San Diego County
Regional Airport Authority
San Diego, California

Comprehensive Annual Financial Report
Fiscal Year Ended
June 30, 2009

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Fiscal Year Ended June 30, 2009

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

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

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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 nine-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 17.1 million passengers in fiscal year 2009.


Ground
Transport
Information

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

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October 15, 2009

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, 2009, 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 nine-member Board governs the Airport Authority with three additional members serving as ex-officio Board members. Three members serve as the Executive Committee consisting of one Board member from each of the following "defined jurisdictions"; the City of San Diego, the county of San Diego, and one Board member from among the east county cities, south county cities, or north county inland cities. The Board members serve three year terms in accordance with SB 10.

The management and operations of the Airport Authority 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, 2008, San Diego County is the sixth largest county in the United States. The county's population has grown at an average rate of 0.5% in 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 (8%), Oceanside (6%), Escondido (4%), El Cajon (3%), Carlsbad (3%), and Vista (3%). The combined San Diego/Tijuana metropolitan population exceeds 5 million inhabitants.

Typically, 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 October 2008, the recession hit San Diego County though slightly less than compared to the rest of the state. In July 2009, the County's unemployment rate was 10.3%, compared to 11.9% for the State. The region's economy is 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 2009 experienced a drop in enplanements due to the economic recession. Passenger enplanements totaled 8.5 million, a 9.1% decrease over fiscal year 2008. 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

<u>The Airport Authority Stays Financially Strong</u> – The Airport Authority remains focused on increasing net revenues while maintaining reasonable airline charges and reducing cost impacts to the signatory airlines during the period of economic recession. In October 2008, the Airport Authority increased parking rates by 33%. The Airport Authority also prepared a reforecast of their original 2009 budget and cut operating expenses by 7% in response to reduced enplanement projections. This reduced the amount of expenses passed onto the airlines. SDIA's cost per enplanement (CPE) for fiscal year ended 2009 was $6.36, a decrease of $0.18 (or 2.7%) from $6.54 originally budgeted. These actions also allowed the Authority to generate strong net revenues and to produce debt service coverage of 3.63 times. The Airport Authority continues to hold on to the strong A+/A1/A+ ratings by Fitch, Moody's and Standard & Poor's, respectively, despite the decline in enplanements and airline industry uncertainties.

<u>Sustainability</u> – The Airport Authority adopted a sustainability policy in February 2008. The Authority recognizes the need to be a truly sustainable organization. The policy mandates the development of sustainable practices in core processes, policies, programs and precepts of the Authority. The Airport Authority has adopted four sustainable elements (EONS): Economic

Viability (E), Operational Excellence (O), Natural Resource Conservation (N), and Social Responsibility (S) to guide sustainable practices in all areas.

The Airport Authority is committed to pursuing a sustainable environment by actively participating in local and regional 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 commitment to sustainability is evidenced in several areas. The Airport Authority has implemented operational improvements to conserve water and electricity; public restrooms have low flow fixtures and irrigation control is provided through the use of satellites. Reduced water usage is projected to produce a cost savings of up to 15% in the next fiscal year. Additionally, the Authority installed energy saving bulbs and fixtures in the terminals and in office areas. Office areas also have been retrofitted with automatic sensors to control utilization. In fiscal year 2010, to ensure conservation it is projected to result in savings of approximately 7%. We continue to analyze the life cycle of operating costs and the impacts of Authority facilities, operations and services.

The Airport Authority has adopted standards set forth by the United States Green Building council. These standards called Leadership in Energy and Environmental Design (LEED) are 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) – Senate Bill 10 required that as of January 1, 2008, the Airport Authority would be responsible for coordinating the development of a regional aviation strategic plan to be completed no later than June 2011. The goal of the RASP is to identify workable strategies to improve the performance of the San Diego County regional airport system. It is intended to promote long-range planning for airports in local general plans, support regional transportation needs and explore mechanisms for regional cooperation in transportation planning.

The RASP schedule allowed for the completion of the aviation activity forecasts and definition of the aviation capacity at each of the region's 12 civilian airports, consistent with each of the airports' master plans. In 2009, the Airport Authority initiated a study of aviation facility requirements at each airport. Also in 2009, major strategies and policies were developed to improve the performance of the airport system. A preferred strategy will be selected in 2010, which will then be incorporated into SANDAG's Airport Multimodal Accessibility Plan (AMAP). The development of the RASP and the AMAP is a coordinated process between the Airport Authority and SANDAG. The overall schedule is designed to allow the RASP and AMAP to be incorporated into the next update of the Regional Transportation Plan (RTP), which is an integrated set of public policies, strategies and investments designed to maintain, manage and improve the transportation system in the San Diego County region.

Social Media Efforts - During fiscal year 2009, the Airport Authority began to utilize two popular social media tools – Twitter and Facebook – to connect thousands of residents and travelers with updates and activities at San Diego International Airport. Twitter, the popular mobile short-messaging tool can be found at @SanDiegoAirport and Facebook at http://companies.to/sandiego airport; both were launched in July 2009. San Diego International Airport is a leader in the social media arena, being one of the first major airports to launch an employee blog accessible by the public, at www.ambassablog.com. Airport users with WiFienabled devices can easily access these tools and the internet, courtesy of the airports free WiFi service available throughout the terminals.

Biztown, Bringing the Airport Business to Life for the Kids of Biztown – Biztown is an interactive life-size mini-municipality for 5th and 6th grade students to explore the free enterprise system and improve their personal economic literacy. The facility houses multiple business venues including a bank, Jack in the Box, City Hall, professional offices, a radio, TV station, a community charity and in 2009, with the Airport Authority's participation, an airport. The Airport Authority has installed in Biztown an airplane fuselage simulator, complete with an aerial-view video and vibrating airline seats. A real ticket counter was adapted to serve as a ticket and concession selling station, with flashing LED lights showing flight times overhead. Also added in Biztown, is a simulated executive office with a view of the airfield in the form of a monitor playing a real-time video loop of the actual Lindbergh Field airfield. The airplane fuselage is dubbed "Airport Explorers Airlines" after the Airport Authority's youth education program. It goes airborne in the form of a five minute loop over San Diego from a thousand feet up. Meanwhile, "employees" are kept busy with sales, expenses and operational issues common to every airport and airline environment. The Airport Authority's goal is to reach over 12,000 students a year with hands-on opportunities and real-world economics. Our mission is to give children of all ages inspiration to reach for the sky and be exposed to future career opportunities in aviation.

The Green Build - In 2009, the Airport Authority Board authorized design, construction and funding for The Green Build – Moving Forward, Soaring Higher – formerly known as the Terminal Development Program. The program will enhance the travelers' experience and the airport's safety and efficiency. This is the largest expansion in SDIA's 81 year history. The Board decision included approval of the budget for The Green Build at approximately $1 billion - $865 million direct costs and $145 million in financing costs. Expansion of Terminal 2 West to include:

- 10 new jet gates at Terminal 2 West
- Taxiway improvements to enhance the flow of aircraft traffic
- New, expanded dining and shopping options
- More comfortable holding areas at the gates
- More and improved security checkpoints
- A dual-level roadway at Terminal 2, featuring an arrivals curb on level one and a departures curb on level two, to relieve current curbside congestion, and smart curb technology which allows travelers to check in for their flight even before entering the terminal
- Additional parking for remain-over-night aircraft to eliminate the need for aircraft to taxi across the runway
- Public art integrated throughout the terminal expansion and outside area

The Green Build will help meet current demand at SDIA, and make the travel experience more comfortable and enjoyable for all airport users. At peak construction, The Green Build is expected to provide nearly 1,000 construction-related jobs. Sustainability and environmental sensitivity are hallmarks of The Green Build. Construction will incorporate sustainable design principles with the goal of meeting Leadership in Energy and Environmental Design (LEED) Silver certification.

The first phase of the project will be construction of the parking apron for remain-over-night aircraft. Phase two includes terminal and dual–level roadway construction beginning in 2010. The Green Build is expected to be completed in late 2012 or early 2013. Public information about the airport improvements is available at www.sanplan.com.

Former Naval Training Center Landfill Remediation - During 2009, Phase 2 of the Naval Training Center (NTC) Landfill Remediation Project commenced. This project included the removal of household waste, burn ash, and proper removal and disposal of these materials at appropriately permitted landfill sites. Up to 100 trucks per day were filled in the remediation process. In addition to the landfill work, the property also contained major and minor utilities both in use and abandoned which required removal or relocation to minimize impact to future airport improvements. Major utilities included relocation of an existing 10-inch high pressure gas line, and a 12 kV electric transmission line. A secondary objective of this project is to document the sampling and testing of the remediation work to support a Clean Closure request, or partial Clean Closure from the Regional Water Quality Control Board. Following the cleanup, a compacted subgrade was installed to prepare the site for future airport improvements. The landfill was originally closed by the Navy in 1971.

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 1,500 homes. In 2009, the Airport Authority was awarded an additional $11 million grant to continue funding the program.

SDIA Ranks High in Customer Service – In a survey sponsored by Airport Council International, SDIA received third place in the 15–25 million size category as "Best Airport by Size" using a global ranking. Additionally, Phoenix Marketing International measured overall customer satisfaction of SDIA by looking at 9 different variables and surveying over 800 passengers annually. In 2008, 87% of the surveyed passengers rated SDIA as highly satisfactory. This is the highest level of annual satisfaction measured at SDIA in five years.

Foster Employee Engagement and Satisfaction – An employee opinion survey, (EOS) was conducted in January 2009 at the Airport Authority. The survey was performed by Allen Analytics, a consulting firm that specializes in employee opinion surveys. The purpose of the EOS was to provide a current and valid picture of the organization as of 2009, measure the change from the 2006 survey and evaluate the impact of some key initiative, identify organizational strengths and opportunities for improving organization effectiveness, monitor any impact from the economic downturn on employee perceptions and gather employee feedback on how to address both short-term and long-term priorities. The overall results were very positive with 76% of the Airport Authority employees completing the survey. Of the 76 items compared to 2006, 22 improved significantly and only 2 declined significantly. The overall levels of engagement were up 81% in 2009 as compared to 75% in 2006. A cross-functional employee team was formed to follow up on outcomes from the survey. The teams determined what areas required more focus and are currently working to implement suggestions to improve ratings in targeted areas.

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 the following:

- 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

The ALUCP for Marine Corps Air Station Camp Pendleton was adopted in June, 2008 and Miramar in October, 2008. Draft plans for the urban general aviation airports were released in May, 2009, and the public comment period ended July, 2009. Work on SDIA was deferred and is expected to continue after the adoption of the urban plans.

Supporting the release of the urban plans and supporting environmental documents, staff expanded community outreach through presentations to political organization, public policy leaders and community groups. The ATAG continues to meet and engage on unresolved issues regarding aviation land use planning.

SDIA Awarded Recycler of the Year – For the fourth year in a row, the Airport Authority was recognized by the City of San Diego's Environmental Services Department as Recycler of the Year. The award recognizes the Airport Authority's recycling efforts including 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 six 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 sets the policy that provides for appropriate internal controls and provides oversight to ensure that the assets of the Airport Authority are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with 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, 2009, 2008, 2007, 2006, 2005, and 2004. Their report on the financial statements is presented in this report.

AWARDS AND ACKNOWLEDGEMENTS

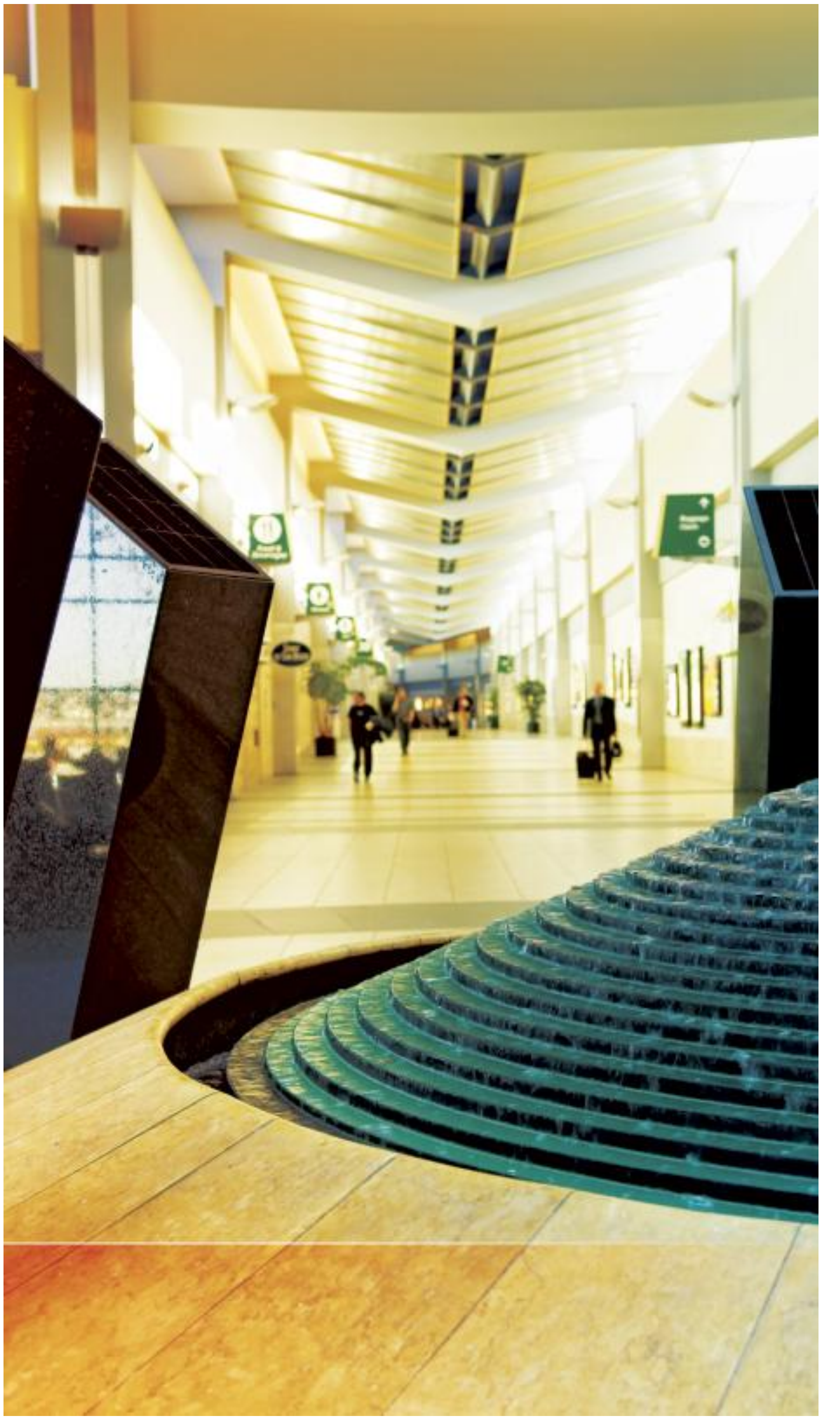
The Airport Authority has been the recipient of numerous awards in customer service, marketing and other areas. However, we are particularly proud to have received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the sixth 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 will submit 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



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 sixth 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, 2008

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

President

Executive Director

Airport Authority Board Members and Executive Staff
As of June 30, 2009

Board of Directors

Executive Committee

- Robert J. Watkins (Vice-Chair)
- Ramona Finnila
- Vacant - Chairperson

General Members

- Bruce R. Boland
- Jim Desmond
- Jim Panknin
- Tom Smisek
- Anthony K. Young
- Charlene Zettel

Ex-Officio Members

- Pedro Orso-Delgado
- Thomas L. Sheehy
- Vacant

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

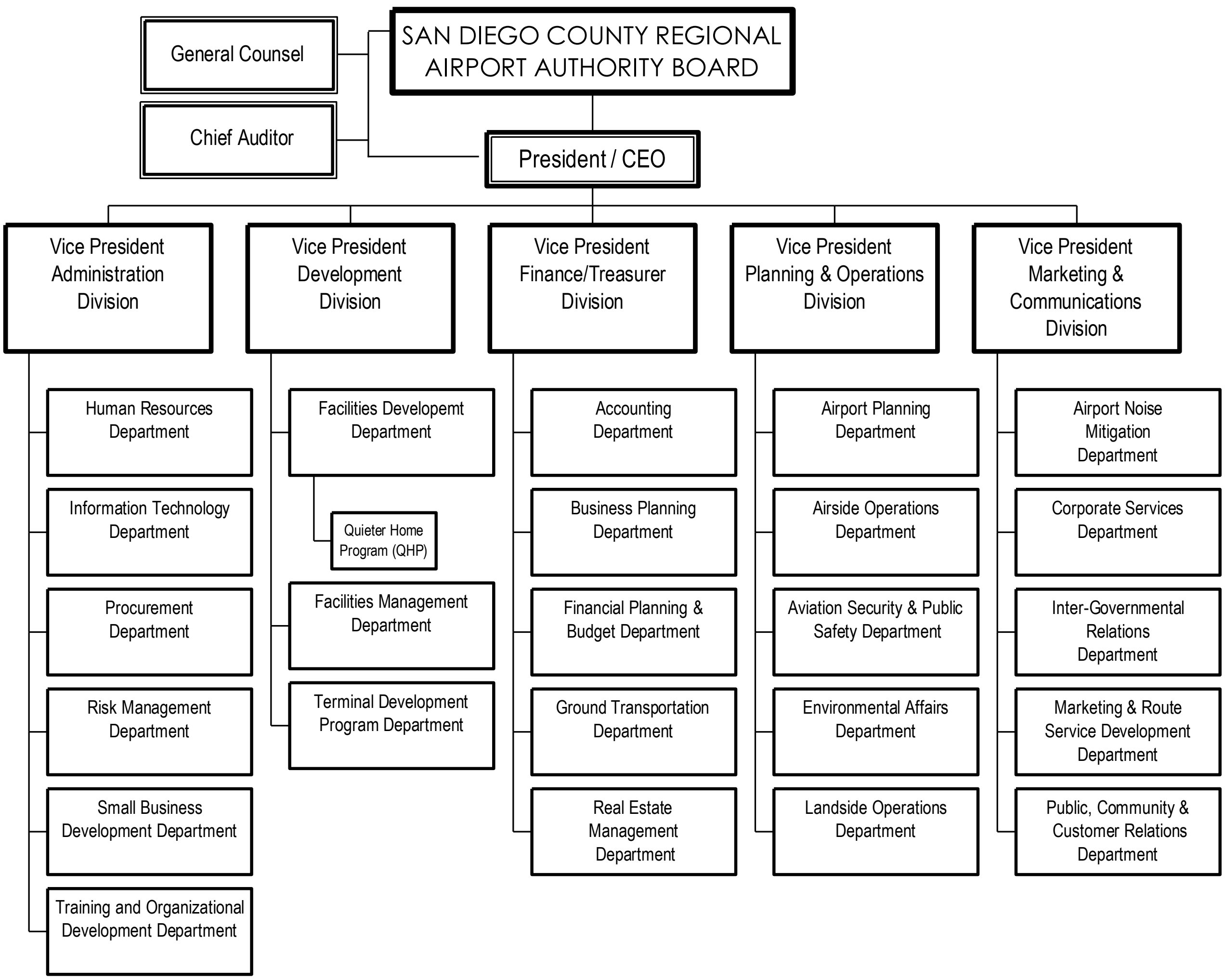
Vernon D. Evans, Vice President, CFO/Treasurer, Finance Division

Breton K. Lobner, General Counsel

Angela Shafer-Payne, Vice President, Planning and Operations

Jeffrey Woodson, Vice President, Administration Division

Airport Authority Organization Chart



Financial Section

Independent Auditor's Report

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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, CA

We have audited the accompanying basic financial statements of the San Diego County Regional Airport Authority (the Airport Authority), as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Airport 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Airport Authority as of June 30, 2009 and 2008, 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.

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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport 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, CA
October 15, 2009

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, 2009 and 2008.

The Airport Authority was established on January 1, 2002, as an independent agency. On January 1, 2003, the operations and assets of San Diego International Airport (SDIA) transferred from the San Diego Unified Port District (District) to the Airport Authority. The Airport Authority adopted a June 30 fiscal year-end 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, 2009, and June 30, 2008—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 Governmental Accounting Standards Board (GASB) No. 33 and GASB No. 34. Significant recurring sources of the Airport Authority's revenues, including Passenger Facility Charges (PFC), Customer Facility Charges (CFC) and investment 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.

SAN DIEGO INTERNATIONAL AIRPORT

History of Ownership

The public policy decision to transfer responsibility for SDIA from the District to the newly created Airport Authority emanated from recommendations made by the San Diego Regional Efficiency Commission (Commission). The Commission was established to evaluate regional governance in San Diego County and report 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 Airport 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 AB established the Airport Authority on January 1, 2002, as a local agency of regional government with jurisdiction throughout the County of San Diego. Subsequent legislative changes to AB 93 were introduced and passed in California Senate Bill 1896 (Act). The amendment addresses several points pertaining to the transfer of aviation employees, date of transfer, property leases, property acquisition and purchase of services from the District.

On January 1, 2008, Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was enacted 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, and
(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 operations ending June 30, 2003.

Airport Activities Highlights

After experiencing enplanement growth in fiscal years 2007 and 2008, the Airport Authority experienced a decline in enplanements in fiscal year 2009 as did almost all commercial airports across the country due to the downturn in the economy.

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

	FY 2007	FY 2008	FY 2009
Enplaned Passengers	8,892,069	9,389,327	8,557,790
% increase (decrease)	*1.6%*	*5.6%*	*-8.9%*
Total Passengers	17,753,839	18,773,969	17,073,886
% increase (decrease)	*1.5%*	*5.7%*	*-9.1%*
Aircraft Operations	220,260	234,209	206,675
% increase (decrease)	*-0.6%*	*6.3%*	*-11.8%*
Freight and Mail (in tons)	191,043	144,523	120,782
% increase (decrease)	*0.8%*	*-24.4%*	*-16.4%*
Landed Weight (000)	11,720	12,493	11,279
% increase (decrease)	*1.7%*	*6.6%*	*-9.7%*

SDIA is a destination airport and is not a hub for any airlines. Further, there is a balanced mixture of SDIA travelers of 50% leisure and 50% business. These factors generally add to the stability of SDIA enplanements in comparison to most airports. However, SDIA realized 8.9% enplanement reduction in fiscal year 2009 compared to 2008 as the U.S. and local economies went into a steep recession. Prior to the economic downturn, 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.

Overall SDIA experienced declines in aircraft operations, 11.8%, freight and mail, 16.4%, and decreased landed weight, 9.7% in fiscal year 2009. Most of these reductions are attributed to the economic recession. In prior years, 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 in fiscal year 2008 was a reflection of the increase in both personal household income and increase in industry sectors. The decline in freight and mail in fiscal years 2008 and 2009 reflects a downturn of business for the two largest freight carriers at SDIA, Federal Express and UPS along with the economic recession.

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

The metric 'Change in Net Assets' is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net assets increased in fiscal year 2009 and fiscal year 2008 to $513 million and $495 million, respectively. Following is a summary of the statements of revenues, expenses and change in net assets.

Increase in Net Assets	FY 2007	FY 2008	FY 2009
Operating revenues	$ 125,366	$ 135,682	$ 130,977
Operating expenses	(138,019)	(150,750)	(153,474)
Nonoperating revenues, net	37,245	41,806	35,913
Capital grant contributions	7,150	2,850	4,646
Increase in net assets	31,742	29,588	18,062
Net assets, beginning of year	433,791	465,533	495,121
Net assets, end of year	$ 465,533	$ 495,121	$ 513,183

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

FINANCIAL HIGHLIGHTS

Operating Revenues (in thousands)

	FY 2008	FY 2009	From 2008 to 2009 Increase (Decrease)	From 2008 to 2009 % Change
Airline revenue:				
Landing fees	$ 24,763	$ 18,689	$ (6,074)	(24.5) %
Aircraft parking fees	-	3,221	3,221	N/A
Building rentals	24,265	23,057	(1,208)	(5.0) %
Security surcharge	8,618	10,204	1,586	18.4 %
Other aviation revenue	1,808	1,565	(243)	(13.4) %
Total airline revenue	59,454	56,736	(2,718)	(4.6) %
Concession revenue	38,785	36,280	(2,505)	(6.5) %
Parking and ground transportation revenue	31,038	31,492	454	1.5 %
Ground rentals	5,208	5,776	568	10.9 %
Other operating revenue	1,197	693	(504)	(42.1) %
Total operating revenue	$ 135,682	$ 130,977	$ (4,705)	(3.5) %

	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	214	4.3 %
Other operating revenue	1,080	1,197	117	10.8 %
Total operating revenue	$ 125,366	$ 135,682	$ 10,316	8.2 %

Fiscal Year 2008 Compared to 2009

Fiscal year 2009 operating revenue decreased $4.7 million or 3.5% primarily due to the decrease in passengers. The Landing fees reduction is due to the decrease in landed weights and the establishment of Aircraft parking fees, which recovers certain airfield costs previously recovered via the Landing fees, which is the primary driver of the $2.7 million or 4.6% decrease in Total airline revenue. In fiscal 2009, the Airport Authority started charging airlines for overnight parking generating $3.2 million as a new revenue source. Also, included in Total airline revenue is

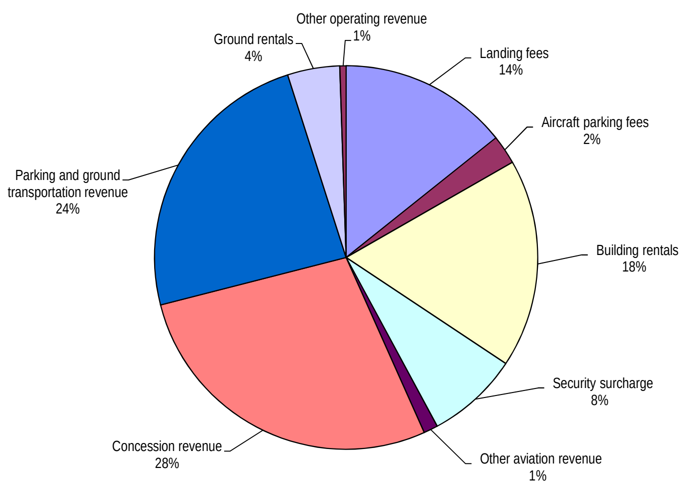
Operating Revenues, Continued

Security surcharge, which increased $1.6 million or 18.4% due to increased security personnel salaries and benefits and requirements. Building rentals decreased by $1.2 million or 5% reflecting reduction in airport operating costs in the FY 09 reforecast. 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 down $2.5 million or 6.5%. This again was due to the decrease in passengers and economic recession. Parking revenues increased by 1.5%, reflecting higher rates established in fiscal year 2009 which largely offset the decline in passenger activity and demand for parking.

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 $177,000 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, was 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.

San Diego County Regional Airport Authority FY 2009 Revenues



Operating Expenses (in thousands)

	FY 2008	FY 2009	From 2008 to 2009 Increase (Decrease)	From 2008 to 2009 % Change
Salaries and benefits	$ 32,912	$ 34,741	$ 1,829	5.6 %
Contractual services	27,379	27,464	85	0.3 %
Safety and Security	19,110	19,930	820	4.3 %
Space rental	10,901	10,888	(13)	(0.1) %
Utilities	6,429	6,912	483	7.5 %
Maintenance	8,735	8,002	(733)	(8.4) %
Equipment and Systems	1,333	678	(655)	(49.1) %
Materials and supplies	795	641	(154)	(19.3) %
Insurance	1,227	1,096	(131)	(10.7) %
Employee Development and Support	1,035	1,030	(5)	(0.5) %
Business Development	2,733	2,509	(224)	(8.2) %
Equipment rentals and repairs	1,396	1,387	(9)	(0.7) %
Total operating expenses before depreciation and amortization	113,985	115,278	1,293	1.1 %
Depreciation and amortization	36,765	38,196	1,431	3.9 %
Total operating expenses	$ 150,750	$ 153,474	$ 2,724	1.8 %

	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	13.9 %
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	$ 138,019	$ 150,750	$ 12,731	9.2 %

Operating Expenses, Continued

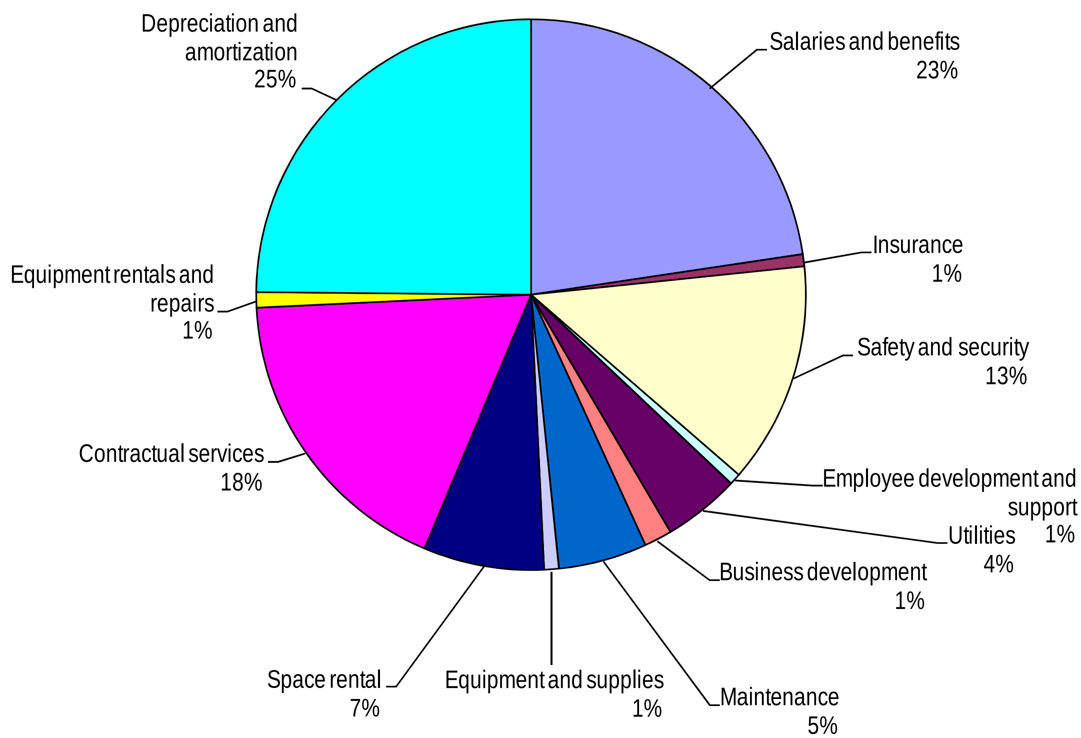
Fiscal Year 2008 Compared to 2009

In fiscal year 2009, operating expenses increased $2.7 million, 1.8%, from $151 million to $153 million, primarily due to increased salaries and benefits, safety and security, and depreciation and amortization expense. In October 2008, the Airport Authority performed a reforecast of their original 2009 budget due to the deep economic downturn. The Airport Authority implemented a hiring freeze and reduced the approved 2009 budgeted expenses by approximately 7% or $8.8 million to align with the projected reduced revenues. Salaries and benefits increased $1.8 million or 5.6% reflecting annual raises, and increased cost of benefits. The increased security expenses reflect the increased security costs in the mandated utilization of the Harbor Police due to salaries and benefit increases. All other operating expenses were reduced to adjust to the economic recession in reduced enplanements and revenues. Depreciation and amortization expense increased $1.4 million or 3.9% due to placing over $30.3 million of capital projects in service. Multiple capital projects were placed in service. They consisted of $3.5 million for expanded restrooms in Terminal 1, $4.9 million for a perimeter fence, $3.2 million to reconfigure a gate, $3 million for a renovation of an old building for the facility management department and $4 million for the purchase of a building to support our terminal expansion team.

Fiscal Year 2007 Compared to 2008

In fiscal year 2008, operating expenses increased $12.7 million, 9.2%, from $138 million to $150.8 million, primarily due to increased salaries and benefits, contractual services, safety and security, and depreciation and amortization expense. Salaries and benefits increased $4.6 million or 16.2% reflecting annual raises, additional headcount, increased cost of benefits and the implementation of GASB No. 45. In fiscal year 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 was less for fiscal year 2007 because the Airport Authority did not renew earthquake insurance due to the lack of availability. Depreciation and amortization 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 the Security Baggage Screening project, at $10 million.

San Diego County Regional Airport Authority FY 2009 Expenses



Nonoperating Revenues and Expenses (in thousands)

	FY 2008	FY 2009	From 2008 to 2009 Increase (Decrease)	From 2008 to 2009 % Change
Passenger facility charge	$ 37,401	$ 33,219	$ (4,182)	(11.2) %
Customer facility charge	-	1,695	1,695	N/A
Quieter Home Program grant revenue	8,284	19,649	11,365	(137.2) %
Quieter Home Program expenses	(12,273)	(25,223)	(12,950)	(105.5) %
Joint Studies Program	(964)	(180)	784	81.4 %
Interest income	13,432	9,434	(3,998)	(29.8) %
Interest expense	(4,086)	(2,998)	1,088	26.6 %
Other revenues (expenses), net	12	316	304	(2,534.0) %
Nonoperating revenues, net	$ 41,806	$ 35,913	$ (5,893)	(14.1) %

	FY2007	FY 2008	From 2007 to 2008 Increase (Decrease)	From 2007 to 2008 % Change
Passenger facility charge	$ 36,452	$ 37,401	$ 949	2.6 %
Quieter Home Program grant revenue	5,233	8,284	3,051	(58.3) %
Quieter Home Program expenses	(8,325)	(12,273)	(3,948)	(47.4) %
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	(12.7) %
Other revenues (expenses), net	(3,281)	12	3,293	(100.4) %
Nonoperating revenues, net	$ 37,245	$ 41,806	$ 4,561	12.2 %

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

Customer Facility Charges (CFCs): In May 2008, the Airport Authority began collecting a $10 CFC per contract on rental cars, which is authorized under Section 1936 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected will be used to plan and construct a consolidated rental car facility and improved transportation system. The rental car agencies remit to the Airport Authority the month following collection of the fee.

Nonoperating Revenues and Expenses, Continued

Quieter Home Program: 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) grant. From inception to June 30, 2009, the Airport Authority has spent $78.6 million and received reimbursement for $62.8 million.

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

Other nonoperating income (expense): 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. Variances relate to the amount of work completed on eligible projects during the fiscal year.

Fiscal Year 2008 Compared to 2009

Nonoperating revenue (net) decreased by $5.9 million or 14.1%. The largest component of this change was passenger facility charges which decreased by $4.2 million or 11.2%. This was primarily due to a reduction of enplanements due to the economic recession. Interest income also decreased by $4 million or 29.8%. This is primarily due to a decreased rate of return on invested funds, again due to the unstable market conditions in fiscal year 2009. The Quieter Home Program had a net expenditure increase of $1.6 million or 39.7% due to the increased amount of homes completed in the program. Interest expense decreased from fiscal 2008 by $1.1 million or 26.6% due to the low commercial paper rates which averaged an unprecedented .45%.

Fiscal Year 2007 Compared to 2008

Nonoperating revenue (net) increased by $4.6 million or 12.2%. The 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, $38,000 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 $898,000 or 29.0% 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, 2009, compared to June 30, 2008. 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, 2007, 2008 and 2009, is as follows:

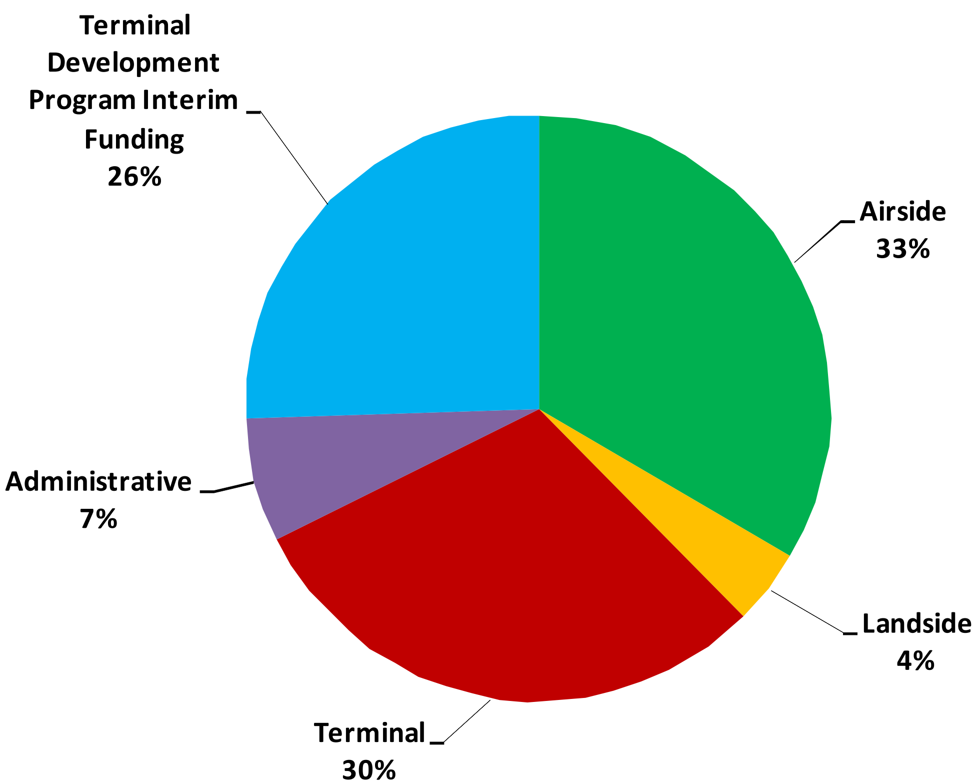
(*in thousands*)	FY 2007	FY 2008	FY 2009
Assets			
Current assets	$ 84,146	$ 96,178	$ 85,162
Capital assets, net	334,826	336,940	380,549
Noncurrent assets	108,261	195,509	225,508
Total assets	$ 599,233	$ 628,627	$ 691,219
Liabilities			
Current liabilities	$ 31,598	$ 36,247	$ 47,029
Long-term liabilities	102,102	97,259	131,007
Total liabilities	$ 133,700	$ 133,506	$ 178,036
Net Assets			
Invested in capital assets, net of related debt	$ 236,762	$ 238,144	$ 249,498
Bond reserves, unapplied PFCs and other restricted	103,787	136,548	167,827
Unrestricted	124,984	120,429	95,858
Total net assets	465,533	495,121	513,183
Total liabilities and net assets	$ 599,233	$ 628,627	$ 691,219

As of June 30, 2009, the Airport Authority's assets exceeded liabilities by $513 million, an $18 million increase over June 30, 2008. 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 $96 million as of 2009 and $120 million as of 2008 may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2009, and 2008, management has designated unrestricted funds in the amount of $6 million and $9 million, respectively, for capital contract commitments funded by Airport Authority cash, and earthquake insurance for fiscal years 2009 and 2008 and other postretirement benefit contributions for fiscal year 2008. All postretirement benefit contributions designated in 2008 were paid in 2009. In addition, as of June 30, 2009, and 2008, 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 $334.8 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 $112 million for airside projects, $13.9 million for landside projects, $100.5 million for terminal projects, $85.4 million for interim funding for the Terminal Development Program, and $23 million for administrative 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 2009 was the Naval Training Center land remediation, $40 million, to prepare for the 2010 apron project. The apron project is the beginning of the actual building of the $865 million airport expansion program called "The Green Build."

Additional information of the Airport Authority's capital assets can be found in Note 4 to the financial statements on pages 41-42 of this report.

Capital Financing and Debt Management

In October 2005, the Airport Authority sold $56.27 million of San Diego County Regional Airport Authority Airport Revenue Refunding Bonds Series 2005. This 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. The Series 2005 Bonds were issued in the aggregate principal amount of $56.27 million and were structured as serial bonds that bear interest at rates ranging from 4.5% to 5.25% maturing in fiscal years 2007 to 2021. Interest on the bonds is payable semiannually on January 1 and July 1 of each year.

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 of at least 125% of debt service for that year.

As of June 30, 2009, $47.3 million in bonds were outstanding. The ratings of the Series 2005 Bonds as of June 30, 2009 and 2008, are A+/A1/A+ by Standard & Poor’s, Moody’s Investors Service and Fitch Ratings, respectively. Additionally, the Airport Authority holds a fully funded debt service reserve equal to one year’s annual debt service. The Series 2005 bonds also are insured by American Municipal Bond Assurance Corporation (AMBAC), which is currently rated CC/Caa2 by Standard & Poor’s and Moody’s Investors Service, respectively. The Airport Authority is not directly impacted by AMBAC’s downgrades. The insurance policy on the bonds remains in effect. In the unlikely event that the Airport Authority was not able to make a debt service payment, AMBAC is contractually required to make the payment and seek reimbursement from the Airport Authority.

As of June 30, 2009, $84.4 million in commercial paper was outstanding. The commercial paper program was established in 1997 to fund the then-approved CIP and related Terminal 2 expansion projects. The Airport Authority’s outstanding commercial paper, Series A (non AMT), Series B (AMT) and Series C (taxable) is secured by a pledge of airport revenues, subordinated to the pledge of net airport revenues securing the payment of the Series 2005 Bonds. The authorized program provides for borrowings up to $250 million through September 1, 2027. Each commercial paper note matures at the end of a period not to exceed 270 days and can be continually rolled into another issuance until the earlier of September 10, 2014, or five days prior to the date. At that time, the total outstanding principal becomes due. The commercial paper notes require that the charges for services be set each year at rates sufficient to produce Pledged Revenues of at least 1.10 times the debt service on subordinate obligations, including the commercial paper notes, for that year.

Each series of notes are additionally secured by an irrevocable letter of credit issued by Lloyds TSB Bank plc and is rated A-1 by Standard & Poor’s and P-1 by Moody’s Investors Service. The letter of credit expires on September 10, 2014. Interest on the notes is paid at a rate based on the market for similar commercial paper notes.

Additional information of the Airport Authority’s long-term debt can be found in Note 5 to the financial statements on pages 43-46 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 $27 million in capital spending was approved for drawdowns 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 $2.6 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 Airport Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Accounting Department, P.O. Box 82776, San Diego, CA 92138. The Accounting Department can also be reached at (619) 400-2807. A copy of the financial report is available at www.san.org.

Thella F. Bowens
Chief Executive Officer/President

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

San Diego County Regional Airport Authority

Balance Sheets
June 30, 2009 and 2008

Assets	2009	2008
Unrestricted Current Assets		
Cash and cash equivalents (Note 2)	$ 12,616,091	$ 29,699,700
Investments (Note 2)	46,090,303	40,568,142
Tenant lease receivables, net of allowance of 2009 $381,728 and 2008 $106,244	5,279,287	7,043,089
Grants receivable	3,155,314	1,004,934
Notes receivable, current portion (Note 3)	1,527,582	1,446,878
Inventory	-	207,553
Other current assets	6,193,819	2,663,426
Total unrestricted current assets	74,862,396	82,633,722
Cash and Investments Designated for Specific Capital Projects and Other Commitments (Notes 2, 7 and 11)	6,150,653	9,470,599
Restricted Cash and Cash Equivalents with Trustee (Notes 2 and 5)	4,149,082	4,074,207
Total current assets	85,162,131	96,178,528
Capital Assets (Note 4)		
Land, land improvements and nondepreciable assets	24,021,619	23,581,619
Buildings and structures	411,197,780	390,442,393
Machinery and equipment	37,218,852	31,240,168
Runways, roads and parking lots	228,860,559	226,837,515
Construction in progress	103,275,230	53,453,659
	804,574,040	725,555,354
Less accumulated depreciation	(424,024,703)	(388,615,255)
Capital assets, net	380,549,337	336,940,099
Restricted Assets (Notes 2 and 5)		
Restricted cash, cash equivalents and investments, not with Trustee	152,425,303	123,380,313
Restricted investments with Trustee	5,406,912	5,406,972
Passenger facility charges (PFC) receivable	4,941,298	3,826,286
Customer facility charges (CFC) receivable	1,034,406	-
Other restricted assets	1,065,796	1,126,153
Total restricted assets	164,873,715	133,739,724
Investments, noncurrent (Note 2)	9,535,642	8,773,374
Notes Receivable, long-term portion (Note 3)	46,223,264	47,750,847
Deferred Costs, Series 2005 Bonds, net	856,999	925,913
Net Pension Asset (Note 6)	4,017,837	4,318,594
Total noncurrent assets	606,056,794	532,448,551
Total assets	$ 691,218,925	$ 628,627,079

See Notes to Financial Statements.

Liabilities and Net Assets	2009	2008
Current Liabilities Payable from Unrestricted Assets		
Accounts payable	$ 2,437,226	$ 3,426,621
Accrued liabilities (Note 8)	38,050,618	24,828,622
Compensated absences, current portion (Note 5)	2,049,060	1,725,135
Deposits and other current liabilities	245,550	155,368
Total current liabilities payable from unrestricted assets	42,782,454	30,135,746
Current Liabilities Payable from Restricted Assets		
Current portion of Series 2005 Bonds and commercial paper (Note 5)	2,950,000	4,735,000
Accrued interest on bonds and commercial paper (Note 5)	1,297,041	1,376,144
Total current liabilities payable from restricted assets	4,247,041	6,111,144
Total current liabilities	47,029,495	36,246,890
Noncurrent Liabilities		
Deferred rent liability (Note 11)	900,565	1,350,219
Compensated absences, net of current portion (Note 5)	536,789	660,528
Tenant security deposits and other noncurrent liabilities (Note 2)	860,142	523,435
Commercial paper notes payable (Note 5)	84,430,000	47,500,000
Series 2005 Bonds and bond premium, less current portion, net of deferred refunding costs (Note 5)	44,279,370	47,224,767
Total noncurrent liabilities	131,006,866	97,258,949
Total liabilities	178,036,361	133,505,839
Commitments and Contingencies (Notes 6, 7, 8, 9, 10, 11 and 12)		
Net Assets		
Invested in capital assets, net of related debt (Note 1)	249,498,267	238,143,877
Bond reserves, debt service principal, unapplied PFC, unapplied CFC, small business bond guarantee, owner controlled insurance program (Note 1)	167,826,809	136,547,815
Unrestricted (Note 1)	95,857,488	120,429,548
Total net assets	513,182,564	495,121,240
Total liabilities and net assets	$ 691,218,925	$ 628,627,079

San Diego County Regional Airport Authority

Statements of Revenues, Expenses and Change in Net Assets
Years Ended June 30, 2009 and 2008

	2009	2008
Operating revenues:		
Airline revenue:		
Landing fees	$ 18,689,465	$ 24,763,236
Aircraft parking fees	3,221,515	-
Building rentals (Note 10)	23,056,794	24,265,278
Security surcharge	10,203,808	8,618,411
Other aviation revenue	1,564,840	1,807,979
Concession revenue	36,280,004	38,784,979
Parking and ground transportation revenue	31,492,190	31,037,940
Ground rentals (Note 10)	5,775,627	5,207,355
Other operating revenue	692,964	1,197,202
Total operating revenues	130,977,207	135,682,380
Operating expenses:		
Salaries and benefits (Notes 6, 7 and 8)	34,741,348	32,912,330
Contractual services (Note 11)	27,464,614	27,378,415
Safety and security	19,929,678	19,109,994
Space rental (Note 10)	10,887,936	10,900,869
Utilities	6,911,602	6,429,314
Maintenance	8,002,177	8,734,507
Equipment and systems	678,485	1,333,211
Material and supplies	641,225	794,886
Insurance	1,095,867	1,227,346
Employee development and support	1,029,700	1,034,901
Business development	2,509,314	2,733,234
Equipment rentals and repairs	1,386,534	1,396,052
Total operating expenses before depreciation and amortization	115,278,480	113,985,059
Income from operations before depreciation and amortization	15,698,727	21,697,321
Depreciation and amortization	38,196,448	36,764,738
Operating (loss)	(22,497,721)	(15,067,417)

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Revenues, Expenses and Change in Net Assets, Continued
Years Ended June 30, 2009 and 2008

	2009	2008
Nonoperating revenues (expenses)		
Passenger facility charges	$ 33,219,261	$ 37,401,373
Customer facility charges	1,695,270	-
Quieter Home Program grant revenue	19,648,924	8,283,665
Quieter Home Program expenses	(25,222,598)	(12,273,382)
Joint Studies Program	(179,565)	(963,877)
Interest income	9,434,140	13,431,601
Interest expense (Note 5)	(2,998,111)	(4,085,819)
Other revenues (expenses), net	316,081	11,974
Nonoperating revenue, net	35,913,402	41,805,535
Income before capital grant contributions	13,415,681	26,738,118
Capital grant contributions	4,645,643	2,849,918
Change in net assets	18,061,324	29,588,036
Net assets, beginning of year	495,121,240	465,533,204
Net assets, end of year	$ 513,182,564	$ 495,121,240

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Receipts from customers	$ 132,996,344	$ 135,692,213
Payments to suppliers	(83,451,633)	(80,001,084)
Payments to employees	(35,340,979)	(30,986,192)
Other receipts	(56,711)	-
Net cash provided by operating activities	14,147,021	24,704,937
Cash Flows From Noncapital Financing Activities		
Settlement receipts (payments)	(20,630)	31,214
Quieter Home Program grant receipts	17,953,811	8,468,125
Quieter Home Program payments	(22,426,915)	(12,303,847)
Joint Studies Program payments	(105,997)	(933,412)
Net cash (used in) noncapital financing activities	(4,599,731)	(4,737,920)
Cash Flows From Capital and Related Financing Activities		
Capital expenditures	(72,120,393)	(36,906,512)
Federal grants received (excluding Quieter Home Program)	4,190,376	4,583,823
Proceeds from passenger facility charges	32,104,249	39,461,316
Proceeds from capital debt	660,864	-
Proceeds from issuance of commercial paper	35,000,000	49,430,000
Principal payments on outstanding commercial paper	-	(51,694,000)
Payment of principal on bonds	(2,805,000)	(2,670,000)
Payment to Trustee for debt service	(74,875)	(68,250)
Interest and debt fees paid	(3,077,210)	(4,201,118)
Cost of debt issuance	-	(273,379)
Net cash (used in) capital and related financing activities	(6,121,989)	(2,338,120)
Cash Flows From Investing Activities		
Purchases of investments	(62,260,727)	(48,000,000)
Sales of investments	26,997,404	6,393,020
Interest received on investments	6,476,125	9,310,571
Principal payments received on notes receivable	1,446,879	1,327,758
Interest received from notes receivable, commercial paper and bonds	3,511,463	3,236,249
Net cash (used in) investing activities	(23,828,856)	(27,732,402)
Net (decrease) in cash and cash equivalents	(20,403,555)	(10,103,505)
Cash and Cash Equivalents, beginning of year	39,170,299	49,273,804
Cash and Cash Equivalents, end of year	$ 18,766,744	$ 39,170,299

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Cash Flows, Continued
Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 12,616,091	$ 29,699,700
Designated cash and cash equivalents	6,150,653	9,470,599
	$ 18,766,744	$ 39,170,299
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities		
Operating (loss)	$ (22,497,721)	$ (15,067,417)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	38,196,448	36,764,738
Bad debt expense (recapture)	275,480	(37,818)
Changes in assets and liabilities:		
Tenant lease receivables	1,253,397	(860,967)
Net pension asset	300,757	300,757
Other current assets	(3,241,316)	706,832
Accounts payable (on noncapital items)	(989,405)	364,326
Accrued liabilities (on noncapital items)	1,983,687	2,042,903
Postretirement benefits obligation	(1,240,437)	1,261,752
Deposits	2,182	(5,890)
Deferred rent liability	(51,700)	(450,073)
Tenant security deposits	(44,540)	63,420
Compensated absences	200,189	(377,626)
Net cash provided by operating activities	$ 14,147,021	$ 24,704,937
Noncash Investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	$ 18,017,643	$ 5,517,583

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. 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 Senate Bill 10, The San Diego County Regional Airport Authority Reform Act, 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 the 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.

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

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. Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed by the Airport Authority to the extent that those standards do not conflict with or contradict guidance of the GASB. The Airport Authority also has the option of following subsequent private-sector guidance for its activities subject to the same limitation. The Airport Authority has elected to follow the standards set by the GASB, as opposed to subsequently issued private sector guidance.

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: The Airport Authority accounts for long-lived assets under accounting pronouncement GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. 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 circumstances 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 requires the Airport Authority to report the effects of capital asset impairments in its financial statements when they occur 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.

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

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 based on quoted market prices.

Restricted assets: Funds are set aside as restricted, 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 resources before unrestricted resources 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, 2009 and 2008, management had designated funds for specific approved capital projects and other commitments totaling $6,150,653 and $9,470,599, 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. The Airport Authority capitalizes interest cost associated with the construction of capital assets based upon the amount of Airport Authority funds used.

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

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

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.

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, 2009 and 2008, accrued PFC receivables totaled $4,941,298 and $3,826,286, respectively, and there were $100,366,290 and $73,281,895 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2009 and 2008, 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 December 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 three active applications. The first and second applications closed December 2007 and May 2008, respectively. The first application was effective October 1995, under the District responsibility, and the final fifth application expires December 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.

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

Customer facility charges (CFC): The Airport Authority received approval in May 2009 from the State of California under Section 1936 of the California Civil Code to impose a $10 CFC per contract on rental cars at the SDIA.

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2009, accrued CFC receivables totaled $1,034,406, and there were $661,445 CFC amounts collected but not yet applied for approved capital projects as of June 30, 2009.

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 is as follows:

	2009	2008
Capital assets	$ 804,574,040	$ 725,555,354
Less accumulated depreciation	(424,024,703)	(388,615,255)
Less outstanding debt	(131,051,070)	(98,796,222)
Invested in capital assets, net	$ 249,498,267	$ 238,143,877

Other restricted net assets as of June 30 are as follows:

	2009	2008
Bond reserves:		
Operations and maintenance reserve	$ 31,427,143	$ 33,441,290
Operations and maintenance subaccount reserve	10,475,714	11,147,096
Revenue and replacement reserve	5,400,000	5,400,000
Bond reserve with Trustee	5,397,157	5,397,157
Debt service principal and interest	2,950,000	2,805,000
Commercial paper reserve	94,712	110,031
Commercial paper held by Trustee	12,849	12,909
Small Business Association Bond Guarantee	4,000,000	-
Passenger facility charges unapplied	100,366,289	73,281,895
Passenger facility charges receivable	4,941,298	3,826,286
Customer facility charges unapplied	661,445	-
Customer facility charges receivable	1,034,406	-
Owner Controlled Insurance Program (OCIP) loss reserve	1,065,796	1,126,151
Total other restricted net assets	$ 167,826,809	$ 136,547,815

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

	2009	2008
Operating contingency	$ 2,000,000	$ 2,000,000
Insurance contingency (Note 8)	3,475,998	2,602,002
Net pension asset	4,017,837	4,318,594
Capital projects and other commitments (Note 11)	4,182,128	8,868,597
	$ 13,675,963	$ 17,789,193

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 each 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 unrestricted and designated 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

Implementation of New Accounting Pronouncements

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement, issued November 2006, 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. The Airport Authority currently has two site remediation projects; both projects are capitalized in accordance to the pronouncement.

- 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. The Airport Authority early implemented GASB Statement No. 51 for the year ended June 30, 2009.

Pronouncements issued, not yet effective: The GASB issued pronouncements prior to June 30, 2009 that have an effective date that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following Statement may have on the financial statements of the Airport Authority:

- 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 2008 financial information in order to conform to the 2009 presentation. These reclassifications had no impact on net income or Airport Authority net assets.

Note 2. Cash and Investments

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

	2009	2008
Unrestricted and undesignated, cash and cash equivalents	$ 12,616,091	$ 29,699,700
Unrestricted and undesignated, current investments	46,090,303	40,568,142
Unrestricted and undesignated, noncurrent investments	9,535,642	8,773,374
	68,242,036	79,041,216
Designated for specific capital projects and other commitments	6,150,653	9,470,599
Restricted:		
Bond reserves:		
Operations and maintenance reserve	31,427,143	33,441,290
Operations and maintenance subaccount reserve	10,475,714	11,147,097
Renewal and replacement reserve	5,400,000	5,400,000
	47,302,857	49,988,387
Passenger facility charges unapplied	100,366,289	73,281,895
Small Business Development Bond Guarantee	4,000,000	-
Customer facility charges unapplied	661,445	-
Commercial paper reserve	94,712	110,031
Total restricted	152,425,303	123,380,313
Total cash and investments, not with Trustee	226,817,992	211,892,128
Investments held by Trustee:		
Debt service payment held by Trustee	4,149,082	4,074,207
Bond guaranteed investment contract held by Trustee	5,394,063	5,394,063
Commerial paper interest held by Trustee	12,849	12,909
Total held by Trustee	9,555,994	9,481,179
Total cash and investments	$ 236,373,986	$ 221,373,307

Note 2. Cash and Investments, Continued

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

	2009	2008
Unrestricted cash on deposit:		
Cash on hand	$ 51,966	$ 51,976
Cash in banks	41,212	15
Total cash on deposit	93,178	51,991
Unrestricted cash equivalents:		
U.S. Bank Repurchase Agreements	7,180,178	14,983,480
Reserve Family Fund Money Market	-	20,069,837
Union Bank of California, Money Market	15,493,388	4,064,991
Total unrestricted cash equivalents	22,673,566	39,118,308
Unrestricted and restricted investments:		
Reserve Family Fund Money Market	1,221,231	-
Certificates of deposit	20,151,759	5,012,302
Local Agency Investment Fund	35,547,847	33,860,616
San Diego County Investment Pool	35,137,094	24,642,516
Union Bank of California, Investment Portfolio	111,993,317	109,206,395
Total unrestricted and restricted investments not with Trustee	204,051,248	172,721,829
Total cash equivalents and investments not with Trustee	226,724,814	211,840,137
Investments held by Trustee:		
Debt service payment held by Trustee	4,149,082	4,074,207
Bond guaranteed investment contract held by Trustee	5,394,063	5,394,063
Commercial paper interest held by Trustee	12,849	12,909
Total investments held by Trustee	9,555,994	9,481,179
Total cash equivalents and investments	236,280,808	221,321,316
Total cash and investments	$ 236,373,986	$ 221,373,307

Note 2. Cash and Investments, 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 the 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, 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 ratings	None	None
Cash	None	N/A	None	None
Deposit accounts	None	N/A	None	None
Municipal bonds	None	Two highest ratings	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 ratings	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:

- Banker's 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, 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 Securities and Exchange Commission (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, 2009 and 2008, the Series 2005 collateralized investment contract held by Trustee was $9,543,145 and $9,468,270, respectively, and commercial paper interest held by Trustee was $12,849 and $12,909, 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 $131,353 and $81,373 as of the fiscal years ended June 30, 2009 and 2008, 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, 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, 2009:

Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Investments subject to interest rate risk:					
Repurchase agreement	$ 7,180,178	$ 7,180,178	$ -	$ -	$ -
LAIF	35,547,847	35,547,847	-	-	-
SDCIP	35,137,094	35,137,094	-	-	-
Corporate bonds	4,067,780	-	4,067,780	-	-
U.S. Treasury notes	2,638,867	1,015,940	1,622,927	-	-
U.S. agency securities	105,286,670	54,138,878	38,004,042	13,143,750	-
Guaranteed investment contract	5,394,063	-	-	-	5,394,063
Total investments subject to interest rate risk	195,252,499	133,019,937	43,694,749	13,143,750	5,394,063
Deposits not subject to interest rate risk:					
Money market account	20,876,550	20,876,550	-	-	-
Certificates of deposit	20,151,759	20,151,759	-	-	-
Total deposits not subject to interest rate risk	41,028,309	41,028,309	-	-	-
	$ 236,280,808	$ 174,048,246	$ 43,694,749	$ 13,143,750	$ 5,394,063

Custodial credit risk (deposits): Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Airport Authority maintains 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, which is required to have 110 percent collateralization, and the Airport Authority's investment policy authorize these types of investments. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000 per bank. At June 30, 2009, 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.

Note 2. Cash and Investments, Continued

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, 2009.

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, 2009 for each investment type:

Investment Type	Total	Unrated	AAA	A1
Investments subject to credit risk:				
Repurchase agreement	$ 7,180,178	$ -	$ -	$ 7,180,178
LAIF	35,547,847	35,547,847	-	-
SDCIP	35,137,094	-	35,137,094	-
Corporate bonds	4,067,780	-	4,067,780	-
U.S. Treasury notes	2,638,867	-	2,638,867	-
U.S. agency securities	105,286,670	-	105,286,670	-
Guaranteed investment contract	5,394,063	-	-	5,394,063
Total investments subject to credit risk	195,252,499	35,547,847	147,130,411	12,574,241
Deposits subject to credit risk:				
Money market account	20,876,550	20,876,550	-	-
Certificates of deposit	20,151,759	20,151,759	-	-
Total deposits subject to credit risk	41,028,309	41,028,309	-	-
	$ 236,280,808	$ 76,576,156	$ 147,130,411	$ 12,574,241

Source: Standard and Poor's

Note 2. Cash and Investments, Continued

Concentration of credit risk: The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated above. Investments that represent 5 percent or more of the Airport Authority's investments as of June 30, 2009 are as follows:

Issuer	Type		Fair Value	% of Portfolio
Federal National Mortgage Assoc.	U.S. agency securities	$	21,658,755	9.16%
Federal Home Loan Bank	U.S. agency securities		40,592,956	17.17%
Federal Home Loan Mortgage Corp.	U.S. agency securities		27,022,272	11.43%
Federal Farm Credit Bank	U.S. agency securities		13,872,327	5.87%
		$	103,146,310	43.63%

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.

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 $12,157,575 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 that time period, The Reserve Fund filed an application with the SEC 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.

Note 2. Cash and Investments, Continued

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 believed the temporary suspension was in the best interest of each of The Reserve Fund's shareholders. The Reserve Fund, under this order, created 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.

On August 25, 2009, The Reserve Fund issued a statement regarding calculations of potential distributions on a pro rata basis. The Reserve Fund and its Independent Trustees support the distribution of the fund's remaining assets on a fair and equitable basis as quickly as possible. Additionally on August 25, they filed briefs with the U.S. District Court for the Southern District of New York. Those briefs explained that based on revised calculations and updated data, each unpaid shareholder may receive $0.9857 per share, pro rata, and possibly up to $0.99 per share, based on certain assumptions. The ultimate amount distributed will vary depending on the actual price received for the Lehman securities, the amount of Reserve Fund expenses and other factors.

To date, the Reserve Fund has distributed $46.08 billion through four interim distributions on a pro rata basis to remaining shareholders, representing $0.90 per share for each of the remaining 51.18 billion shares outstanding. The Reserve Fund holds $4.55 billion of remaining assets. The Reserve Fund Board has set aside $3.5 billion of the remaining assets in a special reserve to satisfy possible legal, accounting and other expenses. There can be no guarantee at this stage that the Court will approve the SEC's proposed plan or that the special reserve can be reduced, nor can there be a guarantee as to the price at which Lehman securities can be sold or the timing of any such sale. The Reserve Fund Board is hopeful that through the SEC's proposed distribution plan or through other resolution of the litigation, The Reserve Fund can release more to investors more quickly.

To date, the Airport Authority has received four distributions totaling $10,950,887 from The Reserve Fund. As of June 30, 2009 and 2008, the undistributed balance, including interest income, was $1,221,231 and $20,069,837, respectively. The Airport Authority has not written down any of the investment as of June 30, 2009 or 2008.

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

Investment in certificates of deposit: The Airport Authority has established a $4,000,000 line of credit with Union Bank, which is collateralized with a certificate of deposit. This line will be utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program. Both the Airport Authority and the sureties participate in the risk under this program. The objective of this program is to ensure that local small, disadvantaged, disabled veteran and other business enterprises have every opportunity to do business with the Airport Authority.

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, 2009 and 2008, the balance of the note receivable was $46,383,195 and $47,483,210, respectively. The current portion recorded on the note for the year ended June 30, 2009 and 2008 was $1,162,063 and $1,100,014, 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, 2009 and 2008, the note receivable was recorded at a value of $1,367,651 and $1,714,515, respectively. The current portion for the years ended June 30, 2009 and 2008 was $365,519 and $346,864, 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
2010	$ 1,528,000
2011	1,613,000
2012	1,696,000
2013	1,581,000
2014	1,447,000
2015-2019	8,548,000
2020-2024	11,245,000
2025-2029	14,800,000
2030-2031	5,293,000
	$ 47,751,000

Note 4. Capital Assets

Capital asset activity was as follows:

	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
Nondepreciable assets:				
Land	$ 22,452,007	$ -	$ -	$ 22,452,007
Construction in progress	53,453,659	80,720,960	(30,899,389)	103,275,230
Intangible asset	-	440,000	-	440,000
Total nondepreciable assets	75,905,666	81,160,960	(30,899,389)	126,167,237
Depreciable assets:				
Land improvements	1,129,612	-	-	1,129,612
Buildings and structures	390,442,393	22,046,567	(1,291,180)	411,197,780
Machinery and equipment	31,240,168	6,325,130	(346,446)	37,218,852
Runways, roads and parking lots	226,837,515	3,132,834	(1,109,790)	228,860,559
Total capital assets being depreciated	649,649,688	31,504,531	(2,747,416)	678,406,803
Less accumulated depreciation for:				
Land improvements	(1,119,795)	(8,537)	-	(1,128,332)
Building and structures	(231,434,285)	(20,128,651)	1,281,003	(250,281,933)
Machinery and equipment	(17,949,298)	(4,763,850)	326,652	(22,386,496)
Runaways, roads and parking lots	(138,111,877)	(13,225,855)	1,109,790	(150,227,942)
Total accumulated depreciation	(388,615,255)	(38,126,893)	2,717,445	(424,024,703)
Total capital assets being depreciated, net	261,034,433	(6,622,362)	(29,971)	254,382,100
Capital assets, net	$ 336,940,099	$ 74,538,598	$ (30,929,360)	$ 380,549,337

Note 4. Capital Assets, Continued

	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 5. Debt

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

	Principal Balance at June 30, 2008	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2009	Due Within One Year
Debt obligations:					
Commercial paper	$ 49,430,000	$ 35,000,000	$ -	$ 84,430,000	$ -
Bonds payable:					
Series 2005 Bonds	50,085,000	-	(2,805,000)	47,280,000	2,950,000
Bond premium	2,727,246	-	(227,271)	2,499,975	-
Deferred amounts on	(2,782,479)	-	231,874	(2,550,605)	-
Total bonds payable	50,029,767	-	(2,800,397)	47,229,370	2,950,000
Total debt obligations	99,459,767	35,000,000	(2,800,397)	131,659,370	2,950,000
Compensated absences	2,385,663	2,249,245	(2,049,060)	2,585,848	2,049,060
Long-term liabilities	$ 101,845,430	$ 37,249,245	$ (4,849,457)	$ 134,245,218	$ 4,999,060

	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	$ 264,572	$ (2,528,572)	$ 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	264,572	(5,193,970)	99,459,767	4,735,000
Compensated absences	2,099,598	2,011,198	(1,725,135)	2,385,662	1,725,135
Long-term liabilities	$ 106,488,763	$ 2,275,770	$ (6,919,105)	$ 101,845,429	$ 6,460,135

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 commercial paper note matures at the end of a period not to exceed 270 days. Each issuance can be rolled into another issuance. The commercial paper is classified as a long-term liability because the Airport Authority has an irrevocable letter of credit that expires no later than September 10, 2014 and is available if the commercial paper is not reissued. If the letter of credit is drawn upon and is not paid off within 90 days of being drawn upon, quarterly payments equal to the amount drawn will be paid. Interest is paid at a rate based on the market for similar commercial paper notes held by the bank.

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.

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 improvement 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 by Moody’s Investors Service.

On August 20, 2008, the Airport Authority issued an additional $35,000,000 in commercial paper. This additional Series B commercial paper was executed in accordance with the existing agreement with Lloyds TSB Bank that was previously authorized by the Board. The additional proceeds were used to reimburse the Airport Authority for prior expenditure reimbursement and future project expenditures. Commercial paper interest expense for the years ended June 30, 2009 and 2008 amounted to $541,494 and $1,487,508, including accrued interest of $101,053 and $110,031, respectively.

At June 30, 2009, the principal amount outstanding for Series A was $27,176,000, with an average annual interest rate of 1.07 percent, and the principal amount outstanding for Series B Commercial Paper was $57,254,000, with an average annual interest rate of 0.94 percent. 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.

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, 2009 and 2008, the amount held by the trustee was $12,849 and $12,909, respectively, and the amount reserved by the Airport Authority was $94,712 and $110,031, 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.

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. The bonds were issued at a premium of $3,333,300, with deferred amounts on refunding of $3,400,800, which are being amortized over the life of the bonds. Interest on the bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the years ended June 30, 2009 and 2008 amounted to $2,391,975 and $2,532,225, respectively, including accrued interest of $1,195,988 and $1,266,113, respectively. The principal balance on the Series 2005 Bonds as of June 30, 2009 and 2008 was $47,280,000 and $50,085,000, 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, 2009 and 2008, the amount held by the trustee was $5,394,063 and $5,394,063, respectively. An additional amount of $4,149,082 and $4,074,207 was held at June 30, 2009 and 2008, respectively, for the July 1 payments. The total amount reserved by the Airport Authority for 2009 and 2008 was $47,302,857 and $49,988,387, respectively. The underlying public ratings of the Series 2005 Bonds as of June 30, 2009 and 2008 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). On June 26, 2008, Fitch withdrew its ratings on AMBAC at the insurer's request. On April 13, 2009, Moody's downgraded the rating from Baaa to Ba3. On June 29, 2009, Standard & Poor's downgraded the rating from A to BBB.

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
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	3,610,000	1,664,225	5,274,225
2015-2019	20,930,000	5,412,288	26,342,288
2020-2021	9,990,000	531,300	10,521,300
	$ 47,280,000	$ 15,940,713	$ 63,220,713

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.

Line of credit: The Airport Authority established a $4,000,000 line of credit with Union Bank, which is collateralized with a certificate of deposit in 2009. This line will be utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2009, nothing had been drawn on the line of credit and no letters of credit had been issued.

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.

Note 6. Defined-Benefit Plan, Continued

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 12.69 percent for 2009, 10.79 percent for 2008 and 13.76 percent for 2007, and is expressed as a percentage of covered payroll.

Annual pension cost: For the years ended June 30, 2009, 2008 and 2007, the annual pension cost included in salaries and benefits was $4,894,371, $2,503,543 and $2,941,640, respectively, for the CERS pension. The reduction in the annual required contribution (ARC) 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 as reported by the CERS' investment advisor was negative 4.66 percent for 2008, positive 16.50 percent for 2007, and positive 11.28 percent for 2006. On an actuarial (smoothed) value of assets basis, the return for fiscal year 2008 was 6.24 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.

As of June 30, 2009, there have been a few changes in actuarial methods and procedures from the prior years:

- Retirement rates were increased and the assumption was changed to be based on the amount of service as opposed to the age of a member.
- Termination rates were increased.
- Disability rates were decreased.
- Mortality rates for active Airport Authority members was changed from the UP1994 table set back five years to the RP2000 Combined Healthy table projected to 2008.
- Mortality rates for retired Airport Authority members were changed from the UP1994 table set back five years to the RP2000 Combined Healthy table.
- The investment return assumption was lowered from 8.00 percent to 7.75 percent.
- The inflation assumption was lowered from 4.25 percent to 4.00 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 ARC, 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, 2008 valuation date, the funding ratio was 101.7 percent. At June 30, 2009, 2008 and 2007, the total contribution of $5,413,627 less amortization of $1,395,790, $1,095,033 and $794,276, respectively, is recorded as a net pension asset of $4,017,837, $4,318,594 and $4,619,351, respectively. The contributions are being amortized over an 18-year period.

Note 6. Defined-Benefit Plan, Continued

Although the return on investments is not available for the fiscal year ended June 30, 2009 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. It is estimated by CERS that the fiscal year-end 2011 ARC will increase by approximately $1 million. The Airport Authority does not think that the increased rates will have a significant adverse effect on their future financial statements.

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

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

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	Net Pension Obligation (NPO) Balance	(Increase) Decrease NPO	Amortization of NPO	ARC	Interest on the NPO at 8%	ARC Adjustment
6/30/06[1]	$ 41,222	$ 36,905	$ (4,317)	112.0	$ 19,116	(23.0)	$ 2,942	100%	$ (4,619)	$ -	$ 301	$ 2,942	$ 392	$ -
6/30/07	50,753	46,637	(4,117)	108.8	21,957	(18.8)	2,503	100%	(4,319)	-	300	2,503	392	-
6/30/08	57,748	56,808	(940)	101.7	23,488	(4.0)	4,894	100%	(4,018)	-	300	4,894	392	-

[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 and union employees hired prior to October 1, 2008. The employees are eligible for these benefits if they retire from active employment after age 55 with 20 years of service or age 62 with five years of service.

Plan description: As of May 8, 2009, the Board approved entering into an agreement with the California Employer's' Retiree Benefit Trust (CERBT) fund. The CERBT fund is 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 CERBT fund, a Section 115 Trust for the purpose of receiving employer contributions that will pre-fund health and other postemployment benefits costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding policy: The CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the ARCs. As of May 9, 2009, the agreement with CERBT was approved. The 2008 and 2009 ARCs were funded on June 24, 2009, totaling $2,758,000.

Annual OPEB cost and actuarial methods and assumptions: The July 1, 2008 actuarial valuation for the ARC net of the employer contribution was $1,429,000 for fiscal year 2008 and $1,251,000 for fiscal year 2007. The ARC 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.

Note 8. Other Postemployment Benefits and Subsequent Event, Continued

Development of Net OPEB Obligation (NOO) and Annual OPEB Cost ($ in thousands):

Actuarial Valuation Date	ARCs	Employer Contribution	NOO End of Year	Interest on NOO	Adjustment to the ARC	Annual OPEB Cost	Interest Rate	Salary Scale	Amortization Factor
7/1/07	$ 1,309	$ 58	$ 1,251	$ -	$ -	$ 1,309	7.75%	3.25%	16.6
7/1/08	1,429	2,738	(38)	97	(77)	1,449	7.75%	3.25%	16.3

Schedule of Funding Progress ($ in thousands):

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	7/1/07	$ -	$ 8,924	$ 8,924	0%	$ 18,806	47.5%	7.75%	3.25%
Update	7/1/08	-	10,327	10,327	0%	19,417	53.2%	7.75%	3.25%

Schedule of Employer Contributions ($ in thousands):

Fiscal Year Ending	Annual OPEB Costs	Employer Contribution	Percentage Contribution	Net OPEB Obligation
June 30, 2008	$ 1,309	$ 58	4.4%	$ 1,251
June 30, 2009	1,449	2,758	190.3%	(38)

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.

Note 9. Risk Management, Continued

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 marketplace, 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. As of June 30, 2009 and 2008, the Airport Authority had $1,475,998 and $602,000, respectively, for 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. During fiscal year 2009, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

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.

Note 10. Lease Revenues, Continued

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

Years Ending June 30,	Amount
2010	$ 5,866,000
2011	5,866,000
2012	5,739,000
2013	3,232,000
2014	1,821,000
2015-2019	6,427,000
	$ 28,951,000

The Airport Authority entered into a five-year lease agreement on January 9, 2009 with the San Diego World Trade Center (World Trade Center) for office space with a fair market value of $440,000. In lieu of rental payments, the Airport Authority received a 40 percent ownership of the World Trade Center license, which has a fair market value of $440,000. The license, an intangible asset with no expiration date, is included in nondepreciable assets in Note 4 to the financial statements. As of June 30, 2009, the Airport Authority recognized lease revenue of $41,627 under the World Trade Center lease.

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.

Note 11. Lease Commitments, Continued

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 in annual rent.

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 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 in 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 leased modular buildings from an unrelated third party that required monthly rentals of $15,205 through the expiration date of 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 $900,146 and $1,350,219 as of June 30, 2009 and 2008, 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
2010	$ 11,338,000
2011	11,338,000
2012	11,329,000
2013	11,283,000
2014	10,692,000
2015-2019	50,500,000
2020-2024	50,500,000
2025-2029	50,500,000
2030-2034	50,500,000
2035-2039	50,500,000
2040-2044	50,500,000
2045-2049	50,500,000
2050-2054	50,500,000
2055-2059	50,500,000
2060-2064	50,500,000
2065-2069	45,450,000
	$ 606,430,000

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

	2009	2008
Rental payments made	$ 11,338,009	$ 11,350,942
(Decrease) in accumulated benefit of reduced rents	(450,073)	(450,073)
	$ 10,887,936	$ 10,900,869

Note 12. Commitments and Contingencies

Commitments: As of June 30, 2009 and 2008, 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, 2009 and 2008, these funds totaled $4,182,128 and $3,747,319, 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 agreements 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, 2009 and 2008, the Airport Authority expensed $13,318,272 and $13,018,481, respectively, for these services.

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

Note 12. Commitments and Contingencies, Continued

iv. 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, 2009, approximately $9.1 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, 2009, approximately $4.5 million 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, and in 2009 the Board approved additional funds of $38.7 million for program management and support services associated with the capital improvement program, major maintenance program and airport master plan program. At June 30, 2009, approximately $47.5 million had been spent and the remaining contract is due to be completed during fiscal year 2011. In 2009 the Board approved two design-build contracts for the Terminal Expansion Program or the “Green Build.” The program is estimated to cost $865 million. The Green Build is scheduled to begin in 2010 and projected completion date is 2013. The Green Build provides for 10 additional passenger gates, a new dual-level roadway at Terminal 2 and additional aircraft remain-overnight parking areas. The first Green Build contract was approved for the Terminal 2 West Building and Airside Expansion to Turner/PCL/FCI Joint Venture for $13.1 million. The second was for the Terminal 2 Landside Improvements with the Kiewit/Sundt Joint Venture for $11 million. As of 2009, $1.2 million had been spent for the Turner/PCL/FCI Joint Venture contract and $2.6 million had been spent for the Kiewit/Sundt Joint Venture contract. Both contracts are scheduled for completion in fiscal year 2011. In 2009 the Board approved a contract with Jacobs Consultancy for aviation planning services to prepare the Regional Aviation Strategic Plan (RASP) for $2.2 million. At June 30, 2009, approximately $85,000 had been spent on this contract.

Contingencies: As of June 30, 2009, 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 tenants/operators. 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 tenants/operators involved, from the tenant’s/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.

Note 12. Commitments and Contingencies, Continued

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 Cleanup and Abatement Order (CAO) that names TDY as the only responsible party for the contamination on the site.

Cleanup 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 are the joint financial responsibility of the District and the 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.

Save Our Heritage Organization v. San Diego Unified Port District, et al. (San Diego Superior Court Case No. 37-2009-000097828-CU-TT-CTL)

On September 4, 2009, Save Our Heritage Organization (SOHO) filed a Petition for Writ of Mandamus (Action) challenging the approval and certification of the TDY demolition project/EIR. The parties to the Action are: (1) the Petitioner, SOHO; (2) Respondents, San Diego Unified Port District and the Board of Port Commissioners (the lead agency under CEQA that approved the TDY demolition project and certified the EIR); and (3) Real Party in Interest, San Diego County Regional Airport Authority. The Action alleges violations of the California Environmental Quality Act (CEQA). SOHO requests the following remedy from the District: (1) set aside and void the certification of the EIR, set aside and void the approval of the demolition project, and set aside and void any other related approvals; (2) issue a temporary stay and preliminary injunction staying the District and their agents from physical actions pursuant to the TDY demolition project, including pre-demolition or demolition while the Action is pending; (3) a permanent injunction pending the District's full compliance with CEQA and all other applicable planning laws and ordinance; (4) award SOHO its reasonable costs and attorney fees; (5) award such other relief as the court finds proper. The Airport Authority does not believe a contingency loss, if any, would have a material effect on the financial statements.

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	2009
Airline Revenue						
Landing fees	$ 22,874	$ 22,607	$ 22,243	$ 24,006	$ 24,763	$ 18,689
Aircraft parking fees	-	-	-	-	-	3,221
Building rentals	19,511	18,041	21,137	22,495	24,265	23,057
Security surcharge	-	7,800	7,759	8,441	8,619	10,204
Other aviation revenue	1,812	1,757	1,868	1,757	1,808	1,565
Concession revenue	24,571	26,552	29,362	34,201	38,785	36,280
Parking and ground transportation revenue	21,986	23,723	26,904	28,392	31,038	31,492
Ground rentals	4,269	5,294	5,505	4,994	5,207	5,776
Other operating revenue	1,549	2,349	4,717	1,081	1,197	693
Total Operating Revenues	$ 96,572	$ 108,123	$119,495	$125,367	$135,682	$ 130,977

Operating Expenses

	2004	2005	2006	2007	2008	2009
Salaries and benefits	$ 21,955	$ 23,623	$ 26,847	$ 28,333	$ 32,912	$ 34,741
Contractual services	19,462	25,210	31,967	26,391	27,378	27,464
Safety and security	13,450	16,191	14,777	15,946	19,110	19,930
Space rental	8,826	10,174	11,353	10,842	10,901	10,888
Utilities	4,914	5,121	5,416	6,421	6,430	6,912
Maintenance	5,343	4,050	5,390	8,393	8,735	8,002
Equipment and systems	1,019	710	736	980	1,333	678
Materials and supplies	462	461	591	762	795	641
Insurance	2,518	2,425	1,162	1,999	1,227	1,096
Employee development and support	981	1,050	906	909	1,035	1,030
Business development	2,067	1,646	1,329	2,096	2,733	2,509
Equipment rentals and repairs	636	708	882	1,479	1,396	1,387
Total Operating Expenses	$ 81,633	$ 91,369	$101,356	$104,551	$113,985	$ 115,278

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	2009
Invested in capital assets, net of related debt	$ 244,889	$ 209,714	$ 219,218	$ 236,762	$ 238,144	$ 249,498
Other restricted	16,670	83,854	96,633	103,787	136,548	167,827
Unrestricted	106,125	102,652	117,940	124,984	120,429	95,858
Total Net Assets	$ 367,684	$ 396,220	$ 433,791	$ 465,533	$ 495,121	$ 513,183

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	2009
Operating revenues:						
Airline Revenue:						
Landing fees	$ 22,874	$ 22,607	$ 22,243	$ 24,006	$ 24,763	$ 18,689
Aircraft parking fees	-	-	-	-	-	3,221
Building rentals	19,511	18,041	21,137	22,495	24,265	23,057
Security surcharge	-	7,800	7,759	8,441	8,619	10,204
Other aviation revenue	1,812	1,757	1,868	1,757	1,808	1,565
Concession revenue	24,571	26,552	29,362	34,201	38,785	36,280
Parking and ground transportation revenue	21,986	23,723	26,904	28,392	31,038	31,492
Ground rentals	4,269	5,294	5,505	4,994	5,207	5,776
Other operating revenue	1,549	2,349	4,717	1,081	1,197	693
Total operating revenues	96,572	108,123	119,495	125,367	135,682	130,977
Operating expenses:						
Salaries and benefits	21,955	23,623	26,847	28,333	32,912	34,741
Contractual services	19,462	25,210	31,967	26,391	27,378	27,464
Safety and security	13,450	16,191	14,777	15,946	19,110	19,930
Space rental	8,826	10,174	11,353	10,842	10,901	10,888
Utilities	4,914	5,121	5,416	6,421	6,430	6,912
Maintenance	5,343	4,050	5,390	8,393	8,735	8,002
Equipment and systems	1,019	710	736	980	1,333	678
Materials and supplies	462	461	591	762	795	641
Insurance	2,518	2,425	1,162	1,999	1,227	1,096
Employee development and support	981	1,050	906	909	1,035	1,030
Business development	2,067	1,646	1,329	2,096	2,733	2,509
Equipment rentals and repairs	636	708	882	1,479	1,396	1,387
Total operating expenses before depreciation and amortization	81,633	91,369	101,356	104,551	113,985	115,278
Income from operations before depreciation and amortization	14,939	16,754	18,139	20,816	21,697	15,699
Depreciation and amortization	32,993	29,699	31,559	33,468	36,764	38,196
Operating (loss)	(18,054)	(12,945)	(13,420)	(12,652)	(15,067)	(22,497)
Nonoperating revenues (expenses):						
Passenger facility charges	31,241	33,710	34,981	36,452	37,401	33,219
Customer facility charges	-	-	-	-	-	1,695
Quieter Home Program, net	(1,375)	(1,582)	(908)	(3,092)	(3,990)	(5,573)
Joint Studies Program	-	-	(688)	(120)	(963)	(180)
Interest income	3,831	6,413	9,306	11,969	13,431	9,434
Interest expense	(4,294)	(4,387)	(4,809)	(4,683)	(4,086)	(2,998)
Other revenues (expenses), net	5,530	(195)	964	(3,282)	12	316
Nonoperating revenue, net	34,933	33,959	38,846	37,244	41,805	35,913
Income before capital grant contributions	16,879	21,014	25,426	24,592	26,738	13,416
Capital grant contributions	5,033	7,522	12,145	7,150	2,850	4,646
Change in Authority net assets	21,912	28,536	37,571	31,742	29,588	18,062
Authority net assets, beginning of year	345,772	367,684	396,220	433,791	465,533	495,121
Authority net assets, end of year	$ 367,684	$ 396,220	$ 433,791	$ 465,533	$ 495,121	$ 513,183

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,

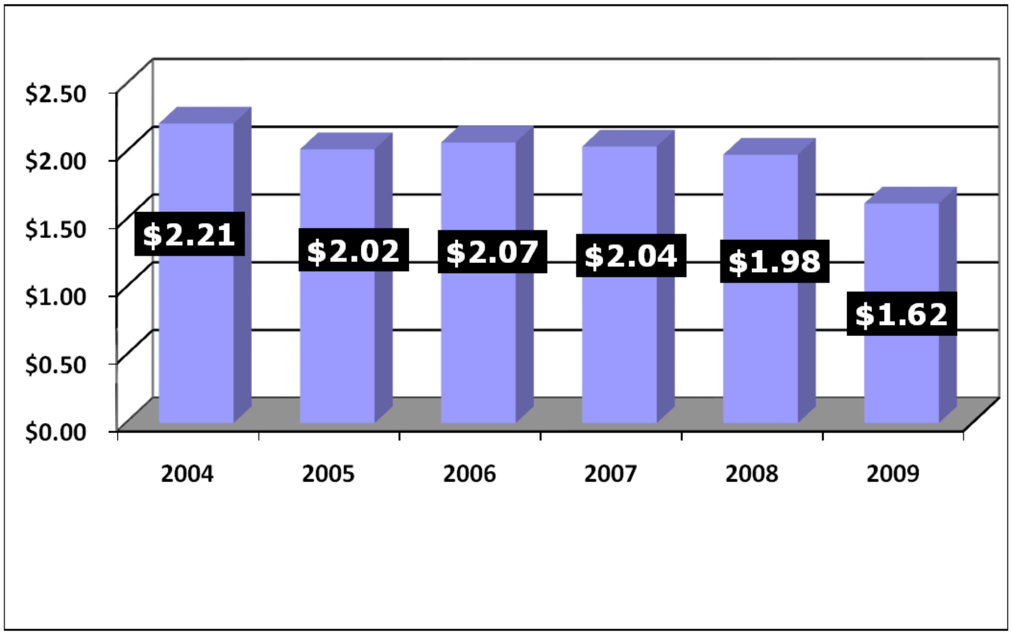
Tenant	2004	2005	2006	2007	2008	2009	% of Total Operating Revenue
Southwest Airlines	$ 10,692,447	$ 12,767,378	$ 13,464,404	$ 15,624,767	$ 16,920,722	$ 17,658,629	13.5%
Host International	7,106,523	8,038,435	9,147,356	9,808,385	10,875,857	9,883,713	7.5%
United Airlines	4,989,506	5,877,927	5,717,234	6,623,373	6,522,426	6,344,127	4.8%
Hertz Rent-A-Car	4,901,573	5,316,755	5,979,512	6,728,751	6,860,949	5,816,230	4.4%
American Airlines	7,772,143	8,472,274	10,191,557	8,303,616	7,750,147	5,543,732	4.2%
Avis Budget Rent-A-Car Group	3,103,562	4,966,532	6,002,357	4,465,182	6,193,565	5,505,770	4.2%
Delta Airlines	4,774,243	5,010,848	4,876,095	5,347,415	5,168,634	4,647,333	3.5%
US Airways	699,542	672,643	571,874	1,714,362	4,048,246	3,478,789	2.7%
Continental Airlines	1,849,721	2,123,291	2,364,096	2,995,689	3,314,090	3,026,644	2.3%
Alaska Airlines	2,027,193	2,400,679	2,464,162	2,843,993	2,800,385	2,754,173	2.1%

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

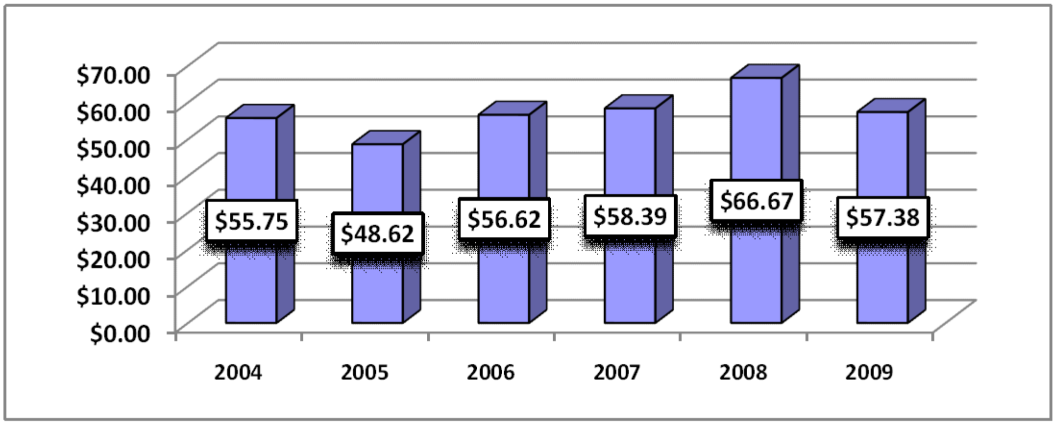
Terminal Rates Billed to Airlines

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 %
2009	$57.38	(13.9)%

*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 operation.

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.

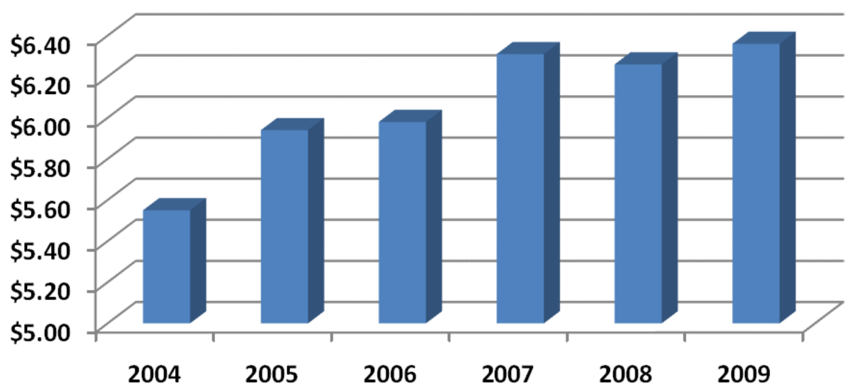
Exhibit S-7

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
2009	8,535,774	$6.36

Cost per Enplaned Passenger



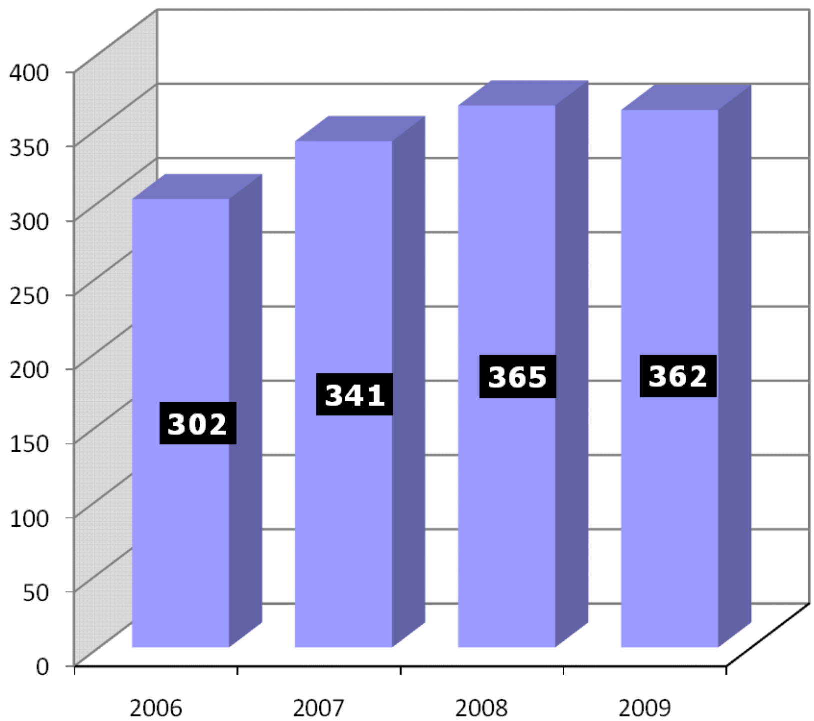
Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Authority was in operation.

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,



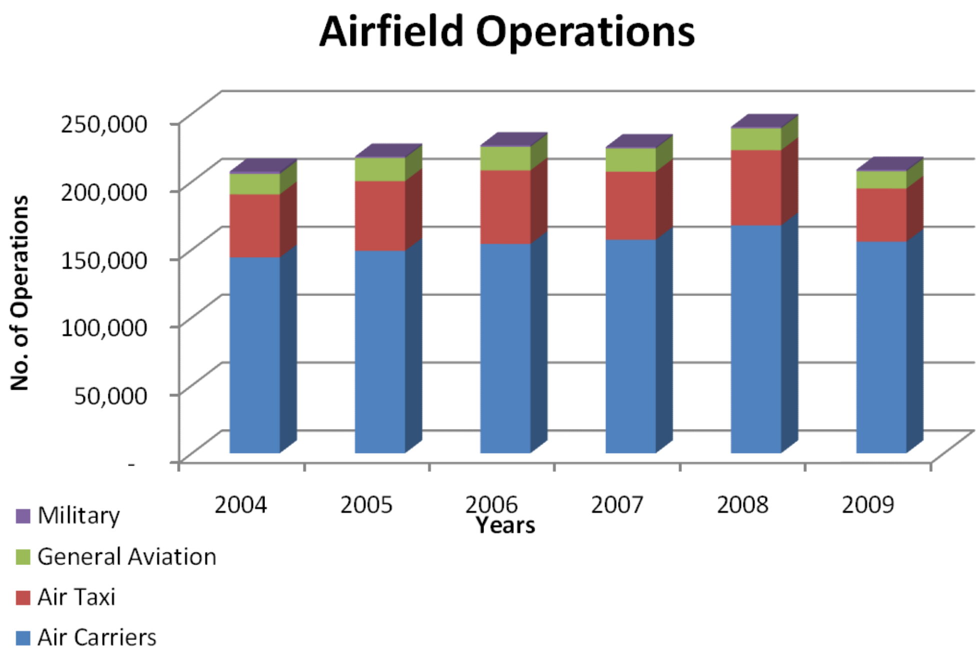
Source: San Diego County Regional Airport Authority
The years of information provided based on availability

Exhibit S-9

Aircraft Operations (Takeoffs and Landings)

Fiscal Years Ended June 30,

Fiscal Year	Air Carriers	Air Taxi	General Aviation	Military	Total
2004	144,156	46,418	15,080	1,761	207,415
2005	148,975	51,377	17,069	1,094	218,515
2006	154,092	54,156	17,383	1,121	226,752
2007	157,198	50,068	17,195	983	225,444
2008	167,753	55,373	16,123	1,040	240,289
2009	155,766	39,122	12,721	1,174	208,783



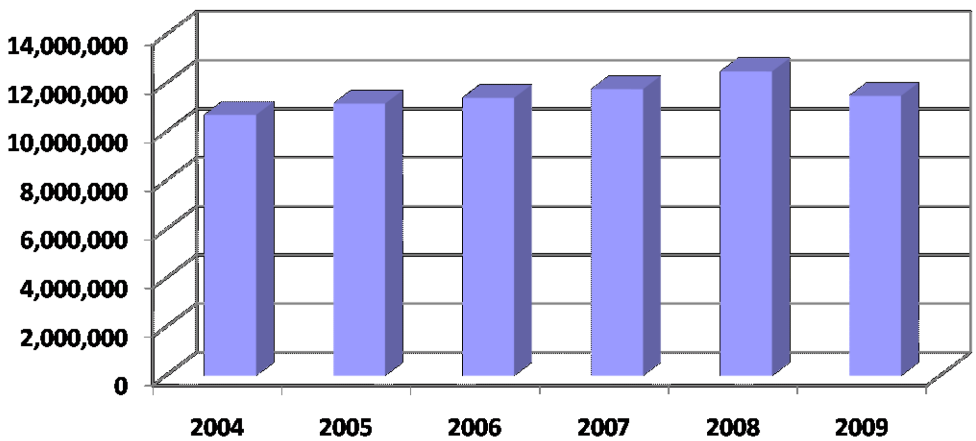
Source: FAA ATADS Report: Air Operations Standard Report (itinerant only)
Information presented reflects those years that the Authority was in operation.

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	12,501,191	6.2 %
2009	11,496,758	(8.0)%

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	FY 2009 Landed Weights	FY 2009 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	35.3%	4,415,780	35.3%
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%	1,148,637	9.2%
American	1,045,382	9.8%	1,009,498	9.0%	1,089,872	9.7%	961,143	8.2%	890,796	7.1%	848,513	6.8%
Delta	963,140	9.0%	927,763	8.3%	850,348	7.6%	798,104	6.8%	839,172	6.7%	713,622	5.7%
America West		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
Alaska Airlines	574,698	5.4%	605,435	5.4%	616,552	5.5%	668,390	5.7%	612,282	4.9%	535,410	4.3%
Continental	441,702	4.1%	454,189	4.1%	497,929	4.5%	533,322	4.5%	538,786	4.3%	521,842	4.2%
Northwest	352,928	3.3%	363,268	3.2%	315,608	2.8%	326,140	2.8%	334,692	2.7%	294,147	2.4%
American Eagle	341,205	3.2%	335,439	3.0%	338,424	3.0%	321,712	2.7%	280,234	2.2%	280,413	2.2%
US Airways	895,673	8.4%	927,577	8.3%	869,625	7.8%	912,405	7.7%	713,030	5.7%	684,354	5.5%
Skywest	239,521	2.2%	247,215	2.2%	251,902	2.3%	246,559	2.1%	195,777	1.6%	219,416	1.8%
Frontier Airlines	142,867	1.3%	174,583	1.6%	176,455	1.6%	283,898	2.4%	287,387	2.3%	237,274	1.9%
Hawaiian	135,040	1.3%	145,920	1.3%	145,920	1.3%	211,840	1.8%	235,200	1.9%	137,145	1.1%
Mesa	53,856	0.5%	144,353	1.3%	146,126	1.3%	54,004	0.5%	20,870	0.2%	10,418	0.1%
JetBlue	144,191	1.3%	123,145	1.1%	174,337	1.6%	159,406	1.4%	288,239	2.3%	297,340	2.4%
Virgin America	-	0.0%	-	0.0%	-	0.0%	-	0.0%	86,979	0.7%	221,333	1.8%
Air TranAirways					-	0.0%	-	0.0%	117,888	0.9%	73,088	0.6%
Midwest Airlines	-		-		27,642	0.2%	43,920	0.4%	60,000	0.5%	12,800	0.1%
Air Canada	-		-		-	0.0%	40,456	0.3%	65,140	0.5%	14,449	0.1%
Express Jet	-		-		-	0.0%	-	0.0%	273,666	2.2%	39,136	0.3%
Others	133,440	1.2%	183,114	1.6%	155,472	1.4%	282,423	2.4%	341,315	2.7%	159,661	1.3%
Subtotal	**10,075,327**	**94.0%**	**10,489,898**	**93.8%**	**10,694,051**	**93.7%**	**11,070,263**	**94.0%**	**11,821,355**	**94.6%**	**10,864,778**	**94.5%**
Cargo												
Federal Express	343,931	3.2%	384,702	3.4%	445,744	3.9%	456,152	3.9%	447,636	3.6%	402,665	3.2%
United Parcel	109,421	1.0%	108,463	1.0%	112,412	1.0%	125,822	1.1%	128,880	1.0%	127,900	1.0%
ABX Air	69,360	0.6%	70,140	0.6%	69,734	0.6%	70,289	0.6%	69,360	0.6%	69,360	0.6%
Emery Air Freight (M	40,972	0.4%	44,219	0.4%	34,634	0.3%	-	0.0%	-	0.0%	-	0.0%
DHL Airways, Inc (A:	40,640	0.4%	41,600	0.4%	16,800	0.1%	-	0.0%	-	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%	32,055	0.3%
Subtotal	**640,409**	**6.0%**	**690,132**	**6.2%**	**720,332**	**6.3%**	**704,079**	**6.0%**	**679,836**	**5.4%**	**631,980**	**5.5%**
Total	**10,715,735**	**100.0%**	**11,180,029**	**100.0%**	**11,414,382**	**100.0%**	**11,774,342**	**100.0%**	**12,501,191**	**100.0%**	**11,496,758**	**100.0%**
Annual % Change	**(1.2%)**		**4.3%**		**2.1%**		**3.2%**		**6.2%**		**(8.0%)**	

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.

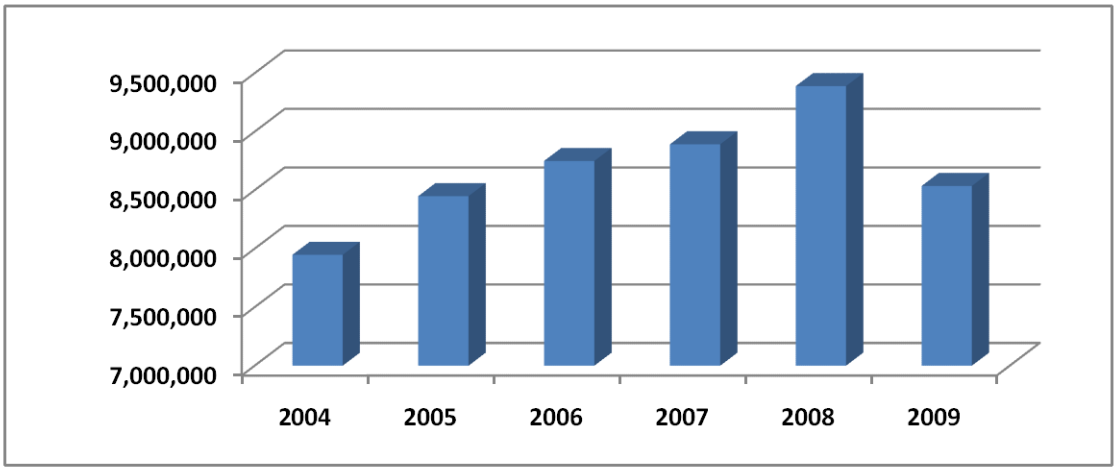
Landed weight is the maximum gross certificated landed weight in one thousand pound units as stated in the airlines' flight operational manual.
Landed weight is used to calculate landing fees for both airline and general aviation aircraft operated at the airport.

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%
2009	8,535,774	(9.1%)



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,

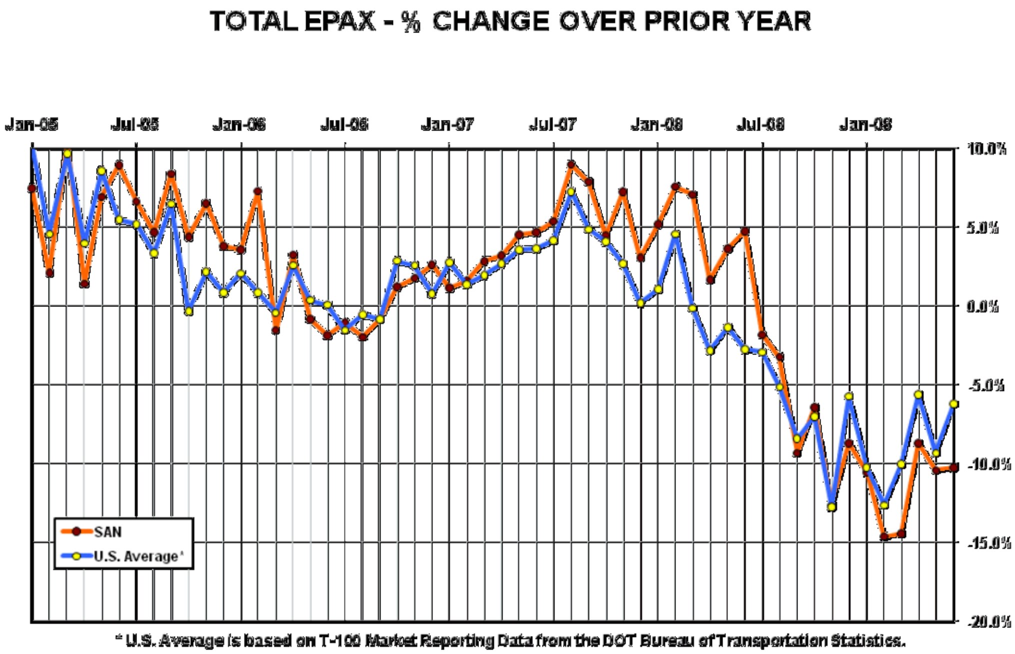
Air Carrier	2007	Share	2008	Share	2009	Share	% Change 2009 vs. 2008
Aeromexico	39,518	0.4%	32,223	0.3%	27,772	0.3%	(13.8)%
Air Canada-Jazz Air	55,398	0.6%	55,031	0.6%	27,255	0.3%	(50.5)%
AirTran Airways	7,983	0.1%	97,937	1.0%	66,475	0.8%	(32.1)%
Alaska	536,784	6.0%	498,169	5.3%	427,850	5.0%	(14.1)%
Alegiant	-	0.0%	1,211	0.0%	21,309	0.2%	NA
Aloha	38,418	0.4%	33,620	0.4%	0	0.0%	(100.0)%
American	873,624	9.8%	808,790	8.6%	735,067	8.6%	(9.1)%
Continental	503,189	5.7%	520,856	5.5%	503,242	5.9%	(3.4)%
Delta	633,772	7.1%	687,104	7.3%	618,127	7.2%	(10.0)%
Frontier	196,598	2.2%	231,926	2.5%	203,689	2.4%	(12.2)%
Hawaiian	154,932	1.7%	160,939	1.7%	100,626	1.2%	(37.5)%
Jet Blue	151,984	1.7%	224,205	2.4%	235,199	2.8%	4.9 %
Mesa	42,219	0.5%	17,098	0.2%	7,381	0.1%	(56.8)%
Midwest	34,551	0.4%	42,763	0.5%	8,380	0.1%	(80.4)%
Northwest	286,952	3.2%	295,724	3.1%	272,684	3.2%	(7.8)%
Southwest	3,106,431	34.9%	3,306,386	35.2%	3,122,090	36.6%	(5.6)%
Sun County	45,931	0.5%	44,454	0.5%	35,885	0.4%	(19.3)%
United	990,725	11.1%	978,816	10.4%	927,023	10.9%	(5.3)%
US Airways	674,640	7.6%	631,049	6.7%	563,392	6.6%	(10.7)%
Virgin America	-	0.0%	57,292	0.6%	155,649	1.8%	171.7 %
Other	25,731	0.3%	248,475	2.6%	40,847	0.5%	(83.6)%
Total Air Carrier	8,399,380	94.5%	8,974,068	95.6%	8,099,942	94.9%	(9.7)%
Commuter							
American Eagle	275,087	3.1%	238,147	2.5%	232,289	2.7%	(2.5)%
SkyWest	217,602	2.4%	177,112	1.9%	203,543	2.4%	14.9 %
Other	-	-					
Total Commuter	492,689	5.5%	415,259	4.4%	435,832	5.1%	5.0 %
Total Enplanements	8,892,069	100.0%	9,389,327	100.0%	8,535,774	100.0%	(9.1)%

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

Exhibit S-14

Growth in Passenger Enplanements, SDIA vs. US

Percentage change in enplanements by month compared to previous year



Source: San Diego County Regional Airport Authority and US Dept of Transportation's T-100 enplanement data.
Information presented reflects those years that comparable information is available.

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

Exhibit S-15

Population and Per Capita Personal Income - San Diego County (2000-2009)

Calendar Year	Estimated Population[1]	% Change	Per Capita Personal Income[2]	% Change	Total Personal Income[2]	% Change
2000	2,805,935	2.0 %	$ 32,789	8.4%	92,003,802,715	10.6%
2001	2,864,408	2.1 %	33,801	3.1%	96,819,854,808	5.2%
2002	2,921,273	2.0 %	34,612	2.4%	101,111,101,076	4.4%
2003	2,972,832	1.8 %	35,676	3.1%	106,058,754,432	4.9%
2004	3,011,526	1.3 %	38,452	7.8%	115,799,197,752	9.2%
2005	3,038,579	0.9 %	40,383	5.0%	122,706,935,757	6.0%
2006	3,064,113	0.8 %	42,721	5.8%	130,901,971,473	6.7%
2007	3,100,132	1.2 %	44,430	4.0%	137,738,864,760	5.2%
2008	3,131,552	1.0 %	$ 45,488	2.4%	142,448,037,376	3.4%
2009	3,173,407	1.3 %	n/a	n/a	n/a	n/a

Source:

[1] California Department of Finance,E-1 Population Estimates for Cities, Counties and the State,at January 1st of the calendar years show n.

[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
U.S. Federal Government	43,500	Government	**3.3%**
U.S. Navy (Military 35,000, Civilian 7000)	42,000	Government	**3.2%**
State of California	40,900	Government	**3.1%**
University of California, San Diego	26,000	Education	**2.0%**
County of San Diego	20,500	Government	**1.6%**
City of San Diego	19,500	Government	**1.5%**
San Diego Unified School District	15,881	Education	**1.2%**
Sharp Health Care	14,390	Health Care	**1.1%**
Scripps Health	12,700	Health Care	**1.0%**
Scripps Mercy Hospital	11,000	Health Care	**0.8%**
Qualcomm Inc.	9,444	Technology	**0.7%**
Kaiser Foundation	7,608	Health Care	**0.6%**

Total Industry Employment in San Diego County (2008): 1,308,300

Source: Employers - San Diego Daily Transcript Source Book, 2009;
Total Industry Employment - California Employment Development Dept.,
Labor Market Info; July 2008 Annual Benchmark

Exhibit S-17

San Diego County Employment by Industry Sector

Industry Sectors	2008 Industry Employment	% of Total
Trade, Transportation & Utilities	216,200	16.5%
Government	216,900	16.6%
Professional & Business Services	216,400	16.5%
Leisure & Hospitality	170,100	13.0%
Education and Health Services	133,400	10.2%
Manufacturing	102,600	7.8%
Natural Resources, Mining & Construction	77,600	5.9%
Financial Activities	75,600	5.8%
Other Services	49,500	3.8%
Information	39,200	3.0%
Agriculture	10,800	0.8%
Total	**1,308,300**	

Source: California Employment Development Dept., Labor Market Info; July 2008 Benchmark

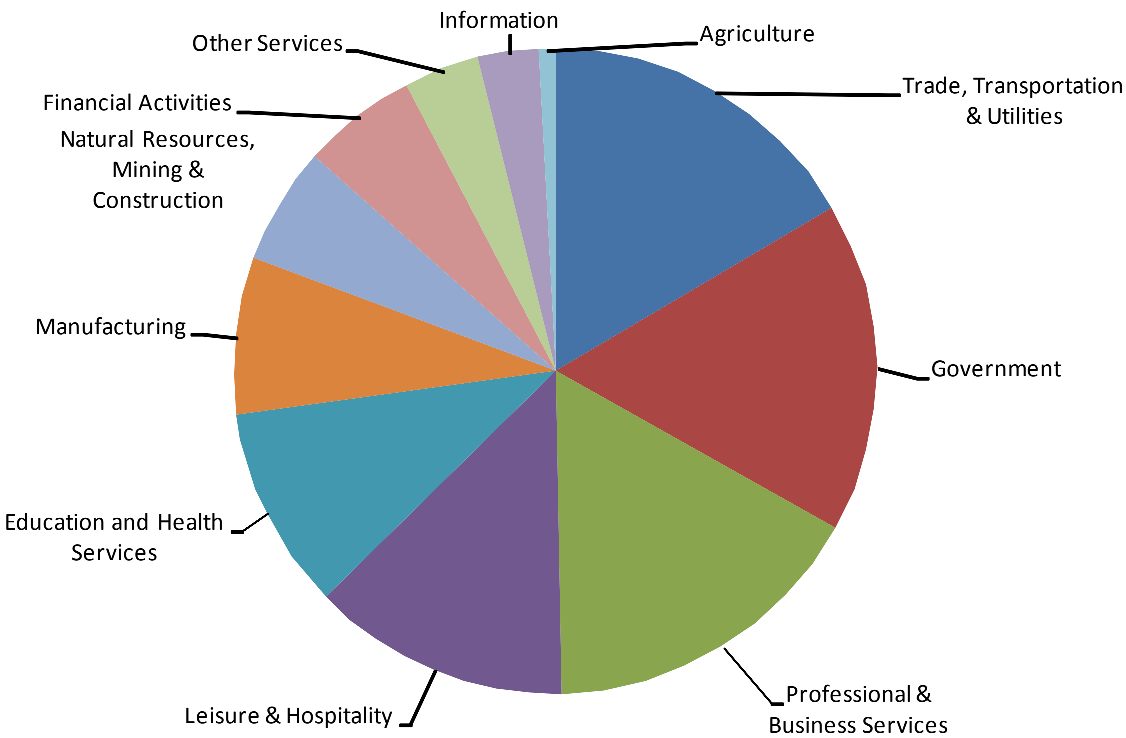


Exhibit S-18
Labor Force, Employment, Unemployment and Unemployment Rates

Year	Labor Force	Employment	Unemployment	Unemployment Rate SD County	Unemployment Rate 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	1,579,900	1,479,600	100,200	6.3%	7.6%
2009	n/a	n/a	n/a	n/a	n/a

Source: California Employment Development Dept., Labor Market Info. (not seasonally adjusted)
The data is shown by calendar year. The 2009 data is not yet available.

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
2009	140,174,372	120,794,742	19,379,630	2,950,000	2,391,975	5,341,975	3.63

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
2009	47,280,000	8,535,774	5.54

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)	9,401 feet
Gates	41
Commuter plane parking positions	10
Terminal Square footage	827,856
Airport Land Area	661 acres
On airport parking spaces	2,638
Off airport parking spaces	4,064

Source: San Diego County Regional Airport Authority