San Diego County
Regional Airport Authority
San Diego, California

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2008

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Fiscal Year Ended June 30, 2008

Prepared by the
Finance Division of the
San Diego County Regional Airport Authority
San Diego, California

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San Diego County Regional Airport Authority
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For the Fiscal Year Ended June 30, 2008

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Airport Authority Overview

The San Diego County Regional Airport Authority was established by state law in 2003 to operate San Diego International Airport and address the region's long-term air transportation needs. A twelve-member appointed Board representing all areas of the County governs the Airport Authority.

San Diego International Airport – funded through user fees and not local taxes – is the nation's busiest single-runway commercial-service airport, serving some 18.8 million passengers in fiscal year 2008.

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

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October 15, 2008

To the Public:

The Comprehensive Annual Financial Report (the "CAFR") of the San Diego County Regional Airport Authority ("SDCRAA," or the "Airport Authority") for the fiscal year ended June 30, 2008, is submitted herewith. The Airport Authority's Accounting Department prepared this report. Responsibility for the accuracy, completeness, and fairness of the presented data, including all disclosures, rests with the Airport Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Airport Authority's financial position, results of operations, and cash flows in accordance with accounting principles generally accepted in the United States of America (referred to as "GAAP"). The independent auditor's report on the financial statements is included on page 1.

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). 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 AUTHORITY AND ORGANIZATIONAL STRUCTURE

The Airport Authority was established pursuant to California State Act AB 93, which was signed into California State law in October 2001. The Act established the Airport Authority on January 1, 2003 as a local agency of regional government with jurisdiction throughout the County of San Diego (the "County"). The Airport Authority is vested with six principal responsibilities: (1) the operation of San Diego International Airport ("SDIA", or the "Airport"), (2) the planning and operation of any future airport that could be developed as a supplement to or replacement for SDIA, (3) the development of a comprehensive land use plan for the entire County (4) to serve as the region's Airport Land Use Commission, (5) to prepare a Regional Aviation Strategic Plan by June 30, 2011, and (6) to prepare and adopt, by San Diego Association of Governments, (SANDAG) an Airport Multimodal Accessibility Plan by December 31, 2013.

A twelve-member Board governs the Airport Authority. Three members serve as the Executive Committee and are appointed in the following manner: by the Mayor of the City of San Diego, and confirmed by a majority vote of the San Diego City Council; by the Governor, and confirmed by the State Senate; by the Sheriff of the County of San

Diego, and confirmed by the San Diego County Board of Supervisors. Board members serve terms varying from 2 years to 6 years.

The management of the Airport Authority and its operations 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 Members.

ECONOMIC CONDITION

The Air Trade Area for the Airport includes the County and portions of neighboring Orange and Riverside Counties and Baja California del Norte, Mexico. The U.S. Census Bureau estimates that as of July 1, 2007, San Diego County is the sixth largest county in the United States. The county's population has grown at an average rate of 0.4% over the past 5 years. The majority of the County's population is concentrated in the western portion. The largest cities in the County are San Diego (43%), Chula Vista (7%), Oceanside (6%), Escondido (5%), El Cajon (3%), Carlsbad (3%), and Vista (3%). The combined San Diego/Tijuana metropolitan population exceeds 5 million inhabitants.

San Diego County has enjoyed a stable economic climate during the past six years, with unemployment rates lower than the State of California's. In June 2008, the County's unemployment rate was 5.9%, compared to 6.9% for the State. This reflects the nature of the region's economy, which was once highly dependent on the defense industry. The region's economy is now diversified and provides an attractive mix of leisure and business sectors. The County is home to more than 150 publicly traded companies.

A May 2006, "2005-2035 Airport Economic Analysis" prepared for the Airport Authority found that in 2005 the air transportation services provided at SDIA had a $10 billion total impact on the regional economy, including the effects of $2.6 billion in spending by visitors who enter the region by air transportation and the value of goods shipped by air. About 115,000 jobs, or one of every 16 jobs in the region, are directly or indirectly related to the operation of SDIA and the economic activity it supports.

Fiscal year 2008 was a record year for the Airport Authority. Passenger enplanements reached 9.4 million, a 5.6% increase over fiscal year 2007. This was the fourth consecutive year that passenger enplanements exceeded those levels achieved prior to the events of September 11, 2001. See the Management's Discussion and Analysis section of the Financial Section of this report for further discussion of the current year activity.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Sustainability - The Airport Authority adopted a sustainability policy in February, 2008. The Airport Authority recognizes the need for it to be a truly sustainable organization. The policy directs the Airport Authority to development sustainable practices in their core processes, policies programs and core precepts. The Airport Authority looks at four sustainable elements of Economic Viability (E), Operational Excellence (O), Natural Resource conservation (N), and Social Responsibility (S) or EONS to guide the development in all areas.

The Airport Authority is committed to address sustainability by actively participating in local and regional sustainable efforts, such as the San Diego Regional Sustainability Partnership and strongly encourages and promotes sustainable practices both in the aviation industry and the region.

The Airport Authority is analyzing the life cycle of operating costs and the impacts of our facilities, operations and services by looking at the Total Cost of Ownership approach to determine project feasibility and economic sustainability.

The Airport Authority is adopting the standards set forth by the United States Green Building council; Leadership in Energy and Environmental Design (LEED) as the basis of sustainable design for all future development and remodeling of airport facilities. The EONS and LEED criteria will be used as a basis of design to maximize the conservation of national resources.

Regional Aviation Strategic Plan (RASP) - As of January 1, 2008 the Airport Authority was made responsible for coordinating the development of a regional aviation strategic plan by June 2011 as required under Senate Bill 10. The RASP is to identify workable strategies to improve the performance of the San Diego County regional airport system. It will promote long-range planning for the airports in local general plans, support regional transportation needs and explore mechanisms for regional cooperation.

Environmental Impact Report (EIR) For SDIA Terminal Development Program - On April 18, 2008 the final EIR was completed and made available to the public. It is a comprehensive study of all potential impacts on the environment resulting from proposed improvements to SDIA and enhancements to travel experiences for San Diego County residents and visitors. It ensures actions being taken are in the best interest of surrounding communities and the environment. The EIR covers potential impacts on aesthetics, air and water quality, traffic circulation, archaeological and historical issues, impacts on endangered species, potential noise, the coastal zone, toxic and hazardous issues and all cumulative efforts to the environment as well.

Terminal Development Program- The Airport Authority's plans to optimize Lindberg Field address both immediate requirements and the region's long-term aviation needs. The plans address the airfield, terminals, access and closer collaboration with other airports in the region. With the environmental review process under way in 2008, construction of ten additional gates and various airfield, roadway and parking improvements is expected to begin in 2009. In fiscal year 2008, the Airport Authority launched a distinct Web site to provide public information about the airport improvements, at www.sanplan.com. It is a one-stop source for information about all proposed improvements at SDIA. The site spells out the phased planning efforts that will ensure the airport will remain efficient in light of projected passenger demand increases. To convey the improvement plans to a wide range of community members, the Airport Authority began offering "Terminals to Tarmac" tours in fiscal year 2008. This inside look at the airport and the airfield operations allows a first-hand overview at how proposed airport improvements are planned for the years to come.

Destination Lindberg - A memorandum of agreement (MOU) was approved by the Airport Authority, City of San Diego, and San Diego Association of Governments on May 1, 2008. This MOU was to establish a framework to produce a long-term development plan for SDIA. Beginning with the existing terminal expansion plan and the planning work that has been done over the past four years, the Destination Lindberg project would first determine the future aviation demand at SDIA, accounting for capacity limitations and future passenger and operational forecasts. The demand would be converted into facility requirements for airfield, terminal, and landside facilities. The demand will then be compared to the existing airport infrastructure, and a determination will be made of potential capacity shortfalls. The capacity of the airport's three primary functional areas (airside, terminal, and landside) will be compared to determine the functional area that will ultimately constrain the entire airport system. The capacity of the other two functional areas would be planned accordingly. A series of development options will be prepared for the Airport Authority's consideration, with qualitative and quantitative analysis to assist in selection of a preferred alternative.

TDY Demolition- In fiscal 2008 an estimated $29 million project began which consists of site demolition and environmental remediation, both of which are governed by the Settlement Agreement; "2701 North Harbor Drive Site Demolition and Remediation Settlement Agreement, Releases, and Covenants Not To Sue" executed March, 2007. The parties to the agreement are the Airport Authority, the Port District and Allegheny Technologies, Inc. The Port District is the lead agency for California Environmental Quality Act and the site demolition with Allegheny having the lead for environmental remediation. The Airport Authority's role includes oversight and coordination with the other two parties to ensure visibility of the expenditure of the settlement funds and additional funds forecasted to ready the site for follow on reuse at the Settlement Agreement's clean up standard to commercial/light industrial. The scope of the demolition includes removal of all infrastructures above and below the surface with the exception of a few active storm water conveyances. The size of the area is 47 acres. The completion of this project will assist future airport planning.

Quieter Home Program - Phase 3 – The Quieter Home Program is an ongoing program that provides acoustical attenuation to the homes located in SDIA's noise impacted area. To date, the Quieter Home Program has sound-attenuated over 900 homes. In 2008 the Airport Authority was awarded an additional $10 million grant to continue funding the program. It is anticipated that sound-insulating level will exceed over 200 homes a year on a go-forward basis.

SDIA Top Ten in Customer Service – The discriminating readers of Conde Nast Traveler magazine gave high marks to SDIA in the magazine's annual Business Travel Awards issue. Business travelers surveyed placed SDIA among their top ten favorite airports nationwide, based on performance in six key areas:

- location and access
- ease of connections
- customs and baggage
- food, shops and amenities
- comfort and design

- perceived safety and security

These results were further confirmed in an internal customer satisfaction survey conducted by the airport in 2008. A survey of 800 travelers revealed rising levels of customer satisfaction at the airport. More than eight out of ten passengers gave the airport an overall satisfaction score of 4 or 5 (using a scale of 1 to 5, where 1 equals "very dissatisfied" and 5 equals "very satisfied").

Further substantiating the airport's efforts to ensure world-class customer service, the Airports Council International named SDIA the second best airport in the world for customer service ("Serving 15 to 20 million passengers annually" category).

Airport Authority ESIG Distinguished Systems Award - The Infrastructure Database Management Project is a type of Geographic Information System that makes information on utilities and facilities throughout the airport easily accessible to clients and customers. In fiscal 2008 the Airport Authority was recognized with exemplary Systems in Government Award by the Urban and Regional Information Systems Association (URISA). The award recognizes extraordinary achievement by government agencies in the effective application of computer technology, measured in terms of improved services and increased benefits to citizens.

Wi-Fi Internet Services at SDIA - In 2008 with another application of technology to enhance customer service, the airport began offering free Wi-Fi Internet service in all airport terminals. The service is supported by access points installed throughout the airport.

Airport Land Use Compatibility Plan - The Airport Authority Board serves as the Airport Land Use Commission (ALUC) for San Diego County. By state law, ALUCs have two specific duties:

- To prepare and adopt Airport Land Use Compatibility Plans, also known as ALUCPs for the county's 16 public-use and military airports

- To review certain land use actions of local agencies and airport plans for consistency with their respective airport compatibility plans

A broad range of stakeholders continued to provide valuable input to ALUC staff through the ALUCP Technical Advisory Group, better known as ATAG. Together they worked throughout the year on developing ALUCPs for eight airports:

- two Marine Corps airports: one at Camp Pendleton and one at Miramar

- five urban general aviation airports: Brown Field, Gillespie Field, Montgomery Field, McClellan-Palomar Airport and Oceanside Municipal Airport

- San Diego International Airport at Lindbergh Field

ALUCPs for the Marine Corps airports are expected to come before the ALUC for adoption in mid-2008. Development of draft plans for the urban general aviation airports and SDIA is expected to continue through most of fiscal year 2009.

In additional to their work developing draft ALUCPs during fiscal year 2008, both staff and ATAG members expanded their community outreach using a specially designed presentation and materials. They briefed additional business and community organizations about the ALUCP process and brought feedback to the ATAG for further considerations. The ATAG and its outreach have been instrumental in helping the ALUC understand stakeholder issues and develop better land use compatibility plans.

SDIA Awarded Recycler of the Year – For the third year in a row, the Airport Authority was once again recognized by the City of San Diego's Environmental Services Department as a Recycler of the Year. The award recognizes the Airport Authority's efforts and the outreach program to educate airport concessionaires, tenants and staff about its single-stream recycling program. The airport first implemented a single-stream recycling program five years ago to allow all recyclable material to be collected in a single container. With 50 recycling bins throughout the airport terminals, this effort has directly contributed to an increase in the amount of waste product recycled at the airport.

FINANCIAL INFORMATION

The Board is responsible for establishing and maintaining internal controls designed 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 accounting principles generally accepted in the United States of America. 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.

INDEPENDENT AUDIT

The financial records of the Airport Authority are audited annually by independent public accountants. McGladrey & Pullen LLP performed the audit for the fiscal years ended June 30, 2008, 2007, 2006, 2005, and 2004. Their report on the financial statements is presented in this report.

AWARDS AND ACKNOWLEDGEMENTS

The Airport Authority has been the recipient of numerous awards in customer service, marketing and other areas. However, we are particularly proud to have received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the fourth year that the Airport Authority received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit 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 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.

The preparation of the CAFR was made possible by the dedicated service and efforts of the Airport's Finance Division and Public and Community Relations Department. We sincerely appreciate everyone's efforts in preparing this report.

Respectively submitted,

Thella F. Bowens
President/Chief Executive Officer

Vernon D. Evans, CPA
Vice President, Finance/Treasurer


Spirit of St. Louis
SAN DIEGO COUNTY
REGIONAL AIRPORT

GFOA Certificate of Achievement in Financial Reporting

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, 2008. This is the fifth 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.

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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

Airport Authority Board Members and Executive Staff

Board of Directors

Executive Committee

- Alan D. Bersin (Chairman)
- Ramona Finnila (Vice-Chair)
- Robert J. Watkins

General Members

- Bruce R. Boland
- Mayor Jim Desmond
- Jack Miller
- Jim Panknin
- Councilmember Anthony K. Young
- Charlene Zettel

Ex-Officio Members

- Colonel Christopher E. O'Connor
- Pedro Orso-Delgado
- Anne Sheehan

Executive Staff

Thella F. Bowens, President and CEO/Executive Director

Brent Buma, Vice President, Marketing & Communications Division

Mark Burchyett, Chief Auditor

Bryan Enarson, Vice President, Development Division

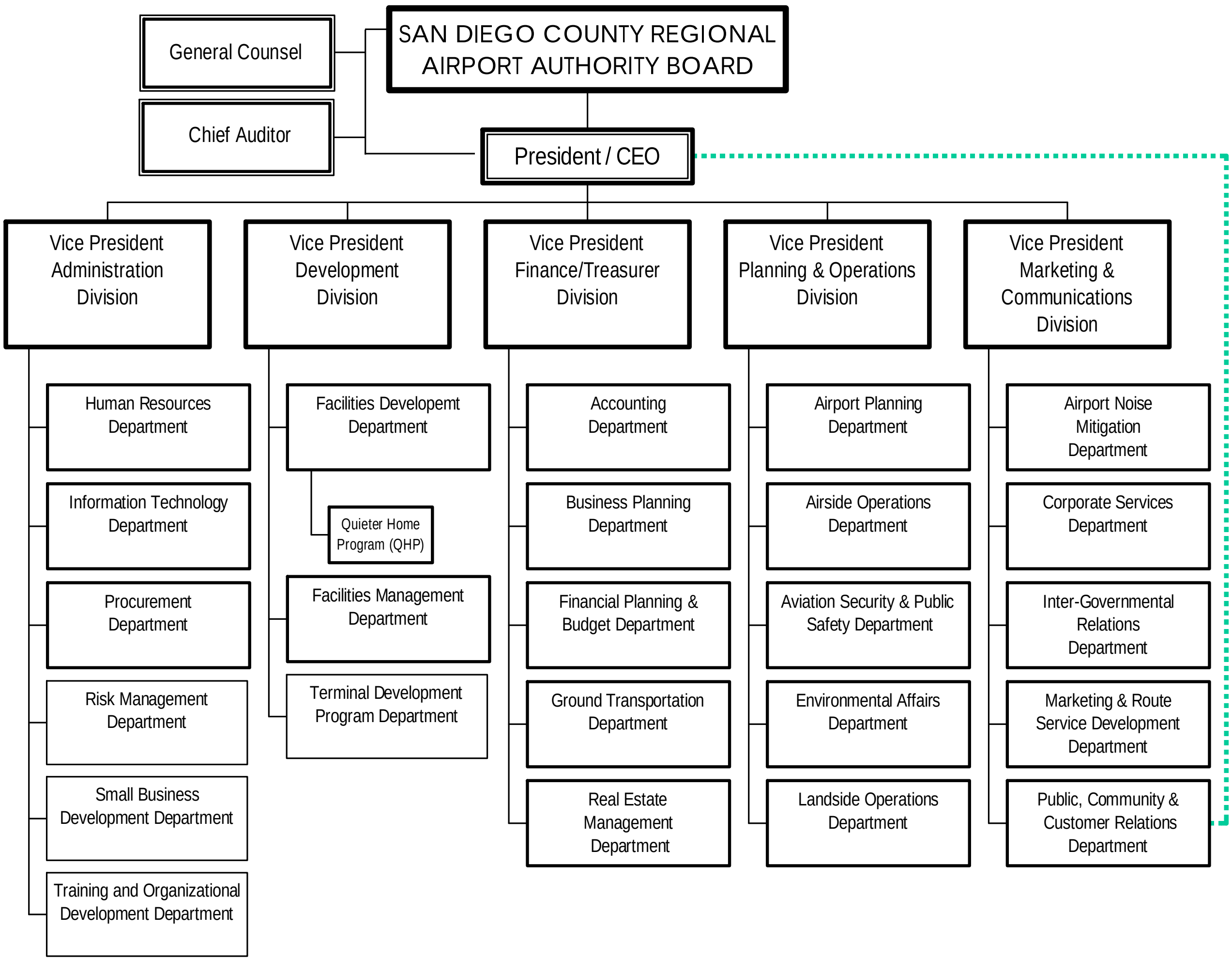
Vernon D. Evans, Vice President, CFO/Treasurer, Finance Division

Breton K. Lobner, General Counsel

Angela Shafer-Payne, Vice President, Strategic Planning Division

Jeffrey Woodson, Vice President, Administration Division

Airport Authority Organization Chart



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McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the San Diego County Regional Airport Authority (the Authority), as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

San Diego, California
October 15, 2008

INTRODUCTION

This section of the San Diego County Regional Airport Authority's (the Airport Authority) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the Airport Authority for the fiscal years ended June 30, 2008 and 2007.

The Airport Authority was established on January 1, 2002 as an independent agency. On January 1, 2003, the operations and assets of SDIA transferred from the San Diego Unified Port District (District) to the Airport Authority. The Airport Authority adopted a June 30 fiscal year and produced its first audited financial statements for the six months ended June 30, 2003.

USING THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: Management's Discussion and Analysis (MD&A), the basic financial statements, and the notes to the financial statements. The report includes the following three basic financial statements: the balance sheet, the statement of revenues, expenses and change in net assets, and the statement of cash flows. The notes are essential to a full understanding of the data contained in the financial statements.

The comparative Balance Sheets depict the Airport Authority's financial position as of a point in time - June 30, 2008 and June 30, 2007 - and include all assets and liabilities of the Airport Authority. The Balance Sheets demonstrate that the Airport Authority's assets minus liabilities equal net assets. Net assets represent the residual interest in the Airport Authority's assets after liabilities are deducted. Net assets are displayed in three components - invested in capital assets, net of related debt; restricted; and unrestricted.

The comparative Statements of Revenues, Expenses and Change in Net Assets report total operating revenues, operating expenses, nonoperating revenues and expenses, and change in Airport Authority net assets. Revenues and expenses are categorized as either operating or nonoperating, based upon management's policy as established in accordance with definitions set forth in GASB 33 and GASB 34. Significant recurring sources of the Airport Authority's revenues, including Passenger Facility Charges (PFC), investment income and settlement income, are reported as nonoperating revenues. The Airport Authority's interest expense is reported as nonoperating expense. Capital grant contributions represent grants for capital improvement purposes.

The comparative Statements of Cash Flows present information showing how the Airport Authority's cash and cash equivalents position changed during the fiscal year. The Statements of Cash Flows classify cash receipts and cash payments resulting from operating activities, capital and related financing activities and investing activities.

The Airport Authority is a self-sustaining entity receiving most of its revenues through airline user charges and rents from the concessionaires operating at or near 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.

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 to the California State Legislature on measures to improve it.

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 Authority's governing body in a manner that is designed to reflect the collective interests of the entire San Diego region.

The policymakers recognized the complexity of transferring a commercial airport to a newly created entity. To ensure a smooth transition, the Airport Authority was vested with the responsibility to develop and execute an Airport Transition Plan with the complete support and cooperation of the District, the Federal Aviation Administration and the State of California.

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, the San Diego County Regional Airport Authority Reform Act, was enacted to expand the responsibilities of the Airport Authority. The Airport Authority is vested with six 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 by June 30, 2005
(4) Serving as the region's Airport Land Use Commission
(5) Additionally with SB 10, prepare a Regional Aviation Strategic Plan by June 30, 2011
(6) Prepare and adopt, by San Diego Association of Governments, (SANDAG) an Airport Multimodal Accessibility Plan by December 31, 2013

Transfer of Assets and Liabilities/Joint Audit

The Airport Authority and District collaboratively developed a financial Memorandum of Understanding (MOU) outlining the essential aspects of the Airport Transfer, including the timely transfer and identification of assets and liabilities relating specifically to the transfer of SDIA's asset and operations transfer on January 1, 2003. The MOU addresses the transfer process, litigation matters, utility obligations and treatment of employees.

The Airport Authority and District commissioned a joint audit in accordance with the Act. Independent auditors McGladrey & Pullen, LLP, issued an audit report dated June 13, 2003 on the Airport Authority's balance sheet as of January 1, 2003. In addition, they prepared an audit report dated October 17, 2003 on the Airport Authority's finances for the first six months of operation ending June 30, 2003.

Airport Activities Highlights

Following the administrative requirement to obtain certification from the FAA to operate SDIA, the change in airport proprietorship from the District to the Airport Authority had no significant impact on SDIA's operations. During the early months of the Airport Authority's existence, both passenger enplanements and SDIA's financial position improved. Increases in airline passenger traffic have reflected increased air service, concerted customer service initiatives and continued economic improvement.

The changes in the SDIA's major activities for the current and prior two fiscal years are as follows:

	2006	2007	2008
Enplaned Passengers	8,749,734	8,892,069	9,389,327
% increase (decrease)	*3.6%*	*1.6%*	*5.6%*
Total Passengers	17,483,516	17,753,839	18,773,969
% increase (decrease)	*3.6%*	*1.5%*	*5.7%*
Aircraft Operations	221,684	220,260	234,209
% increase (decrease)	*3.8%*	*-0.6%*	*6.3%*
Freight and Mail (in tons)	189,607	191,043	144,523
% increase (decrease)	*7.9%*	*0.8%*	*-24.4%*
Landed Weight (000)	11,527	11,720	12,493
% increase (decrease)	*2.9%*	*1.7%*	*6.6%*

SDIA showed healthy growth of 5.6% and 1.6% in passenger enplanements in fiscal 2008 and 2007, respectively, despite continued financial turmoil in the airline industry. The level of enplaned passengers is now 28.6% above pre-9/11 levels of fiscal year 2002. SDIA experienced mixed results in aircraft operations 6.3% growth and 0.6% decline, freight and mail tonnage 24.4% decline and 0.8% growth, and landed weights 6.6% growth and 1.7% growth, for fiscal years ended 2008 and 2007 respectively. This growth is also a reflection of the increase in both personal household income and increase in industry sectors. The decline in freight and mail in FY 2008 reflects a downturn of business for the two largest freight carriers at SDIA, Federal Express and UPS.

Statement of Revenues, Expenses and Change in Net Assets (in thousands)

The metric 'Change in Net Assets' is an indicator of whether the Authority's overall financial condition has improved or deteriorated during the fiscal year. Net assets increased in FY08 and FY07 to $495 million and $466 million. Following is a summary of the statements of revenues, expenses and change in net assets.

Increase in Net Assets	FY 2006	FY2007	FY2008
Operating revenues	$ 119,495	$ 125,366	$ 135,682
Operating expenses	(132,915)	(138,019)	(150,750)
Nonoperating revenues, net	38,846	37,245	41,806
Capital grant contributions	12,145	7,150	2,850
Increase in net assets	37,571	31,742	29,588
Net assets, beginning of year	396,220	433,791	465,533
Net assets, end of year	$ 433,791	$ 465,533	$ 495,121

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the following sections.

FINANCIAL HIGHLIGHTS

Operating Revenues (in thousands)

	FY 2007	FY 2008	From 2007 to 2008 Increase (Decrease)	From 2007 to 2008 % Change
Airline revenue:				
Landing fees	$ 24,006	$ 24,763	$ 757	3.2 %
Building rentals	22,495	24,265	1,770	7.9 %
Security surcharge	8,441	8,618	177	2.1 %
Other aviation revenue	1,757	1,808	51	2.9 %
Total airline revenue	56,699	59,454	2,755	4.9 %
Concession revenue	34,201	38,785	4,584	13.4 %
Parking and ground transportation revenue	28,392	31,038	2,646	9.3 %
Ground rentals	4,994	5,208	213	4.3 %
Other operating revenue	1,080	1,197	117	10.8 %
Total operating revenue	$ 125,366	$ 135,682	$ 10,316	8.2 %

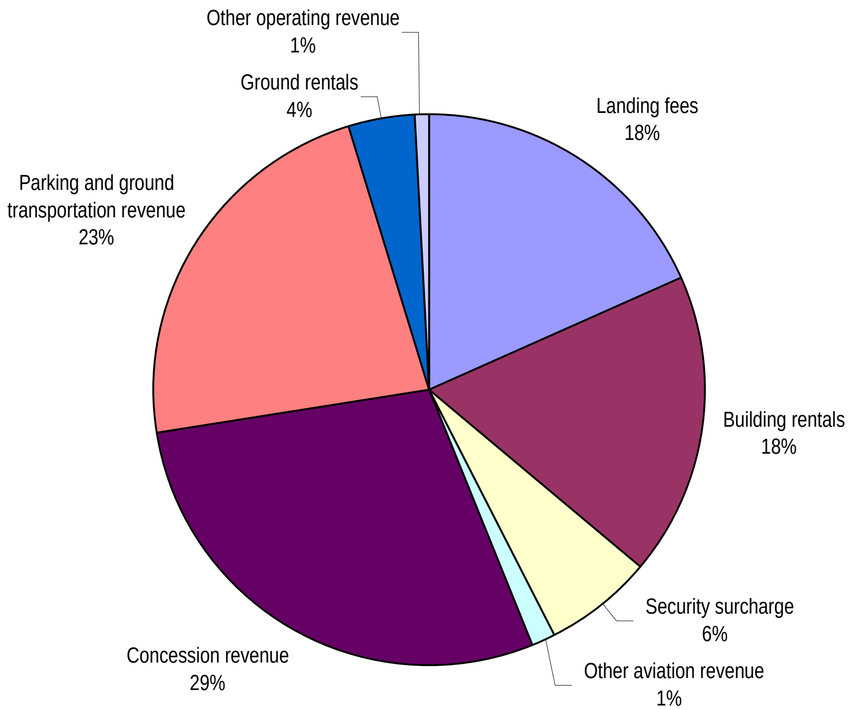
	FY 2006	FY 2007	From 2006 to 2007 Increase (Decrease)	From 2006 to 2007 % Change
Airline revenue:				
Landing fees	$ 22,243	$ 24,006	$ 1,763	7.9 %
Building rentals	21,137	22,495	1,358	6.4 %
Security surcharge	7,759	8,441	682	8.8 %
Other aviation revenue	1,868	1,757	(111)	(5.9) %
Total airline revenue	53,007	56,699	3,692	7.0 %
Concession revenue	29,362	34,201	4,839	16.5 %
Parking and ground transportation revenue	26,904	28,392	1,487	5.5 %
Ground rentals	5,505	4,994	(511)	(9.3) %
Other operating revenue	4,717	1,080	(3,636)	(77.1) %
Total operating revenue	$ 119,495	$ 125,366	$ 5,871	4.9 %

Fiscal year 2007 compared to 2008. Fiscal year 2008 operating revenue increased $10.3 million or 8.2% primarily due to the increase in passengers. The increase in passengers reflects the increase in Landing fees. The Landing fees growth is due to the increase in landed weights, which is the primary driver of the $2.8 million or 4.9% increase in Total airline revenue. Also included in Total airline revenue is Security surcharge, which increased $177 thousand or 2.1% due to increased security requirements. Building rentals increased by $1.8 million or 7.9% reflecting increased cost recovery. Additionally, concession revenue, which includes terminal retail, food and beverage, advertising, baggage carts, license percentage rents from off-airport tenants, and rental car revenues were up $4.6 million or 13.4%. This again was due to the increase in passengers and due to the elevated security status with the restriction of liquids in carry-on baggage.

Operating Revenues, Continued

Fiscal year 2006 compared to 2007. Fiscal year 2007 operating revenues increased $5.9 million or 4.9% primarily due to airline revenues and concession revenues. This is due to the increase in passengers and landed weights, generating increased total airline revenue of $3.7 million or 7.0%. These same increases in passengers additionally contributed to the increase in Security surcharge of $682 thousand or 8.8%. Additionally, concession revenues, which included terminal retail, food and beverage, advertising, baggage carts, license percentage rents from off-airport tenants, and rental car revenues were up $4.8 million or 16.5%. This again was due to the increase in passengers and due to the elevated security status with the restriction of liquids in carry-on baggage. Offsetting the increase is the other operating revenue decrease of $3.6 million or 77.1%. This decrease is due to the completion of the site selection planning grant revenues in 2006.

San Diego County Regional Airport Authority FY 2008 Revenues



Operating Expenses (in thousands)

	FY 2007	FY 2008	From 2007 to 2008 Increase (Decrease)	From 2007 to 2008 % Change
Salaries and benefits	$ 28,333	$ 32,912	$ 4,579	16.2 %
Contractual services	26,391	27,379	988	3.7 %
Safety and Security	15,946	19,110	3,164	19.8 %
Space rental	10,843	10,901	58	0.5 %
Utilities	6,421	6,429	8	0.1 %
Maintenance	8,393	8,735	342	4.1 %
Equipment and Systems	980	1,333	353	36.0 %
Materials and supplies	761	795	34	4.5 %
Insurance	1,999	1,227	(772)	(38.6) %
Employee Development and Support	909	1,035	126	13.8 %
Business Development	2,096	2,733	637	30.4 %
Equipment rentals and repairs	1,479	1,396	(83)	(5.6) %
Total operating expenses before depreciation and amortization	104,551	113,985	9,434	9.0 %
Depreciation and amortization	33,468	36,765	3,297	9.9 %
Total operating expenses	$ 138,018	$ 150,750	12,731	9.2 %

	FY 2006	FY 2007	From 2006 to 2007 Increase (Decrease)	From 2006 to 2007 % Change
Salaries and benefits	$ 26,847	$ 28,333	$ 1,486	5.5 %
Contractual services	30,970	26,391	(4,579)	(14.8) %
Safety and Security	14,777	15,946	1,169	7.9 %
Space rental	11,354	10,843	(511)	(4.5) %
Utilities	5,416	6,421	1,005	18.6 %
Maintenance	5,390	8,393	3,003	55.7 %
Equipment and Systems	736	980	244	33.2 %
Materials and supplies	591	761	170	28.8 %
Insurance	1,162	1,999	837	72.0 %
Employee Development and Support	906	909	3	0.4 %
Business Development	2,325	2,096	(229)	(9.8) %
Equipment rentals and repairs	882	1,479	597	67.7 %
Total operating expenses before depreciation and amortization	101,356	104,551	3,195	3.2 %
Depreciation and amortization	31,559	33,468	1,909	6.0 %
Total operating expenses	$ 132,915	$ 138,019	5,104	3.8 %

Operating Expenses, Continued

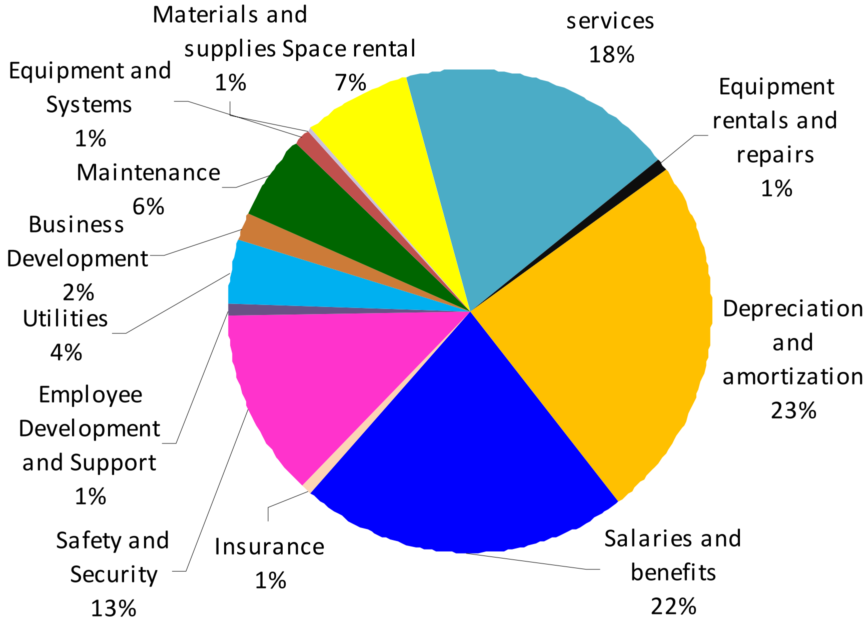
Fiscal year 2007 compared to 2008

In FY 2008, operating expenses increased $12.7 million, 9.2%, from $138 million to $150.7 million, primarily due to increased salaries and benefits, contractual services, and safety and security. Salaries and benefits increased $4.6 million or 16.2% reflecting annual raises, additional headcount, increased cost of benefits and the implementation of GASB 45. In FY 2008 contractual services increased by $1 million or 3.7% due to the decreased amount of capitalized labor performed. The increased security expenses reflect the increased security status to code orange for the full fiscal year. Insurance expense is less for FY 2007 due to the Airport Authority did not renew earthquake insurance due to the lack of availability. Depreciation expense increased $3.3 million or 9.9% due to placing over $29 million of capital projects in service. The most significant capital project was Security Baggage Screening project, at $10 million, which was placed into service in the first quarter of fiscal year 2008.

Fiscal year 2006 compared to 2007

In FY 2007, operating expenses increased $5.1 million, 3.8%, from $132.9 million to $138 million primarily due to increased maintenance and safety and security. Maintenance expenses reflect the painting and repair of a pedestrian bridge, increased hazardous disposal costs as well as the restriping of the runway pavement. The increased security expenses reflect the increased security status to code orange late in the fiscal year. Additionally, salaries and benefits increased $1.5 million or 5.5% due to the annual raises and additional headcount. Utilities have also increased by $1 million or 18.6% due to rate and usage increases. Space rental consists of lease payments for various properties contiguous to the airport, including the former General Dynamics, Teledyne Ryan and Harbor Island properties. A reduced space rental of $511 thousand or 4.5% was due to a renegotiated Teledyne Ryan lease agreement in late 2006. In FY 2007 contractual services were less by $4.6 million or 14.8% due to the increased amount of capitalized labor preformed. Depreciation expense increased $1.9 million or 6.0% due to placing over $42 million of capital projects in service. The most significant capital project was the improved runway safety area project, at $11 million, which was placed into service in the fourth quarter of fiscal year 2007.

San Diego County Regional Airport Authority FY 2008 Expenses



Nonoperating Revenues and Expenses (in thousands)

			From 2007 to 2008	
	FY2007	FY 2008	Increase (Decrease)	% Change
PFCs	$ 36,452	$ 37,401	$ 949	2.6 %
Quieter Home Program, net	(3,092)	(3,990)	(898)	(29.0) %
Joint Studies Program	(120)	(964)	(844)	(705.5) %
Interest income	11,969	13,432	1,463	12.2 %
Interest expense	(4,683)	(4,086)	597	12.8 %
Other nonoperating income (expenses)	(3,281)	12	3,293	100.4 %
Nonoperating revenues, net	$ 37,245	$ 41,805	$ 4,560	12.2 %

			From 2006 to 2007	
	FY 2006	FY2007	Increase (Decrease)	% Change
PFCs	$ 34,981	$ 36,452	$ 1,471	4.2 %
Quieter Home Program, net	(908)	(3,092)	(2,184)	(240.6) %
Joint Studies Program	(688)	(120)	568	82.5 %
Interest income	9,306	11,969	2,663	28.6 %
Interest expense	(4,809)	(4,683)	126	2.6 %
Other nonoperating income (expenses)	964	(3,281)	(4,245)	(440.2) %
Nonoperating revenues, net	$ 38,846	$ 37,245	$ (1,601)	(4.1) %

Passenger Facility Charges (PFCs) were established by Congress in 1990 as part of the Aviation Safety and Capacity Expansion Act of 1990. The 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 Authority the month following collection less a $0.11 administration fee.

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 an Airport Improvement Program (AIP). From inception to June 30, 2008, the Airport Authority has spent $59 million and received reimbursement for $42 million.

Interest income is derived from interest earned by the Airport Authority on investments, commercial paper reserves, bond reserves and notes receivable from the District.

Interest expense includes interest paid and accrued on the 2005 Series Bonds and Commercial Paper Series A and Series B.

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

Capital Grant Contributions

The Airport Authority receives Airport Improvement Program (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.

Fiscal year 2007 compared to 2008
Nonoperating revenue (net) increased by $4.6 million or 12.2%. This largest component of this change was other nonoperating revenues (expenses) which increased by $3.3 million or 100.4%. This was primarily due to a reduction of write-offs of construction work in progress, $38 thousand in 2008 versus $3.1 million in 2007. Interest income increased by $1.5 million or 12.2%, this is primarily due to an increase in unused cash collected from PFCs and due to an increased rate of return on invested funds. The Quieter Home Program had a net expenditure increase of $898 thousand or 29.0% due to the increased amount of homes completed in the program.

Fiscal year 2006 compared to 2007
Nonoperating revenues (net) decreased by $1.6 million or 4.1%. The largest component of this change was other nonoperating expense of $3.2 million compared to other nonoperating revenue of $964 thousand in 2006. This was primarily due to various write offs of construction work in progress of $3.1 million after it was determined that the projects were cancelled. Interest income increased by $2.7 million, 28.6%, primarily due to increase in unused cash collected from PFCs and due to an increased rate of return on invested funds. The Quieter Home Program had a net expenditure increase of $2.2 million, 240.6%, due to the increased amount of homes completed in the program.

Assets, Liabilities and Net Assets

The balance sheets present the financial position of the Airport Authority at June 30, 2008 compared to June 30, 2007. The statements include all assets, and net assets of the Airport Authority. A summary comparison of the Airport Authority's assets, liabilities and net assets at June 30, 2004 through June 30, 2007 is as follows:

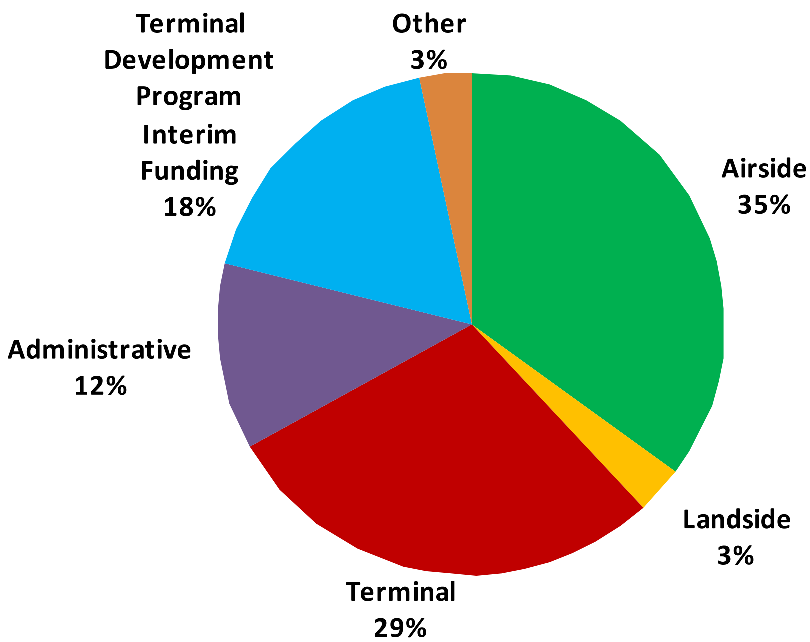
(*in thousands*)	FY 2006	FY2007	FY2008
Assets			
Current assets	$ 93,720	$ 84,146	$ 96,178
Capital assets, net	320,423	334,826	336,940
Noncurrent assets	158,195	180,261	195,509
Total assets	$ 572,338	$ 599,233	$ 628,627
Liabilities			
Current liabilities	$ 31,144	$ 31,598	$ 36,247
Long-term liabilities	107,403	102,102	97,259
Total liabilities	$ 138,547	$ 133,700	$ 133,506
Net Assets			
Invested in capital assets, net of related debt	$ 219,218	$ 236,762	$ 243,664
Bond reserves, unapplied PFCs and other restricted	96,633	103,787	131,028
Unrestricted	117,940	124,984	120,429
Total net assets	433,791	465,533	495,122
Total liabilities and net assets	$ 572,338	$ 599,233	$ 628,627

As of June 30, 2008, the Airport Authority's assets exceeded liabilities by $495 million, a $30 million increase over June 30, 2007. The largest portion of the Airport Authority's net assets represents its investment in capital assets, less the amount of associated debt outstanding. The Airport Authority uses these capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot practically 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 remaining unrestricted net assets of $120 million as of 2008 and $125 million as of 2007 may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2008 and 2007, management has designated unrestricted funds in the amount of $9 million and $16 million, respectively, for capital contract commitments funded by Airport Authority cash and other postretirement benefit contributions. In addition, as of June 30, 2008 and 2007, management has designated unrestricted net assets of $4 million for operating and insurance contingencies.

Capital Asset and Capital Improvement Program

The funds used for the capital improvements or to expand SDIA's facilities are derived from several sources, including the FAA through AIP grants, PFCs and SDIA funds. Currently, SDIA's $338.1 million capital improvement program (CIP) follows a pay-as-you-go approach utilizing commercial paper program, as and when needed, for short-term financing needs. The current CIP, which includes projects through 2013, consists of $118.6 million for airside projects, $10.1 million for landside projects, $97 million for terminal projects, $60.4 million for interim funding for the Terminal Development Program, $40 million for administrative projects, and $11 million for various other projects. The current SDIA CIP does not include the master plan construction costs, noise reduction, and related projects.

Capital Improvement Program (CIP) Projects by Type



Among the larger projects undertaken during fiscal year 2008 were security baggage screening to comply with TSA, safety requirements, installation of a fire life safety system, upgrade of terminal restrooms, upgrade of airport paging system, and installation of a new elevator.

Additional information of the Authority's capital assets can be found in Note 4 on pages 38-39 of this report.

Capital Financing and Debt Management

As of June 30, 2008, $50 million in bonds and $49.4 million in commercial paper were outstanding. In October 2005 the Airport Authority sold $56.27 million of San Diego County Regional Airport Authority Airport Revenue Refunding Bonds Series 2005. These refunded the outstanding Series 1995 Airport revenue bonds that were issued by the District in 1995 through the California Maritime Infrastructure Authority for the expansion of Terminal 2 from 225,000 sq. ft. to 549,000 sq. ft. The Series 2005 bonds are insured by AMBAC and as of August 20, 2008 are rated Aa3 by Moody's and AA by S&P. Fitch withdrew its rating on AMBAC on June 26, 2008. The underlying ratings are A+/A1by Standard & Poor's, Moody's Investors Service respectively and a public rating of A+ by Fitch Ratings. The commercial paper program was established in 1997 to fund the then-approved CIP and related Terminal 2 expansion projects. The commercial paper is supported by an irrevocable letter of credit from Lloyd's TSB Bank and is rated A-1+ by Standard and Poor's and P-1 by Moody's Investor's Service. Refer to Note 5 - Debt, in the notes to the Financial Statements for more detailed information.

Additional information of the Airport Authority's long-term debt can be found in Note 5 on pages 40-43 of this report.

The SDIA's PFC program was established in 1994, and currently authorizes the imposition of a $4.50 fee on enplaning passengers. SDIA's fifth PFC application for $26 million in capital spending was approved for draw downs by the FAA in June 2008.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately $12.6 million in grant awards for the federal fiscal year ended September 30, 2008 and $10 million in 2007. The 2008 awards consisted of no entitlement funds and $2.6 million in discretionary funds and the 2007 awards consisted of $10 million in discretionary funds. Grant awards are recognized as income/contributions as eligible expenses are incurred.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the SDCRAA'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

Thella F. Bowens
Chief Executive Officer/President

Vernon D. Evans, CPA
Chief Financial Officer/Vice President of Finance/Treasurer

San Diego County Regional Airport Authority

Balance Sheets
June 30, 2008 and 2007

Assets	2008	2007
Unrestricted Current Assets		
Cash and cash equivalents (Note 2)	$ 29,699,700	$ 33,119,617
Investments (Note 2)	40,568,142	16,717,785
Tenant lease receivables, net of allowance of 2008 $106,244 and 2007 $144,059	7,043,089	6,144,307
Grants receivable	1,004,934	2,923,299
Notes receivable, current portion (Note 3)	1,446,878	1,363,475
Inventory	207,553	265,870
Other current assets	2,663,426	3,452,578
Total unrestricted current assets	82,633,722	63,986,931
Cash and Cash Equivalents Designated for Specific Capital Projects and Other Commitments (Notes 2 and 12)	9,470,599	16,154,187
Restricted Cash and Cash Equivalents with Trustee (Notes 2 and 5)	4,074,207	4,005,183
Total current assets	96,178,528	84,146,301
Capital Assets (Note 4)		
Land and land improvements	23,581,619	23,581,619
Buildings and structures	390,442,393	371,437,179
Machinery and equipment	31,240,168	26,616,498
Runways, roads and parking lots	226,837,515	239,449,229
Construction in progress	53,453,659	45,154,051
	725,555,354	706,238,576
Less accumulated depreciation	(388,615,255)	(371,412,657)
Capital assets, net	336,940,099	334,825,919
Restricted Assets (Notes 2 and 5)		
Restricted cash, cash equivalents and investments, not with Trustee	123,380,313	94,255,079
Restricted investments with Trustee	5,406,972	5,446,031
Passenger facility charges receivable	3,826,286	5,886,229
Other restricted assets	1,126,153	1,134,000
Total restricted assets	133,739,724	106,721,339
Investments, noncurrent (Note 2)	8,773,374	19,003,477
Notes Receivable, long-term portion (Note 3)	47,750,847	49,197,725
Deferred Costs, Series 2005 Bonds, net	925,913	718,790
Net Pension Asset (Note 6)	4,318,594	4,619,351
Total noncurrent assets	532,448,551	515,086,601
Total assets	$ 628,627,079	$ 599,232,902

See Notes to Financial Statements.

Liabilities and Authority Net Assets	2008	2007
Current Liabilities Payable from Unrestricted Assets		
Accounts payable	$ 3,426,621	$ 3,062,295
Accrued liabilities (Note 8)	24,828,622	20,248,205
Deposits	155,368	161,258
Compensated absences, current portion (Note 5)	1,725,135	1,435,908
Total current liabilities payable from unrestricted assets	30,135,746	24,907,666
Current Liabilities Payable from Restricted Assets		
Current portion of Series 2005 Bonds and commercial paper (Note 5)	4,735,000	5,198,572
Accrued interest on bonds and commercial paper (Note 5)	1,376,144	1,491,441
Total current liabilities payable from restricted assets	6,111,144	6,690,013
Total current liabilities	36,246,890	31,597,679
Noncurrent Liabilities Payable from Unrestricted Assets		
Deferred rent liability (Note 11)	1,350,219	1,836,009
Compensated absences, net of current portion (Note 5)	660,528	663,690
Tenant security deposits and other noncurrent liabilities (Note 2)	523,435	411,727
Total noncurrent liabilities payable from unrestricted assets	2,534,182	2,911,426
Noncurrent Liabilities Payable from Restricted Assets		
Commercial paper notes payable (Note 5)	47,500,000	49,165,428
Series 2005 Bonds and bond premium, less current portion, net of deferred refunding costs (Note 5)	47,224,767	50,025,165
Total noncurrent liabilities payable from restricted assets	94,724,767	99,190,593
Total noncurrent liabilities	97,258,949	102,102,019
Total liabilities	133,505,839	133,699,698
Commitments and Contingencies (Notes 6–12)		
Authority Net Assets		
Invested in capital assets, net of related debt (Note 1)	243,663,972	236,762,474
Other restricted (Note 1)	131,027,720	103,786,729
Unrestricted (Note 1)	120,429,548	124,984,001
Total Authority net assets	495,121,240	465,533,204
Total liabilities and Authority net assets	$ 628,627,079	$ 599,232,902

San Diego County Regional Airport Authority

Statements of Revenues, Expenses and Change in Authority Net Assets
Years Ended June 30, 2008 and 2007

	2008	2007
Operating revenues:		
Airline revenue:		
Landing fees	$ 24,763,236	$ 24,006,493
Building rentals (Note 10)	24,265,278	22,494,964
Security surcharge	8,618,411	8,440,960
Other aviation revenue	1,807,979	1,756,782
Concession revenue	38,784,979	34,201,100
Parking revenue	31,037,940	28,391,558
Ground rentals (Note 10)	5,207,355	4,994,278
Other operating revenue	1,197,202	1,080,425
Total operating revenues	135,682,380	125,366,560
Operating expenses:		
Salaries and benefits	32,912,330	28,333,171
Contractual services (Note 12)	27,378,415	26,390,838
Safety and Security	19,109,994	15,946,171
Space rental (Note 11)	10,900,869	10,842,484
Utilities	6,429,314	6,421,076
Maintenance	8,734,507	8,392,780
Equipment and systems	1,333,211	979,960
Materials and supplies	794,886	761,484
Insurance	1,227,346	1,998,783
Employee development and support	1,034,901	909,237
Business development	2,733,234	2,096,147
Equipment rentals and repairs	1,396,052	1,478,870
Total operating expenses before depreciation and amortization	113,985,059	104,551,001
Income from operations before depreciation and amortization	21,697,321	20,815,559

See Notes to Financial Statements.

	2008	2007
Income from operations before depreciation and amortization, carryforward	$ 21,697,321	$ 20,815,559
Depreciation and amortization	36,764,738	33,467,522
Operating (loss)	(15,067,417)	(12,651,963)
Nonoperating revenues (expenses):		
Passenger facility charges	37,401,373	36,452,013
Quieter Home Program grant revenue	8,283,665	5,233,263
Quieter Home Program expenses	(12,273,382)	(8,325,140)
Joint Studies Program	(963,877)	(119,669)
Interest income	13,431,601	11,968,962
Interest expense (Note 5)	(4,085,819)	(4,683,252)
Other revenues (expenses), net	11,974	(3,281,604)
Nonoperating revenue, net	41,805,535	37,244,573
Income before capital grant contributions	26,738,118	24,592,610
Capital grant contributions	2,849,918	7,149,659
Change in Authority net assets	29,588,036	31,742,269
Authority net assets, beginning of year	465,533,204	433,790,935
Authority net assets, end of year	$ 495,121,240	$ 465,533,204

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Receipts from customers	$ 135,692,213	$ 124,748,955
Payments to suppliers	(80,001,084)	(73,091,193)
Payments to employees	(30,986,192)	(27,728,864)
Net cash provided by operating activities	24,704,937	23,928,898
Cash Flows from Noncapital Financing Activities		
Settlement (payments)	31,214	(254,772)
Quieter Home Program receipts	8,468,125	5,758,151
Quieter Home Program payments	(12,303,847)	(8,565,042)
Joint Studies Program payments	(933,412)	(147,044)
Net cash (used in) noncapital financing activities	(4,737,920)	(3,208,707)
Cash Flows from Capital and Related Financing Activities		
Capital expenditures	(36,906,512)	(54,981,742)
Federal grants received (excluding Quieter Home Program)	4,583,823	11,199,237
Proceeds from passenger facility charges	39,461,316	36,154,705
Proceeds from issuance of commercial paper	49,430,000	-
Principal payments on outstanding commercial paper	(51,694,000)	-
Payment to Trustee for debt service	(68,250)	825,129
Payment of Series 2005 and 1995 Bond principal	(2,670,000)	(3,515,000)
Interest and debt fees paid	(4,201,118)	(4,955,995)
Cost of issuance of commercial paper	(273,379)	
Net cash (used in) capital and related financing activities	(2,338,120)	(15,273,666)
Cash Flows from Investing Activities		
(Purchases) of investments, net	(41,606,980)	(23,850,476)
Interest received from investments	9,310,571	8,396,771
Principal payments received on notes receivable	1,327,758	1,334,129
Interest received from notes receivable, commercial paper	3,236,249	-
and bonds	-	2,790,540
Net cash (used in) investing activities	(27,732,402)	(11,329,036)
Net (decrease) in cash and cash equivalents	(10,103,505)	(5,882,511)
Cash and Cash Equivalents, beginning of year	49,273,804	55,156,315
Cash and Cash Equivalents, end of year	$ 39,170,299	$ 49,273,804
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 29,699,700	$ 33,119,617
Designated cash and cash equivalents	9,470,599	16,154,187
	$ 39,170,299	$ 49,273,804

See Notes to Financial Statements.

	2008	2007
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities		
Operating (loss)	$ (15,067,417)	$ (12,651,963)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	36,764,738	33,467,522
Amortization of pension contribution	300,757	300,757
Amortization of post retirement benefits	1,261,752	-
Bad debt (recovery) expense	(37,818)	54,953
Changes in assets and liabilities:		
Tenant lease receivables	(860,967)	(35,072)
Other current assets	706,832	(401,004)
Accounts payable (on noncapital items)	364,326	(535,956)
Accrued liabilities (on noncapital items)	2,042,903	3,147,916
Deposits	(5,890)	55,253
Deferred rent liability	(450,073)	(450,073)
Tenant security deposits	63,420	35,919
Compensated absences	(377,626)	940,646
Net cash provided by operating activities	$ 24,704,937	$ 23,928,898
Noncash Investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	$ 5,517,583	$ 3,577,772

See Notes to Financial Statements.

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

Reporting entity: The San Diego County Regional Airport Authority (SDCRAA or the Airport Authority), an autonomous public agency, was established as a result of legislation, Assembly Bill 93 (2001) as modified by Senate Bill 1896 (2002), which together comprise the San Diego County Regional Airport Authority Act (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, the San Diego County Regional Airport Authority Reform Act, was effective January 1, 2008. This legislation requires the Airport Authority to prepare a Regional Aviation Strategic Plan by June 30, 2011. The Airport Authority is also required to prepare and adopt, by San Diego Association of Governments (SANDAG), an Airport Multimodal Accessibility Plan by December 31, 2013. Senate Bill 10 establishes an equal compensation level for all Airport Authority board members.

Responsibilities of the Airport Authority include, among other things, the operation, maintenance, development, management and regulation of the SDIA and its facilities. In addition, the Airport Authority has the responsibility to plan or to expand the existing SDIA. With the Senate Bill 10 responsibilities, the Airport Authority also will prepare a Regional Aviation Strategic Plan by June 30, 2011 as well as prepare and adopt an Airport Multimodal Accessibility Plan by December 31, 2013. 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 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. These criteria include appointing a majority of an organization's governing body and (1) the ability of the Airport Authority to impose its will on that organization or (2) the potential for that organization to provide specific benefits to, or impose specific financial burdens on, the Airport Authority. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

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 assets. The Airport Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements, including those issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

The financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related GASB pronouncements.

Evaluation of long-lived assets: Accounting pronouncement GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, was effective for the Airport Authority for the year ended June 30, 2006. This Statement established accounting and financial reporting standards for impairment of capital assets. The Airport Authority's capital assets include property, plant, 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 circumstance is outside the normal life cycle of the capital asset. The Airport Authority is required to evaluate 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. This Statement will require the Airport Authority to report the effects of capital asset impairment in its financial statements when they occur, rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset, and to account for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairment of capital assets currently exists.

Use of estimates: The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, based on a review of all outstanding amounts. 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.

Investments: Investments in the state and county investment pools are recorded on an amortized cost basis. Guaranteed investment contracts are recorded at contract value. All other investments are stated at fair market value, on a portfolio basis, based on quoted market prices.

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

Restricted assets: Funds are set aside as restricted assets, and they are not available for current expenses, when constraints placed on their use are legally enforceable due to either:

- Externally imposed requirements by creditors (such as through debt covenants), grantors or contributors.
- Laws or regulations of other governments.
- Constitutional provisions or enabling legislation.

The Airport Authority's policy is to use restricted assets before unrestricted assets for expenses incurred for which both restricted and unrestricted net assets are available.

Designated assets: The Airport Authority's management designates funds for capital projects and other specific commitments; these funds would otherwise be available for operations. At June 30, 2008 and 2007, management had designated funds for specific approved capital projects and other commitments totaling $9,470,599 and $16,154,187, respectively.

Capital assets: Capital assets are recorded at cost, except for property contributed by third parties, which is recorded at fair market value at the date of contribution, less an allowance for accumulated depreciation.

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

Land improvements	30 to 40 years
Runways, taxiways, roads and parking areas	5 to 30 years
Buildings, structures and improvements	5 to 30 years
Machinery and equipment	3 to 10 years

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 not capitalized.

Major outlays for capital assets and improvements are capitalized as construction in process as projects are constructed.

Airport Improvement Program (AIP): The District initially received approval from the Federal Aviation Administration (FAA) for Airport Improvement Program (AIP) grants. These grants transferred to the Airport Authority, effective January 1, 2003. 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. Receipts from federal programs are subject to audit to determine if the funds were used in accordance with the applicable regulations. The Airport Authority believes that no significant liabilities to the Airport Authority would result from such an audit.

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

Passenger facility charges (PFC): The District initially received approval from the FAA to impose a PFC at the SDIA. The approval for the PFC was transferred by the FAA to the Airport Authority, effective January 1, 2003. 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, the PFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2008 and 2007, accrued PFC receivables totaled $3,826,286 and $5,886,229, respectively, and there were $73,281,895 and $49,299,042 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2008 and 2007, respectively.

On May 20, 2003, the FAA approved the Airport Authority's PFC application to increase the charge per enplaned passenger from $3.00 to $4.50, beginning August 1, 2003, with an estimated charge expiration date of April 1, 2009.

Approximately $375 million in PFC revenues will have been collected and applied toward eligible capital projects from five approved FAA applications. There are currently four active applications. The first application closed December 2007. The first application was effective October, 1995, under the District responsibility, and the final fifth application expires April, 2009. 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.

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 and acceptance have occurred. Retentions payable on completed contracts are included with accounts payable on the accompanying balance sheets. 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.

Airport Authority net assets: Invested in capital assets, net of related debt, 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. Invested in capital assets, net of related debt, excludes unspent debt proceeds.

Restricted net assets represent amounts that are appropriated or are legally segregated for a specific purpose. Airport Authority net assets are 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.

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

Invested in capital assets, net of related debt as of June 30:

	2008	2007
Invested in capital assets, net	$ 238,143,875	$ 231,155,546
Bond reserve	5,397,157	5,396,384
Commercial paper reserve	110,031	158,578
Commercial paper held by Trustee	12,909	51,966
Total invested in capital assets, net of related debt	$ 243,663,972	$ 236,762,474

Other restricted net assets as of June 30:

	2008	2007
Bond reserves:		
Operations and maintenance reserve	$ 33,441,290	$ 29,548,094
Operations and maintenance subaccount reserve	11,147,096	9,849,365
Revenue and replacement reserve	5,400,000	5,400,000
Debt service principal and interest	2,805,000	2,669,999
Passenger facility charges unapplied	73,281,895	49,299,042
Passenger facility charges receivable	3,826,286	5,886,229
Owner Controlled Insurance Program (OCIP) loss reserve	1,126,153	1,134,000
Total other restricted net assets	$ 131,027,720	$ 103,786,729

Unrestricted net assets as of June 30 include designations of net assets that represent tentative management plans that are subject to change, consisting of:

	2008	2007
Operating contingency	$ 2,000,000	$ 2,000,000
Insurance contingency (Note 9)	2,602,002	2,000,000
Net pension asset (Note 6)	4,318,594	4,619,351
Capital projects and other commitments (Note 12)	8,868,597	16,154,187
	$ 17,789,193	$ 24,773,538

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

Revenue classifications: Revenue is recognized when earned. The Airport Authority will classify revenues as operating or nonoperating based on the following criteria:

> Operating revenues are from the revenue sources that constitute the principal ongoing activities of the Airport Authority's operations. The major components of the Airport Authority's operating revenue sources consist of landing fees and terminal building and ground rentals, concession and parking fees, and other miscellaneous fees and charges. Landing fees and terminal building rates are charged on the basis of recovery of actual costs for operating and maintaining the SDIA landing and terminal areas. Ground rentals consist mainly of rent received for leased cargo facilities. Concession fees are determined as a percentage of gross monthly revenues generated by concession lessee's monthly operations. Parking fees are generated from the airport parking lots.
>
> Nonoperating revenues are from revenue sources related to financing activities and other activities, which do not constitute the principal ongoing activities of the Airport Authority's operations. The major components of the nonoperating revenue sources are interest income from cash and investments, certain legal settlement income and passenger facility charges.

Expense classifications: The Airport Authority will classify expenses as operating or nonoperating based on the following criteria:

> Operating expenses are from expense sources that constitute the principal ongoing activities of the Airport Authority's operations. The major components of the Airport Authority's operating expense sources consist of salaries and benefits, contractual services, space rental, utilities, maintenance, equipment and systems, materials and supplies, insurance, employee development and support, business development and equipment rentals and repairs.
>
> Nonoperating expenses are from expense sources that are related to financing, investing, and other activities that do not constitute the principal ongoing activities of the Airport Authority's operations. The major components of nonoperating expenses sources are expenditures for the Quieter Home program, interest expense and other nonoperating expenses such as legal settlements.

Federal grants: When a grant agreement is approved and all eligibility requirements have been met, the expenditures are recorded as a federal grant receivable and as a capital grant contribution or operating grant revenue, as appropriate.

Cash and cash equivalents: For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits, commercial paper and repurchase agreements collateralized by the U.S. government or agency obligations with original maturities of three months or less from the date of acquisition.

Deferred bond costs: The revenue bond original discount and the revenue bond original issue premium, along with the issuance costs, are deferred and amortized over the term of the bonds, using the straight-line method, which approximates the effective interest method.

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

Inventories: Inventories are stated at lower of cost or market and consist of office, janitorial, maintenance, kitchen and other supplies. The cost of these supplies is recorded as an expense in the month they are relieved from inventory for use. Inventories are determined by actual count and priced on weighted average basis.

Implementation of New Accounting Pronouncement

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement, issued in June 2004, establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The requirements of this Statement were effective for the Airport Authority beginning with its year ending June 30, 2008.

- GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and 27*. This Statement, issued May 2007, more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

Pronouncements issued, not yet effective: The GASB issued pronouncements prior to June 30, 2008 that have an effective date 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. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement, issued November 2006, will be effective for the Airport Authority beginning with its year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the Airport Authority to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement, issued July 2007, will be effective for the Airport Authority beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period.

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

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement, issued June 2008, will be effective for the Airport Authority beginning with its year ending June 30, 2010. This Statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The objectives, terms and risks of hedging derivative instruments are required disclosures. Disclosures also include a summary of derivative instrument activity that provides an indication of the location of fair value amounts reported on the financial statements.

Reclassifications: Certain reclassifications have been made to the 2007 financial information in order to conform to the 2008 presentation. These reclassifications had no impact on net income or Airport Authority net assets.

Note 2. Cash and Investments and Subsequent Events

Summary of cash and investments: Cash and investments are reported in the accompanying balance sheets as follows at June 30:

	2008	2007
Unrestricted and undesignated, cash and cash equivalents	$ 29,699,700	$ 33,119,617
Unrestricted and undesignated, current investments	40,568,142	16,717,785
Unrestricted and undesignated, noncurrent investments	8,773,374	19,003,477
	79,041,216	68,840,879
Designated for specific capital projects and other commitments	9,470,599	16,154,187
Restricted:		
Bonds reserves:		
Operations and maintenance reserve	33,441,290	29,548,094
Operations and maintenance subaccount reserve	11,147,097	9,849,365
Renewal and replacement reserve	5,400,000	5,400,000
	49,988,387	44,797,459
Passenger facility charges unapplied	73,281,895	49,299,042
Commercial paper reserve	110,031	158,578
Total restricted	123,380,313	94,255,079
Total cash and investments, not with Trustee	211,892,128	179,250,145
Investments held by Trustee:		
Debt service payment held by Trustee	4,074,207	4,005,183
Bond guaranteed investment contract held by Trustee	5,394,063	5,394,064
Commercial paper interest held by Trustee	12,909	51,967
Total held by Trustee	9,481,179	9,451,214
Total cash and investments	$ 221,373,307	$ 188,701,359

Note 2. Cash and Investments and Subsequent Events, Continued

Components of cash and investments at June 30 are summarized below:

	2008	2007
Unrestricted cash on deposit:		
Cash on hand	$ 51,976	$ 54,600
Cash in banks	15	14
Total cash on deposit	51,991	54,614
Unrestricted cash equivalents:		
U.S. Bank Repurchase Agreements	14,983,480	35,045,215
Reserve Family Fund Money Market	20,069,837	-
Union Bank of California, Money Market	4,064,991	3,504,717
Zions First National Bank, Money Market	-	941,172
Union Bank of California, U.S. Agency Securities	-	9,728,087
Total unrestricted cash equivalents	39,118,308	49,219,191
Unrestricted and restricted investments:		
Certificates of deposits	5,012,302	-
San Diego County Investment Pool	24,642,516	23,333,735
Local Agency Investment Fund	33,860,616	12,001,284
Union Bank of California, Investment Portfolio	109,206,395	67,900,390
Zions First National Bank, Liquid Asset Management	-	26,740,931
Total unrestricted and restricted investments not with Trustee	172,721,829	129,976,340
Total cash equivalents and investments not with Trustee	211,840,137	179,195,531
Investments held by Trustee:		
Debt service payment held by Trustee	4,074,207	4,005,183
Bond guaranteed investment contract held by Trustee	5,394,063	5,394,064
Commercial paper interest held by Trustee	12,909	51,967
Total investments held by Trustee	9,481,179	9,451,214
Total cash equivalents and investments	221,321,316	188,646,745
Total cash and investments	$ 221,373,307	$ 188,701,359

Note 2. Cash and Investments and Subsequent Events, Continued

Investments authorized in accordance with California Government Code Section 3601 and under the provisions of the Airport Authority's investment policy: The table below 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 bond trustee that are governed by provisions of debt agreements of the Airport Authority, rather than 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
Banker's acceptances	180 days	AAA/Aaa	40%	10%
Commercial paper	270 days	A-1; P-1; F-1	25%	5%
Negotiable certificates of deposit	< 25 months	A	30%*	None
	25–36 months	AA		
Medium-term notes	< 25 months	A	15%	5%
	25–36 months	AA		
Repurchase agreements	1 year	102% collateral	None	None
Mortgage-backed securities	5 years	AAA	20%	None
Local Agency Investment Fund	N/A	N/A	None	$40 million
San Diego County Investment Pool	N/A	N/A	None	$40 million
Nonnegotiable certificates of deposit	1 year	N/A	30%*	None
Money market mutual funds	N/A	AAA/Aaa	None	None
California agency indebtedness	N/A	N/A	None	None
Active deposits	N/A	N/A	10%	None
Investment agreements/Guaranteed investment contracts	N/A	N/A	None	None

*****_Maximum percentage of portfolio for aggregate of negotiable certificates of deposit and nonnegotiable certificates of deposit is 30 percent._

Note 2. Cash and Investments and Subsequent Events, Continued

Investments authorized by debt agreements: Investments held by the bond trustee are governed by the provisions of the debt agreement, rather than the general provisions of California Government Code or the Airport Authority's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. 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
Banker's acceptances	360 days	AAA/Aaa	None	None
Commercial paper	270 days	A-1; P-1; F-1	None	None
Repurchase agreements	None	N/A	None	None
Money market portfolio	None	Two highest rating	None	None
Cash	None	N/A	None	None
Deposit accounts	None	N/A	None	None
Municipal bonds	None	Two highest rating	None	None
Local Agency Investment Fund	None	N/A	None	None
San Diego County Investment Pool	None	N/A	None	None
Certificates of deposit	None	Two highest rating	None	None
Investment agreements	None	N/A	None	None

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 policies:

- Bankers acceptances which are eligible for purchase by the Federal Reserve System and are rated in the highest category by a nationally recognized statistical organization (NRSRO).
- Commercial paper of prime quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO.

Note 2. Cash and Investments and Subsequent Events, Continued

- Negotiated certificates of deposit issued by state or chartered bank or a state or federal savings institution. Shall be rated “A” or better by a NRSRO.

- Medium term notes issued by corporations organized and operating within the United States shall be rated “A” or better by a NRSRO for maturities less than 24 months and “AA” for maturities less than or equal to 36 months.

- Money market mutual funds with management companies that are money market funds registered with the SEC, investing in the securities and obligations as authorized by the California Government Code 53601. These companies shall either: (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, or (2) retain an investment advisor registered with the SEC with not less than five years experience investing in the securities and obligation market as authorized by California Government Code 53601, subdivision (a) to (m) inclusive, and with assets under management in excess of $500 million.

- U.S. Government-sponsored agencies rated “AAA” issued mortgage-backed security with a maximum of five years maturity.

The Airport Authority has monies held by trustees pledged to the payment or security of certain bonds, the proceeds of which were used solely to pay for the expansion of the West Terminal at SDIA. At June 30, 2008 and 2007, the Series 2005 collateralized investment contract held by Trustee was $9,468,270 and $9,399,247, respectively, and commercial paper interest held by Trustee was $12,909 and $51,967, respectively. The Series 2005 Bond guaranteed investment contract earns interest at 5.162 percent and matures on July 1, 2020.

A cumulative rebate liability relating to arbitrage of the Series 2005 Bonds was recorded for $81,373 and $33,445 as of the fiscal years ended June 30, 2008 and 2007, respectively. Ninety percent of the cumulative rebate liability is due to the United States no later than 60 days after July 1, 2010. Additionally, should the bonds be retired prior to July 1, 2010, 100 percent of the accumulated rebate liability will be due and payable within 60 days of the retirement date.

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, the longer the maturity of an investment, the greater the sensitivity of its fair value is 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. This combination of shorter- and longer-term investments and the timing also provides managed cash flow and liquidity needs for the operations. The Airport Authority monitors interest rate risk inherent in its portfolio by measuring the segmented time of its portfolio. The Airport Authority has no specific limitations with respect to this metric.

Note 2. Cash and Investments and Subsequent Events, Continued

Information about the sensitivity of the fair values of the Airport Authority's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that show the distribution of the entities investments by maturity as of June 30, 2008:

Investment type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Repurchase agreement	$ 14,983,480	$ 14,983,480	$ -	$ -	$ -
Money market fund	28,221,944	28,221,944	-	-	-
LAIF	33,860,616	33,860,616	-	-	-
SDCIP	24,642,516	24,642,516	-	-	-
Certificates of deposit	5,012,302	5,012,302	-	-	-
Commercial paper	19,874,360	19,874,360	-	-	-
Corporate bonds	1,195,608	1,195,608	-	-	-
U.S. Treasury notes	9,634,656	7,002,917	1,030,630	1,601,109	-
U.S. agency securities	78,501,771	22,371,750	34,474,130	21,655,891	-
Guaranteed investment contract	5,394,063	-	-	-	5,394,063
	$ 221,321,316	$ 157,165,493	$ 35,504,760	$ 23,257,000	$ 5,394,063

Custodial credit risk (deposits): Custodial credit risk for deposits is the risk that, in 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 a bank account where, at the conclusion of each business day, balances in this account are swept into overnight investments which are either U.S. government securities (guaranteed) or in U.S. agency securities (government sponsored). The California Code and the Airport Authority's investment policy authorize these types of investments. The deposits are insured by the FDIC up to $100,000 per bank. At June 30, 2008, the Airport Authority bank deposits were fully insured. On October 3, 2008, Congress temporarily increased FDIC deposit insurance from $100,000 to $250,000 per depositor through December 31, 2009.

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. 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 at June 30, 2008.

Note 2. Cash and Investments and Subsequent Events, Continued

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. Presented below is the actual rating as of June 30, 2008 for each investment type:

Investment Type	Total	Unrated	AAA	A-1+	A	A1
Repurchase agreement	$ 14,983,480	$ -	$ 14,983,480	$ -	$ -	$ -
Money market fund	28,221,944	8,152,107	20,069,837	-	-	-
LAIF	33,860,616	33,860,616	-	-	-	-
SDCIP	24,642,516	-	24,642,516	-	-	-
Certificate of deposit	5,012,302	5,012,302	-	-	-	-
Commercial paper	19,874,360	-	-	14,909,960	-	4,964,400
Corporate bonds	1,195,608	-	-	-	1,195,608	-
U.S. Treasury notes	9,634,656	-	9,634,656	-	-	-
U.S. agency securities	78,501,771	-	78,501,771	-	-	-
Guaranteed investment contract	5,394,063	-	-	-	-	5,394,063
	$ 221,321,316	$ 47,025,025	$ 147,832,260	$ 14,909,960	$ 1,195,608	$ 10,358,463

Source: Standard and Poor's

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 above. Investments that represent 5 percent or more of the Airport Authority's investments as of June 30, 2008 are as follows:

Issuer	Type	Fair Value	% of Portfolio
U.S. Bank	Repurchase agreements	$ 14,983,480	6.8 %
Highland National Bank Money Market	Money Market	20,069,837	9.1 %
Local Agency Investment Fund	Gov't Sponsored Investment Pools	33,860,616	15.3 %
San Diego County Investment Pool	Gov't Sponsored Investment Pools	24,642,516	11.1 %
Federal Home Loan Bank	U.S. agency securities	16,046,787	7.2 %
Federal Home Loan Mortgage Corp.	U.S. agency securities	22,555,857	10.2 %
Federal National Mortgage Assoc.	U.S. agency securities	30,406,307	13.7 %
		$162,565,400	73.4 %

Investment in state investment pool: 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 investment in this pool is reported in the accompanying financial statements at amounts 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 that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

Note 2. Cash and Investments and Subsequent Events, Continued

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 investment in this pool is reported in the accompanying financial statements at amounts 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.

Investment liquidity and potential impairment: On September 17, 2008, the Airport Authority initiated full redemption of its funds invested with the Primary Liquidity Fund operated by The Reserve Money Management Corporation of New York (The Reserve Fund). Under policies initiated by the Board of The Reserve Money Management Corporation, the Airport Authority expected to receive funds in the amount of $11,809,250.42 within seven days of its request.

The redemption was initiated due to the bankruptcy of Lehman Brothers for which the Primary Liquidity Fund had a position of nearly $800 million in its securities. The Reserve Fund wrote down its Lehman holdings to zero value, causing a reduction in the value of holdings in their fund by 3 percent.

During this time period, The Reserve Fund filed an application with the Securities and Exchange Commission on behalf of two of its series, including the Primary Liquidity Fund, for a temporary suspension of the right of redemption of their outstanding redeemable securities and postponement of payment for shares which have been submitted for redemption for which payment has not been made.

Effective as of September 17, 2008 and released in a statement from the SEC on September 22, 2008, the SEC ordered the temporary suspension and postponement of payments from The Reserve Fund. The SEC feels the temporary suspension is in the best interest of each of The Reserve Fund's shareholders. The Reserve Fund, under this order, will create a plan for orderly liquidation of each of The Reserve Fund's assets to meet redemption requests and payments to each shareholder subject to SEC supervision. This order also requires The Reserve Fund to suspend sales and maintain appropriate records of these events.

At this time, there is no date set for this order to expire nor is there a time given to expect receipt of the Airport Authority's funds; however, the SEC granted the order until the financial markets are liquid enough to enable each fund to liquidate securities without impairing the net asset value of each fund. Considering the current financial and liquidity crises, the ultimate success of the SEC's plan is unknown. As a result, the level of success of the SEC's plan will dictate what, if any, adverse effect there will be on the Airport Authority's financial statements in subsequent periods. The Airport Authority has not written down any of the investment as of June 30, 2008 or 2007.

The Airport Authority's management, along with the Airport Authority's outside Investment and Financial Advisors, will be monitoring this situation on a daily basis.

Note 3. Notes Receivable

As part of the transfer of airport operations, pursuant to the MOU, the District issued a $50 million unsecured promissory note to the Airport Authority. Pursuant to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years and will mature on December 31, 2030, subordinate to all bond indebtedness of the District, at a fixed interest rate of 5.5 percent per annum. On October 3, 2005, the Board authorized the District to issue an $8 million promissory note in favor of Carnival Corporation on parity with the $50 million note. At June 30, 2008 and 2007, the note had a value of $47,483,210 and $48,517,524, respectively. The current portion recorded on the note for the year ended June 30, 2008 and 2007 was $1,100,014 and $1,034,314, respectively.

As part of the transfer of airport operations, pursuant to the Act, the District reimbursed the Airport Authority for the fair market value of the Pond 20 property. The District is required to pay the Airport Authority monthly principal and interest payments over a 10-year period at an interest rate of prime (5.0 percent at June 30, 2008) plus 1.0 percent. A receivable for the Pond 20 property was recorded by the Airport Authority at January 1, 2003 at the District's preliminary appraised value of $2,378,000. Pursuant to the settlement agreement with the District, the negotiated appraised value was $3,329,000. Repayment terms remain unchanged. At June 30, 2008 and 2007, the note receivable was recorded at a value of $1,714,515 and $2,043,676, respectively. The current portion for the year ended June 30, 2008 and 2007 was $346,864 and $329,161, respectively.

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

Years Ending June 30,	Amount
2009	$ 1,447,000
2010	1,528,000
2011	1,613,000
2012	1,696,000
2013	1,581,000
2014–2018	8,092,000
2019–2023	10,647,000
2024–2028	14,009,000
2029–2031	8,585,000
	$ 49,198,000

Note 4. Capital Assets

Capital asset activity was as follows:

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008
Nondepreciable assets:				
Land	$ 22,452,007	$ -	$ -	$ 22,452,007
Construction in progress	45,154,051	39,504,032	(31,204,424)	53,453,659
Total nondepreciable assets	67,606,058	39,504,032	(31,204,424)	75,905,666
Depreciable assets:				
Land improvements	1,129,612	-	-	1,129,612
Buildings and structures	371,437,179	23,006,485	(4,001,271)	390,442,393
Machinery and equipment	26,616,498	5,418,109	(794,439)	31,240,168
Runways, roads and parking lots	239,449,229	2,118,011	(14,729,725)	226,837,515
Total capital assets being depreciated	638,632,518	30,542,605	(19,525,435)	649,649,688
Less accumulated depreciation for:				
Land improvements	(1,111,258)	(8,537)	-	(1,119,795)
Building and structures	(217,127,766)	(18,307,790)	4,001,271	(231,434,285)
Machinery and equipment	(14,408,972)	(4,300,611)	760,285	(17,949,298)
Runaways, roads and parking lots	(138,764,661)	(14,076,941)	14,729,725	(138,111,877)
Total accumulated depreciation	(371,412,657)	(36,693,879)	19,491,281	(388,615,255)
Total capital assets being depreciated, net	267,219,861	(6,151,274)	(34,154)	261,034,433
Capital assets, net	$ 334,825,919	$ 33,352,758	$ (31,238,578)	$ 336,940,099

Note 4. Capital Assets, Continued

	Balance at June 30, 2006	Increases	Decreases	Balance at June 30, 2007
Nondepreciable assets:				
Land	$ 22,452,007	$ -	$ -	$ 22,452,007
Construction in progress	40,175,668	50,958,155	(45,979,772)	45,154,051
Total nondepreciable assets	62,627,675	50,958,155	(45,979,772)	67,606,058
Depreciable assets:				
Land improvements	1,129,612	-	-	1,129,612
Buildings and structures	366,782,918	4,654,261	-	371,437,179
Machinery and equipment	24,034,302	2,596,457	(14,261)	26,616,498
Runways, roads and parking lots	203,867,621	35,581,608	-	239,449,229
Total capital assets being depreciated	595,814,453	42,832,326	(14,261)	638,632,518
Less accumulated depreciation for:				
Land improvements	(1,102,721)	(8,537)	-	(1,111,258)
Building and structures	(199,554,328)	(17,573,438)	-	(217,127,766)
Machinery and equipment	(10,956,348)	(3,466,885)	14,261	(14,408,972)
Runaways, roads and parking lots	(126,405,847)	(12,358,814)	-	(138,764,661)
Total accumulated depreciation	(338,019,244)	(33,407,674)	14,261	(371,412,657)
Total capital assets being depreciated, net	257,795,209	9,424,652	-	267,219,861
Capital assets, net	$ 320,422,884	$ 60,382,807	$ (45,979,772)	$ 334,825,919

Note 5. Debt

The following is a summary of changes in the long-term liability activity:

	Principal Balance at June 30, 2007	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2008	Due within One Year
Debt obligations:					
Commercial paper	$ 51,694,000	$49,430,000	$(51,694,000)	$ 49,430,000	$1,930,000
Bonds payable:					
Series 2005 Bonds	52,755,000	-	(2,670,000)	50,085,000	2,805,000
Bond premium	2,954,517	-	(227,271)	2,727,246	-
Deferred amounts on refunding	(3,014,352)	-	231,873	(2,782,479)	-
Total bonds payable	52,695,165	-	(2,665,398)	50,029,767	2,805,000
Total debt obligations	104,389,165	49,430,000	(54,359,398)	99,459,767	4,735,000
Compensated absences	2,099,598	2,011,198	(1,725,133)	2,385,663	1,725,135
Long-term liabilities	$ 106,488,763	$ 51,441,198	$ (56,084,531)	$ 101,845,430	$ 6,460,135

	Principal Balance at June 30, 2006	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2007	Due within One Year
Debt obligations:					
Commercial paper	$ 51,694,000	$ -	$ -	$ 51,694,000	$2,528,572
Bonds payable:					
Series 1995 Bonds	-	-	-	-	-
Series 2005 Bonds	56,270,000	-	(3,515,000)	52,755,000	2,670,000
Bond premium	3,181,787	-	(227,270)	2,954,517	-
Deferred amounts on refunding	(3,246,225)	-	231,873	(3,014,352)	-
Total bonds payable	56,205,562	-	(3,510,397)	52,695,165	2,670,000
Total debt obligations	107,899,562	-	(3,510,397)	104,389,165	5,198,572
Compensated absences	1,822,642	1,712,864	(1,435,908)	2,099,598	1,435,908
Long-term liabilities	$ 109,722,204	$ 1,712,864	$ (4,946,305)	$ 106,488,763	$ 6,634,480

Note 5. Debt, Continued

Commercial paper Series A and B: In November 1997, the District authorized borrowing of up to $100 million through September 2007. Proceeds from the issuance were designated to be used to finance further improvements to the airport. The new commercial paper offering is secured by a pledge of airport revenues, subordinated to the pledge of net airport revenues securing payment of the Series 2005 Bonds. Each series of notes is secured by an irrevocable letter of credit. Each commercial paper note matures at the end of a period not to exceed 270 days. Each issuance can be rolled into another issuance. Interest is paid at a rate based on the market for similar commercial paper notes held by the bank.

In June 2002, the District authorized the selection of a new letter of credit/commercial paper provider. Effective September 27, 2002, the commercial paper was supported by an irrevocable letter of credit from Banque Nationale de Paris Paribas and was rated A-1+ by Standard & Poor's and F1+ by Fitch Ratings. The letter of credit expired on September 26, 2007.

On September 6, 2007, the Board authorized issuance of $250 million of subordinate commercial paper. The Airport Authority entered into an agreement with Lloyds TSB Bank as the letter of credit provider. This has replaced the letter of credit for $100 million that expired on September 26, 2007. This new letter of credit has been established for seven years until September 10, 2014. The Airport Authority used a portion of the $250 million to refinance the current $52 million expiring commercial paper. Approximately $125 million will be used as interim funding of capital improvements projects and the remaining $75 million will be used as a revolving credit line. The commercial paper notes secured by the irrevocable letter of credit from Lloyds TSB Bank is rated A-1+ by Standard & Poor's and P-1 from Moody's Investors Service.

Series A commercial paper notes totaling $11,100,000 outstanding at June 30, 2008 became due October 2, 2008 through October 9, 2008, and the notes were rolled into another issue of Series A commercial paper. Interest expense for the years ended June 30, 2008 and 2007 amounted to $1,487,508 and $1,835,626, including accrued interest of $110,031 and $158,578, respectively.

At June 30, 2008, the principal amount outstanding for Series A was $27,176,000 with an average annual interest rate of 2.82 percent, and the principal amount outstanding for Series B Commercial Paper was $22,254,000, with an average annual interest rate of 3.17 percent. At June 30, 2007, the principal amount outstanding for Series A was $22,134,000, with an average annual interest rate of 3.60 percent, and the principal amount outstanding for Series B Commercial Paper was $29,560,000, with an average annual interest rate of 3.52 percent.

The commercial paper notes require that the charges for services be set each year at rates sufficient to produce pledged revenues at least 110 percent times the debt service for that year. In addition, the commercial paper notes require the Airport Authority to maintain an interest reserve account with the note trustee and to reserve a certain amount in the Airport Authority's books. At June 30, 2008 and 2007, the amount held by the trustee was $12,909 and $51,967, respectively, and the amount reserved by the Airport Authority was $110,031 and $158,578, respectively.

Note 5. Debt, Continued

Airport Revenue Bonds, Series 2005 and Refunded Series 1995: In fiscal year 1996, the California Maritime Infrastructure Authority issued Airport Revenue Bonds (Series 1995 Bonds) for the San Diego Unified Port 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, to fund a Reserve Account, and to 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. The Series 1995 Bonds were issued in the aggregate principal amount of $76,690,000, consisting of $29,895,000 in serial bonds and $46,795,000 in term bonds.

In November 2005, the Airport Authority issued $56,270,000 in Airport Revenue Refunding Bonds, Series 2005, for a refunding of $58,125,000 of Airport Revenue Bonds, Series 1995. The reacquisition price exceeded the net carrying amount of the old debt by $3,400,808. This amount was netted against the new debt and is being amortized over the new debt's life. The transaction also resulted in an economic gain of $2,346,385 and a reduction of $4,338,082 in future debt service payments.

The Series 2005 Bonds were issued in the aggregate principal amount of $56,270,000 and were structured as serial bonds that bear interest at rates ranging from 4.5 percent to 5.25 percent and mature in fiscal years 2007 to 2021. Interest on the bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the years ended June 30, 2008 and 2007 amounted to $2,532,225 and $2,665,725 respectively, including accrued interest of $1,266,113 and $1,332,863 respectively. The principal balance on the Series 2005 Bonds as of June 30, 2008 and 2007 was $50,085,000 and $52,755,000, respectively.

The Series 2005 Bonds are payable solely from and secured by pledged revenues. Pledged revenues are defined as all revenues and other cash receipts of the Airport Authority's airport operations, reduced by operation and maintenance expenses. Pledged revenues do not include cash received from passenger facility charges or federal grants.

The Series 2005 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the debt service for that year. In addition, the Series 2005 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. At the years ended June 30, 2008 and 2007, the amount held by the trustee was $5,397,157 and $5,396,384, respectively. An additional amount of $4,071,113 and $4,002,863 was held at June 30, 2008 and 2007, respectively, for the July 1 payments. The total amount reserved by the Airport Authority for 2008 and 2007 was $49,988,387 and $44,797,459, respectively. The underlying public ratings of the Series 2005 Bonds as of June 30, 2008 and 2007, are A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The debt is insured by the American Municipal Bond Assurance Corporation (AMBAC), which is rated AA/Aa3 by Standard & Poor's and Moody's Investors Service, respectively. AMBAC's financial strength ratings were downgraded on January 18, 2008 by Fitch Ratings, and on June 5, 2008 by Standard & Poor's from AAA to AA respectively, and on June 19, 2008 by Moody's from Aaa to Aa3. On June 26, 2008, Fitch withdrew its ratings on AMBAC at the insurer's request.

Note 5. Debt, Continued

The required debt service payments for the Series 2005 Bonds for fiscal years ending June 30 are as follows:

	Principal	Interest	Total
2009	$ 2,805,000	$ 2,462,100	$ 5,267,100
2010	2,950,000	2,318,225	5,268,225
2011	3,105,000	2,166,850	5,271,850
2012	3,265,000	2,007,600	5,272,600
2013	3,430,000	1,840,225	5,270,225
2014–2018	19,925,000	6,430,894	26,355,894
2019–2021	14,605,000	1,176,919	15,781,919
	$ 50,085,000	$ 18,402,813	$ 68,487,813

Compensated absences: Employee vacation that vests is recorded when earned. Accumulated sick leave is not accrued because employee rights to receive compensation for the unused portion terminate upon severance of employment.

Note 6. Defined-benefit Plan

Plan description: The Airport Authority's defined-benefit pension plan is separately administered by the City of San Diego's City Employees' Retirement System (CERS). The San Diego County Regional Airport Authority Retirement Plan and Trust provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City of San Diego, the District and the Airport Authority, administered by the Retirement Board of Administration (the CERS Board). 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 CERS to the CERS Board. The Airport Authority contributes to the Federal Social Security Program. The CERS Board issues a publicly available financial report that includes financial statements and required supplementary information for CERS. 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.

Funding policy: The City of San Diego municipal code requires member contributions to be actuarially determined to provide a specific level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level and certain negotiated contracts, which provide for the Airport Authority to pay a portion of the employees' contributions. The Airport Authority contribution rate as determined through actuarial valuation, was 10.79 percent for 2008, 13.76 percent for 2007, and 15.41 percent for 2006, and is expressed as a percentage of covered payroll.

Note 6. Defined-benefit Plan, Continued

Annual pension cost: For the years ended June 30, 2008, 2007 and 2006, the annual pension cost was $2,503,543, $2,941,640, and $4,700,369, respectively, for the CERS pension. The reduction in the annual required contribution from 2006 to 2008 was due primarily to the change in valuing the assets from a book smoothing methodology to a market value methodology. The return on investments was 15.13 percent for 2007, 11.28 percent for 2006 was and 10.21 percent for 2005. This is compared to an assumed return of 8 percent. The annual pension costs are equal to the Airport Authority's required and actual contributions for each year. The required annual contribution will be determined as part of an actuarial evaluation using the entry-age-actuarial-cost method, which is the method utilized by CERS. The actuarial assumptions used by CERS include (a) 8 percent investment rate of return, (b) projected salary increases of 4.25 percent and (c) the assumption that benefits for certain members will increase after retirement. Both (a) and (b) include an inflation component of 4.25 percent. As of September 2006, the actuarial value of assets was equal to the market value of assets. The following year, the actuarial value was calculated by accepting 100 percent of the expected asset value plus 25 percent of the difference between the actual market value next year and the expected asset value. Any unfunded actuarially accrued liability would be funded as a level percentage of projected payrolls over a closed 18-year period. On September 16, 2004, the Airport Authority made a contribution payment in the amount of $3,900,000 in addition to the annual required contribution, to reflect a desired funded ratio of 90 percent. On June 21, 2005, the Airport Authority made an additional contribution of $1,000,000. During the year ended June 30, 2006, the Airport Authority made an additional contribution of $513,627. As of the June 30, 2007 valuation date, the funding ratio was 115.3 percent. At June 30, 2008, 2007 and 2006, the total contribution of $5,413,627 less amortization of $1,095,033, $794,276 and $493,519, respectively, is recorded as a net pension asset of $4,318,594, $4,619,351 and $4,920,108, respectively. The contributions are being amortized over an 18-year period.

Although the return on investments is not available for the fiscal year ended June 30,2008 and subsequent periods, the Airport Authority expects CERS to report lower investment returns which should have the effect of increased future annual pension costs in the next few fiscal years. The Airport Authority is hopeful that the increased rates will not have a significant adverse effect on their future financial statements.

Schedule of Funding Progress for CERS ($ in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	% Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll	Annual Pension Cost	% ARC Funded	(NPO) Net Pension Obligation Balance	(Increase) Decrease NPO	Amortization of NPO	ARC Annual Required Contribution	Interest on the Net Pension Obligation at 8%	ARC Adjustment
6/30/05	$ 28,551	$ 32,603	$ 4,052	87.6	$ 17,609	23.0	$ 4,700	100	$ (4,920)	$ (514)	$ 494	$ 4,700	$ 392	$ 514
06/30/06 [1]	41,222	36,905	(4,317)	111.7	19,116	(22.6)	2,942	100	(4,619)	-	301	2,942	433	-
6/30/07	50,753	44,028	(6,725)	115.3	21,957	(30.6)	2,503	100%	(4,319)	-	300	2,503	433	-

[1] *Reflects revised actuarial asset valuation methodology effective September, 2006.*

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.

As such, 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. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—a rescission of GASB Statement No. 2 and an amendment of GASB Statement No. 31*, employee assets are not reflected in the Airport Authority's financial statements.

Note 8. Other Postemployment Benefits and Subsequent Event

In addition to pension benefits as described in Notes 6 and 7, the Airport Authority provides other postemployment benefits (OPEB).

The Airport Authority provides medical, dental and $10,000 life insurance postretirement benefits for nonunion employees hired prior to May 1, 2006. All union employees are eligible regardless of when they were hired. 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 September 4, 2008, the Board approved the Airport Authority to fund its annual required contribution in the California Employers' Retiree Benefit Trust, (CERBT) fund, as an irrevocable Section 115 trust. 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. The 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 California Employers' Retiree Benefit Trust Fund (CERBT), a Section 115 Trust for the purpose of receiving employer contributions that will per-fund health and other postemployment benefits costs for retirees and their beneficiaries.

Funding policy: The California Employers' Retiree Benefit Trust 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 prefund the annual required contributions. As of June 30, 2008, the agreement with CERBT was not approved and the annual required contribution was recorded as a liability. The 2008 annual required contribution (ARC) is expected to be funded along with the 2009 ARC during the fiscal year ending June 30, 2009.

Note 8. Other Postemployment Benefits and Subsequent Event, Continued

Annual OPEB cost and actuarial methods and assumptions: The July 1, 2007, actuarial valuation for the annual required contribution net of the employer contribution was $1,251,000. The required annual contribution was determined as part of an actuarial evaluation using the entry-age-actuarial-cost method, with unfunded liabilities amortized over 30 years, which is the method utilized by CERBT. The actuarial assumptions used by CERBT include (a) 7.75 percent investment rate of return, net of administrative expenses and (b) projected salary increases of 3.25 percent. The inflation component ranged from 11 percent to 5 percent from one to seven years for medical and 7 percent to 5 percent for dental.

The entry-age-normal 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 Net OPEB Obligation (NOO) and Annual OPEB Cost ($ in thousands):

Actuarial Valuation Date	Annual Required Contributions	Employer Contribution	NOO End Of Year	Interest On Net OPEB Obligation	Adjustment to the Annual Required Contribution	Annual OPEB Cost	Interest Rate	Salary Scale	Amortization Factor
7/1/07	$1,309	$58	$1,251	$0	$0	$1,309	7.75%	3.25%	16.6

Schedule of Funding Progress ($ in thousands):

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	7/1/07	$0	$8,924	$8,924	0%	$18,806	0%	7.75%	3.25%

Schedule of Employer Contributions ($ in thousands):

Fiscal Year Ending	Annual OPEB Costs	Employer Contribution	Percentage Contribution	Net OPEB Obligation
6/30/08	$1,309	$58	4.40%	$1,251

Note 9. Risk Management

The Airport Authority has developed a comprehensive Risk Management Program including workers' compensation, which includes risk transfer, loss prevention, loss control and claims administration. The Airport Authority maintains $50 million in limits for primary owners and operators general liability insurance with a War, Hijacking and Other Perils endorsement. The war endorsement may be terminated at any time by the underwriters and terminates automatically upon the outbreak of war (whether there has been a declaration of war or not) between any two or more of the following: France, the People's Republic of China, the Russian Federation, the United Kingdom or the United States, and certain provisions of the endorsement are terminated upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter. The Airport Authority maintains $450 million of general liability insurance in excess of the $50 million primary liability coverage. The Airport Authority's coverage includes a variety of retentions or deductibles.

The cost of earthquake coverage remains exorbitant and is not available in significant amounts. The Federal Emergency Management Agency (FEMA) and the California Disaster Assistance Act (CDDA) are designed to assist public entities such as the Airport Authority in the event of a catastrophe. FEMA will pay up to 75 percent of a loss and CDDA will pay at a minimum 25 percent of the balance for nationally declared disasters. In addition, the California legislature has paid any remaining loss costs for all declared disasters since 1989. The Airport Authority in the past relied on these laws to pay loss costs beneath the attachment point for insurance coverage and above the coverage limit purchased. Effective July 1, 2007, based on the status of these laws and the condition of the insurance market place, 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. However, as of June 30, 2008, the Airport Authority had $602,000 earthquake contingency reserve. This reserve is intended to increase as deemed by management.

A $2 million contingency reserve has been established, within unrestricted net assets, 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 other requirement that it be maintained. Management considers this contingency reserve to be designated to cover the cost of future retentions, deductibles and uninsured claims.

The Airport Authority participates in an insurance purchasing program, with a $1 billion limit to provide all risk and flood coverage on physical assets.

The Airport Authority has an active loss prevention program, staffed by a full-time risk manager, a risk analyst, a safety manager and a safety analyst. In addition, insurer property and casualty loss control engineers conduct safety surveys on a periodic basis. Employees receive regular safety training and claims are monitored using a Web-based claims information system.

Note 10. 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. A majority of the lease payments are determined each year based upon 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.

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

Years Ending June 30,	Amount
2009	$ 6,154,000
2010	5,866,000
2011	5,866,000
2012	5,739,000
2013	3,232,000
2014-2018	8,248,000
	$ 35,105,000

Note 11. Lease Commitments

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 calls for predetermined rents through December 31, 2005, with future rents based upon a market rate established in late 2005 by an appraisal (or arbitration). The amended lease agreement calls for rent payments of $6,750,000 annually through December 31, 2068. The Airport Authority received a credit for $375,000 in reduced rent based on a previous lease agreement for the property in September 2006. The changes in terms for this lease were approved by the Airport Authority's board on July 25, 2006. A portion of the land is leased to the District for employee parking for District administration building employees and is leased back by the District 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 $1 per year, for 66 years, through 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 with $3 million annual rent.

Note 11. Lease Commitments, Continued

Other district leases: The Airport Authority leases from the District three additional properties adjacent to SDIA. These properties require monthly rentals of $86,083, $12,521 and $4,589 and expire in December 2013, December 2013 and April 2012, respectively. The Airport Authority received credits of $106,452 in reduced rent based on previous lease agreements for the properties during fiscal year 2006.

On July 24, 2006, the Airport Authority's Board approved a lease with the San Diego Unified Port District for the property located at 2415 Winship Lane; known as the Sky Chef property. The term of the lease is 60 years with $350,000 annual rent and commenced September 1, 2006.

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.

Building lease: The Airport Authority leases modular buildings from an unrelated third party that requires monthly rentals of $17,105 through July 2007 and $15,205 through October 2008.

Note 11. Lease Commitments, Continued

Deferred rent (benefit) liability: The Airport Authority accrues rent expense for its leases with predetermined escalating payments by the straight-line method over the respective lease terms. The accumulated benefit of the reduced scheduled payments of those leases is recorded as a deferred rent liability of $1,350,219 and $1,800,292 as of June 30, 2008 and 2007, respectively. The accumulated benefit (accrued liability) is expected to decrease gradually over the remaining 62 years. The future rental commitment under the above operating lease agreements as of June 30 are due as follows:

Years Ending June 30,	Amount
2009	$ 11,416,000
2010	11,338,000
2011	11,338,000
2012	11,329,000
2013	11,283,000
2014–2018	51,092,000
2019–2023	50,500,000
2024–2028	50,500,000
2029–2033	50,500,000
2034–2038	50,500,000
2039–2043	50,500,000
2044–2048	50,500,000
2049–2053	50,500,000
2054–2058	50,500,000
2059–2063	50,500,000
2064–2068	50,500,000
2069	5,050,000
	$ 617,846,000

The total rental expense charged to operations for the year ending June 30 consists of the following:

	2008	2007
Rental payments made	$ 11,350,942	$ 11,292,557
(Decrease) in accumulated benefit of reduced rents	(450,073)	(450,073)
	$ 10,900,869	$ 10,842,484

Note 12. Commitments and Contingencies and Subsequent Events

Commitments: As of June 30, 2008 and 2007, 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, 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, 2008 and 2007, these funds totaled $9,470,599 and $16,154,187, respectively, and are classified on the accompanying balance sheet 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 the SDIA continues to operate at Lindbergh Field. 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 is under the Police Services Agreement, which is for Harbor Police services. The District provided 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, 2008 and 2007, the Airport Authority expensed $13,018,481 and $11,954,799, respectively, for these services.

iii. Major contracts—During 2007 the Airport Authority board approved a contract with The Jones Payne Group for $30 million for on-call architectural and engineering consultant services and support services associated with the capital improvement and airport master plan programs. At June 30, 2008, approximately $4.6 million had been spent and the remaining contract is due to be completed during fiscal year 2011. The Airport Authority board approved a contract with C & S Engineers for $30 million for on-call architectural and engineering consultant services. At June 30, 2008, approximately $160 thousand had been spent and the remaining contract is due to be completed during fiscal year 2011. These major contracts are associated with the capital improvement and airport master plan programs. During 2006 the Airport Authority board approved a contract with DMJM Aviation for $37.8 million for program management and support services associated with the capital improvement program, major maintenance program and airport master plan program. At June 30, 2008, approximately $31.3 million had been spent to date and the remaining contract is due to be completed during fiscal year 2011.

iv. In addition, the Airport Authority has a profit sharing plan as defined under Section 401(a) of the Internal Revenue Code. Under the plan, eligible employees receive annual discretionary employer contributions. Airport Authority contributions are immediately vested by the participants.

Note 12. Commitments and Contingencies and Subsequent Events, Continued

Contingencies: As of June 30, 2008, 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 tenant/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 tenant/operators. And finally, the Airport Authority also tenders these claims to its own insurers once they become asserted claims. Thus, according to the Airport Authority's legal counsel, 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 tenant/operators involved, from the tenant/operator's 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.

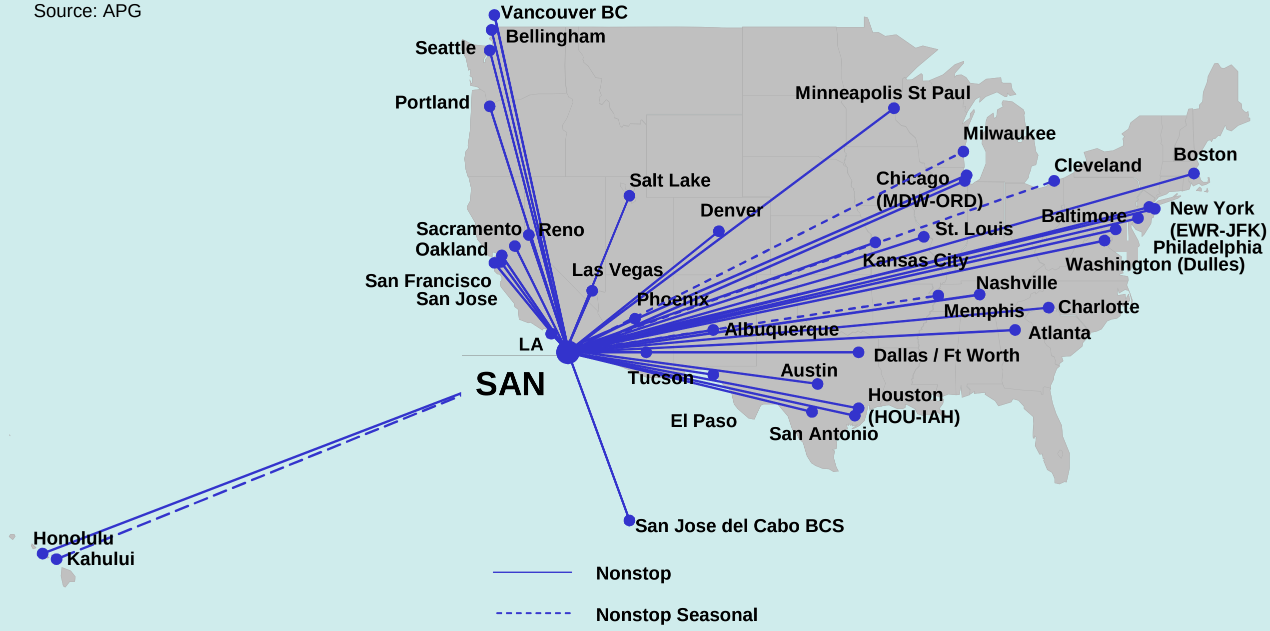
Teledyne Ryan Industries, Inc. (TDY)/Allegheny Technologies Inc. and San Diego Unified Port District
The former TDY property consists of approximately 44 acres of property located at 2701 N. Harbor Drive, San Diego, California. During 2004 the Airport Authority initiated litigation against the District. The litigation (State Court Case 779490 and Federal Case 3:03CV1146) has concluded and resulted in a comprehensive settlement agreement between the District and the Airport Authority and TDY. The property is still the subject of a Clean Up and Abatement Order (CAO) that names TDY as the only responsible party for the contamination on the site.

Clean Up and Abatement Order (CAO) No. R9-2004-0258 This action is ongoing and involves an order by the California Regional Water Quality Control Board, San Diego Region, entitled Cleanup and Abatement Order (CAO) No. R9-2004-0258, Code No. ICU:02-0381.05 for TDY Industries, Inc., TDY Holdings, LLC, Teledyne Ryan Aeronautical Company and Allegheny Technologies Incorporated, 2701 North Harbor Drive, San Diego, California, dated October 4, 2004, ordering the cleanup and abatement of the Property pursuant to California Water Code Section 13304. The demolition of the buildings and improvements currently located on the property is the joint financial responsibility of the Port and Airport Authority. The Airport Authority's share of the cost is estimated to be $9 million and will result in the creation of a long-term capital asset. As a result, the Airport Authority will capitalize its share of the demolition costs as these costs are incurred.

Air Service at San Diego International

Nonstop destinations served to/from SDIA

Source: APG



74% of San Diego Destined Passengers can travel on a nonstop flight.

Statistical Section
(unaudited)

The Statistical Section is divided into five areas: financial trend data; revenue capacity data; debt capacity data; demographic and economic information and operating information.
Financial Trend data which shows changes in the Authority's financial position since inception:

Authority operating revenues and expenses
Authority net assets by component
Authority change in net assets
Authority largest sources of revenue

Revenue Capacity data which shows the Authority's major revenue sources and changes in key rates and charges:

Authority landing fee rate
Terminal rates billed to airlines
Airline cost per enplaned passenger

Operating Information shows how the airport has performing on an annual basis and within the airport market sector:

Authority employee strength
Aircraft operations
Aircraft landed weights
Aircraft landed weights by airline
Passenger enplanements
Enplanement market share by airline by fiscal year
Growth in enplaned passengers, SDIA vs. US

Economic Information shows the major drivers of usage and how the airport service area is performing compared to the region and the nation:

Population and per capita personal income
Principal employers in San Diego County
San Diego County employment by industry
Labor force, employment, unemployment and unemployment rates

Debt information shows how the Authority is performing meeting its debt obligations and the relative level of debt:

Revenue bond debt service coverage
Revenue bond debt per enplaned passenger
Capital Assets

Exhibit S-1

Authority Operating Revenues and Expenses ($000)

Fiscal Years Ended June 30,

Operating Revenues

	2004	2005	2006	2007	2008
Airline Revenue					
Landing fees	$ 22,874	$ 22,607	$ 22,243	$ 24,006	$ 24,763
Building rentals	19,511	18,041	21,137	22,495	24,265
Security surcharge	-	7,800	7,759	8,441	8,619
Other aviation revenue	1,812	1,757	1,868	1,757	1,808
Concession revenue	24,571	26,552	29,362	34,201	38,785
Parking and ground transportation revenue	21,986	23,723	26,904	28,392	31,038
Ground rentals	4,269	5,294	5,505	4,994	5,207
Other operating revenue	1,549	2,349	4,717	1,081	1,197
Total Operating Revenues	$ 96,572	$ 108,123	$119,495	$125,367	$135,682

Operating Expenses

	2004	2005	2006	2007	2008
Salaries and benefits	$ 21,955	$ 23,623	$ 26,847	$ 28,333	$ 32,912
Contractual services	19,462	25,210	31,967	26,391	27,378
Safety and security	13,450	16,191	14,777	15,946	19,110
Space rental	8,826	10,174	11,353	10,842	10,901
Utilities	4,914	5,121	5,416	6,421	6,430
Maintenance	5,343	4,050	5,390	8,393	8,735
Equipment and systems	1,019	710	736	980	1,333
Materials and supplies	462	461	591	762	795
Insurance	2,518	2,425	1,162	1,999	1,227
Employee development and support	981	1,050	906	909	1,035
Business development	2,067	1,646	1,329	2,096	2,733
Equipment rentals and repairs	636	708	882	1,479	1,396
Total Operating Expenses	$ 81,633	$ 91,369	$101,356	$104,551	$113,985

Source: San Diego County Regional Airport Authority

Information presented reflects those years that the Authority was in operation.

Exhibit S-2

Authority Net Assets By Component ($000)

Fiscal Years Ended June 30,

	2004	2005	2006	2007	2008
Invested in capital assets, net of related debt	$ 244,889	$ 209,714	$ 219,218	$ 236,762	$ 243,664
Other restricted	16,670	83,854	96,633	103,787	131,028
Unrestricted	106,125	102,652	117,940	124,984	120,429
Total Net Assets	$ 367,684	$ 396,220	$ 433,791	$ 465,533	$ 495,121

Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Authority was in operation.

Exhibit S-3

Authority Change in Net Assets ($000)

Fiscal Years Ended June 30,

	2004	2005	2006	2007	2008
Operating revenues:					
Airline Revenue:					
Landing fees	$ 22,874	$ 22,607	$ 22,243	$ 24,006	$ 24,763
Building rentals	19,511	18,041	21,137	22,495	24,265
Security surcharge	-	7,800	7,759	8,441	8,619
Other aviation revenue	1,812	1,757	1,868	1,757	1,808
Concession revenue	24,571	26,552	29,362	34,201	38,785
Parking and ground transportation revenue	21,986	23,723	26,904	28,392	31,038
Ground rentals	4,269	5,294	5,505	4,994	5,207
Other operating revenue	1,549	2,349	4,717	1,081	1,197
Total operating revenues	96,572	108,123	119,495	125,367	135,682
Operating expenses:					
Salaries and benefits	21,955	23,623	26,847	28,333	32,912
Contractual services	19,462	25,210	31,967	26,391	27,378
Safety and security	13,450	16,191	14,777	15,946	19,110
Space rental	8,826	10,174	11,353	10,842	10,901
Utilities	4,914	5,121	5,416	6,421	6,430
Maintenance	5,343	4,050	5,390	8,393	8,735
Equipment and systems	1,019	710	736	980	1,333
Materials and supplies	462	461	591	762	795
Insurance	2,518	2,425	1,162	1,999	1,227
Employee development and support	981	1,050	906	909	1,035
Business develop	2,067	1,646	1,329	2,096	2,733
Equipment rentals and repairs	636	708	882	1,479	1,396
Total operating expenses before depreciation and amortization	81,633	91,369	101,356	104,551	113,985
Income from operations before depreciation and amortization	14,939	16,754	18,139	20,816	21,697
Depreciation and amortization	32,993	29,699	31,559	33,468	36,764
Operating (loss)	(18,054)	(12,945)	(13,420)	(12,652)	(15,067)
Nonoperating revenues (expenses):					
Passenger facility charges	31,241	33,710	34,981	36,452	37,401
Quieter Home Program, net	(1,375)	(1,582)	(908)	(3,092)	(3,990)
Joint Studies Program	-	-	(688)	(120)	(963)
Interest income	3,831	6,413	9,306	11,969	13,431
Interest expense	(4,294)	(4,387)	(4,809)	(4,683)	(4,086)
Other revenues (expenses), net	5,530	(195)	964	(3,282)	12
Nonoperating revenue, net	34,933	33,959	38,846	37,244	41,805
Income before capital grant contributions	16,879	21,014	25,426	24,592	26,738
Capital grant contributions	5,033	7,522	12,145	7,150	2,850
Change in Authority net assets	21,912	28,536	37,571	31,742	29,588
Authority net assets, beginning of year	345,772	367,684	396,220	433,791	465,533
Authority net assets, end of year	$ 367,684	$ 396,220	$ 433,791	$ 465,533	$ 495,121

Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Authority was in operation.

Exhibit S-4

Authority Largest Sources of Revenues ($)

Fiscal Years Ended June 30,

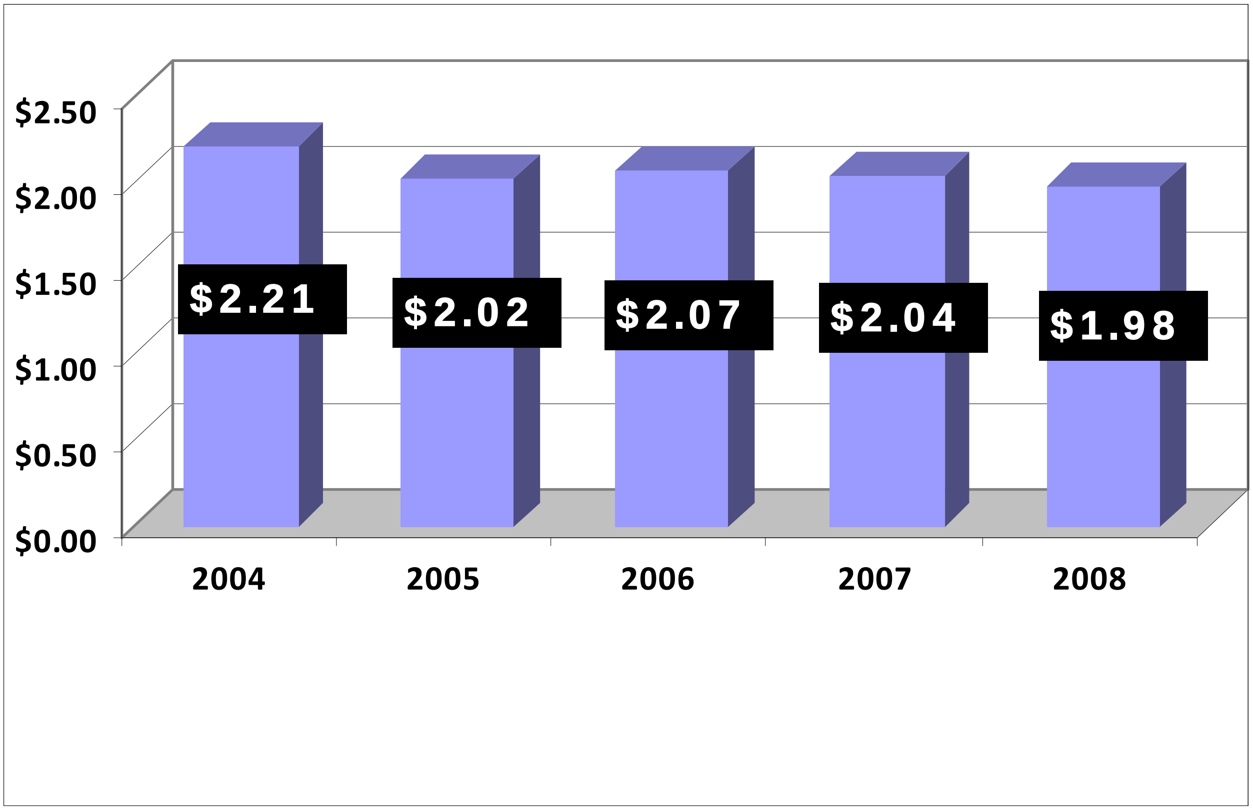
Tenant	2004	2005	2006	2007	2008	% of Total Operating Revenue
Southwest Airlines	$ 10,692,447	$ 12,767,378	$ 13,464,404	$ 15,624,767	$ 16,920,722	12.5%
Host International	7,106,523	8,038,435	9,147,356	9,808,385	10,875,857	8.0%
American Airlines	7,772,143	8,472,274	10,191,557	8,303,616	7,750,147	5.7%
Hertz Rent-A-Car	4,901,573	5,316,755	5,979,512	6,728,751	6,860,949	5.1%
United Airlines	4,989,506	5,877,927	5,717,234	6,623,373	6,522,426	4.8%
Avis Budget Group	3,103,562	4,966,532	6,002,357	4,465,182	6,193,565	4.6%
Delta Airlines	4,774,243	5,010,848	4,876,095	5,347,415	5,168,634	3.8%
US Airways	699,542	672,643	571,874	1,714,362	4,048,246	3.0%
Continental Airlines	1,849,721	2,123,291	2,364,096	2,995,689	3,314,090	2.4%
Alaska Airlines	2,027,193	2,400,679	2,464,162	2,843,993	2,800,385	2.1%
Enterprise Rent-A-Car	858,956	1,084,031	2,888,849	2,007,684	2,530,192	1.9%
Northwest Airlines	1,944,832	2,116,996	2,185,926	2,195,324	2,064,861	1.5%

Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Authority was in operation.

Exhibit S-5

Authority Landing Fee Rate ($ per 1,000 lbs.)

Fiscal Years Ended June 30,



Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Authority was in operation.

Landing Fees are the revenues from passenger and cargo carriers for commercial aircraft at SDIA.

Exhibit S-6

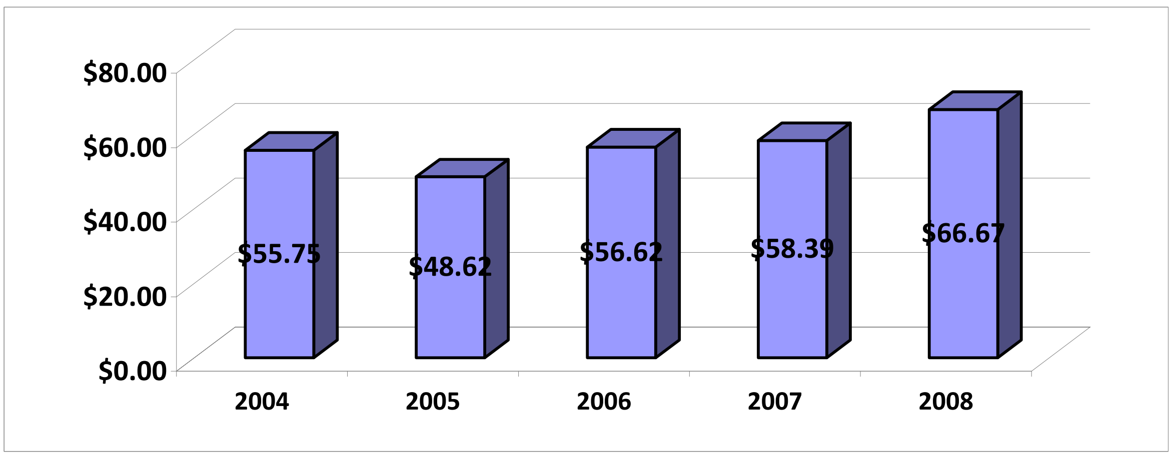
Terminal Rates Billed to Airlines

Fiscal Years Ended June 30,

Fiscal Year	Terminal Rates Per Square Foot*	% Change
2004	$55.75	14.2 %
2005	$48.62	(12.8)%
2006	$56.62	16.5 %
2007	$58.39	3.1 %
2008	$66.67	14.2 %

*Net of janitorial credit

Terminal Rate Per Square Foot



Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Authority was in

Terminal Rates are rates billed to airlines for the rent of terminal space per square foot.

Beginning with FY 2005, the Security Surcharge was excluded from Terminal Rates and charged separately.

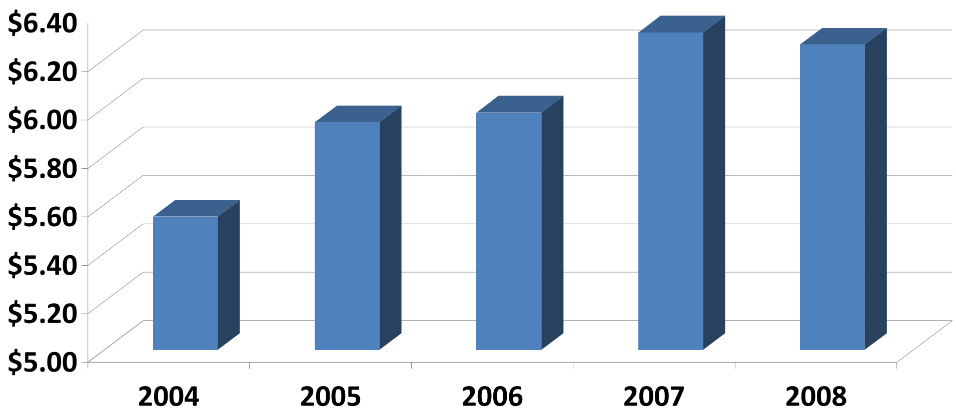
Exhibit S-7

Airline Cost per Enplaned Passenger

Fiscal Years Ended June 30,

Fiscal Year	Enplaned Passengers	Cost per Enplaned Passenger
2004	7,947,734	$5.55
2005	8,449,107	$5.94
2006	8,749,734	$5.98
2007	8,892,069	$6.31
2008	9,389,327	$6.26

Cost per Enplaned Passenger



Source: San Diego County Regional Airport Authority

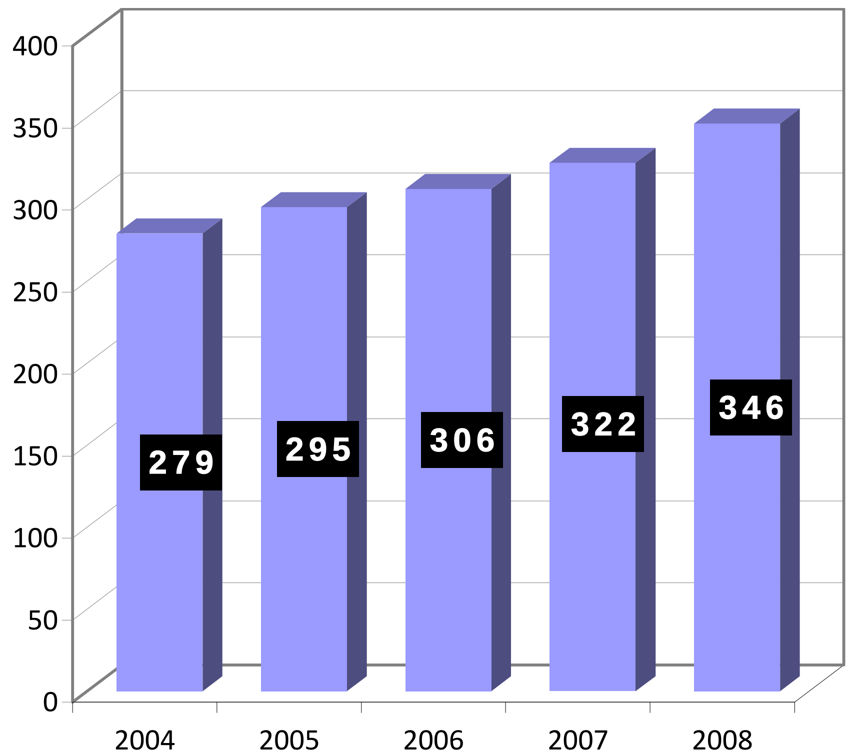
Information presented reflects those years that the Authority was in

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

Authority Employee Strength (Full Time Equivalents)

Fiscal Years Ended June 30,



Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Authority was in operation.

Exhibit S-9

Aircraft Operations (Takeoffs and Landings)

Fiscal Years Ended June 30,

Fiscal Year	Air Carriers	Air Commuters		Civil	Military	Total
2004	144,145	46,484		14,712	1,069	206,410
2005	148,990	50,820		13,239	429	213,478
2006	154,005	53,509		7,628	542	215,684
2007	162,148	35,666	*	21,979	467	220,260
2008	186,713	25,046		21,952	498	234,209

Source: San Diego Unified Port District and the San Diego County Regional Airport Authority
Information presented reflects those years that the Authority was in operation.

* Drop in Air Commuter operations and increase in Air Carriers and Civil operations due to realignment of catagory calculations. Commuter Terminal operations to LAX now calculated as Air Commuters only; air taxi included in Civil operations.

Aircraft operations are the takeoffs and landings at SDIA.
They represent the level of demand for air service by the airlines operating at SDIA.

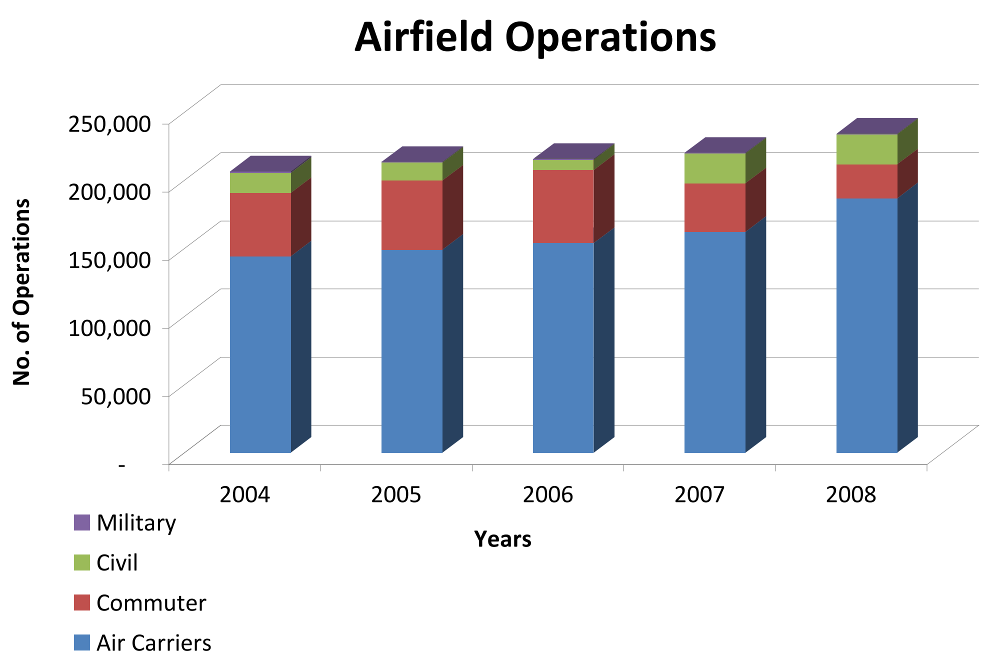


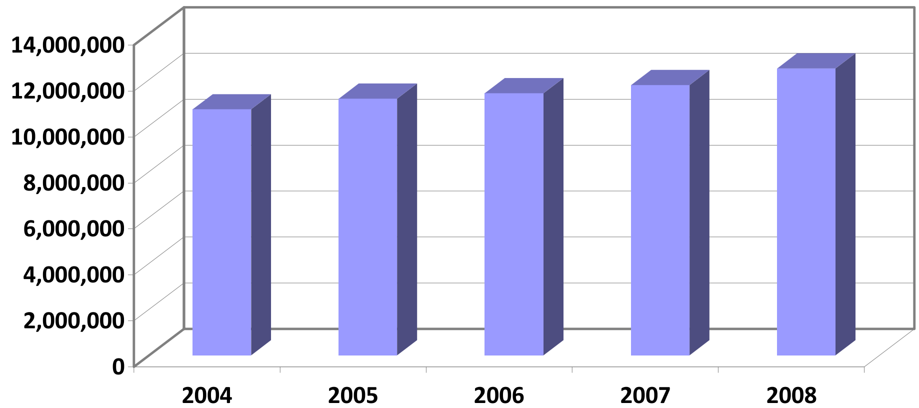
Exhibit S-10

Aircraft Landed Weights (Thousand pounds)

Fiscal Years Ended June 30,

Fiscal Year	Aircraft Landed Weight in 1000lbs	% Change
2004	10,715,735	(1.2)%
2005	11,180,029	4.3 %
2006	11,414,382	2.1 %
2007	11,774,342	3.2 %
2008	12,492,800	6.1 %

Aircraft Landed Weights (000 lbs)



Source: San Diego Regional Airport Authority
Information presented reflects those years that the Authority was in operation.

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

Landed Weights by Airline (Thousand pounds)

Fiscal Years Ended June 30,

Airline	FY 2004 Landed Weights	FY 2004 Share	FY 2005 Landed Weights	FY 2005 Share	FY 2006 Landed Weights	FY 2006 Share	FY 2007 Landed Weights	FY 2007 Share	FY 2008 Landed Weights	FY 2008 Share
Southwest	3,418,786	*31.9%*	3,570,052	*31.9%*	3,768,374	*33.7%*	3,956,170	*33.6%*	4,416,996	*35.4%*
United	1,192,898	*11.1%*	1,278,347	*11.4%*	1,269,465	*11.4%*	1,270,371	*10.8%*	1,222,906	*9.8%*
American	1,045,382	*9.8%*	1,009,498	*9.0%*	1,089,872	*9.7%*	961,143	*8.2%*	890,796	*7.1%*
Delta	963,140	*9.0%*	927,763	*8.3%*	850,348	*7.6%*	798,104	*6.8%*	839,172	*6.7%*
America West	587,754	*5.5%*	628,594	*5.6%*	619,322	*5.5%*	521,047	*4.4%*	99,610	*0.8%*
Alaska Airlines	574,698	*5.4%*	605,435	*5.4%*	616,552	*5.5%*	668,390	*5.7%*	612,282	*4.9%*
Continental	441,702	*4.1%*	454,189	*4.1%*	497,929	*4.5%*	533,322	*4.5%*	538,786	*4.3%*
Northwest	352,928	*3.3%*	363,268	*3.2%*	315,608	*2.8%*	326,140	*2.8%*	334,692	*2.7%*
American Eagle	341,205	*3.2%*	335,439	*3.0%*	338,424	*3.0%*	321,712	*2.7%*	280,234	*2.2%*
US Airways	307,919	*2.9%*	298,983	*2.7%*	250,303	*2.2%*	391,358	*3.3%*	713,030	*5.7%*
Skywest	239,521	*2.2%*	247,215	*2.2%*	251,902	*2.3%*	246,559	*2.1%*	195,777	*1.6%*
Frontier Airlines	142,867	*1.3%*	174,583	*1.6%*	176,455	*1.6%*	283,898	*2.4%*	287,387	*2.3%*
Hawaiian	135,040	*1.3%*	145,920	*1.3%*	145,920	*1.3%*	211,840	*1.8%*	235,200	*1.9%*
Mesa	53,856	*0.5%*	144,353	*1.3%*	146,126	*1.3%*	54,004	*0.5%*	20,870	*0.2%*
JetBlue	144,191	*1.3%*	123,145	*1.1%*	174,337	*1.6%*	159,406	*1.4%*	288,239	*2.3%*
Virgin America	-	*0.0%*	-	*0.0%*	-	*0.0%*	-	*0.0%*	86,979	*0.7%*
Air TranAirways					-	*0.0%*	-	*0.0%*	117,888	*0.9%*
Midwest Airlines	-		-		27,642	*0.2%*	43,920	*0.4%*	60,000	*0.5%*
Air Canada	-		-		-	*0.0%*	40,456	*0.3%*	65,140	*0.5%*
Express Jet	-		-		-	*0.0%*	-	*0.0%*	273,666	*2.2%*
Others	133,440	*1.2%*	183,114	*1.6%*	155,472	*1.4%*	282,423	*2.4%*	233,314	*1.9%*
Subtotal	**10,075,327**	***94.0%***	**10,489,898**	***93.8%***	**10,694,051**	***93.7%***	**11,070,263**	***94.0%***	**11,812,964**	***94.6%***
Cargo										
Federal Express	343,931	*3.2%*	384,702	*3.4%*	445,744	*3.9%*	456,152	*3.9%*	447,636	*3.6%*
United Parcel	109,421	*1.0%*	108,463	*1.0%*	112,412	*1.0%*	125,822	*1.1%*	128,880	*1.0%*
ABX Air	69,360	*0.6%*	70,140	*0.6%*	69,734	*0.6%*	70,289	*0.6%*	69,360	*0.6%*
Emery Air Freight (Menlo)	40,972	*0.4%*	44,219	*0.4%*	34,634	*0.3%*	-	*0.0%*	-	*0.0%*
DHL Airways, Inc (ASTAR)	40,640	*0.4%*	41,600	*0.4%*	16,800	*0.1%*	-	*0.0%*	-	*0.0%*
Others	36,085	*0.3%*	41,008	*0.4%*	41,008	*0.4%*	51,816	*0.4%*	33,960	*0.3%*
Subtotal	**640,409**	***6.0%***	**690,132**	***6.2%***	**720,332**	***6.3%***	**704,079**	***6.0%***	**679,836**	***5.4%***
Total	**10,715,735**	***100.0%***	**11,180,029**	***100.0%***	**11,414,382**	***100.0%***	**11,774,342**	***100.0%***	**12,492,800**	***100.0%***
Annual % Change	**(1.2%)**		**4.3%**		**2.1%**		**3.2%**		**6.1%**	

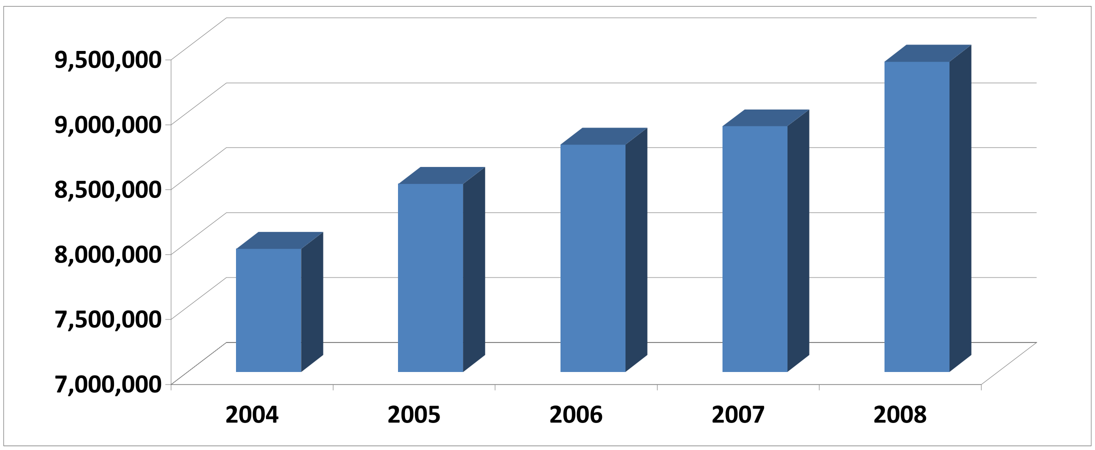
Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Authority was in operation.

Charter airlines are included in the landed weights of the carriers that service them.
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-12
Passenger Enplanements
Fiscal Years Ended June 30,

Fiscal Year	Passenger Enplanements	% Change
2004	7,947,440	5.9%
2005	8,449,107	5.9%
2006	8,749,734	3.6%
2007	8,892,069	1.6%
2008	9,389,327	5.6%



Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Authority was in operation.

Enplaned passenger is any revenue passenger boarding at the airport, including any passenger that previously disembarked from another aircraft (i.e. connecting passenger).

Exhibit S-13

Enplanement Market Share by Airline by Fiscal Year

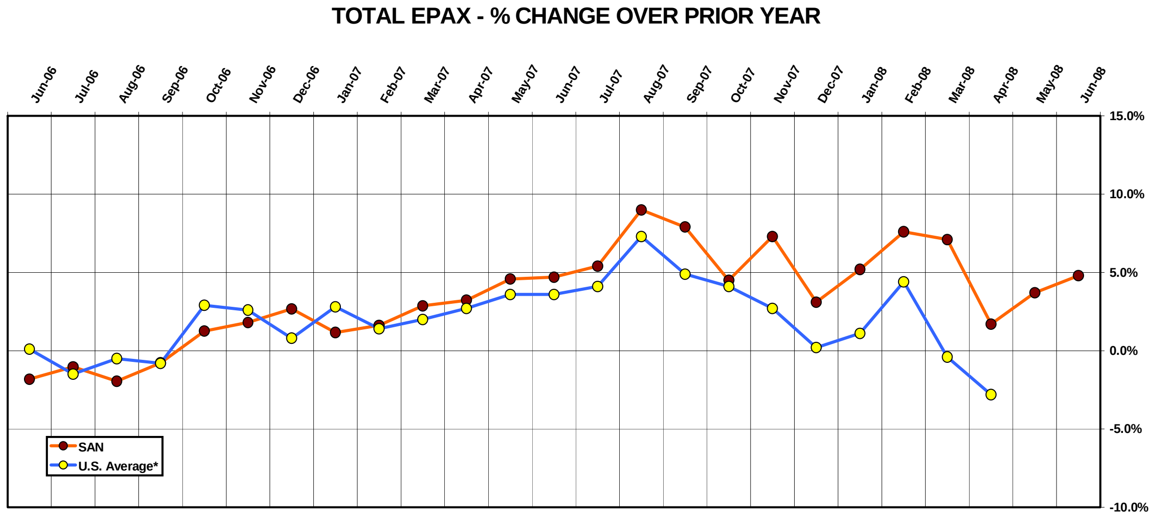
Fiscal Years Ended June 30,

Air Carrier	2004	Share	2005	Share	2006	Share	2007	Share	2008	Share	% Change 2007 vs. 2008
Aeromexico	47,533	0.6%	49,488	0.6%	58,969	0.7%	39,518	0.4%	32,223	0.3%	(18.5)%
Alaska	439,430	5.5%	476,395	5.6%	492,891	5.6%	536,784	6.0%	498,169	5.3%	(7.2)%
Aloha	-	-	29,051	0.3%	41,882	0.5%	38,418	0.4%	33,620	0.4%	(12.5)%
America West	450,256	5.7%	466,615	5.5%	451,904	5.2%	374,072	4.2%	78,298	0.8%	(79.1)%
American	831,823	10.5%	879,144	10.4%	968,832	11.1%	873,624	9.8%	808,790	8.6%	(7.4)%
British Airways	16,756	0.2%	-	-	-	-	-	-	-	-	-
Continental	354,114	4.5%	401,803	4.8%	454,699	5.2%	503,189	5.7%	520,856	5.5%	3.5 %
Delta	674,570	8.5%	713,872	8.4%	666,101	7.6%	633,772	7.1%	687,104	7.3%	8.4 %
Frontier	140,846	1.8%	152,917	1.8%	171,544	2.0%	196,598	2.2%	231,926	2.5%	18.0 %
Hawaiian	101,847	1.3%	108,798	1.3%	112,410	1.3%	154,932	1.7%	160,939	1.7%	3.9 %
Jet Blue	119,517	1.5%	118,762	1.4%	161,594	1.8%	151,984	1.7%	224,205	2.4%	47.5 %
Mesa	42,235	0.5%	114,010	1.3%	117,330	1.3%	42,219	0.5%	17,098	0.2%	(59.5)%
Midwest Airlines	-	-	-	-	18,688	0.2%	34,551	0.4%	42,763	0.5%	23.8 %
Northwest	310,795	3.9%	319,790	3.8%	292,393	3.3%	286,952	3.2%	295,724	3.1%	3.1 %
Southwest	2,741,470	34.5%	2,866,405	33.9%	2,979,763	34.1%	3,106,431	34.9%	3,306,386	35.2%	6.4 %
Sun County	21,515	0.3%	27,339	0.3%	41,091	0.5%	45,931	0.5%	44,454	0.5%	(3.2)%
United	939,722	11.8%	982,535	11.6%	989,744	11.3%	990,725	11.1%	978,816	10.4%	(1.2)%
US Airways	241,167	3.0%	251,629	3.0%	212,622	2.4%	300,568	3.4%	552,751	5.9%	83.9 %
Other	-	-	8,439	0.1%	27,329	0.3%	89,112	1.0%	459,946	4.9%	416.1 %
Total Air Carrier	7,473,596	94.0%	7,966,992	94.3%	8,259,786	94.4%	8,399,380	94.5%	8,974,068	95.6%	6.8 %
Commuter											
American Eagle	276,485	3.5%	288,843	3.4%	287,136	3.3%	275,087	3.1%	238,147	2.5%	(13.4)%
SkyWest	197,359	2.5%	193,272	2.3%	202,812	2.3%	217,602	2.4%	177,112	1.9%	(18.6)%
Other	-	-	-	-	-	-	-	-			-
Total Commuter	473,844	6.0%	482,115	5.7%	489,948	5.6%	492,689	5.5%	415,259	4.4%	(15.7)%
Total Enplanements	7,947,440	100.0%	8,449,107	100.0%	8,749,734	100.0%	8,892,069	100.0%	9,389,327	100.0%	5.6 %

Exhibit S-14

Growth in Passenger Enplanements, SDIA vs. US

Percentage change in enplanements by month compared to previous year



* U.S. Average is based on T-100 Market Reporting Data from the DOT Bureau of Transportation Statistics.

This chart compares SDIA's year over year enplanement growth compared to the US scheduled mainline service.

Source: San Diego County Regional Airport Authority and US Dept of Transportation
Information presented reflects those years that the Authority was in operation.

Note: The US Dept of Transportation began compiling its T-100 enplanement data on a monthly basis beginning in January 2004.

Exhibit S-15

Population & Per Capita Personal Income - San Diego County (2000-2008)

Calendar Year	Estimated Population[1]	% Change	Per Capita Personal Income[2]	% Change
2000	2,805,935	2.0 %	$ 32,789	8.4%
2001	2,864,408	2.1 %	33,801	3.1%
2002	2,921,273	2.0 %	34,612	2.4%
2003	2,972,832	1.8 %	35,676	3.1%
2004	3,011,526	1.3 %	38,452	7.8%
2005	3,038,579	0.9 %	40,383	5.0%
2006	3,064,113	0.8 %	42,801	6.0%
2007	3,100,132	1.2 %	n/a	n/a
2008	3,146,274	1.5 %	n/a	n/a

Source:

[1] California Department of Finance, Demographic Research Unit, Revised Population Estimates for Counties, 2000-2007, estimated population 2008

[2] U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, Local Area Personal Income

Exhibit S-16
Principal Employers in San Diego County

	Employer	Local Employees	Sector	Percentage of Total Industry Employment
1	U.S. Navy - Military	42,000	Government	**3.2%**
	U.S. Navy - Civilian	7,000	Government	**0.5%**
2	U.S. Federal Government	39,100	Government	**3.0%**
3	State of California	37,100	Government	**2.8%**
4	University of California, San Diego	24,790	Education	**1.9%**
5	San Diego Unified School District	21,073	Education	**1.6%**
6	City of San Diego	20,700	Government	**1.6%**
7	County of San Diego	18,900	Government	**1.4%**
8	Sharp Health Care	13,872	Health Care	**1.1%**
9	Scripps Mercy Hospital	11,000	Health Care	**0.8%**
10	Scripps Health	10,313	Health Care	**0.8%**

Total Industry Employment in San Diego County (2007): 1,319,000

Source: Employers - San Diego Daily Transcript Source Book, 2007;
Total Industry Employment - California Employment Development Dept.,
Labor Market Info; March 2007 Benchmark

Exhibit S-17

San Diego County Employment by Industry Sector

Industry Sectors	2007 Industry Employment	% of Total
Trade, Transportation & Utilities	223,000	16.9%
Government	222,100	16.8%
Professional & Business Services	216,500	16.4%
Leisure & Hospitality	160,900	12.2%
Education and Health Services	128,800	9.8%
Manufacturing	102,100	7.7%
Natural Resources, Mining & Constructio	87,600	6.6%
Financial Activities	80,400	6.1%
Other Services	48,800	3.7%
Information	38,000	2.9%
Agriculture	10,800	0.8%
Total	**1,319,000**	

Source: California Employment Development Dept., Labor Market Info; March 2007 Benchmark

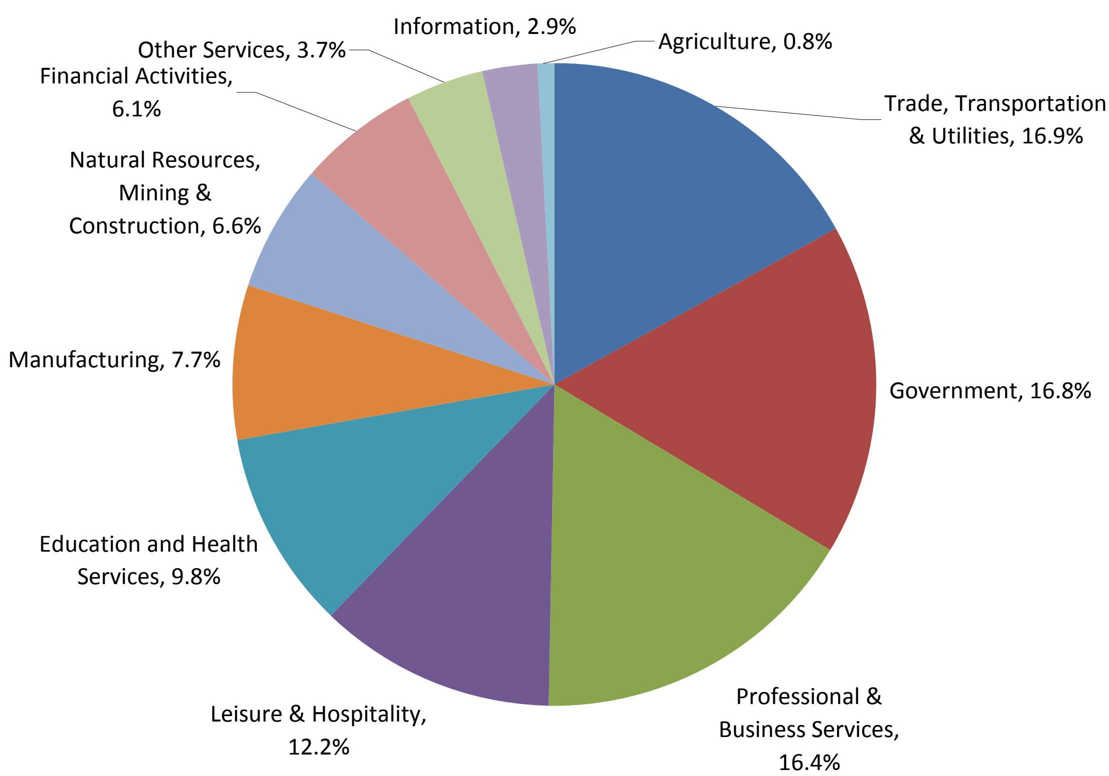


Exhibit S-18

Labor Force, Employment, Unemployment and Unemployment Rates

Year	Labor Force	Employment	Unemployment	Unemployment Rate	
				SD County	State
2002	1,450,500	1,375,800	74,700	5.2%	6.7%
2003	1,469,800	1,393,300	76,500	5.2%	6.8%
2004	1,492,400	1,421,700	70,700	4.7%	6.2%
2005	1,507,800	1,442,700	65,100	4.3%	5.4%
2006	1,518,000	1,457,500	60,500	4.0%	4.9%
2007	1,542,200	1,471,600	70,900	4.6%	5.4%
2008	n/a	n/a	n/a	n/a	n/a

Source: California Employment Development Dept., Labor Market Info. 2007 Benchmark (not seasonally adjusted)

Exhibit S-19

Revenue Bond Debt Service Coverage

Fiscal Year	Airport Revenues Per Trust Agreement	O&M Expenses Per Trust Agreement	Net Revenues Available for Debt Service	Debt Service Requirements			Coverage (x)
				Principal	Interest	Total	
2004	$ 99,190,423	$ 82,489,503	$ 16,700,920	$2,245,000	$3,308,606	$5,553,606	3.01
2005	112,505,787	90,919,846	21,585,941	2,355,000	3,197,029	5,552,029	3.89
* 2006	124,431,565	98,582,908	25,848,657	5,995,000	2,949,705	8,944,705	2.89
2007	136,607,062	107,034,089	29,572,973	2,670,000	2,665,725	5,335,725	5.54
2008	148,540,145	118,364,813	30,175,332	2,805,000	2,532,225	5,337,225	5.65

Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Authority was in operation.

* The increase in debt service requirements in 2006 was due to principal and interest payments required on both the Airport Revenue Bonds, Series 1995 and the Airport Revenue Refunding Bonds, Series 2005.

Exhibit S-20
Revenue Bond Debt Per Enplaned Passenger

Fiscal Year	Outstanding Revenue Bond Debt	Enplaned Passenger	Debt per Enplaned Passenger
2004	$ 62,960,000	7,947,440	$ 7.92
2005	60,605,000	8,449,107	7.17
2006	56,270,000	8,749,734	6.43
2007	52,755,000	8,892,069	5.93
2008	50,085,000	9,389,327	5.33

Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Authority was in operation.

Exhibit S-21

Capital Assets

San Diego International Airport	
Number of runways	1
Length of runway (feet)	9,400 feet
Gates	41
Commuter plane parking positions	10
Terminal Square footage	827,856
Airport Land Area	661 acres
On airport parking spaces	3,156
Off airport parking spaces	3,400

Source: San Diego County Regional Airport Authority