**$**	**10,743,557**	$	16,244,182
Current investments		**97,353,685**		74,354,944
Noncurrent investments		**148,319,754**		119,052,416
Total unrestricted and undesignated		**256,416,996**		209,651,542
Designated for specific capital projects and other commitments: cash and cash equivalents		**25,792,246**		31,270,718
Restricted:				
Current cash, cash equivalents and investments, with trustees		**90,068,047**		57,228,146
Noncurrent cash, cash equivalents and investments, not with trustees		**175,907,551**		168,074,212
Noncurrent investments, with trustees		**71,993,440**		127,070,127
Total restricted cash, cash equivalents and investments		**337,969,038**		352,372,485
Total cash, cash equivalents and investments	**$**	**620,178,280**	$	593,294,745

The components of restricted cash, cash equivalents and investments at June 30, are summarized below:

		2017		2016
Restricted cash, cash equivalents and investments:				
Bond reserves:				
Operation and maintenance reserve subaccount	**$**	**41,534,736**	$	39,354,191
Operation and maintenance subaccount		**13,844,912**		13,118,064
Renewal and replacement account		**5,400,000**		5,400,000
Total bonds reserves		**60,779,648**		57,872,255
Passenger facility charges unapplied		**73,311,497**		73,279,889
Customer facility charges unapplied		**37,830,593**		32,922,068
Customer facility charges unapplied		**-**		672
Small business development bond guarantee		**4,000,000**		4,000,000
Revolving Line of credit Construction Fund		**162,616**		-
2010 Series debt service reserve fund		**51,512,762**		51,351,322
2010 Series debt service account		**25,001,407**		24,660,324
2013 Series construction fund		**1,720,948**		13,037,611
2013 Series debt service reserve fund		**33,322,247**		33,460,392
2013 Series debt service account		**11,338,002**		11,297,645
2014 Series construction fund		**37,044**		13,582,767
2014 Series debt service reserve fund		**22,180,178**		22,170,728
2014 Series capital interest account		**-**		8,087,171
2014 Series debt service account		**8,153,925**		-
2014 Series rolling coverage fund		**6,718,716**		6,649,641
2014 Series renew and replace		**1,899,455**		-
Total restricted cash, cash equivalents and investments	**$**	**337,969,038**	$	352,372,485

NOTE 2.

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

INVESTMENTS AUTHORIZED IN ACCORDANCE WITH CALIFORNIA GOVERNMENT CODE SECTION 53601 AND UNDER THE PROVISIONS OF THE AIRPORT AUTHORITY'S INVESTMENT POLICY:
The table that follows identifies the investment types that are authorized by the Airport Authority's investment policy and State Government Code. The table also identifies certain provisions of the Airport Authority's investment policy that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of bond proceeds held by the bond trustee that are governed by provisions of debt agreements of the Airport Authority, in addition to the general provisions of the Airport Authority's investment policy and State Government Code.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	N/A	None	None
U.S. agency securities	5 years	N/A	None	None
Supranationals	5 years	AA	30 percent	None
Bankers' acceptances	180 days	AAA/Aaa	40 percent	10 percent
Commercial paper	270 days	A-1; P-1; F-1	25 percent	10 percent
Negotiable certificates of deposit	5 years	A	30 percent	10 percent
Medium-term notes	5 years	A	15 percent	10 percent
Money market mutual funds	N/A	AAA/Aaa	20 percent	10 percent
Repurchase agreements	1 year	A	None	None
Local Agency Investment Fund	N/A	N/A	None	$65 million
San Diego County Investment Pool	N/A	N/A	None	$65 million
Local Government Investment Pool	N/A	N/A	None	$65 million
U.S. State and California agency indebtedness	5 years	A	20 percent	5 percent
Placement service certificates of deposits	3 years	N/A	30 percent	10 percent
Time certificates of deposit	3 years	*	20 percent	10 percent
Bank deposits	N/A	*	None	None

* Financial institution must have at least an overall satisfactory rating under the Community Reinvestment Act for meeting the credit needs of California communities in its most recent evaluation. Collateralization required per Cal. Gov. Code Section 53630 et seq.

INVESTMENT IN STATE INVESTMENT POOLS:
The Airport Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Airport Authority's investments in this pool are reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of each portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

INVESTMENT IN COUNTY INVESTMENT POOL:
The Airport Authority is a voluntary participant in the San Diego County Investment Pool (SDCIP) that is regulated by California Government Code Section 16429 under the oversight of the County Treasurer of San Diego. The Airport Authority's investments in this pool are reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by SDCIP for the entire SDCIP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by SDCIP.

NOTE 2.

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS:
Investments held by the bond trustee are governed by the provisions of the debt agreement, in addition to the general provisions of the California Government Code and the Airport Authority's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee, according to the Master Trust Indenture. In the event of a conflict between the Airport Authority's investment policy and permitted investments associated with any Airport Authority debt issuance, the debt agreement shall control. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	None	N/A	None	None
U.S. agency securities	None	N/A	None	None
State Obligations	None	AAA/Aaa	None	None
Commercial paper	None	A-1; P-1; F-1	None	None
Negotiable certificates of deposit	None	AAA/Aaa	None	None
Long term and Medium-term notes	None	Two highest ratings	None	None
Money market mutual funds	None	Two highest ratings	None	None
Municipal bonds	None	Two highest ratings	None	None
Repurchase agreements	None	BBB*	None	None
Investment agreements	None	N/A	None	None
Local Agency Investment Fund	None	N/A	None	None
San Diego County Investment Pool	None	N/A	None	None
Deposit accounts	None	N/A	None	None
Any other investment which is a permitted investment of the Authority in accordance with the laws of the State.				

*Investment requires collateralization

The primary objective of the Airport Authority's investment policy is to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Airport Authority. Assets of the Airport Authority that are not bond proceeds, which are invested in securities as permitted in the bond indenture, are described in the preceding table. In addition, there are various credit criteria as defined in the Airport Authority's investment policy as depicted in the previous section entitled "Investments authorizes in accordance with California Government Code Section 53601 and under the provisions of the Airport Authority's investment policy."

INVESTMENTS HELD BY TRUSTEE:
The Airport Authority has monies held by trustees pledged for the security and payment of certain debt instruments, the payment of bond interest during construction and the payment of capital project costs.

DISCLOSURES RELATED TO INTEREST RATE RISK:
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater fair value sensitivity to changes in market interest rates. One of the ways the Airport Authority manages its exposure

NOTE 2.

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities. These staggered maturities also provide consistent cash flow and fulfill liquidity needs for operations. The Airport Authority monitors interest rate risk inherent in its portfolio by measuring the segmented time distribution of its portfolio. The Airport Authority has no specific limitations with respect to this metric.

CUSTODIAL CREDIT RISK (DEPOSITS):
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Airport Authority maintains deposits at several institutions in order to minimize custodial credit risk. These deposits are collateralized by various instruments such as U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). California Government Code requires that a financial institution secure deposits made by a state or local government by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Airport Authority deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured deposits.

Insurance through the Federal Deposit Insurance Corporation (FDIC) may be applicable to the first $250,000 of institutional deposit accounts, with any balance above this amount covered by the collateralization requirement. Certificates of deposit held by the Airport Authority's third-party custodians are fully insured by the FDIC, as the individual amounts do not exceed the FDIC-insured limits, or are collateralized in accordance with the California Government Code.

CUSTODIAL CREDIT RISK (INVESTMENTS):
Custodial credit risk for investments is the risk that the Airport Authority will not be able to recover the value of its investments in the event of a counterparty failure. The Airport Authority uses third-party banks' custody and safekeeping services for its registered investment securities. Securities are held in custody at third-party banks registered in the name of the Airport Authority and are segregated from securities owned by those institutions or held in custody by those institutions.

DISCLOSURES RELATED TO CREDIT RISK:
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. California Government Code Section 53601 (as referenced previously in this note) limits the types of investment instruments that may be purchased by the Airport Authority.

NOTE 2.

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

The maturity ranges and credit ratings for the Airport Authority's investment securities as of June 30, are presented in the following tables:

	2017				
		Investment Maturities (in Years)			
Investment Type	**Total**	**0 - 1**	**1 - 2**	**2 - 5**	**Ratings**
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	$ 85,201,348	$ 9,973,800	$ 49,865,262	$ 25,362,286	AAA (1)
U.S. agency securities	109,436,513	4,438,252	41,168,904	63,829,357	AAA (1)
Supranationals	5,982,120	-	2,968,080	3,014,040	AAA (1)
Commercial paper	8,485,280	8,485,280	-	-	A-1+/P-1
Negotiable certicates of deposit	46,592,680	25,528,280	21,064,400	-	A-1+/P-1
Medium-term notes	22,457,198	10,443,358	7,497,765	4,516,075	AA
	17,107,339	1,501,860	7,603,761	8,001,718	A
Money market mutual funds	630,996	630,996	-	-	AAA (1)
Local Agency Investment Fund	48,182,813	48,182,813	-	-	Unrated
San Diego County Investment Pool	157,252,092	157,252,092	-	-	AAA (1)
CalTrust Fund	15,297,174	15,297,174	-	-	AAA (1)
Total investments subject to credit and interest rate risk:	516,625,553	281,733,905	130,168,172	104,723,476	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	15,413,829				
Total Investments	$ 532,039,382				

	2016				
		Investment Maturities (in Years)			
Investment Type	**Total**	**0 - 1**	**1 - 2**	**2 - 5**	**Ratings**
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	$ 95,094,109	$ -	$ 47,437,150	$ 47,656,959	AAA (1)
U.S. agency securities	50,679,745	-	21,004,503	29,675,242	AAA (1)
Supranationals	3,010,290	-	-	3,010,290	AAA (1)
Commercial paper	13,942,250	13,942,250	-	-	A-1+/P-1
Negotiable certicates of deposit	3,999,640	3,999,640	-	-	A-1+/P-1
	21,013,400	4,000,000	17,013,400	-	AA
	17,500,000	9,000,000	8,500,000	-	A
Medium-term notes	25,955,952	800,272	19,057,880	6,097,800	AA
	12,742,165	-	5,039,500	7,702,665	A
Money market mutual funds	40,427,839	40,427,839	-	-	AAA (1)
Local Agency Investment Fund	47,906,365	47,906,365	-	-	Unrated
San Diego County Investment Pool	172,695,968	172,695,968	-	-	AAA (1)
CalTrust Fund	15,177,301	15,177,301	-	-	AAA (1)
Total investments subject to credit and interest rate risk:	520,145,024	307,949,635	118,052,433	94,142,956	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	36,247,049				
Total Investments	$ 556,392,073				

Ratings per Standard and Poor's, Moody's and Fitch.

(1) Includes investments that have split ratings between S&P (AA+), Moodys (AAA) and Fitch (AAA)

NOTE 2.

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

CONCENTRATION OF CREDIT RISK:
The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated in the table provided earlier in this note. The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2017 and 2016.

FOREIGN CURRENCY RISK:
The Airport Authority's investment policy does not allow investments in foreign securities.

NOTE 3.

NOTE RECEIVABLE

As part of the transfer of airport operations from the District to the Airport Authority, and pursuant to the associated MOU, the District issued a $50,000,000 unsecured promissory note to the Airport Authority. According to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years, maturing on December 31, 2030. The note is subordinate to all bond indebtedness of the District and carries a fixed interest rate of 5.5 percent per annum. At June 30, 2017 and 2016, the balance of the note receivable was $35,043,779 and $36,749,270, respectively.

The required principal payments owed from the District for note receivable for the fiscal years ending June 30 are as follows:

Years Ending June 30,		Amount
2018	$	1,801,694
2019		1,903,323
2020		2,006,052
2021		2,123,843
2022		2,243,644
2023-2027		13,261,730
2028-2031		11,703,493
	$	35,043,779

NOTE 4.

CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2017 and 2016 are as follows:

	Balance at June 30, 2016	Increases	Decreases	**Balance at June 30, 2017**
Nondepreciable assets:				
Land	$ 22,167,595			**$ 22,167,595**
Construction in progress	152,703,001	100,687,513	(81,892,482)	**171,498,032**
Intangible asset	440,000			**440,000**
Total nondepreciable assets	175,310,596	100,687,513	(81,892,482)	**194,105,627**
Depreciable assets:				
Land improvements	87,806,629	1,066,918		**88,873,547**
Buildings and structures (1)	1,415,251,585	38,732,334	(23,006,546)	**1,430,977,373**
Machinery and equipment (2)	94,326,157	3,963,486		**98,289,643**
Runways, roads and parking lots	590,772,032	41,343,092	(5,243,368)	**626,871,756**
Total capital assets being depreciated	2,188,156,403	85,105,830	(28,249,914)	**2,245,012,319**
Less accumulated depreciation for:				
Land improvements	(9,315,258)	(4,279,999)		**(13,595,257)**
Building and structures	(492,481,777)	(63,647,619)	8,476,841	**(547,652,555)**
Machinery and equipment	(49,619,914)	(6,772,742)		**(56,392,656)**
Runways, roads and parking lots	(261,042,693)	(20,528,667)	5,002,582	**(276,568,778)**
Total accumulated depreciation	(812,459,642)	(95,229,026)	13,479,423	**(894,209,246)**
Total capital assets being depreciated, net	1,375,696,761	(10,123,196)	(14,770,492)	**1,350,803,073**
Capital assets, net	$ 1,551,007,357	$ 90,564,317	$ (96,662,974)	**$ 1,544,908,700**

(1) Includes capitalized lease of building with a net present value of future lease payments of $7,237,033

(2) Includes capitalized leases of office equipment with a net present value of future lease payments of $205,281

NOTE 4.

CAPITAL ASSETS (CONTINUED)

	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
Nondepreciable assets:				
Land	$ 22,415,850	$ -	$ (248,255)	$ 22,167,595
Construction in progress	387,054,944	150,231,346	(384,583,289)	152,703,001
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	409,910,794	150,231,346	(384,831,544)	175,310,596
Depreciable assets:				
Land improvements	50,147,668	37,658,961	-	87,806,629
Buildings and structures (1)	1,115,012,539	307,002,484	(6,763,438)	1,415,251,585
Machinery and equipment (2)	53,700,294	41,027,046	(401,183)	94,326,157
Runways, roads and parking lots	590,459,084	1,252,586	(939,638)	590,772,032
Total capital assets being depreciated	1,809,319,585	386,941,077	(8,104,259)	2,188,156,403
Less accumulated depreciation for:				
Land improvements	(6,249,662)	(3,065,596)	-	(9,315,258)
Building and structures	(441,622,939)	(57,470,295)	6,611,457	(492,481,777)
Machinery and equipment	(44,701,987)	(5,327,455)	409,528	(49,619,914)
Runways, roads and parking lots	(239,946,253)	(21,957,518)	861,078	(261,042,693)
Total accumulated depreciation	(732,520,841)	(87,820,864)	7,882,063	(812,459,642)
Total capital assets being depreciated, net	1,076,798,744	299,120,213	(222,196)	1,375,696,761
Capital assets, net	$ 1,486,709,538	$ 449,351,559	$ (385,053,740)	$ 1,551,007,357

(1) Includes capitalized lease of building with a net present value of future lease payments of $7,442,013

(2) Includes capitalized leases of office equipment with a net present value of future lease payments of $275,723

NOTE 5. LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2017 and 2016:

		Principal Balance at June 30, 2016		Additions /New Issuances		Reductions/ Repayments		**Principal Balance at June 30, 2017**		Due Within One Year
Variable Rate Debt										
Series A tax-exempt	$	-	$	32,550,000	$	-	**$**	**32,550,000**	$	-
Series B tax-exempt		16,884,000		-		(1,035,000)		**15,849,000**		-
Series C taxable		15,697,000				(5,098,000)		**10,599,000**		-
Total variable rate debt		32,581,000		32,550,000		(6,133,000)		**58,998,000**		-
Bonds payable:										
Series 2010 Bonds		555,420,000		-		(9,000,000)		**546,420,000**		9,430,000
Series 2013 Bonds		377,555,000		-		(2,090,000)		**375,465,000**		2,155,000
Series 2014 Bonds		305,285,000		-		-		**305,285,000**		-
Bond premiums		64,586,043		-		(4,153,545)		**60,432,498**		-
Total bonds payable		1,302,846,043		-		(15,243,545)		**1,287,602,498**		11,585,000
Capital leases		7,717,734		-		(275,420)		**7,442,314**		298,449
Total capital leases		1,343,144,777		32,550,000		(21,651,965)		**1,354,042,812**		11,883,449
Other liabilities										
Compensated absences		3,362,113		3,086,661		(3,217,748)		**3,231,026**		3,217,748
Net pension liability		1,680,759		27,275,582		(10,844,859)		**18,111,482**		
Total other liabilities		5,042,872		30,362,243		(14,062,607)		**21,342,508**		3,217,748
Total long-term liabilities	$	1,348,187,649	$	62,912,243	$	(35,714,572)	**$**	**1,375,385,320**	$	15,101,197

		Principal Balance at June 30, 2015		Additions /New Issuances		Reductions/ Repayments		Principal Balance at June 30, 2016		Due Within One Year
Variable Rate Debt										
Series B tax-exempt	$	17,909,000	$	-	$	(1,025,000)	$	16,884,000	$	-
Series C taxable		20,796,000				(5,099,000)		15,697,000		-
Total variable rate debt		38,705,000		-		(6,124,000)		32,581,000		-
Bonds payable:										
Series 2010 Bonds		564,085,000		-		(8,665,000)		555,420,000		9,000,000
Series 2013 Bonds		379,585,000		-		(2,030,000)		377,555,000		2,090,000
Series 2014 Bonds		305,285,000		-		-		305,285,000		-
Bond premiums		68,829,291		-		(4,243,248)		64,586,043		-
Total bonds payable		1,317,784,291		-		(14,938,248)		1,302,846,043		11,090,000
Capital Leases		7,971,993		-		(254,259)		7,717,734		275,421
Total capital leases		1,364,461,284		-		(21,316,507)		1,343,144,777		11,365,421
Other liabilities										
Compensated absences		3,176,511		3,019,571		(2,833,969)		3,362,113		2,833,970
Net Pension Liability		(3,351,341)		16,160,068		(11,127,968)		1,680,759		
Total other liabilities		(174,830)		19,179,639		(13,961,937)		5,042,872		2,833,970
Total long-term liabilities	$	1,364,286,454	$	19,179,639	$	(35,278,444)	$	1,348,187,649	$	14,199,391

NOTE 5.

LONG-TERM LIABILITIES (CONTINUED)

SENIOR LIEN AIRPORT REVENUE BONDS, SERIES 2005 AND REFUNDED SERIES 1995:
The California Maritime Infrastructure Authority issued $76,690,000 of Airport Revenue Bonds (Series 1995 Bonds) for the District, pursuant to a trust agreement dated December 1, 1995. The proceeds of the Series 1995 Bonds, together with investment income thereon, were used solely to pay a portion of the construction and installation of the West Terminal Expansion at SDIA, fund a Reserve Account and pay certain expenses in connection with the issuance of the Series 1995 Bonds. In conjunction with the transfer of airport operations to the Airport Authority on January 1, 2003, these bond obligations were assumed by the Airport Authority.

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2017 and 2016, the amount held in escrow by the trustee was $20,603,125 and $25,668,549, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was $18,985,000 and $23,145,000, respectively.

SENIOR LIEN AIRPORT REVENUE BONDS, SERIES 2013:
On January 30, 2013, the Airport Authority issued $379,585,000 of Series A and B Senior Airport Revenue Bonds (Series 2013 Bonds). The Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the Series 2013 Bonds through and including July 1, 2015, fund the senior reserve fund and pay the costs of issuance of the Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55,934,101, which is being amortized over the life of the bonds. Interest on the senior Series 2013 Bonds is payable semiannually on January 1 and July 1, of each year. Interest for the fiscal years ended June 30, 2017 and 2016, was $18,349,950 and $18,414,600, respectively, including accrued interest of $9,174,975 and $9,207,300 for fiscal years ending June 30, 2017 and 2016, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2017 and 2016, was $375,465,000 and $377,555,000, respectively.

The senior Series 2013 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system, and (b) certain funds and accounts held by the senior trustee under the senior indenture.

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2017 and 2016, the amount held by the trustee was $46,381,196 and $57,795,652, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund and capitalized interest funds. The total additional amounts reserved by the Airport Authority for fiscal years 2017 and 2016 was $60,779,648 and $57,782,255, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2017, are A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively.

NOTE 5.

LONG-TERM LIABILITIES (CONTINUED)

The required debt service payments for the Series 2013 Bonds for the fiscal years ending June 30, are as follows:

Years Ending June 30,	Principal	Interest	Total
2018	$ 2,155,000	$ 18,306,850	$ 20,461,850
2019	2,240,000	18,218,950	20,458,950
2020	2,320,000	18,127,750	20,447,750
2021	7,925,000	17,883,225	25,808,225
2022	8,315,000	17,477,225	25,792,225
2023-2027	48,240,000	80,552,500	128,792,500
2028-2032	51,890,000	67,536,775	119,426,775
2033-2037	28,990,000	58,678,000	87,668,000
2038-2042	97,485,000	47,728,375	145,213,375
2043-2044	125,905,000	6,220,125	132,125,125
	$ 375,465,000	$ 350,729,775	$ 726,194,775

SUBORDINATE LIEN SERIES 2010 BONDS: On October 5, 2010, the Airport Authority issued $572,565,000 of Series A, B and C Subordinate Airport Revenue Bonds (Series 2010 Bonds). The subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the subordinate Series 2010 Bonds through and including January 1, 2013, refund $142,176,000 of the Airport Authority's then outstanding commercial paper notes, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2010 Bonds.

The Series 2010 A and 2010 B Bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series 2010 C Bonds were issued as taxable Build America Bonds (BAB), which benefit from periodic cash subsidy payments from the U.S. Treasury, originally equal to 35 percent of interest payable on such bonds. As a result of the automatic spending cuts imposed under the Budget Control Act of 2011, the Airport Authority's BAB subsidies were reduced by 7.2 percent (the BAB Sequester) from October 2013 through September 2014 and 7.3 percent from October 2014 through September 2015. Due to the continued extension of the BAB Sequester, BAB subsidies for the remainder of fiscal year 2016 were reduced by 6.8 percent and such reduction will remain in place through September 2016. The BAB interest subsidies received by the Airport Authority for fiscal years ended June 30, 2017 and 2016, amounted to $4,651,203 and $4,656,199, respectively. The interest rate on the Series 2010 C Bonds, net of the subsidy, is 4.47 percent and the bonds mature in fiscal year 2041. The bonds were issued at a premium of $26,154,344, which is being amortized over the life of the bonds. Interest on the subordinate Series 2010 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2017 and 2016, amounted to $30,716,248 and $31,151,799, respectively, including accrued interest of $15,358,125 and $15,575,899, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2017 and 2016 was $546,420,000 and $555,420,000, respectively.

The subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts

NOTE 5.

LONG-TERM LIABILITIES (CONTINUED)

that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate trustee under the subordinate indenture. The subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues. The irrevocably committed PFC amount $19,209,338 was fully utilized in fiscal year 2016, there was no irrevocable pledge of PFCs in FY 2017.

As subordinate lien bonds, the Series 2010 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Series 2010 Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2017 and 2016, the amount held by the trustee was $76,514,170 and $76,011,647, respectively, which included the July 1 payment and a debt service reserve fund.

The required debt service payments for the Series 2010 Bonds for the fiscal years ending June 30, are as follows:

Years Ending June 30,	Principal	Interest	Total
2018	$ 9,430,000	$ 30,487,998	$ 39,917,998
2019	9,890,000	30,020,298	39,910,298
2020	10,365,000	29,529,823	39,894,823
2021	10,865,000	29,007,173	39,872,173
2022	11,415,000	28,463,486	39,878,486
2023-2027	66,060,000	133,041,898	199,101,898
2028-2032	94,955,000	114,089,164	209,044,164
2033-2037	168,560,000	76,049,488	244,609,488
2038-2041	164,880,000	20,516,435	185,396,435
	$ 546,420,000	$ 491,205,763	$ 1,037,625,763

SUBORDINATE VARIABLE RATE DEBT PROGRAM:
During fiscal year 2015, the Airport Authority replaced its commercial paper program with a $125,000,000 Revolving Line Of Credit issued by US Bank. The Revolving Line Of Credit was used to refund the outstanding Series B and Series C CP Note balances. The Revolving Line Of Credit is a three-year agreement that took effect on September 5, 2014. The agreement was amended on June 29, 2017 to extend the commitment through June 29, 2020.

At June 30, 2017 the Authority had an outstanding principal balance on Series A Revolving Obligations of $32,550,000 (the balance was $0 as at June 30, 2016). At June 30 2017 and 2016, the outstanding principal balances of the Series B Revolving Obligations were $15,849,000 and $16,884,000, respectively. The Series A and Series B Revolving Obligations bear interest at the tax-exempt rate which is based on a spread to LIBOR. The outstanding principal balances of the Series C Revolving Obligations at June 30 2017 and 2016 were $10,599,000 and $15,697,000 respectively, and bear interest at the taxable rate, also based on a spread to LIBOR.

In April of 2017 the Authority established a Subordinate Drawdown Bond program

NOTE 5.

LONG-TERM LIABILITIES (CONTINUED)

with RBC Municipal Products of up to $100,000,000. On April 1, 2017 the Authority and RBC Municipal Products agreed upon a Bondholders Agreement and on April 19, 2017 the Authority and RBC Capital Markets LLC agreed upon a Subordinate Drawdown Bond Purchase Agreement. When issued, all Subordinate Drawdown Bonds will be purchased by the Subordinate Drawdown Bond Purchaser in accordance with the terms of the Subordinate Drawdown Bondholder's Agreement and the Subordinate Drawdown Bond Purchase Agreement. The Authority currently has no Subordinate Drawdown Bonds outstanding. This commitment will expire on April 17, 2020.

The Revolving Line Of Credit and Subordinate Drawdown Bonds are payable solely from and secured by a pledge of "Subordinate Net Revenues." Subordinate Net Revenues are generally defined as all revenues and other cash receipts of the Airport Authority's airport operations remaining after senior lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture.

SUBORDINATE LIEN SERIES 2017 BONDS:
Subsequent to end of the fiscal year, the Airport Authority issued $291,210,000 of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds) on August 3, 2017. The Subordinate Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund $32,550,000 of the Airport Authority's outstanding variable rate debt, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of $48,423,687, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year.

The public ratings of the Series 2010 Bonds as of June 30, 2017, are A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively.

SENIOR LIEN SPECIAL FACILITIES REVENUE BONDS, SERIES 2014:
On February 1, 2014, the Airport Authority issued $305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, fund deposits to the senior reserve fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent. The bonds were issued at a premium of $594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2017 and 2016, was $16,341,210, including accrued interest of $8,170,605 each year. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2017 and 2016 was $305,385,000.

The Series 2014 Bonds are special limited obligations of the Airport Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other

NOTE 5.

LONG-TERM LIABILITIES (CONTINUED)

things, customer facility charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the customer facility charges and the Bond Funding Supplemental Consideration (as defined in the bond indenture), are pledged to the payment of the Series 2014 Bonds. The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2017 and 2016, the amount held by the trustee was $38,989,317 and $50,490,303, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund, capitalized interest funds and the rolling coverage fund.

The required debt service payments for the Series 2014 Bonds for the fiscal years ending June 30 are as follows:

Years Ending June 30,	Principal	Interest	Total
2018	$ -	$ 16,341,210	$ 16,341,210
2019	5,580,000	16,270,428	21,850,428
2020	5,720,000	16,114,217	21,834,217
2021	5,890,000	15,928,365	21,818,365
2022	6,090,000	15,714,362	21,804,362
2023-2027	35,330,000	73,277,825	108,607,825
2028-2032	46,385,000	61,917,390	108,302,390
2033-2037	60,890,000	47,003,086	107,893,086
2038-2042	79,935,000	27,424,786	107,359,786
2043-2045	59,465,000	4,721,599	64,186,599
	$ 305,285,000	$ 294,713,268	$ 599,998,268

LINE OF CREDIT: In fiscal year 2017, the Airport Authority maintained a $4,000,000 line of credit held with US Bank, which is collateralized with a bank certificate of deposit. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2017, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

CAPITAL LEASES

OFFICE EQUIPMENT LEASES: The Airport Authority has entered into five year capital lease agreements for office equipment that require monthly lease payments of $6,849.

RECEIVING DISTRIBUTION CENTER LEASE: The Airport Authority entered into an installment purchase agreement for a receiving and distribution center (RDC) in fiscal year 2013. This agreement has been determined to be a capital lease and requires monthly lease payments of $73,108. The Airport Authority will become the owner of the RDC at the conclusion of the 20 year installment purchase agreement.

NOTE 5.

LONG-TERM LIABILITIES (CONTINUED)

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, the office equipment capital leases, and the net present value of the future lease payments at June 30, 2017:

Years Ending June 30,		Amount
2018	$	959,486
2019		959,486
2020		932,090
2021		877,298
2022		877,298
2023-2027		4,386,489
2028-2032		4,386,489
2033		365,541
Total lease payments		13,744,177
Less amount representing interest		(6,301,863)
Present value of future lease payments	$	7,442,314


BRITISH AIRWAYS

NOTE 6.

DEFINED BENEFIT PLAN

PLAN DESCRIPTION:
The Airport Authority's defined benefit pension plan (Plan), administered by SDCERS, provides service retirement, disability benefits, death and survivor benefits to Plan members and beneficiaries. SDCERS is a multi-employer public employee retirement system that acts as a common investment and administrative agent for three separate single-employer defined benefit pension plans for the City, the District, and Airport Authority.

From January 1, 2003 through June 30, 2007, SDCERS administered a qualified employer defined benefit plan for the City, the District and Airport Authority. However, as of July 1, 2007, the City, the District and the Airport Authority plans were separated into independent, qualified, single-employer governmental defined benefit plans and trusts. The assets of the three separate plans and trusts were pooled in the SDCERS Group Trust, which was established as of July 1, 2007. SDCERS invests and administers the Group Trust as a common investment fund and accounts separately for the proportional interest of each plan and trust that participates in the Group Trust.

SDCERS is governed by a 13-member Board, responsible for the administration of retirement benefits for the City, the District, and the Airport Authority and for overseeing the investment portfolio of the retirement system's trust fund. The Board is comprised of seven appointed members, four active members, one retired member and one ex-officio member.

SDCERS acts as a common, independent investment and administrative agent for the City, the District and the Airport Authority, whose plans cover all eligible employees. In a defined benefit plan, pension benefits are actuarially determined by a member's age at retirement, number of years of service credit and final compensation, typically based on the highest salary earned over a one-year or three-year period. Airport Authority members who are participants under the California Public Employees' Pension Reform Act (PEPRA) are subject to pensionable compensation caps.

The San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.0100 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in SDCERS to the SDCERS Board. The Airport Authority contributes to the Federal Social Security Program. The SDCERS Board issues a publicly available financial report that includes financial statements and required supplementary information for SDCERS. The financial report may be obtained by writing to the San Diego City Employees' Retirement System, 401 B Street, Suite 400, San Diego, California 92101.

BENEFITS PROVIDED:
The Airport Authority provides retirement, disability and death benefits.

There are two types of participants, the classic participants and the PEPRA participants. A classic participant means any member who is not a PEPRA participant. A PEPRA participant is any member hired on or after January 1, 2013, who has never been a member of a public retirement system or who had a break in service of more than six months before their Airport Authority hire date.

The classic participant retirement benefit is calculated by using monthly salary amounts based on the highest continuous 26 bi-weekly pay periods divided by 12. The eligibility of the classic participants begins at age 62 with five years of service, or age 55 with 20 years of service.

The PEPRA participant's benefit is calculated by using monthly salary amounts based on the highest 36 consecutive months divided by 36. Base salary cannot exceed 100 percent of the Social Security contribution and benefit base,

NOTE 6.

DEFINED BENEFIT PLAN (CONTINUED)

indexed to the CPI-U. The eligibility of the PEPRA participants begins at age 52 with five years of service.

The Airport Authority provides monthly payments for the life of the employee, with 50 percent continuance to the eligible spouse, domestic partner, or dependent child under 21 years of age upon the member's death. If there is no eligible spouse, the member may receive either a lump sum payment equal to the accumulated surviving spouse contributions or an actuarially equivalent annuity.

Employees with ten years of continuous service are eligible to receive non-industrial disability and employees with no service requirement can receive industrial disability.

The death benefit for non-industrial death before the employee is eligible to retire is a refund of the employee contributions, with interest plus one month's salary for each completed year of service to a maximum of six months' salary. A non-industrial death benefit after the employee is eligible to retire from service is 50 percent of earned benefit payable to eligible surviving spouse, domestic partner, or dependent child under 21 years of age. The industrial death benefit is 50 percent of the final average compensation preceding death, payable to eligible surviving spouse, domestic partner or dependent child under 21 years of age.

As of the measurement dates June 30, 2016 and June 30, 2015, Plan membership was as follows:

	2016	2015
Inactive employees or beneficiaries currently receiving benefits	90	76
Inactive employees entitled to but not yet receiving benefits	112	99
Active employees	385	369
Total	587	544

CONTRIBUTIONS:
SDCERS uses actuarial developed methods and assumptions to determine what level of contributions are required to achieve and maintain an appropriate funded status for the Plan. The actuarial process uses a funding method that attempts to create a pattern of contributions that is both stable and predictable. The actual employer and member contribution rates in effect each year are based upon actuarial valuations performed by an independent actuary and adopted by the SDCERS Board annually.

The actuarial valuation is completed as of June 30, of each year. Once accepted by the SDCERS Board, the approved rates for the Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2017, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2015 actuarial valuation.

The funding objective of SDCERS is to fully fund the plan's actuarially accrued liability with contributions, which over time will remain as a level percent of payroll for the Airport Authority. Under this approach, the contribution rate is based on the normal cost rate and an amortization of any unfunded actuarial liability.

For the years ended June 30, 2017 and 2016, employees contributed $2,967,269 and $2,840,236 respectively, and the Airport Authority contributed $4,047,780 and $3,897,545 respectively, to the Plan. For the

years ended June 30, 2017 and 2016, the Airport Authority paid 7.00% or 8.50% of general member contributions and 10.48% of executive member contributions. These contributions are included in the employee contribution.

NET PENSION LIABILITY:
The Airport Authority's net pension liability as of June 30, 2017 is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability as of June 30, 2017 is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

ACTUARIAL ASSUMPTIONS:
The total pension liability in the June 30, 2016 and 2015, actuarial valuations were determined using the following actuarial assumptions, applied to all period included in the measurement:

	June 30, 2016	June 30, 2015
Valuation date	June 30, 2015	June 30, 2014
Measurement date	June 30, 2016	June 30, 2015
Actarial cost method	Entry-age normal funding method	Entry-age normal funding method
Asset valuation method	Expected value with smoothing	Expected value with smoothing
Actuarial assumptions:		
Investment rate of return (1)	7.00%	7.125%
Projected salary increase (2)	3.05%	3.175%
Cost-of-living adjustment	1.90%	2.000%
Termination rate (3)	3.0% - 11.0%	3.0% - 11.0%
Disability rate (4)	0.01% - 0.30%	0.02% - 0.45%
Mortality	0.02% - 13.54% (5)	0.02% - 18.34% (6)

(1) Net of investment expense

(2) Net Plus merit component based on employee classification and years of service

(3) Based on years of service

(4) Based on age

(5) All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014 Experience Study, projected 20 years from the 2009 base year using variation of scale MP-2015, with a 10% increase to healthy retired female rates. Disabled: CalPERS Work Related Diability Mortality Table, projected 20 years from 2009 base year using a variation of scale MP-2015.

DISCOUNT RATE:
For the June 30, 2016 and 2015 actuarial valuations, the discount rates used to measure the total pension liability were 7.0 percent and 7.125 percent, respectively. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

The long-term expected rate of return estimates for equity and fixed income are developed using a geometric (long-term compounded) building block approach: 1) expected returns based on observable information in the equity and fixed income markets and consensus estimates for major economic and capital market inputs,

NOTE 6.

DEFINED BENEFIT PLAN (CONTINUED)

such as earnings and inflation, and 2) where necessary, judgment-based modifications are made to these inputs. Return assumptions for other assets classes are based on historical returns, current market characteristics, and professional judgments from SDCERS general investment consultant specialist research teams.

Best estimates of geometric long-term real rates and nominal rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rates of Return	Long-term Expected Nominal Rates of Return
U.S. equity	21.0%	4.5%	6.7%
Non-U.S. developed equity	15.0%	5.5%	7.8%
Global equity	5.0%	5.1%	7.3%
U.S. fixed income	22.0%	0.9%	3.0%
Emerging market debt	5.0%	3.7%	5.9%
Real estate	11.0%	3.6%	5.8%
Private equity and infrastructure	13.0%	6.6%	8.8%
Opportunity fund	8.0%	4.4%	6.6%
	100.0%		

CHANGES IN THE NET PENSION LIABILITY:

Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) through the year ended June 30, 2016 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 6/30/15	$ 140,197,047	$ 138,516,288	$ 1,680,759
Changes for the year:			
Service cost	6,205,263	-	6,205,263
Interest on total pension liability	10,277,611	-	10,277,611
Difference between expected and actual experience	(2,178,527)	-	(2,178,527)
Changes in assumptions	10,473,890	-	10,473,890
Employer contributions	-	4,047,780	(4,047,780)
Member contributions	-	2,967,269	(2,967,269)
Net investment income	-	1,651,283	(1,651,283)
Benefit payments	(3,023,391)	(3,023,391)	-
Administrative expense	-	(318,818)	318,818
Net changes	21,754,846	5,324,123	16,430,723
Balances as of 6/30/16	$ 161,951,893	$ 143,840,411	$ 18,111,482

NOTE 6.

DEFINED BENEFIT PLAN (CONTINUED)

Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) through the year ended June 30, 2015, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of 6/30/14	$ 126,851,793	$ 130,203,134	$ (3,351,341)
Changes for the year:			
Service cost	6,154,579	-	6,154,579
Interest on total pension liability	9,327,538	-	9,327,538
Difference between expected and actual experience	345,661	-	345,661
Employer contributions	-	3,897,547	(5,664,755)
Member contributions	-	2,840,236	(1,073,028)
Net investment income	-	4,390,185	(4,390,185)
Benefit payments	(2,482,524)	(2,482,524)	-
Administrative expenses	-	(332,290)	332,290
Net changes	13,345,254	8,313,154	5,032,100
Balances as of 6/30/15	$ 140,197,047	$ 138,516,288	$ 1,680,759

SENSITIVITY OF THE NET PENSION LIABILITY TO DISCOUNT RATE CHANGES:
The following presents the resulting net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal years ended June 30, 2017:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total pension liability	$ 184,896,870	$ 161,951,893	$ 143,053,624
Plan fiduciary net position	(143,840,411)	(143,840,411)	(143,840,411)
Net pension liability	$ 41,056,459	$ 18,111,482	$ (786,787)
Plan fiduciary net position as a percentage of the total pension liability	77.8%	88.8%	100.5%

NOTE 6.

DEFINED BENEFIT PLAN (CONTINUED)

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE PLAN:

For the years ended June 30, 2017 and 2016, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of $7,451,396 and $4,048,248, respectively. At June 30, 2017 and 2016, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

For June 30, 2016 Measurement Date:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ 6,089,002	$ -
Differences between expected & actual experience	230,441	1,815,440
Changes in assumptions	8,728,242	
Employer contributions made subsequent to June 30, 2016 measurement date	5,197,849	-
Total	$ 20,245,534	$ 1,815,440

For June 30, 2015 Measurement Date:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ -	$ 1,807,422
Differences between expected & actual experience	288,051	-
Employer contributions made subsequent to June 30, 2015 measurement date	3,972,596	-
Total	$ 4,260,647	$ 1,807,422

The deferred outflows of resources, at June 30, 2016 and 2015, related to pensions resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net pension liability at June 30, 2017 and 2016, respectively.

Other amounts reported as deferred outflows/inflows of resources related to the plan will be recognized in pension expense as follows:

Fiscal Year-end:	
2018	$ 2,211,333
2019	2,211,333
2020	4,253,329
2021	3,173,690
2022	1,382,560
	$ 13,232,245

NOTE 7.

EMPLOYEES' DEFERRED COMPENSATION PLAN

The Airport Authority offers its employees a deferred compensation plan, which was created in accordance with Internal Revenue Code (IRC) Section 457. The Plan, which is available to all full-time Airport Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, total disability, death or unforeseeable emergency.

The plan is administered by the Airport Authority and contracted to an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are held in trust for employees.

Employee assets to be held in the IRC Section 457 plans are not the property of the Airport Authority and are not subject to the claims of the Airport Authority's general creditors. Accordingly, employee assets are not reflected in the Airport Authority's financial statements.

NOTE 8.

OTHER POSTEMPLOYMENT BENEFITS

The Airport Authority provides a single-employer postemployment benefit plan (the OPEB Plan). The OPEB Plan provides postretirement medical, dental, vision and life insurance benefits for nonunion employees hired prior to May 1, 2006 and union employees hired prior to October 1, 2008. The employees are eligible for these benefits if they retire from active employment after age 55 with 20 years of service or age 62 with five years of service.

PLAN DESCRIPTION:
As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 1.5 million California public employees, retirees and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States, managing more than $250 billion in assets for more than 2,500 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

FUNDING POLICY:
CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the annual required contributions (ARCs). As of May 9, 2009, the agreement with CERBT was approved. The retirees' contribution rate was raised from 5 percent to 10 percent of plan costs for single coverage and the entire cost of vision benefits, lowering the OPEB liabilities of the Airport Authority. Annually, the Airport Authority's goal is to fund 100 percent of the actuarially calculated ARC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ARC which has resulted in a net OPEB asset.

ANNUAL OPEB COST AND ACTUARIAL METHODS AND ASSUMPTIONS:
The Airport Authority's annual OPEB cost is calculated based on the ARC, an amount that

NOTE 8.

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

is actuarially determined in accordance with the parameters of GASB Statement No. 45. The Airport Authority has elected to perform an actuarial valuation of the OPEB on a biennial basis, the most recent of which is dated as of July 1, 2015. According to the July 1, 2015, actuarial valuation, the ARC was $2,013,000 and $1,959,000 for fiscal year 2017, and 2016, respectively. The ARC was determined using the entry age normal cost method with amortization of the unfunded accrued liability occurring over a 30-year period ending June 30, 2037.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used by CERBT include (a) a 7.28 percent investment rate of return, (7.36 percent was used in the prior valuations), net of administrative expenses, RP-2015 Mortality Tables with fully generational projection using MP-2015 scale and (b) projected salary increases of 3.00 percent. The annual healthcare cost trend rate ranged from 4.5 to 9.0 percent for medical and assumes a 5.0 percent rate for dental. In establishing the discount rate, an inflation rate of 2.75 percent was used. The 2015 actuarial valuation included a 10 percent retirees' contribution of plan costs for single coverage; previously it was 5 percent.

The entry age normal cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the entry age normal cost method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The actuarial accrued liability is the cumulative value, on the valuation date, of prior service costs. For retirees, the actuarial accrued liability is the present value of all projected benefits.

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs.

Development of the net OPEB obligation (NOO/Asset) and annual OPEB cost for the past three years is as follows (dollars in thousands):

Actuarial Valuation Date	Fiscal Year	ARCs	Employer Contribution	NOO/(Asset) End of Year	Interest on NOO/(Asset)	Adjustment to the ARC	Annual OPEB Cost
7/1/13	14/15	2,403	2,403	(59)	(4)	4	2,403
7/1/15	15/16	1,959	1,959	(59)	(4)	4	1,959
7/1/15	16/17	2,013	2,013	(59)	(4)	4	2,013

NOTE 8.

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The Airport Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2017, 2016 and 2015, were as follows (dollars in thousands):

Fiscal Year Ended	Annual OPEB Costs	Employer Contribution	Percentage of OPEB Cost Contributed	NOO/ (Asset)
6/30/15	2,403	2,403	100.0%	(59)
6/30/16	1,959	1,959	100.0%	(59)
6/30/17	2,013	2,013	100.0%	(59)

FUNDED STATUS AND FUNDING PROGRESS: The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the accompanying notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status of the Plan based on the most recent biennial actuarial valuation for the plan, dated as of July 1, 2015, was as follows (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
7/1/15	$ 18,917	$ 34,587	$ 15,670	54.7%	$ 16,809	93.2%	7.3%	3.0%

NOTE 9.

RISK MANAGEMENT

The Airport Authority has a comprehensive Risk Management Program comprising commercial insurance, self-insurance, loss prevention, loss control and claims administration. The Airport Authority's coverage includes a variety of retentions or deductibles.

COMMERCIALLY ISSUED INSURANCE:

- The Airport Authority maintains a minimum of $500 million in limits for general liability insurance with a war, hijacking and other perils endorsement in the amount of $150 million.
- The Airport Authority maintains a property insurance policy with minimum limits of $750 million providing all risk and flood coverage for physical assets.
- The Airport Authority also maintains policies for workers' compensation, commercial auto, fiduciary liability, privacy and network security, crime, and public entity and employment practices liability, among others.

SELF-INSURANCE:
Due to the exorbitant cost of earthquake insurance, the Airport Authority self-insures for losses due to earthquake damage. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist public entities through the Federal Emergency Management Agency and the California Disaster Assistance Act. As of June 30, 2017 and 2016, the Airport Authority has designated $9,531,966 and $8,813,970, respectively, from its net position, as an insurance contingency.

A $2,000,000 reserve has been established within unrestricted net position by the Airport Authority's management to respond to uninsured and underinsured catastrophic losses. This fund is maintained pursuant to Board action only; there is no requirement that it be maintained.

LOSS PREVENTION:
The Airport Authority has an active loss prevention program, staffed by a full-time risk manager, one risk analyst, a safety manager and two safety analysts. In addition, third party loss control engineers conduct safety surveys on a periodic basis. Employees receive regular safety training and claims are monitored using a claims information system.

During fiscal year 2017, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

NOTE 10.

DISCLOSURES ABOUT FAIR VALUE OF ASSETS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

LEVEL 1
Quoted prices in active markets for identical assets or liabilities

LEVEL 2
Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

LEVEL 3
Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

NOTE 10.

DISCLOSURES ABOUT FAIR VALUE OF ASSETS (CONTINUED)

RECURRING MEASUREMENTS:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017 and 2016:

June 30, 2017	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury obligations	$ 85,201,348	$ 85,201,348	$ -	$ -
U.S. agency securities	109,436,513	-	109,436,513	-
Non-U.S Securities	5,982,120	5,982,120	-	-
Commercial paper	8,485,280	-	8,485,280	-
Negotiable certicates of deposit	46,592,680	-	46,592,680	-
Medium-term notes	39,564,537	-	39,564,537	-
Local Agency Investment Fund	48,182,813	48,182,813	-	-
San Diego County Investment Pool	157,252,092	157,252,092	-	-
Total investments by fair value level	500,697,383	$ 296,618,373	$ 204,079,010	$ -
Investments measured at amortized cost	630,996			
Investments measured at net asset value	15,297,174			
Non-negotiable certificate of deposit	15,413,829			
Total investments	$ 532,039,382			

June 30, 2016	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury obligations	$ 95,094,109	$ 95,094,109	$ -	$ -
U.S. agency securities	50,679,745	-	50,679,745	-
Non-U.S Securities	3,010,290	3,010,290	-	-
Commercial paper	13,942,250	-	13,942,250	-
Negotiable certicates of deposit	42,513,040	-	42,513,040	-
Medium-term notes	38,698,117	-	38,698,117	-
Local Agency Investment Fund	47,906,365	47,906,365	-	-
San Diego County Investment Pool	172,695,968	172,695,968	-	-
Total investments by fair value level	464,539,884	$ 318,706,732	$ 145,833,152	$ -
Investments measured at amortized cost	40,427,839			
Investments measured at net asset value	15,177,301			
Non-negotiable certificate of deposit	36,247,049			
Total investments	$ 556,392,073			

NOTE 11.

LEASE REVENUES

The Airport Authority leases certain of its capital assets, such as loading bridges and building space, to signatory airlines and other tenants under operating leases. Substantially all capital assets are held by the Airport Authority for the purpose of rental or related use. A majority of the lease payments are determined each year based upon the actual costs of the airport. Such costs are allocated pro rata to each tenant based upon factors such as landed weights, enplanements, square footage, acres, etc. A majority of the Airport Authority's lease commitments are primarily on a month-to-month basis and accordingly are not reflected in the schedule below.

The Airport Authority's recent expansion of approximately 25,000 additional square feet results in the increase of the number of food service and retail concession locations from 55 to 87. The Authority has implemented a comprehensive Concessions Development Program (CDP) to provide a world class shopping and dining experience for the millions of passengers who use SDIA each year. The full program build out was completed during fiscal year 2015. The CDP replaces the Airport Authority's one master concessionaire.

The Airport Authority's CFC revenues and Bonds funded construction of the Rental Car Center Facility (RCC), which was completed and placed in service on January 20, 2016. The RCC facility sits on 24.85 acres of land and houses all the major and small operator rental car tenants. The land rent leases for the RCC commenced on the opening date of the facility and will continue until the Bonds are repaid or defeased. This land rent is a non-cancellable lease and will convert to Facility Rent when bonds are repaid.

The minimum future lease payments to be received under the above operating lease agreements as of June 30, are as follows:

Years Ending June 30,	Amount
2018	$ 13,525,790
2019	12,429,005
2020	12,576,606
2021	12,694,216
2022	12,746,504
2023-2027	66,508,364
2028-2032	72,625,155
2033-2037	79,948,801
2038-2042	88,646,995
2043-2047	92,401,712
2048-2052	27,619,069
2053-2057	724,440
2058-2062	724,440
2063-2067	724,440
2068-2072	217,332
Total	**$ 494,112,869**

NOTE 12. LEASE COMMITMENTS

OPERATING LEASES

GENERAL DYNAMICS LEASE:
The Airport Authority is required, by legislation mandating the transfer of airport operations from the District, to lease from the District 89.75 acres of the former General Dynamics property on Pacific Highway adjacent to SDIA for 66 years commencing January 1, 2003. The lease agreement as amended calls for rent payments of $6,750,000 annually through December 31, 2068. A portion of the land is leased back to the District for employee parking at the same fair market value rent paid by the Airport Authority.

SDIA LEASE:
The Airport Authority is leasing from the District 480 acres of land on North Harbor Drive for an annual rent of $1 per year under a lease that expires December 31, 2068.

TELEDYNE RYAN LEASE:
The Airport Authority is leasing from the District 46.88 acres on North Harbor Drive referred to as the Teledyne Ryan lease that commenced on January 1, 2005 and expires December 31, 2068, for $3 million in annual rent.

Under current law, in the event SDIA is relocated and the District leases are no longer used by the Airport Authority for airport purposes, all District leases will terminate and use of the property will revert to the District.

The future rental commitment under the above operating lease agreements as of June 30, are due as follows:

Years Ending June 30,		Amount
2018	$	10,176,660
2019		10,176,660
2020		10,176,660
2021		10,176,660
2022		10,176,660
2023-2027		50,883,300
2028-2032		50,883,300
2033-2037		50,883,300
2038-2042		50,883,300
2043-2047		50,883,300
2048-2052		50,883,300
2053-2057		50,883,300
2058-2062		50,883,300
2063-2067		50,883,300
2068-2069		15,264,990
	$	524,097,990

The total rental expense charged to operations for the years ended June 30, consists of the following:

	2017	2016
Rental payments made	**$ 10,189,944**	**$ 10,367,148**

NOTE 13.

COMMITMENTS & CONTINGENCIES

COMMITMENTS:

As of June 30, 2017 and 2016, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

i. The Airport Authority has funds which have been classified as current assets, primarily for the unpaid contractual portion of capital projects that are currently in progress, and will not be funded by grants or additional debt, but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2017 and 2016, these funds totaled approximately $14.3 million and $20.5 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

ii. Support services. As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at the current location.
At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2017 and 2016, the Airport Authority expensed $17,799,133 and $18,764,780 respectively for these services.

iii. In fiscal year 2012, the Board approved two contracts with Ace Parking Management Inc., for parking management services in the amount of $29.7 million and airport shuttle services in the amount of $31.3 million. In fiscal year 2017, the Board approved an additional $9.9 million for parking management services and $19.7 million for shuttle services. The total amounts spent as of June 30, 2017, were $29.8 million for parking management services and $36.9 million for airport shuttle services. These contracts are scheduled for completion in 2018.

iv. In fiscal year 2014, the Board approved a contract with Austin-Sundt JV for the design and construction of the Rental Car Center in the amount of $14.0 million and an additional approval of $10.0 million. In fiscal year 2015, the Board approved an additional $223.9 million. In fiscal year 2016, the Board approved an additional $5.1 million. As of June 30, 2017, $252.4 million had been spent and the contract was completed in fiscal year 2017.

v. In fiscal year 2013, the Board approved a contract with Demattei Wong Architecture in support of the Rental Car Center project in the amount of $10.0 million and an additional approval of $12.0 million. In fiscal year 2015, the Board approved an additional $5.0 million. As of June 30, 2017, $25.2 million had been spent and the contract was completed in fiscal year 2017.

vi. In fiscal year 2015, the Board approved a $29.2 million contract with SP Plus Corporation to transport rental car Center

NOTE 13.

COMMITMENTS & CONTINGENCIES (CONTINUED)

facility and the terminals. The contract scope also includes the operation, management and maintenance of the shuttle vehicles. In fiscal year 2016, the Board approved an additional $1.2 million. As of June 30, 2017, $10.8 million had been spent and the contract is due to be completed in fiscal year 2021.

vii. In fiscal year 2015, the Board approved a $5.9 million contract with Granite Construction Company for the construction of the Northside bypass Taxiway. As of June 30, 2017, $5.9 million had been spent and the contract was completed early in the fiscal year 2017.

viii. In fiscal year 2015, the Board approved a $60.0 million contract with AECOM Technical Services, Inc. for project support for the development of the Northside solar projects. As of June 30, 2017, $27.5 million had been spent and the contract is due to be completed in fiscal year 2018.

ix. In fiscal year 2016, the Board approved a $3.2 million contract with Granite Construction Company for the Employee Parking Lot 6 Expansion. As of June 30, 2017, $3.2 million had been spent and the contract was completed early in the fiscal year 2017.

x. In fiscal year 2016, the Board approved a $12 million contract with Swinerton Builders for a Design-Build for the T2 Parking Plaza. In fiscal year 2017, the Board approved an additional $85.7 million As of June 30, 2017, $33.8 million had been spent and the contract is due to be completed in fiscal year 2019.

xi. In fiscal year 2016, the Board approved a $3.2 million contract with Hazard Construction Company for a Taxi hold lot. As of June 30, 2017, $3 million had been spent and the contract was completed in fiscal year 2017.

xii. In fiscal year 2016, the Board approved a $4.7 million contract with Hazard Construction Company to rehabilitate the Cross Taxiway. As of June 30, 2017, $4.2 million had been spent and the contract was completed in fiscal year 2017.

xiii. In fiscal year 2017, the Board approved a $186.6 million contract with Turner-PCL A Joint Venture for Terminal 2 West Federal Inspection Station build out. As of June 30, 2017, $7.5 million had been spent and the contract is due to be completed in fiscal year 2020.

xiv. In fiscal year 2017, the Board approved a $3.3 million contract with Vasquez Construction Company to replace terminal seating in Terminal 1 and 2. As of June 30, 2017, $536 thousand had been spent and the contract is due to be completed in fiscal year 2018.

NOTE 13.

COMMITMENTS & CONTINGENCIES (CONTINUED)

CONTINGENCIES:
As of June 30, 2017, the Airport Authority is subject to contingencies arising from legal matters as described below:

The Airport Authority has leases and operating agreements with various tenants. These agreements typically include provisions requiring the tenants/operators to indemnify the Airport Authority for any damage to property or losses to the Airport Authority as a result of the tenant's operations. Also, the leases and operating agreements typically require the Airport Authority to be named as an additional insured under certain insurance policies of the tenants/operators. The Airport Authority also tenders these claims to its own insurers once they become asserted claims. When these types of claims are asserted against the Airport Authority, the Airport Authority not only vigorously opposes them but also vigorously seeks contribution and/or indemnity from all tenants/operators involved, from the tenants'/operators' insurers and from its own insurers. The Airport Authority's legal counsel cannot predict the net exposure to the Airport Authority with respect to these matters, or the probability or remoteness of any outcome.

Schedule of OPEB funding progress for the Airport Authority is as follows (dollars in thousands)*:

Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability AAL	Unfunded Actuarial Accrued Liability UAAL	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
7/1/09	$ 2,674	$ 12,206	$ 9,532	21.9%	$ 19,514	48.8%	7.75%	3.25%
7/1/10	4,474	14,149	9,675	31.6%	20,148	48.0%	7.75%	3.25%
7/1/11	7,604	22,197	14,593	34.3%	18,728	77.9%	7.60%	3.25%
7/1/12	7,604	22,197	14,593	34.3%	18,728	77.9%	7.61%	3.25%
7/1/13	12,667	31,553	18,886	40.1%	17,567	107.5%	7.36%	3.00%
7/1/15	18,917	34,587	15,670	54.7%	16,809	93.2%	7.36%	3.00%

* In accordance with GASB Statement No. 45, the Airport Authority has an actuarial valuation completed biennially.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET), LAST 10 FISCAL YEARS (GASB STATEMENT NO. 68):

	2017	2016	2015
Total Pension Liability:			
Service cost	$ 6,205,263	$ 6,154,579	$ 6,099,481
Interest (includes interest on service cost)	10,277,611	9,327,538	8,465,485
Differences between expected and actual experience	(2,178,527)	345,661	-
Effect of changes of assumptions	10,473,890	-	-
Benefit payments, including rerfunds of member contributions	(3,023,391)	(2,482,524)	(2,913,221)
Net change in total pension liability	21,754,846	13,345,254	11,651,745
Total pension liability - beginning	140,197,047	126,851,793	115,200,048
Total pension liability - ending	$ 161,951,893	$ 140,197,047	$ 126,851,793
Plan Fiduciary Net Position:			
Contributions - employer	$ 4,047,780	$ 3,897,547	$ 3,924,988
Contributions - employee	2,967,269	2,840,236	2,765,079
Net investment income	1,651,283	4,390,185	18,302,683
Benefit payments, including refunds of member contributions	(3,023,391)	(2,482,524)	(2,913,221)
Administrative expense	(318,818)	(332,290)	(332,645)
Net change in plan fiduciary net position	5,324,123	8,313,154	21,746,884
Plan fiduciary net position - beginning	138,516,288	130,203,134	108,456,250
Plan fiduciary net position - ending	$ 143,840,411	$ 138,516,288	$ 130,203,134
Net pension liability (asset) - ending	$ 18,111,482	$ 1,680,759	$ (3,351,341)
Plan fiduciary net position as a percentage of the total pension liability	88.82%	98.80%	102.64%
Covered employee payroll	$ 29,189,357	$ 27,955,455	$ 26,380,323
Net pension liability as a percentage of covered employee payroll	62.05%	6.01%	-12.70%

NOTE TO SCHEDULE:

This schedule is intended to display the most recent 10 years of data for annual changes in the net pension liability. Until such time has elapsed after implementing GASB Statement No. 68, this schedule will only present information from those years that are available.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)

Schedule of Contributions Last 10 Fiscal Years (in thousands) (GASB Statement No. 68):

	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 3,765	$ 3,666	$ 3,823	$ 2,900	$ 2,600
Contributions in relation to the actuarially determined contribution	5,198	4,048	3,898	3,925	2,600
Contribution deficiency (excess)	$ (1,433)	$ (382)	$ (75)	$ (1,025)	$ -
Covered-employee payroll	$ 31,506	$ 29,189	$ 27,955	$ 26,380	$ 24,840
Contributions as a percentage of covered-payroll	16.50%	13.87%	13.94%	14.88%	10.47%

	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 3,800	$ 4,300	$ 3,000	$ 3,000	$ 2,200
Contributions in relation to the actuarially determined contribution	3,800	4,300	7,600	3,035	2,520
Contribution deficiency (excess)	$ -	$ -	$ (4,600)	$ (35)	$ (320)
Covered-employee payroll	$ 25,148	$ 25,596	$ 24,693	$ 23,488	$ 21,957
Contributions as a percentage of covered-payroll	15.11%	16.80%	30.78%	12.92%	11.48%


THE ART OF
AIRPORT AUTHORITY

STATISTICAL SECTION

The Statistical Section is divided into five areas: financial trend data; revenue capacity data; operating information; demographic and economic information, and debt capacity data.

FINANCIAL TRENDS DATA:
- Authority operating revenues and O&M expenses
- Authority net position by component
- Authority changes in net position
- Authority largest sources of revenue

REVENUE CAPACITY DATA :
- Authority landing fee rate
- Terminal rates billed to airlines
- Airline cost per enplaned passenger

OPERATING INFORMATION:
- Authority employee head count
- Aircraft operations
- Aircraft landed weights
- Aircraft landed weights by airline
- Passenger enplanements
- Enplanement market share by airline by fiscal year
- Capital assets

ECONOMIC INFORMATION:
- Population and per capita personal income - San Diego County
- Principal employers in San Diego County
- San Diego County employment by industry sector
- Labor force, employment, and unemployment rates

DEBT INFORMATION:
- Debt service coverage
- Debt service coverage - Series 2014 CFC Bonds
- Debt per enplaned passenger

EXHIBIT S-1
AUTHORITY REVENUES AND O&M EXPENSES ($000)

Fiscal Years Ended June 30,

Operating Revenues

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Airline revenue										
Landing fees	$ 24,763	$ 18,689	$ 18,672	$ 18,579	$ 18,419	$ 19,658	$ 19,107	$ 21,390	$ 23,985	$ 24,612
Aircraft parking fees	-	3,221	3,406	2,921	3,134	3,191	2,503	2,716	2,701	2,927
Building rentals	24,265	23,057	23,835	26,980	30,633	41,840	46,001	48,153	53,536	56,575
Security surcharge	8,619	10,204	11,900	14,886	18,649	23,360	25,777	25,180	29,223	29,468
Other aviation revenue	1,808	1,565	1,585	1,597	1,595	1,591	4,488	4,893	2,760	2,799
Concession revenue	38,785	36,280	36,249	37,103	40,427	42,041	47,770	52,496	29,249	32,624
Parking and ground transportation revenue	31,038	31,492	30,296	31,645	31,470	35,750	38,959	41,633	75,131	78,039
Ground rentals	5,207	5,776	5,923	8,656	8,044	9,162	9,603	13,074	16,226	20,053
Other operating revenue	1,197	693	1,829	1,640	1,179	905	1,529	971	1,183	1,750
Total Operating Revenues	$ 135,682	$ 130,977	$ 133,695	$ 144,007	$ 153,550	$ 177,498	$ 195,737	$ 210,505	$ 233,994	$ 248,847

Operating Expenses Before Depreciation

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Salaries and benefits	$ 32,912	$ 34,741	$ 35,386	$ 38,267	$ 37,237	$ 38,092	$ 39,135	$ 39,211	$ 42,025	$ 46,874
Contractual services	27,378	27,464	27,999	26,113	26,906	29,284	31,559	32,422	38,215	44,927
Safety and security	19,110	19,930	20,131	21,344	22,625	23,994	24,151	23,464	28,721	28,422
Space rental	10,901	10,888	10,906	10,906	11,415	10,897	10,478	10,433	10,367	10,206
Utilities	6,430	6,912	6,871	6,413	6,674	6,659	8,680	10,152	11,480	10,736
Maintenance	8,735	8,002	9,231	8,174	8,497	11,204	13,982	14,516	14,122	14,270
Equipment and systems	1,333	678	891	570	403	469	643	1,805	708	502
Materials and supplies	795	641	413	345	304	406	440	519	536	651
Insurance	1,227	1,096	1,166	1,066	764	795	988	1,145	949	956
Employee development and support	1,035	1,030	990	1,041	916	1,235	1,171	1,136	1,242	1,393
Business development	2,733	2,509	2,033	2,275	2,093	2,444	2,661	2,493	2,390	2,351
Equipment rentals and repairs	1,396	1,387	1,271	1,327	1,335	1,317	2,932	2,951	2,852	2,438
Total Operating Expenses Before Depreciation	$ 113,985	$ 115,278	$ 117,288	$ 117,841	$ 119,169	$ 126,796	$ 136,821	$ 140,250	$ 153,608	$ 163,726

Source: San Diego County Regional Airport Authority

EXHIBIT S-2
AUTHORITY NET POSITION BY COMPONENT ($000)

Fiscal Years Ended June 30,

	2008	2009	2010*	2011	2012	2013	2014	2015**	2016	2017
Net investment in capital assets	$ 238,144	$ 249,498	$ 274,769	$ 352,276	$ 339,467	$ 359,640	$ 312,780	$ 316,250	$ 310,339	$ 263,952
Other restricted net position	136,548	167,827	139,672	147,513	172,076	167,384	204,642	215,968	214,533	225,088
Unrestricted net position	120,429	95,858	145,224	102,466	149,346	200,040	209,594	210,522	251,076	294,133
Total net position	$ 495,121	$ 513,183	$ 559,664	$ 602,255	$ 660,889	$ 727,064	$ 727,016	$ 742,740	$ 775,949	$ 783,173

* Amounts for 2010 and after were restated as per GASB 65

** Amounts for 2015 were restated as per GASB 68

Source: San Diego County Regional Airport Authority

EXHIBIT S-3
AUTHORITY CHANGES IN NET POSITION ($000)

Fiscal Years Ended June 30,

	2008	2009	2010*	2011	2012	2013	2014	2015	2016**	2017
Operating revenues:										
Airline revenue:										
Landing fees	$ 24,763	$ 18,689	$ 18,672	$ 18,579	$ 18,419	$ 19,658	$ 19,107	$ 21,390	$ 23,985	$ 24,612
Aircraft parking fees	-	3,221	3,406	2,921	3,134	3,191	2,503	2,716	2,701	2,927
Building rentals	24,265	23,057	23,835	26,980	30,633	41,840	46,001	48,153	53,536	56,575
Security surcharge	8,619	10,204	11,900	14,886	18,649	23,360	25,777	25,180	29,223	29,468
Other aviation revenue	1,808	1,565	1,584	1,597	1,595	1,591	4,488	4,893	2,760	2,799
Concession revenue	38,785	36,280	36,249	37,103	40,427	42,041	47,770	52,496	29,249	32,624
Parking and ground transportation revenue	31,038	31,492	30,296	31,645	31,470	35,750	38,959	41,633	75,131	78,039
Ground rentals	5,207	5,776	5,923	8,656	8,044	9,162	9,603	13,074	16,226	20,053
Other operating revenue	1,197	693	1,829	1,640	1,179	905	1,529	971	1,183	1,750
Total operating revenues	135,682	130,977	133,695	144,007	153,550	177,498	195,737	210,505	233,994	248,847
Operating expenses:										
Salaries and benefits	32,912	34,741	35,386	38,267	37,237	38,092	39,135	39,211	42,025	46,874
Contractual services	27,378	27,464	27,999	26,113	26,906	29,284	31,559	32,422	38,215	44,927
Safety and security	19,110	19,930	20,131	21,344	22,625	23,994	24,151	23,464	28,721	28,422
Space rental	10,901	10,888	10,906	10,906	11,415	10,897	10,478	10,433	10,367	10,206
Utilities	6,430	6,912	6,871	6,413	6,674	6,659	8,680	10,152	11,480	10,736
Maintenance	8,735	8,002	9,231	8,174	8,497	11,204	13,982	14,516	14,122	14,270
Equipment and systems	1,333	678	891	570	403	469	643	1,805	708	502
Materials and supplies	795	641	413	345	304	406	440	519	536	651
Insurance	1,227	1,096	1,166	1,066	764	795	988	1,145	949	956
Employee development and support	1,035	1,030	990	1,041	916	1,235	1,171	1,136	1,242	1,393
Business development	2,733	2,509	2,033	2,275	2,093	2,444	2,661	2,493	2,390	2,351
Equipment rentals and repairs	1,396	1,387	1,271	1,327	1,335	1,317	2,932	2,951	2,852	2,438
Total operating expenses before depreciation	113,985	115,278	117,288	117,841	119,169	126,796	136,821	140,250	153,608	163,726
Income from operations before depreciation	21,697	15,699	16,407	26,166	34,381	50,702	58,916	70,255	80,386	85,121
Depreciation	36,991	38,423	42,651	50,435	46,164	46,100	81,598	81,887	87,821	95,229
Operating income (loss)	(15,294)	(22,724)	(26,244)	(24,269)	(11,783)	4,602	(22,682)	(11,632)	(7,435)	(10,108)
Nonoperating revenues (expenses):										
Passenger facility charges	37,401	33,219	34,049	33,998	34,639	35,437	35,770	38,517	40258	42,200
Customer facility charges	-	1,695	10,783	10,986	11,487	19,117	27,545	32,465	33208	36,528
Quieter Home Program, net	(3,990)	(5,573)	(1,629)	(3,359)	(3,531)	(1,589)	(2,750)	(2,811)	(3698)	(785)
Joint Studies Program	(963)	(180)	(244)	(129)	(73)	(55)	(152)	(145)	(101)	-
Interest income	13,431	9,434	6,667	6,408	5,492	4,140	5,211	5,747	5999	8,134
Interest expense	(3,859)	(2,771)	(3,245)	(10,998)	(395)	(12,054)	(51,983)	(55,187)	(50,636)	(58,179)
Build America Bonds Rebate	-	-	-	3,691	4,996	4,779	4,636	4,631	4656	4,651
Other revenues (expenses), net	12	316	(1,004)	(92)	(3,032)	(4,279)	434	1,367	2247	(17,121)
Nonoperating revenue, net	42,032	36,140	45,376	40,505	49,583	45,496	18,711	24,584	31,933	15,428
Income before capital grant contributions	26,738	13,416	19,132	16,236	37,800	50,098	(3,971)	12,952	24,498	5,321
Capital grant contributions	2,850	4,646	27,350	26,355	20,834	16,077	3,924	10,765	10,477	1,904
Change in net position	29,588	18,062	46,482	42,591	58,634	66,175	(47)	23,717	34,975	7,224
Prior Period Adjustment	-	-	-	-	-	-	-	(7,995)	(1,767)	-
Net position, beginning of year	465,533	495,121	513,183	559,664	602,255	660,889	727,064	727,017	742,740	775,949
Net position, end of year	$ 495,121	$ 513,183	$ 559,666	$ 602,255	$ 660,889	$ 727,064	$ 727,017	$ 742,740	$ 775,949	$ 783,173

* Amounts for 2010 and after were restated as per GASB 65
Source: San Diego County Regional Airport Authority

EXHIBIT S-4
AUTHORITY LARGEST SOURCES OF REVENUE ($000)

Fiscal Years Ended June 30,

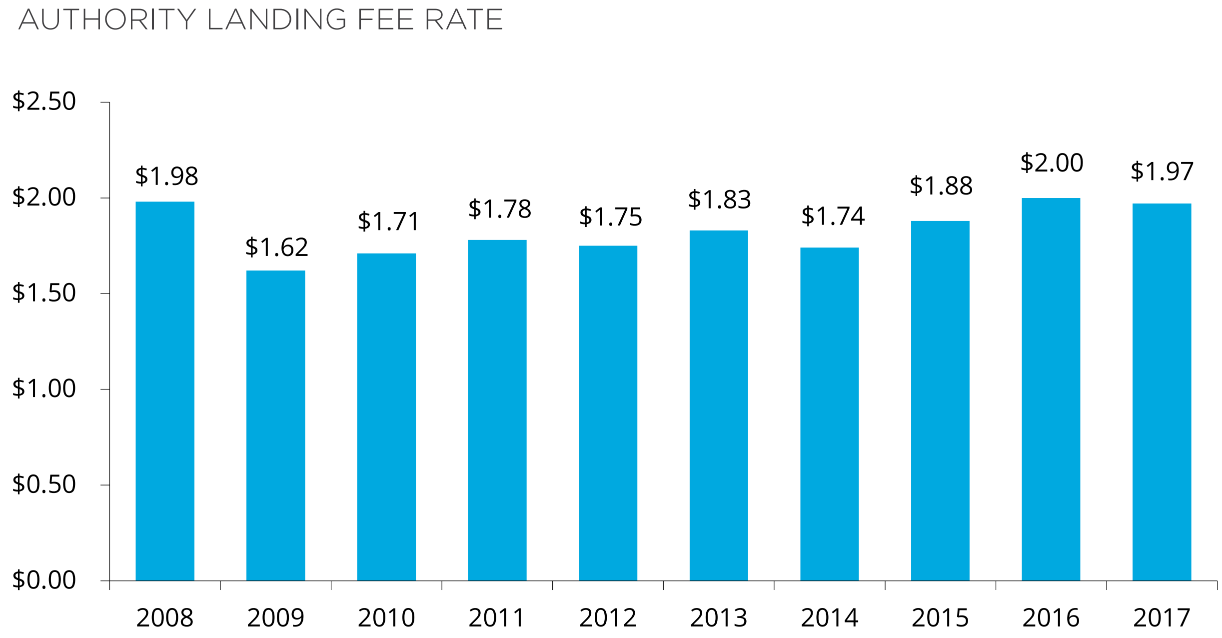
Tenant	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017 % of Total Operating Revenue
Southwest Airlines	$ 16,920,722	$ 17,658,629	$ 19,428,103	$ 21,306,108	$ 23,357,007	$ 27,598,908	$ 29,548,565	$ 33,107,335	$ 33,838,686	$ 35,960,638	14.5%
American Airlines	11,798,393	9,022,521	11,449,947	11,510,696	12,585,537	15,173,458	15,785,140	15,888,023	15,321,505	17,075,112	6.9%
United Airlines	6,522,426	6,344,127	7,905,284	9,280,812	10,931,601	15,817,886	15,364,094	15,687,045	14,518,119	16,227,363	6.5%
Delta Airlines	5,168,634	4,647,333	6,663,671	8,003,895	8,911,886	10,898,540	12,005,146	13,560,515	14,418,056	16,123,110	6.5%
Alaska Airlines	2,800,385	2,754,173	2,951,554	3,482,098	4,265,739	6,167,257	8,008,057	9,712,564	10,612,367	11,705,334	4.7%
Enterprise Rent-A-Car	2,530,192	2,501,720	2,517,682	4,431,129	7,290,392	6,934,784	7,162,116	7,998,222	9,451,127	11,188,393	4.5%
Hertz Rent-A-Car	6,860,949	5,816,230	5,861,737	5,635,151	5,795,690	5,961,730	6,149,759	6,236,082	8,225,179	11,142,905	4.5%
Avis Budget Rent-A-Car Group	6,193,565	5,505,770	3,378,607	3,842,594	4,507,266	4,697,455	4,822,212	5,131,645	5,540,949	6,174,859	2.5%
Landmark Aviation	-	-	-	-	-	-	2,027,308	5,042,672	5,536,511	5,675,514	2.3%
SSP America	-	-	-	-	-	-	-	-	4,476,873	5,004,393	2.0%

* On December 9, 2013, AMR Corporation (American Airlines) merged with US Airways Group, forming American Airlines Group. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. Data for US Airways and American Airlines have been combined in this table.

Source: San Diego County Regional Airport Authority

EXHIBIT S-5
AUTHORITY LANDING FEE RATE ($ PER 1,000 LBS)

Fiscal Years Ended June 30,



Source: San Diego County Regional Airport Authority

Landing Fees are the revenues from passenger and cargo air carriers for landing aircraft at SDIA.

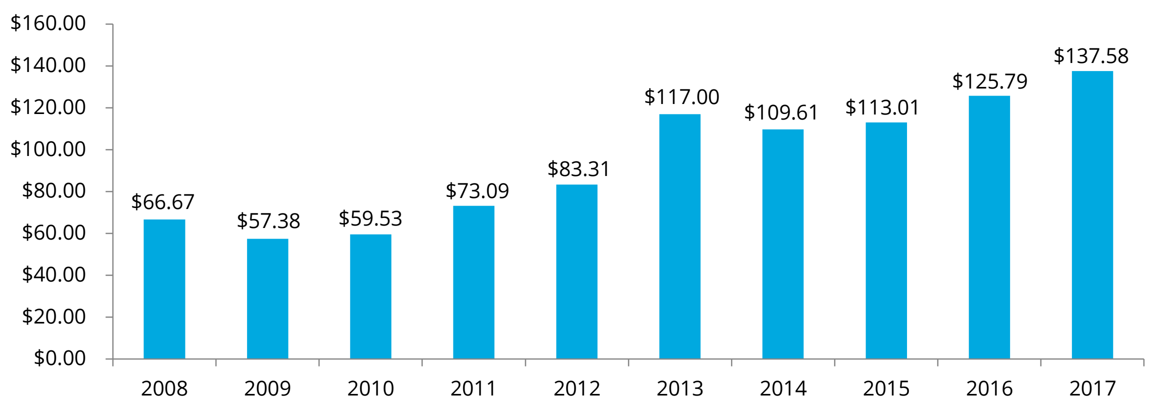
EXHIBIT S-6
TERMINAL RATES BILLED TO AIRLINES

Fiscal Years Ended June 30,

Fiscal Year	Terminal Rates Per Square Foot*	% Change
2008	$66.67	14.2 %
2009	$57.38	(13.9)%
2010	$59.53	3.7 %
2011	$73.09	22.8 %
2012	$83.31	14.0 %
2013	$117.00	40.4 %
2014	$109.61	(6.3)%
2015	$113.01	3.1 %
2016	$126.21	11.7 %
2017	$137.58	9.0 %

*Net of janitorial credit

TERMINAL RATE PER SQUARE FOOT



Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.

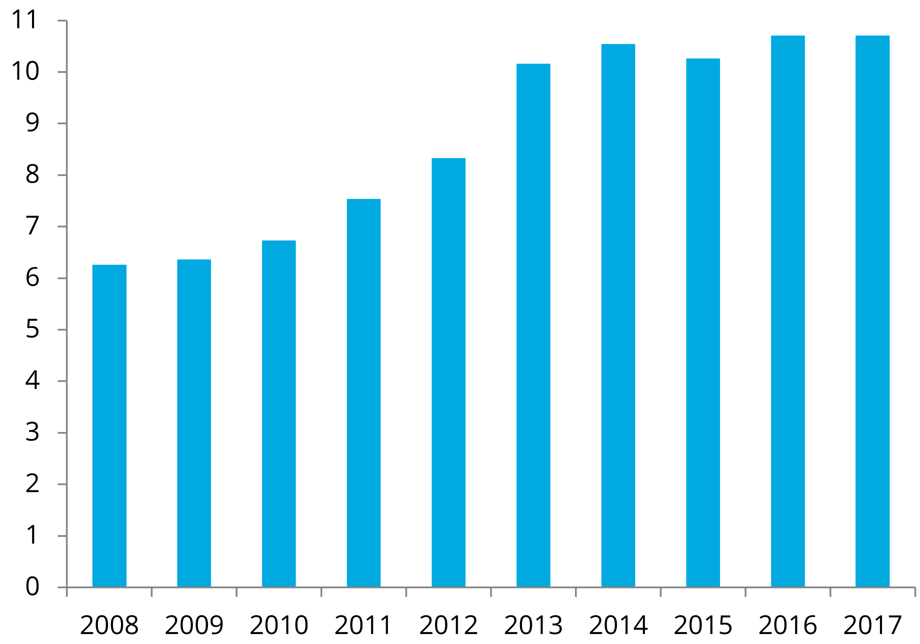
Landing Fees are the revenues from passenger and cargo air carriers for landing aircraft at SDIA.

EXHIBIT S-7
AIRLINE COST PER ENPLANED PASSENGER

Fiscal Years Ended June 30,

Fiscal Year	Enplaned Passengers	Cost per Enplaned Passenger
2008	9,389,327	$6.26
2009	8,535,774	$6.36
2010	8,453,886	$6.73
2011	8,441,120	$7.54
2012	8,575,475	$8.33
2013	8,737,617	$10.16
2014	9,082,244	$10.54
2015	9,713,066	$10.26
2016	10,206,222	$10.71
2017	10,596,483	$10.71

COST PER ENPLANED PASSENGER



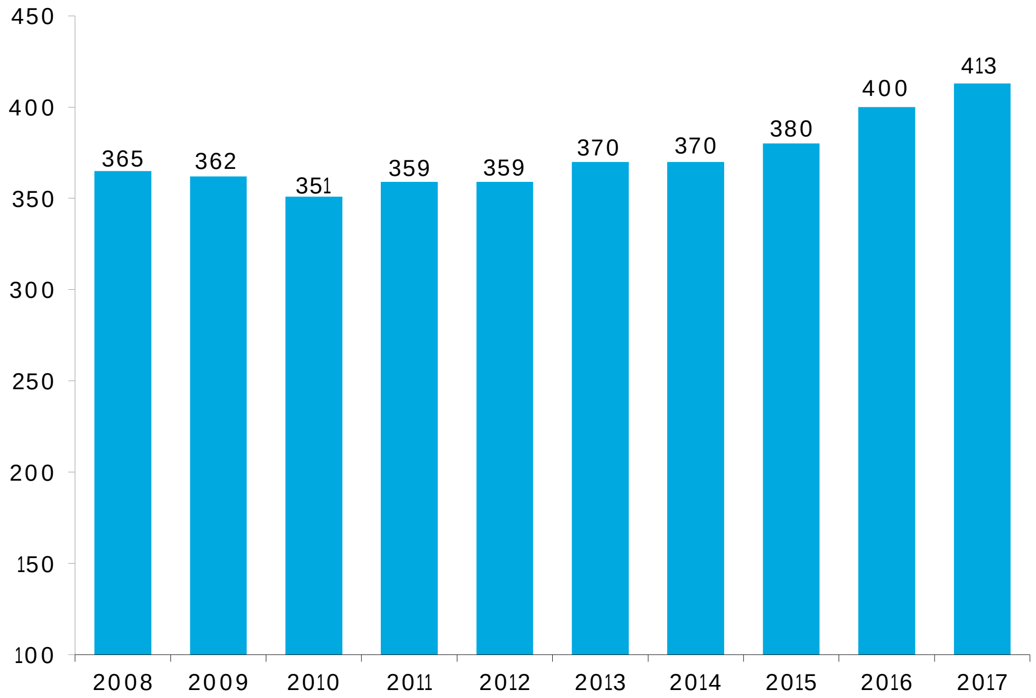
Source: San Diego County Regional Airport Authority

Airline Cost per Enplaned Passenger is the total annual cost of fees and charges paid by the airlines divided by the total fiscal year enplanements.

EXHIBIT S-8
AUTORITY EMPLOYEE HEAD COUNT

Fiscal Years Ended June 30,

AUTHORITY EMPLOYEE HEAD COUNT



Source: San Diego County Regional Airport Authority

The Airport Authority does not have part-time employees. This chart reflects the average number of employees for the fiscal years shown above.

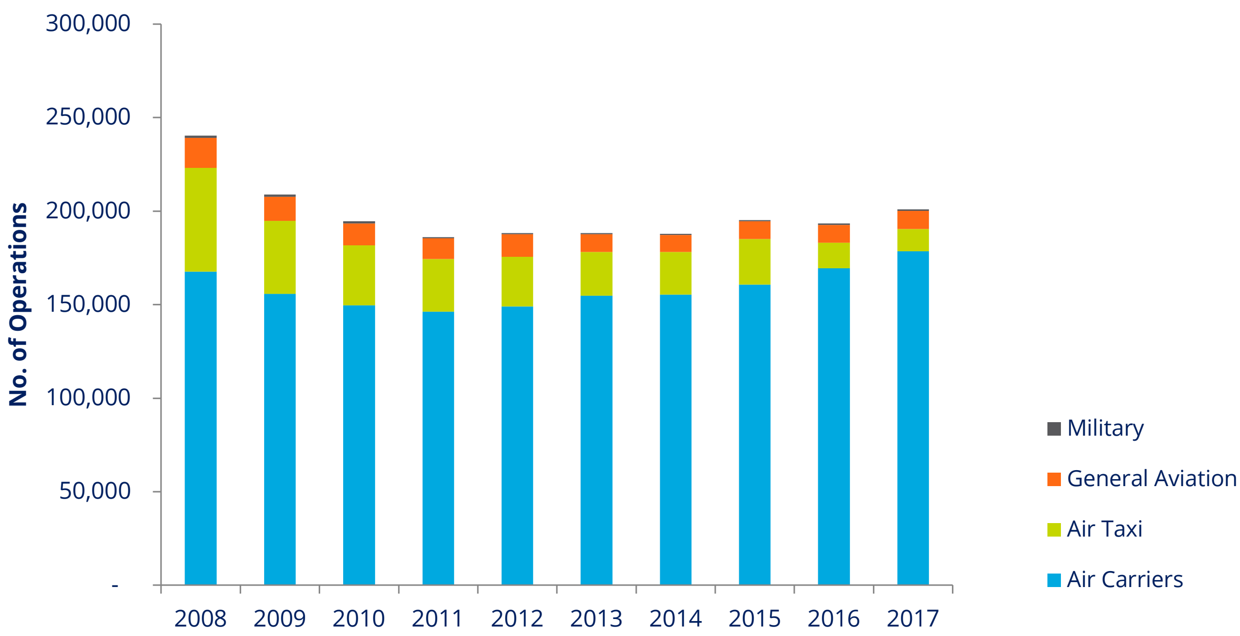
EXHIBIT S-9
AIRCRAFT OPERATIONS (TAKEOFFS & LANDINGS)

Fiscal Years Ended June 30,

Fiscal Year	Air Carriers	Air Taxi	General Aviation	Military	Total
2008	167,753	55,373	16,123	1,040	240,289
2009	155,766	39,122	12,721	1,174	208,783
2010	149,718	32,100	11,674	1,017	194,509
2011	146,215	28,273	10,938	755	186,181
2012	149,104	26,398	12,120	658	188,280
2013	154,781	23,370	9,586	567	188,304
2014	155,310	22,953	8,930	597	187,790
2015	160,726	24,336	9,534	669	195,265
2016	169,365	13,741	9,439	906	193,451
2017	178,579	11,899	9,719	814	201,011

Source: FAA ATADS Report: Air Operations Standard Report (itinerant only)

AIRCRAFT OPERATIONS



Source: San Diego County Regional Airport Authority

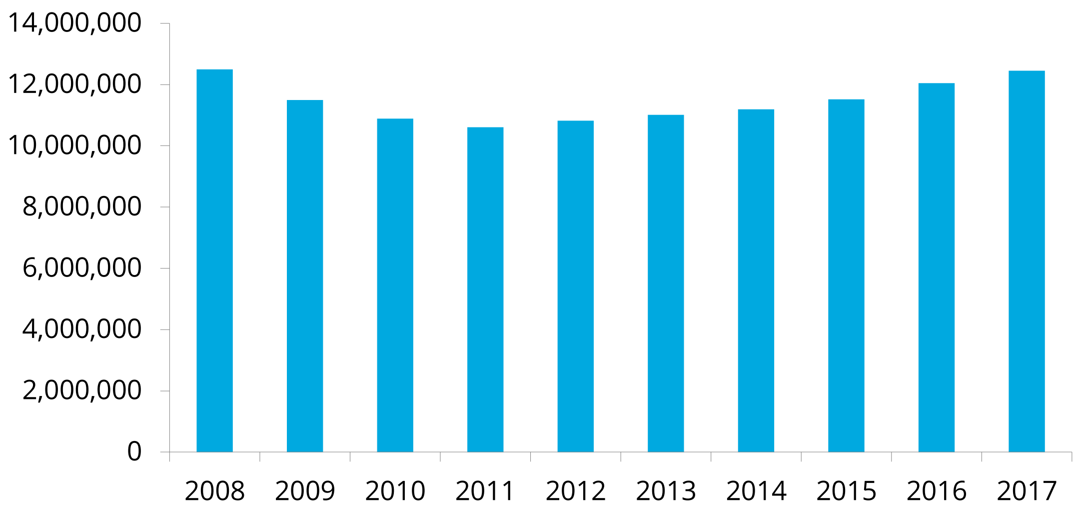
Aircraft Operations are the takeoffs and landings at SDIA.
They represent the level of demand for air service by the airlines operating at SDIA.

EXHIBIT S-10
AIRCRAFT LANDED WEIGHTS

Fiscal Years Ended June 30,

Fiscal Year	Aircraft Landed Weight in 1000lbs	% Change
2008	12,501,191	6.2 %
2009	11,496,758	(8.0)%
2010	10,892,867	(5.3)%
2011	10,606,160	(2.6)%
2012	10,819,902	2.0 %
2013	11,015,716	1.8 %
2014	11,186,768	1.6 %
2015	11,523,720	3.0 %
2016	12,048,142	4.6 %
2017	12,616,069	4.7 %

AIRCRAFT LANDED WEIGHTS (000 LBS)



Source: San Diego County Regional Airport Authority

Landed Weight is the maximum gross certificated landed weight in one thousand pound units as stated in the airlines' flight operational manual. Landed weight is used to calculate landing fees for both airline and general aviation aircraft operated at the airport.

EXHIBIT S-11
AIRCRAFT LANDED WEIGHTS BY AIRLINE (THOUSAND POUNDS)

Fiscal Years Ended June 30,

	Landed Weight (in thousands)									
Air Carrier	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Southwest Airlines	4,416,996	4,415,780	4,068,974	4,001,530	3,953,536	3,907,554	3,925,362	4,214,314	4,257,162	4,470,104
American Airlines *	1,603,826	1,532,867	1,392,660	1,275,498	1,344,140	1,339,751	1,349,554	1,359,911	1,467,922	1,428,538
United Airlines **	1,761,692	1,670,479	1,662,541	1,583,372	1,502,203	1,387,854	1,340,736	1,227,974	1,250,500	1,355,185
Delta Airlines	839,172	713,622	893,467	1,062,254	1,047,068	1,023,608	1,016,878	1,077,103	1,153,074	1,175,285
Alaska Airlines	612,282	536,281	511,813	595,238	648,359	750,000	884,727	888,065	924,310	999,875
Federal Express	447,636	402,665	400,303	421,239	452,453	451,797	419,127	384,686	444,038	390,716
Skywest Airlines	195,777	219,416	332,408	338,812	306,789	428,595	396,054	408,608	359,197	465,023
Spirit Airlines	-	-	-	-	98,931	208,200	245,669	296,925	351,977	286,162
Compass Airlines	-	-	-	-	-	-	10,979	172,754	307,793	296,581
Virgin America	3,122	221,333	205,348	173,686	208,253	235,934	232,136	240,781	281,411	278,741
JetBlue Airlines	288,239	297,340	201,071	167,369	166,232	168,080	189,979	193,848	199,232	244,364
British Airways	-	-	-	13,800	167,440	163,760	166,980	166,980	183,760	217,360
Hawaiian Airlines	235,200	137,145	121,600	134,080	118,088	140,637	147,325	146,284	147,406	147,568
Japan Airlines	-	-	-	-	-	47,125	138,700	138,700	139,080	139,626
United Parcel	-	127,900	118,874	120,158	120,454	118,180	121,742	127,660	135,318	146,778
Subtotal	10,403,942	10,274,828	9,909,059	9,887,036	10,133,945	10,371,076	10,585,948	11,044,593	11,602,178	12,041,906
All Others	2,097,549	1,221,930	983,808	719,124	685,956	644,639	600,817	479,127	445,964	574,163
Total	12,501,491	11,496,758	10,892,867	10,606,160	10,819,902	11,015,716	11,186,766	11,523,720	12,048,142	12,616,069
Annual % Change	6.2%	-8.0%	-5.3%	-2.6%	2.0%	1.8%	1.6%	3.0%	4.6%	4.7%

* On December 9, 2013, AMR Corporation (American Airlines) merged with US Airways Group, forming American Airlines Group. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015.
** United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011. Data for United and Continental have been combined in this table.
Source: San Diego County Regional Airport Authority.

EXHIBIT S-11
AIRCRAFT LANDED WEIGHTS BY AIRLINE (THOUSAND POUNDS)

Fiscal Years Ended June 30,

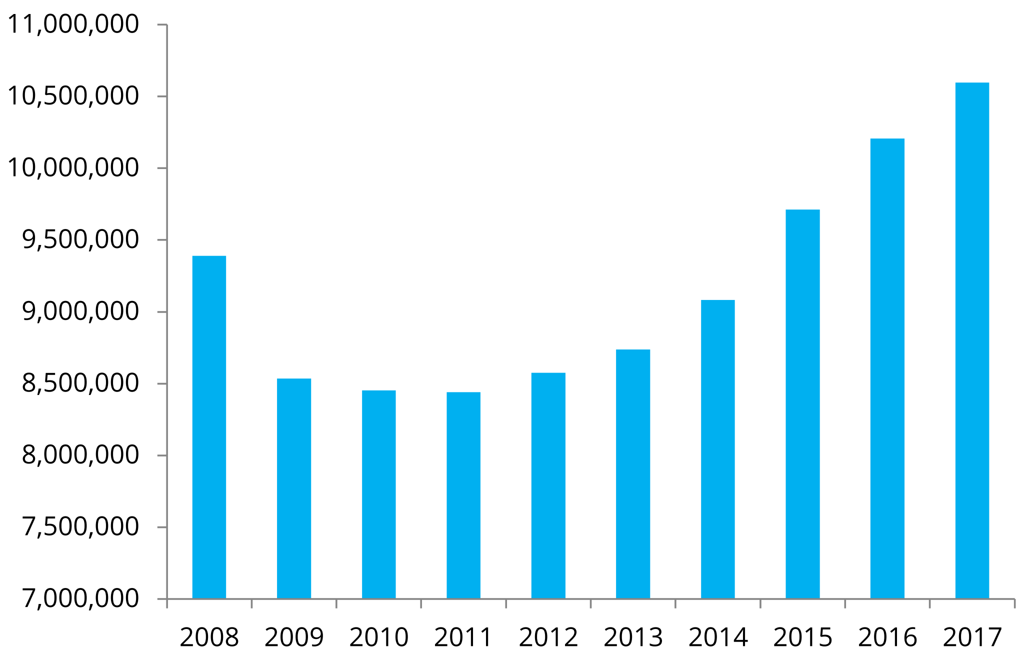
Air Carrier	Market Share									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Southwest Airlines	35.3%	38.4%	37.4%	37.7%	36.5%	35.5%	35.1%	36.6%	35.3%	35.4%
American Airlines *	12.8%	13.3%	12.8%	12.0%	12.4%	12.2%	12.1%	11.8%	12.2%	11.3%
United Airlines **	14.1%	14.5%	15.3%	14.9%	13.9%	12.6%	12.0%	10.7%	10.4%	10.7%
Delta Airlines	6.7%	6.2%	8.2%	10.0%	9.7%	9.3%	9.1%	9.3%	9.6%	9.3%
Alaska Airlines	4.9%	4.7%	4.7%	5.6%	6.0%	6.8%	7.9%	7.7%	7.7%	7.9%
Federal Express	3.6%	3.5%	3.7%	4.0%	4.2%	4.1%	3.7%	3.3%	3.7%	3.1%
Skywest Airlines	1.6%	1.9%	3.1%	3.2%	2.8%	3.9%	3.5%	3.5%	3.0%	3.7%
Spirit Airlines	-	-	-	-	0.9%	1.9%	2.2%	2.6%	2.9%	2.3%
Compass Airlines	-	-	-	-	-	-	0.1%	1.5%	2.6%	2.4%
Virgin America	-	1.9%	1.9%	1.6%	1.9%	2.1%	2.1%	2.1%	2.3%	2.2%
JetBlue Airlines		2.6%	1.8%	1.6%	1.5%	1.5%	1.7%	1.7%	1.7%	1.9%
British Airways	-	-	-	0.1%	1.5%	1.5%	1.5%	1.4%	1.5%	1.7%
Hawaiian Airlines	1.9%	1.2%	1.1%	1.3%	1.1%	1.3%	1.3%	1.3%	1.2%	1.2%
Japan Airlines	-	-	-	-	-	0.4%	1.2%	1.2%	1.2%	1.1%
United Parcel	-	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%
Subtotal	83.2%	89.4%	91.0%	93.2%	93.7%	94.1%	94.6%	95.8%	96.3%	95.4%
All Others	16.8%	10.6%	9.0%	6.8%	6.3%	5.9%	5.4%	4.2%	3.7%	4.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EXHIBIT S-12
PASSENGER ENPLANEMENTS

Fiscal Years Ended June 30,

Fiscal Year	Passenger Enplanements	% Change SAN	% Change US Average
2008	9,389,327	5.6%	2.0%
2009	8,535,774	(9.1%)	(7.9%)
2010	8,453,886	(1.0%)	(0.1%)
2011	8,441,120	(0.2%)	3.0%
2012	8,575,475	1.6%	1.1%
2013	8,737,617	1.9%	0.2%
2014	9,082,244	3.9%	1.6%
2015	9,713,066	6.9%	3.3%
2016	10,206,222	5.1%	5.0%
2017	10,596,483	3.8%	2.7%

PASSENGER ENPLANEMENTS



Source: San Diego County Regional Airport Authority

Enplaned Passenger is any revenue passenger boarding at the airport, including any passenger that previously disembarked from another aircraft (i.e. connecting passenger).


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EXHIBIT S-13
ENPLANEMENT MARKET SHARE BY AIRLINE BY FISCAL YEAR

Fiscal Years Ended June 30,

	Enplanements									
Air Carrier	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Aeromexico	32,223	27,772	24,335	-	-	-	-	-	-	-
Air Canada	55,031	27,255	46,959	58,539	56,470	45,058	36,636	41,175	48,985	74,018
AirTran Airways	97,937	66,475	37,530	17,978	-	-	-	-	-	-
Alaska Airlines	498,169	428,515	435,722	514,498	579,457	673,731	830,349	871,775	902,705	918,841
American Airlines*	808,790	735,067	704,909	658,752	664,466	650,826	693,995	747,493	1,369,003	1,339,489
British Airways	-	-	-	6,912	81,437	81,534	84,600	84,263	89,723	90,200
Condor	-	-	-	-	-	-	-	-	-	3,902
Continental Airlines	520,856	503,242	507,443	496,100	-	-	-	-	-	-
Delta Airlines	687,104	618,127	900,510	919,323	935,777	904,734	915,907	992,498	1,061,889	1,088,647
Edelweiss	-	-	-	-	-	-	-	-	-	1,215
Frontier Airlines	231,926	203,689	196,628	219,008	198,708	184,020	185,270	150,595	118,990	180,235
Hawaiian Airlines	160,939	100,626	90,874	98,887	86,211	94,283	98,667	96,963	102,462	107,776
Japan Airlines	-	-	-	-	-	18,249	54,213	59,372	59,647	59,916
JetBlue Airlines	224,205	235,199	167,031	141,684	147,051	152,571	173,282	178,590	182,605	224,700
Southwest Airlines	3,306,386	3,122,090	3,183,084	3,277,931	3,252,290	3,253,225	3,352,870	3,736,688	3,840,455	3,967,487
Spirit	-	-	-	-	77,873	164,189	201,414	252,219	327,183	287,208
Sun Country Airlines	44,454	35,885	24,984	24,175	15,889	23,836	27,276	28,732	34,886	40,109
United Airlines	978,816	927,023	920,960	878,307	1,266,007	1,175,869	1,167,661	1,113,510	1,165,565	1,266,055
US Airways*	552,751	563,392	512,558	523,378	535,906	560,738	554,244	523,034	-	-
Virgin America	57,292	155,649	151,110	133,377	166,326	168,297	156,729	175,973	211,075	212,158
Volaris	-	-	-	-	45,589	30,885	23,285	20,004	21,343	3,948
WestJet	-	1,526	18,738	19,360	25,535	27,746	31,805	33,723	34,516	41,043
Allegiant	47,257	21,309	32,803	18,416	18,099	15,466	7,859	7,406	16,825	49,480
Other	-	2,622	-	-	-	-	-	-	-	-
Total Air Carrier	8,754,541	8,056,527	7,956,178	8,006,625	8,153,091	8,225,257	8,596,062	9,114,013	9,587,857	9,975,683
Regional										
Compass	-	-	-	-	-	-	8,563	140,012	249,723	195,126
Express Jet Airlines	202,429	36,034	-	-	-	-	-	-	-	-
Horizon	-	-	-	-	5,900	77,392	84,000	83,764	64,758	53,517
Mesa Airlines	17,098	7,381	18,670	6,709	12,766	206	-	-	-	-
Seaport Airlines	-	-	-	-	-	196	1,128	3,298	2,292	-
Skywest Airlines	177,112	203,543	271,766	272,365	263,144	352,189	341,365	371,979	301,592	372,157
Total Regional	634,786	479,247	497,708	434,495	422,384	512,360	486,182	599,053	618,365	620,800
Total Passengers	9,389,327	8,535,774	8,453,886	8,441,120	8,575,475	8,737,617	9,082,244	9,713,066	10,206,222	10,596,483

* On December 9, 2013, AMR Corporation (American Airlines) merged with US Airways Group, forming American Airlines Group. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. The enplanements are shown separately for the purpose of this table.

EXHIBIT S-13
ENPLANEMENT MARKET SHARE BY AIRLINE BY FISCAL YEAR

Fiscal Years Ended June 30,

	Market Share									
Air Carrier	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Aeromexico	0.3%	0.3%	0.3%	-	-	-	-	-	-	-
Air Canada	0.6%	0.3%	0.6%	0.7%	0.7%	0.5%	0.4%	0.4%	0.5%	0.7%
AirTran Airways	1.0%	0.8%	0.4%	0.2%	-	-	-	-	-	-
Alaska Airlines	5.3%	5.0%	5.2%	6.1%	6.8%	7.7%	9.1%	9.0%	8.8%	8.7%
American Airlines*	8.6%	8.6%	8.3%	7.8%	7.7%	7.4%	7.6%	7.7%	13.4%	12.6%
British Airways	-	-	-	0.1%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Condor	-	-	-	-	-	-	-	-	-	0.0%
Continental Airlines	5.5%	5.9%	6.0%	5.9%	0.0%	-	-	-	-	-
Delta Airlines	7.3%	7.2%	10.7%	10.9%	10.9%	10.4%	10.1%	10.2%	10.4%	10.3%
Edelweiss	-	-	-	-	-	-	-	-	-	0.0%
Frontier Airlines	2.5%	2.4%	2.3%	2.6%	2.3%	2.1%	2.0%	1.6%	1.2%	1.7%
Hawaiian Airlines	1.7%	1.2%	1.1%	1.2%	1.0%	1.1%	1.1%	1.0%	1.0%	1.0%
Japan Airlines	-	-	-	-	-	0.2%	0.6%	0.6%	0.6%	0.6%
JetBlue Airlines	2.4%	2.8%	2.0%	1.7%	1.7%	1.7%	1.9%	1.8%	1.8%	2.1%
Southwest Airlines	35.2%	36.6%	37.7%	38.8%	37.9%	37.2%	36.9%	38.5%	37.6%	37.4%
Spirit	-	-	-	-	0.9%	1.9%	2.2%	2.6%	3.2%	2.7%
Sun Country Airlines	0.5%	0.4%	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%	0.3%	0.4%
United Airlines	10.4%	10.9%	10.9%	10.4%	14.8%	13.5%	12.9%	11.5%	11.4%	11.9%
US Airways*	5.9%	6.6%	6.1%	6.2%	6.2%	6.4%	6.1%	5.4%	0.0%	0.0%
Virgin America	0.6%	1.8%	1.8%	1.6%	1.9%	1.9%	1.7%	1.8%	2.1%	2.0%
Volaris	-	-	-	-	0.5%	0.4%	0.3%	0.2%	0.2%	0.0%
WestJet	0.0%	0.0%	0.2%	0.2%	0.3%	0.3%	0.4%	0.3%	0.3%	0.4%
Allegiant	0.5%	0.2%	0.4%	0.2%	0.2%	0.2%	0.1%	0.1%	0.2%	0.5%
Other	-	0.0%	-	-	-	-	-	-	-	-
Total Air Carrier	93.2%	94.4%	94.1%	94.9%	95.1%	94.1%	94.6%	93.8%	93.9%	94.1%
Regional										
Compass	-	-	-	-	-	-	0.1%	1.4%	1.9%	1.8%
Express Jet Airlines	2.2%	0.4%	-	-	-	-	-	-	-	-
Horizon	-	-	-	-	0.1%	0.9%	0.9%	0.9%	0.6%	0.5%
Mesa Airlines	0.2%	0.1%	0.2%	0.1%	0.1%	0.0%	-	-	-	-
Seaport Airlines	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Skywest Airlines	1.9%	2.4%	3.2%	3.2%	3.1%	4.0%	3.8%	3.8%	3.0%	3.5%
Total Regional	6.8%	5.6%	5.9%	5.1%	4.9%	5.9%	5.4%	6.2%	6.1%	5.9%
Total Passengers	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

San Diego International Airport	
Number of runways	1
Length of runway (feet)	9,401 feet
Number of gates	51
Remote aircraft parking positions	24
Terminal rentable square footage	583,238
Airport Land Area	661 acres
On airport parking spaces (public)	2,932
Off airport parking spaces (public)	2,560

Source: San Diego County Regional Airport Authority
The parking spaces shown above are controlled and operated by the Airport Authority and reported on a weighted average basis.
The terminal rentable square footage is a weighted average figure that reflects square footage changes due to construction or remodeling.

EXHIBIT S-15
POPULATION & PER CAPITA PERSONAL INCOME SAN DIEGO COUNTY

Calendar Year	Estimated Population[1]	% Change	Per Capita Personal Income[1]	% Change	Total Personal Income[1] *(in billions)*	% Change
2008	3,051,262	1.2 %	$50,069	(0.8)%	$141.8	4.0 %
2009	3,077,633	0.9 %	$48,464	(3.2)%	$137.3	(3.2)%
2010	3,102,852	0.8 %	$48,286	(0.4)%	$138.3	0.7 %
2011	3,137,283	1.1 %	$49,745	3.0 %	$148.0	7.0 %
2012	3,174,808	1.2 %	$50,779	2.1 %	$156.0	5.4 %
2013	3,209,225	1.1 %	$51,250	0.9 %	$160.8	3.1 %
2014	3,247,522	1.2 %	$52,180	1.8 %	$167.9	4.4 %
2015	3,275,546	0.9 %	$54,249	4.0 %	$177.7	5.8 %
2016	3,305,481	0.9 %	$55,801	2.9 %	$187.9	5.7 %
2017	3,337,300	1.0 %	$57,037	2.2 %	$199.7	6.3 %

Source: California Department of Transportation San Diego County
(1) 2016 and 2017 population, per capita personal income and total personal income are estimates by the California Department ofTransportation.

EXHIBIT S-16
PRINCIPAL EMPLOYERS IN SAN DIEGO COUNTY

July 2016

Employer	Local Employees	Rank	Percentage of Total Industry Employment
State of California	48,300	1	3.1%
U.S. Federal Government	46,700	2	3.0%
University of California, San Diego	30,671	3	2.0%
Sharp Health Care	17,809	4	1.1%
Scripps Health	14,863	5	0.9%
Qualcomm Inc.	12,186	6	0.8%
City of San Diego	11,347	7	0.7%
Kaiser Foundation	8,406	8	0.5%
UC San Diego Health System	7,438	9	0.5%
San Diego Community College District	5,902	10	0.4%

Total Civilian Labor Force in San Diego County (June 2016): 1,570,700

July 2007

Employer	Local Employees	Rank	Percentage of Total Industry Employment
State of California	40,600	1	2.7%
U.S. Federal Government	39,900	2	2.6%
University of California, San Diego	26,924	3	1.8%
County of San Diego	16,147	4	1.1%
San Diego Unified School District	14,555	5	1.0%
Sharp Health Care	13,872	6	0.9%
Scripps Health	12,196	7	0.8%
San Diego State University	11,247	8	0.7%
City of San Diego	11,195	9	0.7%
Qualcomm Inc.	8,008	10	0.5%

Total Civilian Labor Force in San Diego County (June 2007): 1,516,100

Source: Employers - San Diego Journal Book of Lists: 2008 & 2017
Total Industry Employment - California Employment Development Dept., Labor Market Info June 2016 - March 2007 Benchmark

EXHIBIT S-17
SAN DIEGO COUNTY EMPLOYMENT BY INDUSTRY SECTOR

Industry Sectors	Industry Employment June 2016	% of Total
Trade, Transportation and Utilities	218,400	15.3%
Government	245,400	17.1%
Professional and Business Services	233,000	16.3%
Leisure and Hospitality	193,500	13.5%
Education and Health Services	197,400	13.8%
Manufacturing	108,100	7.6%
Construction and Mining	75,400	5.3%
Financial Activities	72,500	5.1%
Other Services	54,400	3.8%
Information	23,500	1.6%
Agriculture	9,500	0.7%
Total	**1,431,100**	

Source: California Employment Development Dept., Labor Market Information Industry Employment & Labor Force, March 2016 Benchmark.

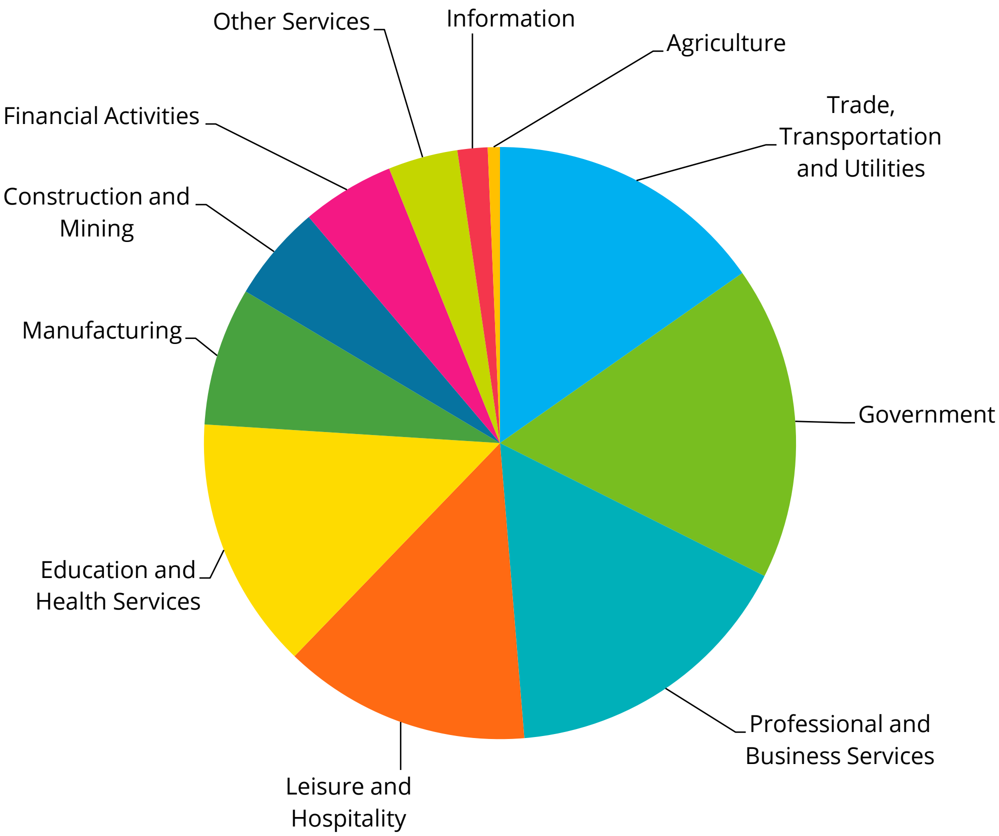

EXHIBIT S-18
LABOR FORCE, EMPLOYMENT & UNEMPLOYMENT RATES

Fiscal Years Ended June 30,

				Unemployment Rate	
Year	**Labor Force**	**Employment**	**Unemployment**	**SD County**	**State**
2007	1,516,100	1,446,700	69,500	4.6%	5.3%
2008	1,547,300	1,454,400	92,800	6.0%	7.0%
2009	1,553,400	1,403,400	150,000	9.7%	11.3%
2010	1,513,100	1,350,500	162,600	10.7%	12.0%
2011	1,523,000	1,360,000	163,000	10.7%	12.0%
2012	1,544,200	1,400,000	146,300	9.5%	10.6%
2013	1,548,000	1,425,600	125,900	8.1%	9.2%
2014	1,544,000	1,450,200	99,300	6.5%	7.4%
2015	1,557,000	1,486,200	81,000	5.3%	6.3%
2016	1,570,700	1,499,800	80,400	4.9%	5.6%

Source: California Employment Development Dept. Labor Market Information Division
Unemployment Rate and Labor Force, not seasonally adjusted

EXHIBIT S-19
DEBT SERVICE COVERAGE

Senior Bonds	**2008**	**2009**	**2010**	**2011**[6]	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Revenues [1]	$ 144,379,133	$ 138,334,601	$ 138,113,792	$ 148,963,673	$ 158,311,779	$ 181,051,929	$ 199,834,430	$ 214,770,544	$ 238,640,326	$ 255,540,858
Operating and Maintenance Expenses	(114,375,096)	(115,221,068)	(116,275,132)	(117,100,946)	(118,941,148)	(126,662,546)	(136,604,105)	(142,781,639)	(151,327,220)	(154,455,699)
Net Revenues [2]	$ 30,004,037	$ 23,113,533	$ 21,838,660	$ 31,862,727	$ 39,370,631	$ 54,389,383	$ 63,230,325	$ 71,988,905	$ 87,313,106	$ 101,085,159
Senior Bond Debt Service [3]										
Principal	$ 2,805,000	$ 2,950,000	$ 3,105,000	$ 3,265,000	$ 3,430,000	$ -	$ -	$ 2,030,000	$ 2,090,000	$ 2,155,000
Interest	2,532,225	2,391,975	2,244,475	2,089,225	1,925,975	2,478,489	16,645,435	18,034,575	18,414,600	18,349,950
PFCs used to pay debt service	-	-	-	-	-	(714,077)	(7,140,301)	(8,669,966)	(9,490,326)	(9,548,626)
Total Debt Service for the Senior Bond	$ 5,337,225	$ 5,341,975	$ 5,349,475	$ 5,354,225	$ 5,355,975	$ 1,764,412	$ 9,505,134	$ 11,394,609	$ 11,014,274	$ 10,956,324
Senior Bonds Debt Service Coverage (x)	**5.62**	**4.33**	**4.08**	**5.95**	**7.35**	**30.83**	**6.65**	**6.32**	**7.93**	**9.23**
Subordinate Debt										
Subordinate Net Revenues [2]				$ 26,508,502	$ 34,014,656	$ 52,624,971	$ 53,725,191	$ 60,594,296	$ 76,298,832	$ 90,128,835
Subordinate Annual Debt Service [4]										
Principal				$ 715,000	$ 980,000	$ 1,000,000	$ 5,785,000	$ 8,665,000	$ 9,000,000	$ 9,430,000
Interest				2,971,984	6,599,760	26,194,616	27,069,283	26,853,179	26,435,600	26,085,029
Commercial Paper				1,220,226	1,077,867	5,519,872	6,446,951	6,736,945	6,760,189	7,000,066
PFCs used to pay debt service				-	-	(20,061,962)	(20,718,863)	(21,554,245)	(20,331,674)	(20,456,707)
Total Subordinate Annual Debt Service				$ 4,907,211	$ 8,657,627	$ 12,652,526	$ 18,582,371	$ 20,700,879	$ 21,864,115	$ 22,058,389
Subordinate Obligations Debt Service Coverage (x)				**5.40**	**3.93**	**4.16**	**2.89**	**2.93**	**3.49**	**4.09**
Aggregate Debt										
Aggregate Net Revenues				$ 31,862,727	$ 39,370,631	$ 54,389,383	$ 63,230,325	$ 71,988,905	$ 87,313,106	$ 101,085,159
Aggregate Annual Debt Service										
Principal				3,980,000	4,410,000	1,000,000	5,785,000	10,695,000	11,090,000	11,585,000
Interest				5,061,209	8,525,735	28,673,105	43,714,718	44,887,754	44,850,200	44,434,979
Variable Rate Debt (5)				1,220,226	1,077,867	5,519,872	6,446,951	6,736,945	6,760,189	7,000,066
PFC Funds Applied to Debt Service				-	-	(20,776,039)	(27,859,164)	(30,224,211)	(29,822,000)	(30,005,333)
Total Subordinate Annual Debt Service				$ 10,261,435	$ 14,013,602	$ 14,416,938	$ 28,087,505	$ 32,095,488	$ 32,878,389	$ 33,014,712
Aggregate Obligations Debt Service Coverage				**3.11**	**2.81**	**3.77**	**2.25**	**2.24**	**2.65**	**3.06**

(1) Revenues are calculated pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture.
(2) Net Revenues and Subordinate Net Revenues are calculated pursuant to the provisions of the Master Senior Indenture and Master Subordinate Indenture, as appropriate.
(3) Debt service with respect to the Senior Bonds is calculated pursuant to the provisions of the Master Senior Indenture.
(4) Subordinate Annual Debt Service is calculated pursuant to the provisions of the Master Subordinate Indenture.
(5) Includes principal and interest.
(6) Information regarding Subordinate Obligations Debt Service Coverage provided in connection with the first fiscal year for which Subordinate Annual Debt Service was due with respect to the 2010 Bonds. Subordinate Annual Debt Service for prior years consisted of debt service on the Authority's Subordinate Commercial Paper Notes and is not presented for Fiscal Years 2008-2010.

EXHIBIT S-20
DEBT SERVICE COVERAGE – SERIES 2014 CFC BONDS

	2014	2015	2016	2017
CFC Collections	$ 27,545,001	$ 32,464,843	$ 33,207,946	$ 36,527,853
Bond Funding Supplemental Consideration	-	-	-	-
Transfers from CFC Stabilization Fund	-	-	-	-
Interest Earnings[1]	204,194	295,726	332,761	466,134
Total Amounts Available	27,749,195	32,760,569	33,540,707	36,993,987
Rolling Coverage Fund Balance[2]	-	-	2,451,182	4,902,363
Total Amounts Available, plus Rolling Coverage Fund Balance	$ 27,749,195	$ 27,749,195	$ 35,991,889	$ 41,896,350
Series 2014 Debt Service Requirements	-	-	8,170,605	16,341,210
Coverage excluding Rolling Coverage Fund	N/A	N/A	4.11	2.26
Coverage including Rolling Coverage Fund	N/A	N/A	4.41	2.56

1 Includes earnings on investments in the Senior Reserve Fund, the Rolling Coverage Fund and the CFC Surplus Fund.
2 Includes amount on deposit in the Rolling Coverage Fund at the beginning of each Fiscal Year, up to an amount not to exceed 30% of the Series 2014 Debt Service Requirements for such Fiscal Year.

EXHIBIT S-21
DEBT PER ENPLANED PASSENGER

Fiscal Year	Outstanding Bond Debt (1)	Outstanding Commercial Paper Debt	Capital Leases	Total Outstanding Debt	Enplaned Passengers	Debt per Enplaned Passenger
2008	52,812,246	49,430,000	-	102,242,246	9,389,327	10.89
2009	49,779,975	84,430,000	-	134,209,975	8,535,774	15.72
2010	46,602,704	164,430,000	377,172	211,409,876	8,453,886	25.01
2011	640,920,314	21,509,000	519,866	662,949,180	8,441,120	78.54
2012	635,307,968	20,729,000	361,641	656,398,609	8,575,475	76.54
2013	1,027,411,188	50,969,000	8,152,588	1,086,532,776	8,737,617	124.35
2014 (2)	1,327,897,591	44,884,000	7,810,927	1,380,592,518	9,082,244	152.01
2015	1,317,784,291	38,705,000	7,971,993	1,364,461,284	9,713,066	140.48
2016	1,302,846,043	32,581,000	7,717,734	1,343,144,777	10,206,222	131.60
2017	1,287,602,498	58,998,000	7,442,314	1,354,042,812	10,596,483	127.78

Source: San Diego County Regional Airport Authority
(1) Outstanding Bond Debt includes unamortized bond premium
(2) Starting in 2014, Outstanding Bond Debt includes CFC Bond issuance


SOUTHWEST
JAL
JA832J
unicef
JAPAN AIRLINES
BOEING 787

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

SAN DIEGO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2017 & 2016

SAN DIEGO INTERNATIONAL AIRPORT

LET'S GO.

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Item No.
4

AUDIT COMMITTEE

Meeting Date: **NOVEMBER 20, 2017**

Subject:

Fiscal Year 2018 First Quarter Activities Report and Audit Recommendations Issued by the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance, and provide, if necessary, direction to staff on audit recommendations.

Background/Justification:

On October 2, 2003, the Board of Directors of the San Diego County Regional Airport Authority approved the Charter of the Office of the Chief Auditor. The Charter established the role and requirements of the Office of the Chief Auditor (OCA) and defined the working relationship and responsibilities of the Chief Auditor to the Audit Committee and to the San Diego County Regional Airport Authority management.

As directed in the Charter of the Office of the Chief Auditor, the Chief Auditor shall annually report to the Board on audits completed, findings discovered, corrective action taken, and the implementation status on outstanding recommendations. Therefore, the Fiscal Year 2018 First Quarter Report (Attachment A) is submitted to the Audit Committee by the Chief Auditor.

The First Quarter Report provides an account of activities accomplished by the Office of the Chief Auditor during the first quarter of Fiscal Year 2018 and details the status on recommendations still pending implementation.

Fiscal Impact:

None

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

☐ Community Strategy ☒ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (“CEQA”), as amended. 14 Cal. Code Regs. §15378. This Board action is not a “project” subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

ATTACHMENT A

FISCAL YEAR 2018 FIRST QUARTER REPORT

Issue Date: November 7, 2017

OFFICE OF THE CHIEF AUDITOR

SAN DIEGO
INTERNATIONAL AIRPORT
LET'S GO.

November 7, 2017 Fiscal Year 2018 First Quarter Report

Paul Robinson, Chair
Audit Committee
San Diego County Regional Airport Authority
P.O. Box 82776
San Diego, California 92138-2776

Dear Mr. Robinson:

The Office of the Chief Auditor (OCA) presents our Fiscal Year 2018 First Quarter Report. The report details both the audit and administrative activities of the OCA during the first quarter of Fiscal Year 2018, resolution of past audit findings, and information regarding the future plans of the OCA.

The First Quarter Report will be presented at the next Audit Committee meeting scheduled for November 20, 2017.

Respectfully submitted,

Mark A. Burchyett
Chief Auditor

Audit Results

During the first quarter, the OCA continued work, as authorized by the Audit Committee, on audits contained within the Fiscal Year 2017 Audit Plan and began work on audits from the Fiscal Year 2018 Audit Plan. In total, during the first quarter the OCA issued ten (10) audit reports. The audit reports included eight (8) recommendations for management that dealt with areas that could be improved upon: regarding Authority property, strengthening internal controls over the parking contractor, and underpayments from a rental car operator and concessionaires. The completed audits for the first quarter are listed in Figure 1 below.

Figure 1: Audits Completed During the First Quarter of Fiscal Year 2018

Audit	Report No.	Date	Type of Audit
Ace Parking Management, Inc.	17020	7/7/2017	Revenue Contract
Telecommunications Services and Billing	17001	7/27/2017	Internal Process
Agreements with Expenditure Limits < $100,000	18032	8/2/2017	Internal Process
Network Security Electronics, Inc.	18011	8/9/2017	Expense Contract
Property and Inventory Management	17003	8/15/2017	Internal Process
Board Member and Executive Business Expenses	18029	8/22/2017	Internal Process
BW-Budget-SDA, LLC	18016	9/1/2017	Revenue Contract
Host International, Inc. (FSP 2R)	17025	9/1/2017	Revenue Contract
Paradies San Diego, LLC	17036	9/1/2017	Revenue Contract
Mission Yogurt, Inc. (FSP 4)	18027	9/12/2017	Revenue Contract

In addition to the completed audits, the Office of the Chief Auditor had ten (10) audits in progress as of September 30, 2017, as shown in Figure 2 below. Of the ten audits in progress, at the end of the quarter one (1) draft audit report was being developed and had been forwarded to the affected department for review and comment.

Figure 2: Audits In-Progress as of September 30, 2017

Audit	Type of Audit
Aircraft Rescue and Fire Fighting (ARFF) Billing – FY 2017	Expense Contract
Chula Vista Electric Company	Expense Contract
Pacific Gateway Concessions and Procurement Concepts San Diego, LLC (RP 3)	Revenue Contract
Sign Age Identity Systems, Inc.	Expense Contract
Simply Wheelz, LLC dba Advantage Rent-A-Car	Revenue Contract
Smarte Carte, Inc.	Revenue Contract
Stellar Partners, Inc. (RP 4)	Revenue Contract
Swinerton Builders	Expense Contract
The Hertz Corporation	Revenue Contract
Vehicle Fleet Management	Internal Process

Recommendation Follow-Up

To ensure that audit issues are addressed in a timely manner, the Office of the Chief Auditor tracks the status of its recommendations on an on-going basis. For the first quarter, the OCA tracked the implementation status of 13 recommendations that were issued during Fiscal Year 2018, or were outstanding as of June 30, 2017. As shown in Figure 3 below, seven (7) of the recommendations have been completed or implemented while six (6) remain outstanding. See Appendix B for a complete listing of all outstanding recommendations and their status.

Figure 3: Status of Recommendations as of September 30, 2017

Recommendations:				
Tracked	**Completed**	**In Progress**	**Open**	**Not Accepted**
13	**7**	**6**	**0**	**0**

In tracking recommendations the OCA uses the following designations:

- **Completed:** This designation is used for recommendations that the OCA has determined to be adequately implemented or for recommendations where alternate action is taken that adequatley addresses the risk identified.
- **In Progress:** These recommendations have been partially addresed or partial corrective action has been taken. If adequate progress is not being made, it will be noted as such.
- **Open:** This category of recommendations have not yet been addressed. Usually, this designation is used when there has not been adequate time between report issuance and recommendation follow-up.
- **Not Accepted:** This designation is used for recommendations that an auditee does not accept; and, therefore, will not implement. This category can represent a failing on the part of the OCA, as all recommendations should be workable and acceptable to the affected departments.

In Fiscal Year 2016, we began to identify and measure an expected completion timeframe for each recommendation. Figure 4 below shows the status of recommendations issued along with our estimated implementation timeframe.

Figure 4: Status of Recommendations with Estimated Implementation Timeframe

Estimated Completion Timeframe	Completed Within Estimate	Completed Outside Estimate	Outstanding	Total
Zero to 6 Months	2	0	2	4
6 Months to 1 Year	3	1	3	7
Over 1 Year	1	0	1	2
Total	**6**	**1**	**6**	**13**

It appears that adequate progress is being made with the majority of recommendations. Specifically, the non-completion of the "In Progress" recommendations should not have a material adverse effect on the Authority. The OCA will continue its monthly tracking of their status.

Non-Audit Activities

Along with the audit activities detailed above, the Office of the Chief Auditor continues its involvement in several non-audit projects and activities. Specifically, the OCA was involved in the following:

Audit Committee Meetings:

The Audit Committee met on September 11, 2017. During that meeting, the OCA presented its Fiscal Year 2017 Annual Activities Report and provided the Committee with an update of its Ethics program. The next Audit Committee meeting is November 20, 2017, and will include a report from the external auditor, BKD LLP, on the Fiscal Year-ended June 30, 2017, audited financial reports.

Construction Audit Activity:

Construction audit activity for the first quarter of 2018 consisted of the continuation of the closeout audit of the Green Build. Through attendance at the Development Program meetings, and other construction planning related meetings, and working with members of the Accounting and Business & Financial Management Departments, the OCA Construction Auditor continues to provide assistance in ensuring that the Authority is meeting compliance requirements for ongoing and planned projects. Additionally, the OCA Construction Auditor remains involved with issues identified by the Airport Design and Construction team, Facilities Development team, and Authority Management, providing assistance and attending meetings specific to the aspects of the Authority's construction activity.

Ethics Compliance Program:

The OCA continues to run the Authority's Ethics Compliance reporting hotline. A summary of notifications received during the first quarter is available in Appendix A.

Performance Measures

The OCA establishes performance measures each year to provide a benchmark to gauge its success. The five (5) performance measures for Fiscal Year 2018, along with their current status, are detailed below in Figure 5.

Figure 5: Status of Performance Measures as of September 30, 2017

Performance Measure	Goal	Progress as of September 30, 2017
Percentage of the audit plan completed annually	100%	24%
Additional revenue/cost savings identified through audits	n/a	$37,393
Percentage of staff time spent on audit activities	80%[1]	84%
Percentage of audits completed within budgeted time	80%	82%
Implementation of Recommendations	90%	54%

Percentage of the audit plan completed annually: This measure provides information on what has been accomplished regarding the planned audit projects for the year. To date the OCA has completed 24% of the plan and an additional 24% of the audit plan is currently in-progress. We also have established quarterly goals for the completion of our audit plan. For the first quarter, we had a completion goal of 28% of the audit plan.

Additional revenue/cost savings identified: While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. Through the first quarter of Fiscal Year 2018 we have identified $37,393 in additional revenue, as noted in Figure 6 below:

Figure 6: Revenue and Cost savings Identified in Fiscal Year 2018

Audit	Revenue Identified	Revenue Collected
Mission Yogurt, Inc.	$29,204	0
BW-Budget-SDA, LLC	9,243	0
Paradies San Diego, LLC	<1,054>	0
Total	**$37,393**	**0**

Percentage of staff time spent on audit activities: This measure helps ensure that the OCA spends an adequate amount of time on audit activities rather than administrative activities. To date, the OCA is well over its current goal of 80%.

[1] This is the percentage of time staff spends on audit projects, construction audit activities, training, and the Ethics Program, vs. total staff time worked.

Percentage of audits completed within budgeted time: This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it recognizes that budgets may need adjustment(s) as additional facts become known during an audit. For the fiscal year to date, the OCA is on target, completing 82% of its projects within the budgeted time.

Implementation of Recommendations: This goal measures the value that the OCA is providing to the Authority by measuring how audit recommendations have impacted the Authority. For the first quarter, seven (7) of 13 recommendations were implemented. While the percentage of implemented recommendations is under our goal, we are on track to achieve the goal, with an aim to have 90% of our recommendations implemented within the year.

Going Forward

For completion during the second quarter of Fiscal Year 2018, the OCA has targeted all of the audits currently in progress and three (3) additional audits. The completion of these audits will result in the accomplishment of 55% of the Fiscal Year 2018 Audit Plan. Figure 7 identifies the audits scheduled for completion in the second quarter.

Figure 7: Audits Scheduled for Completion in the Second Quarter of Fiscal Year 2018

Audit	Type of Audit
Aircraft Rescue and Fire Fighting (ARFF) Billing – FY 2017	Expense Contract
Biennial Airline Landing Fees	Revenue Contract
Chula Vista Electric Company	Expense Contract
Green Motion SAN, LLC	Revenue Contract
Pacific Gateway Concessions and Procurement Concepts San Diego, LLC (RP 3)	Revenue Contract
Sign Age Identity Systems, Inc.	Expense Contract
Signature Flight Support	Revenue Contract
Simply Wheelz, LLC dba Advantage Rent-A-Car	Revenue Contract
Smarte Carte, Inc.	Revenue Contract
Stellar Partners, Inc. (RP 4)	Revenue Contract
Swinerton Builders	Expense Contract
The Hertz Corporation	Revenue Contract
Vehicle Fleet Management	Internal Process

Ethics Hotline

July 1, 2017 – September 30, 2017

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
Code of Ethics Concerns					
Potential Conflict of Interest	2	2	2	Y (2)	0
General Workplace Concerns					
Workplace Equitability	1	1	0	0	0
Workplace Practices/Behavior	4	4	0	0	0

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of September 30, 2017	OCAs Assessment	Estimated Completion Date
17-17	ACCOUNTING DEPARTMENT	Audit Report 17035, dated June 14, 2017, San Diego Unified Port District Billings - Fiscal Year 2016	**18**	**Impact: 10 Probability: 8**	We recommend that the Accounting Department notify Port staff concerning the Fiscal Year 2016 under-billing for Harbor Police Department services, and determine the most appropriate method for the Authority to remit the additional $887,148 owed to the Port. In addition, the Port should frequently analyze all actual and estimated billings, especially overhead and allocated burden, and update the Accounting and the Aviation Security & Public Safety Departments of any notable expense variance, to avoid significant year-end adjustments.	The Authority reimbursed the Port for the total amount due in August 2017.	Completed	N/A
18-01	GROUND TRANSPORTATION DEPARTMENT	Audit Report 17020R, dated July 10, 2017, Ace Parking Management, Inc.	**17**	**Impact: 9 Probability: 8**	Authority Management should consider strengthening internal controls regarding the oversight of Ace Parking by requiring that Ace perform reconciliations of all parking revenue on a regular basis and should require that all non-standard transactions be reported by Ace, for the review by Ground Transportation Department personnel.	Ground Transportation developed operating procedures to require reconciliations of parking revenue.	Completed	N/A
17-11	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17027, dated February 7, 2017, Spa Didacus, Inc.	**15**	**Impact: 7 Probability: 8**	The Business and Financial Management Department should develop a control to ensure that the completed Certification of Capital Investment, the related depreciation schedule, and proper supporting documentation, are received from every concessionaire as required by the Lease.	We are continuing to work on an improved process with the Facilities Development Department to address the findings.	In Progress	2nd Quarter FY18

NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of September 30, 2017	OCAs Assessment	Estimated Completion Date
18-03	FACILITIES MANAGEMENT DEPARTMENT	Audit Report 17003, dated August 15, 2017, Property and Inventory Management	**14**	**Impact: 8** **Probability: 6**	The Facilities Management Department (FMD) should request that the Facilities Development Department and Airport Design and Construction (ADC) incorporate into their project delivery process a method for accounting for the dollar value of "attic stock". Accounting should review and evaluate the current process for the valuation of attic stock and revise the process if the dollar value of attic stock is determined to be material to include within E1 inventory. FMD should enhance the tracking system they started, to better control the receipt and use of attic stock.	FMD met with Accounting and ADC and/ who stated the current process was fine and there was no need to provide a valuation of attic stock as the materials were not capitalized and were considered maintenance consumables. An FMD Attic stock spread sheet has been developed and is being used by all three shifts.	Completed	N/A
18-05	PROCUREMENT DEPARTMENT	Audit Report 17003, dated August 15, 2017, Property and Inventory Management	**14**	**Impact: 8** **Probability: 6**	The Procurement department should perform an annual inventory of all supplies, materials, and equipment housed in the Authority warehouse, and utilize the E1 system to track the inventory.	Procurement completed an inventory October 2, 2017, of all stock items stored in the Authority warehouse. The E1 system was used to generate the inventory report but a manual inventory count and input were required. Quarterly inventory of high volume items will be conducted throughout the year in addition to the annual inventory.	Completed	N/A

NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of September 30, 2017	OCAs Assessment	Estimated Completion Date
18-04	FACILITIES MANAGEMENT DEPARTMENT	Audit Report 17003, dated August 15, 2017, Property and Inventory Management	**12**	**Impact: 6** **Probability: 6**	The Facilities Management Department (FMD) should develop standardized procedures for tracking tools from their purchase to their issuance to employees.	All tools are engraved. Shared community tools per shift are logged, and if distributed to staff are added to the employee's tool list. Employee's tool list is audited every year as part of their review. Broken tools are placed in a non-use container to be disposed of by Procurement or at Procurements direction by FMD.	Completed	N/A
18-08	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 18027, dated Sept. 12, 2017, Mission Yogurt, Inc. (FSP 4)	**12**	**Impact: 6** **Probability: 6**	The Business and Financial Management Department should request that the Accounting Department issue an invoice to Mission Yogurt for the amount of $29,204 for the underpayment of percentage rent.	Invoice amount of $29,204 will be issued by COB November 3, 2017.	In Progress	November 2017
16-08	PROCUREMENT DEPARTMENT/ AUTHORITY MANAGEMENT	Audit Report 16001, dated June 21, 2016, Contract Management	**11**	**Impact: 6** **Probability: 5**	Authority Management should ensure that a complete formal contract management procedure manual is in place in all departments to ensure compliance with Board policies, consistent practices, and proper internal controls. Manuals should be reviewed and updated as needed, on a regular basis, preferably at least every two years.	Two internal focus meetings specific to Contract Management were held to better understand current practices, review existing tools, and assess department needs. Most departments participated in at least one of the meetings. Procedures are currently being modified based on the feedback received.	In Progress	December 2017

NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of September 30, 2017	OCAs Assessment	Estimated Completion Date
17-10	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17017, dated November 17, 2016, Avis Budget Car Rental, LLC	**11**	**Impact: 6 Probability: 5**	We recommend that the Business and Financial Management Department develop a process to ensure that the Use & Occupancy Permit fixed rent is adjusted every July 1 of each calendar year using the Consumer Price Index, and determine if the underpayment of $1,475 should be collected retroactively.	Progress is on-going. Continuing efforts to verify, capture, and automate critical dates with Accounting.	In Progress	2nd Quarter FY18
18-02	INFORMATION & TECHNOLOGY SERVICES DEPARTMENT	Audit Report 17001, dated July 27, 2017, Telecommunications Services and Billing	**10**	**Impact: 6 Probability: 4**	We recommend that the Information & Technology Services (I&TS) Department document the applicable procedures for operating and modifying the AT&T services at the Authority and to document the procedures surrounding mobile devices. I&TS should consider maintaining a manual of these procedures that would be understandable for I&TS staff who are unfamiliar with these systems to operate them and to preserve the telecommunications functions.	Procedures for the mobile devices are documented, and are being used to manage the mobile devices for the Authority.	In Progress	Staff will complete the AT&T procedures for operating and modifying AT&T services by the end of January 2018.
17-01	ACCOUNTING DEPARTMENT	Audit Report 15004, dated July 11, 2016, Business and Travel Expenses	**9**	**Impact: 5 Probability: 4**	The Accounting Department should continue with their current review activities, but, consider reminding employees of the need for President/CEO approval of in-town meals with contractors, proper use of P-cards when holding hotel room reservations, and of the requirement for submitting reimbursement of unused travel advances.	The recommendations have been integrated in to the 2017 Annual Employee Business and Travel Expense training in LMS, which is currently live.	Completed	N/A
18-07	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 18016, dated September 1, 2017, BW-Budget-SDA, LLC	**8**	**Impact: 5 Probability: 3**	We recommend that the Business and Financial Management Department issue an invoice to Budget in the amount of $9,243 for the net underpayment of concession and Customer Facility Charge fees.	Invoice has been issued and is due in November.	In Progress	November 2017
18-06	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17036, dated September 1, 2017, Paradies San Diego, LLC	**7**	**Impact: 4 Probability: 3**	The Business and Financial Management Department should instruct the Accounting Department to remit to Paradies the $1,054 overpayment as well as determine any additional overpayment for storage rentals that may have occurred subsequent to the audit period.	Refund amount of $1,054 will be issued by COB November 3, 2017.	Completed	N/A

NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

ITEM 4

Fiscal Year 2018
First Quarter Audit Activities Report and Audit Recommendations Issued by the Office of the Chief Auditor

July 1, 2017, through September 30, 2017

Audit Committee Meeting

November 20, 2017

Presentation Overview

1st Quarter Report

- Audit Activities
- Recommendation Follow-up
- Performance Measures
- Summary of Ethics Inquiries

SAN DIEGO
INTERNATIONAL AIRPORT.
LET'S GO.

Audit Activities

- Completed 10 audits during the 1st Quarter
  - Business Process: 4
  - Expenditure Contract: 1
  - Revenue Contract: 5
- Ten (10) additional audits were in progress as of September 30, 2017
- Audit Results
  - Issued 8 Recommendations during the 1st Quarter

SAN DIEGO
INTERNATIONAL AIRPORT.
LET'S GO.

Audits in Progress as of September 30, 2017

Audit	Type of Audit	Status as of November 20, 2017
Aircraft Rescue and Fire Fighting (ARFF) Billing – FY 2017	Expense	Field Work
Chula Vista Electric Company	Expense	Draft Report
Pacific Gateway Concessions and Procurement Concepts San Diego, LLC (RP 3)	Revenue	Draft Report
Sign Age Identity Systems, Inc.	Expense	Field Work
Simply Wheelz, LLC dba Advantage Rent-A-Car	Revenue	Draft Report
Smarte Carte, Inc.	Revenue	Report Issued
Stellar Partners, Inc. (RP 4)	Revenue	Draft Report
Swinerton Builders	Expense	Field Work
The Hertz Corporation	Revenue	Draft Report
Vehicle Fleet Management	Internal Process	Field Work

SAN DIEGO INTERNATIONAL AIRPORT. LET'S GO.

Recommendation Follow-Up

Status as of September 30th :

Tracked	Completed	In Progress	Open	Not Accepted
13	7	6	0	0

SAN DIEGO INTERNATIONAL AIRPORT. LET'S GO.

Status of Recommendations with Estimated Implementation Timeframe

Estimated Completion Timeframe	Completed Within Estimated	Completed Outside Estimated	Outstanding	Total
Zero to 6 Months	2	0	2	4
6 Months to 1 Year	3	1	3	7
Over 1 Year	1	0	1	2
Total	6	1	6	13

Fiscal Year 2018 Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	24%
Additional revenue/cost savings identified through audits	n/a	$37,393
Percentage of staff time spent on audit activities	80%	84%
Percentage of audits completed within budgeted time	80%	82%
Implementation of Recommendations	90%	54%

SAN DIEGO INTERNATIONAL AIRPORT. LET'S GO.

Summary of Ethics Inquiries

June 1, 2017, through September 30, 2017

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
Code of Ethics Concerns					
Potential Conflict of Interest	2	2	2	Y (2)	0
General Workplace Concerns					
Workplace Equitability	1	1	0	0	0
Workplace Practices/Behavior	4	4	0	0	0

SAN DIEGO INTERNATIONAL AIRPORT.
LET'S GO.

QUESTIONS?

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Item No.
5

AUDIT COMMITTEE

Meeting Date: **NOVEMBER 20, 2017**

Subject:

Revision to the Fiscal Year 2018 Audit Plan of the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board with a recommendation for approval.

Background/Justification:

The Office of the Chief Auditor's Annual Audit Plan for Fiscal Year 2018 was approved by the Audit Committee during its May 15, 2017, meeting and subsequently approved in Resolution No. 2017-0048 by the Authority Board on June 1, 2017.

Unforeseen or special request audits may be required of the Chief Auditor's Office that makes a revision to an audit plan necessary. Pursuant to Section 4 and Section 5 of the Charter of the Office of the Chief Auditor, such special request audits may be performed after review and consultation with the Audit Committee.

The Fiscal Year 2018 Audit Plan requires a revision due to circumstances presented by the Business and Financial Management Department to the Office of the Chief Auditor.

Add by Special Request: Green Motion SAN, LLC

The revised Fiscal Year 2018 Audit Plan (Attachment A) is presented for Audit Committee review, with a recommendation to forward this item to the Board for approval.

Fiscal Impact:

Budget was allotted for special request audits in the Chief Auditor Department's adopted Fiscal Year 2018 and conceptually approved Fiscal Year 2019 Operating Expense Budgets.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

☐ Community Strategy ☒ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (“CEQA”), as amended. 14 Cal. Code Regs. §15378. This Board action is not a “project” subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

ATTACHMENT A

San Diego County Regional Airport Authority
Office of the Chief Auditor
Fiscal Year 2018 Audit Plan
Revised 11/20/17

BUSINESS PROCESS AUDITS

1 Business and Travel Expenses
2 Concession Cost Recovery
3 Information Technology Monitoring and Evaluation
4 Small Business Development Management
5 Vehicle Fleet Management
6 Asset Management

EXPENSE CONTRACT AUDITS

7 Swinerton Builders
8 Haley and Aldrich, Inc.
9 Pacific Rim Mechanical
10 Ace Parking Management, Inc.
11 Network Security Electronics, Inc.
12 Dynamic Contracting Services, Inc.
13 Chula Vista Electric Company
14 Sign Age Identity Systems Inc.
15 Leigh Fisher & Associates

REVENUE CONTRACT AUDITS

16 BW - Budget - SDA, LLC
17 Nevada Lease and Rental Inc. dba Payless Car Rental System
18 Simply Wheelz LLC dba Advantage Rent-A-Car
19 EZ Rent A Car
20 Signature Flight Support
21 Smarte Carte Inc.
22 GAT Airline Ground Support Inc.
23 Stellar Partners Inc. (RP 4)
24 Hudson Group - CV - Epicure - Martinez San Diego (RP 2)
25 Pacific Gateway Concessions and Procurement Concepts San Diego LLC (RP 3)
26 SSP America Inc. (FSP 5)
27 Mission Yogurt Inc. (FSP 4)

ANNUAL ONGOING AUDITS AND SUPPORT

28 Aircraft Rescue and Fire Fighting (ARRF) Billing
29 Board Member and Executive Business Expenses
30 Rental Car Center Fund Review
31 Procurement Card Program
32 Agreements with Expenditure Limits Not to Exceed $100,000
33 Biennial Airline Landing Fees
34 Transportation Network Company (TNC) Reviews and Assistance
35 Emergency Medical Technician-Paramedic Services
36 Automated License Plate Reader (ALPR) System - Ace Parking
37 San Diego Unified Port District Billing
38 Special Request Audits

Green Motion SAN, LLC

39 Ethics Program Activity
40 Construction Audit and Monitoring Activity