Annual Report
for the Fiscal Year Ended June 30, 2023
Dated as of December 21, 2023

Relating to:
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Introduction

This Annual Report (this "Report") is being furnished by the San Diego County Regional Airport Authority (the "Authority") for the purpose of complying with the annual bond disclosure requirements set forth in the Authority's Continuing Disclosure Certificates identified below (collectively, the "Certificates"). In connection with the issuance by the Authority of its revenue bonds identified below (collectively, the "Bonds"), the Authority entered into the Certificates to assist the bond underwriters in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

This Report is delivered in satisfaction of the Authority's obligation under the Certificates to provide annual updates of certain historical financial and operating information contained in the Official Statements identified below (collectively, the "Official Statements") that were delivered in conjunction with the Bonds. As required by the Certificates, this Report is filed for the most recently completed fiscal year, which is the Fiscal Year Ended June 30, 2023 ("FYE 2023"). All information provided in this Report is sourced to the Authority unless otherwise attributed.

Bonds	Official Statement Date	Continuing Disclosure Certificate Date*
Senior Special Facilities Revenue Bonds, Series 2014A (Tax-Exempt Non-AMT) and Series 2014B (Federally Taxable) (Consolidated Rental Car Facility Project) ("Series 2014")	February 5, 2014	February 19, 2014
Subordinate Airport Revenue Bonds Series 2017A and Series 2017B ("Series 2017")	July 18, 2017	August 3, 2017
Subordinate Series 2019A and 2019B ("Series 2019")	November 14, 2019	December 11, 2019
Subordinate Airport Revenue Refunding Bonds Series 2020A, 2020B and 2020C ("Series 2020")	March 27, 2020	April 8, 2020
Subordinate Airport Revenue Refunding Bonds Series 2021A, 2021B and 2021C ("Series 2021")	November 17, 2021	December 8, 2021
Senior Airport Revenue Bonds Series 2023A (Governmental/Non-AMT), Series 2023B (Private Activity/AMT) ("Series 2023")	October 3, 2023	October 25, 2023

* Individual Certificates are referred to herein as "Series [Year] Certificate".

Reference is made to the Authority's Financial Report and Independent Auditor's Report for the Fiscal Year ended June 30, 2023 (the "Audited Financial Statements"), a copy of which is filed with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access ("EMMA") website and may be obtained at www.emma.msrb.org., and is incorporated by reference as part of this Report.

Factors Affecting Capital Program

The Authority is engaged in a significant, ongoing capital development and improvement program at San Diego International Airport ("SDIA"), which is known as the "New T1" and includes, among other components, the replacement of Terminal 1 at SDIA. The Authority has entered into agreements for the construction of capital improvements, including work on the New T1, which are subject to adjustment for a variety of circumstances, including, without limitation, higher than anticipated costs of labor and materials or subcontractor bids, changes in scope, unforeseen site conditions and force majeure events. The Authority is actively managing its construction agreements for the New T1 to address the occurrence of adverse impacts that may arise as a result of various factors, including, without limitation, unanticipated levels of inflation, material and/or labor shortages and estimating errors, among other issues. There can be no assurances by the Authority that significant increases in costs of the amounts projected will not materially adversely affect the schedule, budget, or overall capital development program at SDIA. As of the date of this Annual Report, the Airport Authority is negotiating with the Terminal and Roadway contractor to agree on a guaranteed maximum contract price (GMP). It is estimated that the budget for the New T1 will increase by up to 11%. The Airport Authority will update the NT1 Budget and Plan of Finance as GMP negotiations are finalized, and they are expected to be included in the FY2025 budget.

Other Matters

Pursuant to the Certificates, the Authority is obligated to provide only the historic annual financial and operating information specified therein (collectively, the "Annual Report Tables"). The Annual Report Tables contained herein and/or incorporated by reference into this Report reference and update financial and operating information set out in the Official Statements. To the extent the Authority provides or incorporates information in this Report that the Authority is not obligated under the Certificates to present or update, the Authority may not be obligated to present or update such information in future annual reports.

By providing and incorporating the information in this Report, the Authority does not imply or represent (a) that all information provided and incorporated in this Report is material to investors' decisions regarding investment in the Bonds, (b) the completeness or accuracy of any financial, operational or other information not included or incorporated in this Report or in the Official Statements, (c) that no changes, circumstances or events have occurred since the end of FYE 2023, or (d) that no other information exists which may have a bearing on the Authority's financial condition, the security for the Bonds or an investor's decision to buy, sell or hold the Bonds.

No statement contained or incorporated in this Report should be construed as a prediction or representation about future financial performance of the Authority. Historical results presented and incorporated in this Report, including the historical financial and enplanement figures contained in this Report, may not be indicative of future operating results.

Annual Report Tables

The following Annual Report Tables are provided by cross-reference to the information set out in the Authority's Series 2023 Official Statement, which is available on EMMA at: https://emma.msrb.org/P21733252-P21331503-P21765355.pdf.

Annual Report Table Title	Table Reference in Series 2023 Official Statement
Outstanding Subordinate Obligations	4
Estimate Future Rental Commitments	6
Air Carriers Serving San Diego International Airport as of July 1, 2023	7
Total Enplanements and Deplanements	8
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Total Enplaned and Deplaned Freight and U.S. Mail Cargo	10
Total Enplanements By Air Carrier	11
Total Revenue Landed Weight	12
Authority Investments	15
Approved PFC Applications	22

All other Annual Report Tables, including those disclosed as "Preliminary; subject to year-end adjustments" in the Authority's Series 2023 Official Statement, are set out in the pages that follow.

As of June 30, 2023, the Authority had outstanding the following principal amounts of Senior Special Facility Bonds.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
OUTSTANDING SENIOR SPECIAL FACILITY BONDS
AS OF JUNE 30, 2023
(000's)

	Outstanding Principal Amount
Outstanding Senior Special Facility Bonds	
Series 2014 Bonds	$ 275,685

The table below summarizes the financial results from operations for the Authority for the last Five Years (derived from audited financial statements).

SAN DIEGO INTERNATIONAL AIRPORT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
(DOLLARS IN THOUSANDS)[1]
FISCAL YEARS 2019-2023

	2019	2020	2021[2]	2022[2]	2023
Operating revenues:					
Airline revenue:					
Landing fees	$ 24,816	$ 33,242	$ 34,046	$ 35,354	$ 44,741
Aircraft parking fees	3,471	8,354	8,542	8,857	11,189
Building rentals	70,912	82,453	83,090	97,047	129,743
Security surcharge	33,559	-	-	-	-
Other aviation revenue	1,596	7,789	8,192	6,518	7,123
Concession revenue	71,256	57,243	41,801	88,138	75,559
Parking and ground transportation revenue	62,818	50,751	27,447	57,076	65,415
Ground rentals	22,810	21,386	19,809	19,651	23,257
Other operating revenue	2,441	1,818	1,680	2,999	3,735
Total operating revenues	293,679	263,036	224,607	315,640	360,762
Operating expenses before depreciation and amortization:					
Salaries and benefits	49,578	51,667	52,922	46,373	51,231
Contractual services	49,903	37,694	24,976	34,491	45,581
Safety and security	31,397	29,457	35,086	34,191	33,043
Space rental	10,191	10,207	64	839	313
Utilities	13,194	12,748	11,730	14,193	17,567
Maintenance	13,436	11,584	9,111	10,747	16,417
Equipment and systems	375	336	424	340	922
Materials and supplies	656	651	450	496	661
Insurance	1,200	1,308	1,519	1,741	1,997
Employee development and support	1,045	967	442	537	681
Business development	2,630	2,033	209	1,781	1,916
Equipment rentals and repairs	3,614	3,598	3,380	3,472	4,010
Total operating expenses before depreciation and amortization	177,219	162,250	140,313	149,201	174,339
Income from operations before depreciation and amortization	116,460	100,786	84,294	166,439	186,423
Depreciation and amortization expense	124,329	131,587	137,496	142,012	131,586
Operating income (loss)	(7,869)	(30,801)	(53,202)	24,427	54,837
Nonoperating revenues (expenses):					
Passenger facility charges	49,198	34,393	22,110	40,394	46,755
Customer facility charges	41,918	30,240	15,755	30,332	34,375
CARES Act/ACRGP Act Grants	-	36,895	77,219	78,922	-
Quieter Home Program, net	(3,192)	(3,295)	(3,233)	(2,541)	(2,051)
Joint Studies Program	(99)	-	-	-	-
Other interest income	-	-	6,748	11,893	11,145
Investment income	25,533	32,430	2,495	(48,884)	50,882
Interest expense	(74,501)	(73,612)	(76,628)	(109,675)	(127,465)
Build America Bonds Rebate	4,686	-	-	-	-
Other revenues (expenses), net	(510)	1,442	(705)	(13,316)	(1,654)
Nonoperating revenue, net	43,033	58,493	43,761	(12,874)	11,987
Income before capital grant contributions	35,164	27,692	(9,441)	11,553	66,824
Capital grant contributions	8,213	4,072	13,932	12,958	52,287
Change in net position	43,377	31,764	4,491	24,511	119,111
Prior Period Adjustment	-	-	-	-	-
Net position, beginning of year	809,925	853,302	885,066	889,557	914,068
Net position, end of year	$ 853,302	$ 885,066	$ 889,557	$ 914,068	$ 1,033,179

1 Totals may not add due to rounding.
2 Amounts for 2021 were restated as per GASB 87 and for 2022 were restated as per GASB 94 and GASB 96.

The following table sets forth the top ten operating revenue providers at the Airport for Fiscal Year 2023.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
TOP TEN OPERATING REVENUE PROVIDERS
FISCAL YEAR 2023

	Revenue Provider	Revenues
1.	Southwest Airlines	$ 59,517,741
2.	Alaska Airlines	29,361,297
3.	Delta Airlines	28,222,722
4.	United Airlines	26,967,634
5.	American Airlines	21,754,057
6.	Avis Rent-A-Car 6	15,715,254
7.	Enterprise Rent-A-Car	14,532,491
8.	Hertz Rent-A-Car	12,587,839
9.	Uber Technologies, Inc	11,222,131
10.	SSP America	7,617,329

The following table sets forth the top ten Revenue Sources at the Airport for Fiscal Year 2023.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
TOP TEN OPERATING REVENUE SOURCES
FISCAL YEAR 2023

	Source	Revenue	Percent of Total Operating Revenue
1.	Building Rentals	129,743,693	36.0%
2.	Parking Revenue	46,325,005	12.8%
3.	Landing Fees	44,741,469	12.4%
4.	Rental Car License Fees (1)	40,622,323	11.3%
5.	Terminal Concessions	23,774,274	6.6%
6.	Ground Rentals	20,607,679	5.7%
7.	Ground Transportation Permits and Citations	19,089,593	5.3%
8.	Aircraft Parking Fees	11,188,756	3.1%
9.	Common Use System Support Charges	10,950,913	3.0%
10.	License Fees - Other	8,660,733	2.4%

[1] Excludes CFC revenues, of which the Authority recorded the receipt of $34,374,844 in Fiscal Year 2023.

The following table shows historical debt service coverage for the last five Fiscal Years.

SAN DIEGO INTERNATIONAL AIRPORT
HISTORICAL SENIOR AND SUBORDINATE DEBT SERVICE COVERAGE
FISCAL YEARS 2019-2023

	2019	2020	2021	2022	2023
Senior Bonds					
Revenues[1]	$ 306,683,097	$ 280,572,989	$ 227,573,518	$ 324,096,640	$ 409,432,063
Operating and Maintenance Expenses	(165,925,555)	(136,297,647)	(88,039,540)	(96,134,968)	(177,921,959)
Net Revenues[2]	$ 140,757,542	$ 144,275,342	$ 139,533,978	$ 227,961,672	$ 231,510,103
Senior Bond Debt Service[3]					
Principal	$ 2,320,000	$ 7,925,000	$ 8,315,000	$ 3,635,598	$ -
Interest	18,174,150	18,081,350	17,685,100	7,195,563	-
PFCs used to pay debt service	(9,544,261)	(11,260,741)	(11,172,249)	(4,691,941)	-
COVID-19 Federal Relief Funds applied to Senior Debt Service		(6,501,585)	(3,406,934)	(1,539,286)	-
Total Debt Service for the Senior Bond	$ 10,949,889	$ 8,244,024	$ 11,420,917	$ 4,599,934	$ -
Senior Bonds Debt Service Coverage	12.85	17.50	12.22	49.56	-
Subordinate Debt					
Subordinate Net Revenues[2]	$ 129,807,653	$ 136,031,318	$ 128,113,061	$ 223,361,738	$ 231,510,103
Subordinate Annual Debt Service[4]					
Principal	$ 15,895,000	$ 17,745,000	$ 22,315,000	$ 34,040,000	$ 43,385,000
Interest	37,917,500	39,404,449	41,720,733	48,876,516	56,052,373
Variable Rate Debt[5]	7,497,649	1,894,813	-	-	-
PFCs used to pay debt service	(20,461,072)	(18,744,592)	(8,833,085)	(25,313,393)	-
COVID-19 Federal Relief Funds applied to Subordinate Debt Service		(14,313,843)	(22,593,066)	(16,460,714)	-
Total Subordinate Annual Debt Service	$ 40,849,077	$ 25,985,827	$ 32,609,582	$ 41,142,409	$ 99,437,373
Subordinate Obligations Debt Service Coverage	3.18	5.23	3.93	5.43	2.33
Aggregate Debt					
Aggregate Net Revenues	$ 140,757,542	$ 144,275,342	$ 139,533,978	$ 227,961,672	$ 231,510,103
Aggregate Annual Debt Service				-	
Principal	18,215,000	25,670,000	30,630,000	37,675,598	43,385,000
Interest	56,091,650	57,485,799	59,405,833	56,072,079	56,052,373
Variable Rate Debt[5]	7,497,649	1,894,813	-	-	-
PFC Funds Applied to Debt Service	(30,005,333)	(30,005,333)	(20,005,334)	(30,005,334)	-
COVID-19 Federal relief funds applied to Senior and Subordinate Debt Service		(20,815,428)	(26,000,000)	(18,000,000)	-
Total Annual Debt Service	$ 51,798,966	$ 34,229,851	$ 44,030,499	$ 45,742,343	$ 99,437,373
Aggregate Obligations Debt Service Coverage	2.72	4.21	3.17	4.98	2.33

1 Revenues are calculated pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture.
2 Net Revenues and Subordinate Net Revenues are calculated pursuant to the provisions of the Master Senior Indenture and Master Subordinate Indenture, as appropriate.
3 Debt service with respect to the Senior Bonds is calculated pursuant to the provisions of the Master Senior Indenture.
4 Subordinate Annual Debt Service is calculated pursuant to the provisions of the Master Subordinate Indenture.
5 Includes principal and interest.

The following table presents the historical airline costs (landing fees, terminal building rentals and airport police/security reimbursement fees) of operating at the Airport for the past five Fiscal Years.

SAN DIEGO INTERNATIONAL AIRPORT
AIRLINE DERIVED REVENUE PER PASSENGER

Airline Revenues	2019	2020	2021	2022	2023
Joint Use Fees[1]	$ 0	$ 49,426,560	$ 55,229,873	$ 62,362,974	$ 77,976,937
Landing Fees[2]	24,973,853	31,605,811	30,942,421	33,343,343	42,818,143
Terminal Rentals[2,3]	65,819,807	28,107,630	25,372,323	30,773,369	45,985,824
Common Use Charges	1,407,707	3,261,820	7,369,019	8,230,945	10,950,913
Aircraft Parking Fees[4]	3,471,363	6,800,018	6,859,419	6,885,847	9,064,226
FIS Use Charges	3,532,491	7,627,629	984,860	2,201,290	3,219,300
Security Surcharge[5]	33,558,621	-	-	-	-
Incentive Program			(62,080)	(2,078,912)	(4,097,315)
Total Airline Revenue	$132,763,842	$126,829,468	$126,695,834	$141,718,856	$185,918,028
Enplaned Passengers	12,356,286	9,235,459	4,860,931	9,953,162	11,867,569
Airline Derived Revenue Per Passenger	$ 10.74	$ 13.73	$ 26.06	$ 14.24	$ 15.67

1 Joint Use Fees became effective with the commencement of the current Airline Lease Agreement on July 1, 2019. The Joint Use Fees include charges for terminal premises used jointly with other tenants and the use by the airlines of passenger loading bridges, baggage handling systems, flight information displays, gate information displays, baggage information displays, paging, and Airport Authority provided staffing, contractual services, facilities, equipment and other support systems that provide security and other resources supporting passenger carrier operations.

2 Excludes rebates.

3 Excludes Executive Lounge rent of approximate $1.8 million in Fiscal Year 2019, $1.7 million on Fiscal Year 2020, $1.5 million on Fiscal Year 2021,$1.8 million on Fiscal Year 2022 and $2.6 million on Fiscal Year 2023.

4 Amount excludes general aviation remote overnight parking.

5 Beginning on July 1, 2019 (the commencement date of the current Airline Lease Agreement), the Security Surcharge is included in the Joint Use Fees and the Landing Fees.

The following table sets forth a summary of the Authority's approved PFC applications through June 30, 2023.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
APPROVED PFC APPLICATIONS

PFC Applications	Approval Date	Amended Approval Amount[1, 2]
1-5, 7 and 11[3, 4]	Various	$ 357,703,762
8	2010	1,118,567,229
10[5]	2012	29,227,174
12	2016	43,795,768
13	2019	51,100,000
Total		$ 1,600,393,933

1 Includes the amount of PFCs the FAA has authorized the Authority to collect and use at the Airport.
2 Authorization to collect PFCs under all of the applications and amendments expires on April 30, 2040, however, such authorization to collect PFCs could expire earlier if the total authorized amount is collected prior to April 30, 2040.
3 The Authority withdrew PFC Application #6.
4 The Authority has closed PFC Applications 1-5, 7 and 11; these applications having been fully funded and the projects they financed having been completed.
5 PFC Application #9 was skipped due to internal FAA system processing.

The following table sets forth a summary of the Authority's Annual Receipt of PFCs for the past five Fiscal Years ended June 30.

SAN DIEGO COUNTY REGIONAL
AIRPORT AUTHORITY
ANNUAL RECEIPT OF PFCS[1]

Fiscal Year	PFCs Collected
2019	$ 49,197,716
2020	34,392,981
2021	22,109,906
2022	40,394,092
2023	46,754,727

1 The information in this table is presented on an accrual basis. Does not include interest earnings.

The following table sets forth the market share of the rental car companies operating at the Airport for Fiscal Year 2023.

SAN DIEGO INTERNATIONAL AIRPORT
MARKET SHARE OF RENTAL CAR BRANDS
FISCAL YEAR 2023

Corporate Entity	Rental Car Brands	Fiscal Year 2023 Share by Gross Revenues
Avis Budget Group, Inc.	Avis, Budget, Zipcar and Payless[1]	36.5%
Enterprise Holdings, Inc.	Enterprise, Alamo and National	30.3%
Hertz Global Holdings, Inc.	Hertz, Dollar and Thrifty	25.3%
Others	FastTrack (NuCar), Fox, Mex/Ace, Inc., Sixt, and Gitibin & Assoc (Go Rentals)	7.9%

1 Operated as a franchise at the Airport.

The following table sets forth the historical debt service coverage on the Series 2014 Bonds for Fiscal Years 2019 through 2023.

SAN DIEGO INTERNATIONAL AIRPORT
HISTORICAL DEBT SERVICE COVERAGE ON THE SERIES 2014 BONDS

Fiscal Year	CFC Rate	CFCs Collected	Interest Earnings[1]	Transfers from CFC Surplus Account	Total CFCs Available	Balance in Rolling Coverage Fund[2]	Series 2014 Debt Service Requirements[3]	Total Debt Service Coverage[4]
2019	$9.00	$ 41,918,554	$1,544,474	$ 0	$43,463,028	$ 6,575,894	$ 21,919,646	2.28x
2020	$9.00	30,239,698	1,502,382	3,563,874	35,305,954	6,575,637	21,918,789	1.91
2021	$9.00	15,755,254	855,813	9,540,452	26,151,519	6,575,382	21,917,940	1.49
2022	$9.00	30,333,350	324,938	14,357	30,672,645	6,576,235	21,930,783	1.70
2023	$9.00	34,374,844	1,405,285	0	35,780,129	6,575,173	21,930,783	1.93

1 Includes earnings on investments in the Senior Reserve Fund, the Rolling Coverage Fund and the CFC Surplus Fund.
2 Includes amount on deposit in the Rolling Coverage Fund at the beginning of each Fiscal Year, up to an amount not to exceed 30% of the Series 2014 Debt Service Requirements for each Fiscal Year.
3 Includes debt service on the Series 2014 Bonds.
4 Calculated by dividing (a) the sum Total CFCs Collected and Interest Earnings and Balance in Rolling Coverage Fund by (b) Series 2014 Debt Service Requirements.

Further Information

For additional information about the Authority, please see the Official Statements for the Bonds available from EMMA. For further information regarding this Report, you may contact:

Mr. Scott Brickner, Vice President, CFO
San Diego County Regional Airport Authority
3225 North Harbor Drive
San Diego, California 92101

San Diego County Regional Airport Authority

Financial Statements

For the Fiscal Years Ended

June 30, 2023, and 2022

FORVIS

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Diego County Regional Airport Authority (Airport Authority), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Airport Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in *Note 13* to the financial statements, in fiscal year 2023 the Airport Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

FORVIS, LLP

Dallas, Texas
November 2, 2023

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2023, and 2022

INTRODUCTION

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

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

SAN DIEGO INTERNATIONAL AIRPORT

History of Ownership

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

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

Legislative Background

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

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

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

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

AIRPORT ACTIVITIES HIGHLIGHTS (2021-2023)

In fiscal year 2023, the Airport Authority continued to show great improvement in the recovery from the COVID-19 pandemic, as most major activities rose to within 96 percent of the 2019 pre-pandemic levels.

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

	FY 2023	FY 2022	FY 2021
Enplaned passengers	**11,867,569**	9,953,162	4,860,931
% change from prior year	**19.2%**	104.8%	-47.4%
Total passengers	**23,560,297**	19,830,645	9,701,311
% change from prior year	**18.8%**	104.4%	-47.4%
Aircraft operations	**219,952**	190,491	130,017
% change from prior year	**15.5%**	46.5%	-31.8%
Freight and mail (in tons)	**138,648**	151,160	151,327
% change from prior year	**-8.3%**	-0.1%	-2.0%
Landed weight (in millions pounds)	**13,869**	11,764	7,780
% change from prior year	**17.9%**	51.2%	-35.5%

Enplaned passenger traffic continued to improve from the impact of the pandemic, with an increase of 19.2 percent over fiscal year 2022. Changes in total passengers, aircraft operations and landed weight closely mirrored the improvement in enplanements. Whereas freight and mail continued a declining trend due to decreasing demand.

FINANCIAL HIGHLIGHTS

For the fiscal year ended June 30, 2023, the Airport Authority adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94) and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). Fiscal year 2022 has been restated for the adoption of GASB 94 and GASB 96.

Statement of Revenues, Expenses and Changes in Net Position

The metric 'Changes in Net Position' is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net position increased 2.8 percent in fiscal year 2022 as air travel continued to recover and had a strong increase of 13.0% in fiscal year 2023.

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

	FY 2023	FY 2022	FY 2021
Operating revenues	**$ 360,762**	$ 315,640	$ 224,606
Operating expenses	**(305,925)**	(291,213)	(277,808)
Nonoperating revenues (expenses), net	**11,987**	(12,874)	43,762
Capital contributions and grants	**52,287**	12,958	13,932
Increase in net position	**119,111**	24,511	4,491
Net position, beginning of year	**914,068**	889,557	885,066
Net position, end of year	**$ 1,033,179**	$ 914,068	$ 889,557

Note: Fiscal year 2022 and 2021 amounts have been restated for GASB 94 & GASB 96.

Operating Revenues (in thousands)

			From 2022 to 2023	
	FY 2023	FY 2022	Increase (Decrease)	% Change
Airline revenue:				
Landing fees	**$ 44,741**	$ 35,354	$ 9,387	26.6%
Aircraft parking fees	**11,189**	8,856	2,333	26.3%
Building rentals	**129,744**	97,047	32,697	33.7%
Other aviation revenue	**7,123**	6,518	605	9.3%
Total airline revenue	**192,797**	147,775	45,022	30.5%
Concession revenue	**75,559**	88,138	(12,579)	(14.3%)
Parking and ground transportation revenue	**65,415**	57,076	8,339	14.6%
Ground rentals	**23,257**	19,651	3,606	18.3%
Other operating revenue	**3,735**	2,999	736	24.5%
Total operating revenue	**$ 360,762**	$ 315,640	$ 45,122	14.3%

Note: Fiscal year 2022 and 2021 amounts have been restated for GASB 94 & GASB 96.

			From 2021 to 2022	
	FY 2022	FY 2021	Increase (Decrease)	% Change
Airline revenue:				
Landing fees	$ 35,354	$ 34,046	$ 1,308	3.8%
Aircraft parking fees	8,856	8,542	314	3.7%
Building rentals	97,047	83,090	13,957	16.8%
Other aviation revenue	6,518	8,192	(1,673)	(20.4%)
Total airline revenue	147,775	133,870	13,906	10.4%
Concession revenue	88,138	41,801	46,337	110.9%
Parking and ground transportation revenue	57,076	27,447	29,629	108.0%
Ground rentals	19,651	19,809	(157)	(0.8%)
Other operating revenue	2,999	1,680	1,320	78.6%
Total operating revenue	$ 315,640	$ 224,606	$ 91,034	40.5%

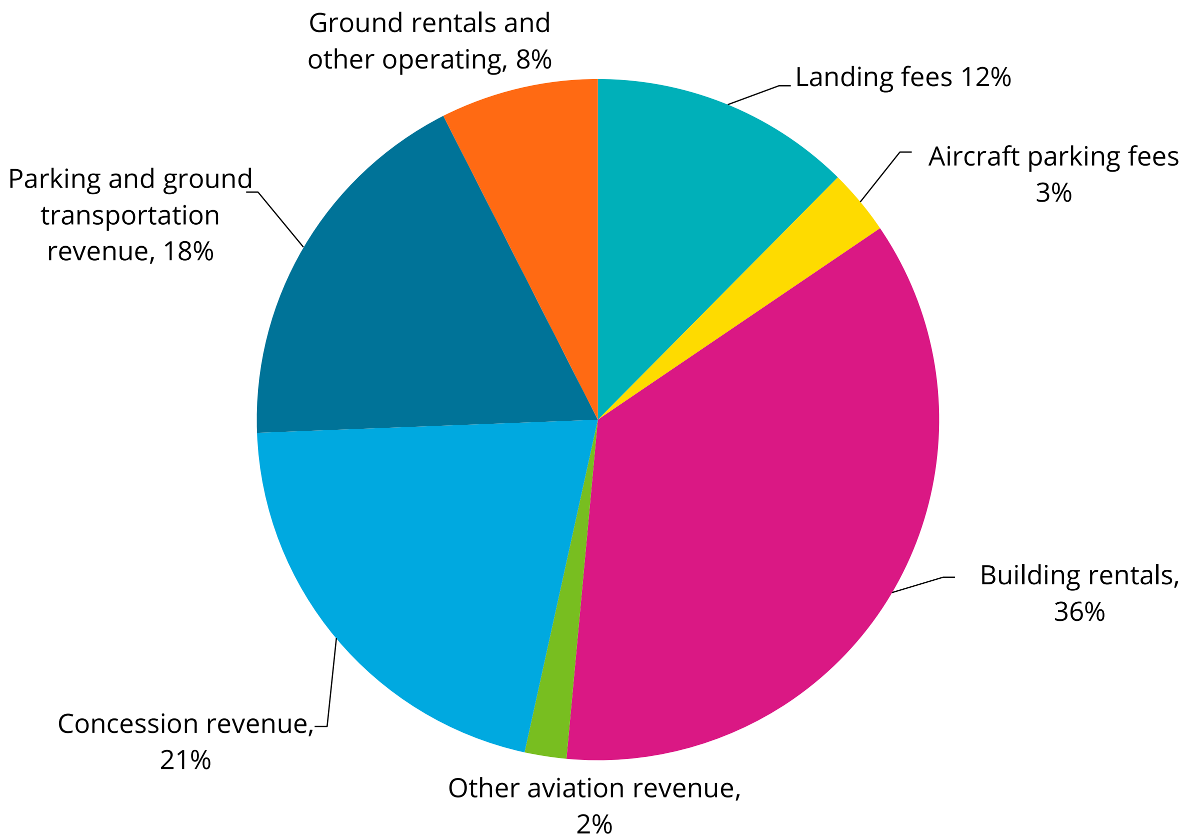
Note: Fiscal year 2022 and 2021 amounts have been restated for GASB 94 & GASB 96.

Fiscal Year 2023 compared to 2022: Total airline revenues increased $45.0 million, or 30.5 percent, due to a planned major maintenance fund increase per the airline operating lease agreement, combined with increased cost recovery from the airlines which is the result of higher debt service costs and an increase in recoverable operating expenses due to the increase in passengers.

Concession revenue (terminal and rental car) decreased by $12.6 million, or 14.3 percent, due to the timing of the recognition of lease revenue per GASB 87. The decrease is partially offset by increased concessions and car rental sales due to the increase in passengers. Parking and ground transportation revenue increased $8.3 million, or 14.6 percent, due to the increased enplanements. Ground rentals increased $3.6 million, or 18.3 percent, due to the higher consumer price index rent increase and additions to the fuel lease from the hydrant fueling project.

Fiscal Year 2022 compared to 2021: Total airline revenues increased $13.9 million, or 10.4 percent, reflecting the cost recovery system for the airlines which was higher in fiscal year 2022, compared to 2021. Airline building rentals were the main driver, increasing $14.0 million, or 16.8 percent.

Concession revenue (terminal and rental car) increased by $46.3 million, or 110.9 percent, due to increased passenger flow throughout the terminals. Parking and ground transportation revenue increased $29.6 million, or 108.0 percent, due to the increased enplanements. Lastly, other operating revenue increased $1.3 million, or 78.6 percent.



Operating Expenses (in thousands)

	FY 2023	FY 2022	From 2022 to 2023 Increase (Decrease)	% Change
Salaries and benefits	**$ 51,231**	$ 46,373	$ 4,858	10.5%
Contractual services	**45,581**	34,491	11,090	32.2%
Safety and security	**33,043**	34,191	(1,148)	(3.4%)
Space rental	**313**	839	(526)	(62.7%)
Utilities	**17,567**	14,193	3,374	23.8%
Maintenance	**16,417**	10,747	5,670	52.8%
Equipment and systems	**922**	340	582	171.2%
Materials and supplies	**661**	496	164	33.1%
Insurance	**1,997**	1,741	256	14.7%
Employee development and support	**681**	537	144	26.8%
Business development	**1,916**	1,781	135	7.6%
Equipment rentals and repairs	**4,010**	3,472	539	15.5%
Total operating expenses before depreciation and amortization	**174,339**	149,201	25,138	16.8%
Depreciation and amortization	**131,586**	142,012	(10,425)	(7.3%)
Total operating expense	**$ 305,925**	$ 291,213	$ 14,713	5.1%

Note: Fiscal year 2022 and 2021 amounts have been restated for GASB 94 & GASB 96.

	FY 2022	FY 2021	From 2021 to 2022 Increase (Decrease)	% Change
Salaries and benefits	$ 46,373	$ 52,922	$ (6,549)	(12.4%)
Contractual services	34,491	24,977	9,514	38.1%
Safety and security	34,191	35,086	(895)	(2.6%)
Space rental	839	64	776	1,215.8%
Utilities	14,193	11,730	2,464	21.0%
Maintenance	10,747	9,111	1,636	18.0%
Equipment and systems	340	425	(85)	(19.9%)
Materials and supplies	496	450	46	10.3%
Insurance	1,741	1,519	222	14.6%
Employee development and support	537	442	96	21.6%
Business development	1,781	209	1,573	753.4%
Equipment rentals and repairs	3,472	3,380	92	2.7%
Total operating expenses before depreciation and amortization	149,201	140,313	8,889	6.3%
Depreciation and amortization	142,012	137,496	4,516	3.3%
Total operating expense	$ 291,213	$ 277,808	$ 13,405	4.8%

Note: Fiscal year 2022 and 2021 amounts have been restated for GASB 94 & GASB 96.

San Diego County Regional Airport Authority

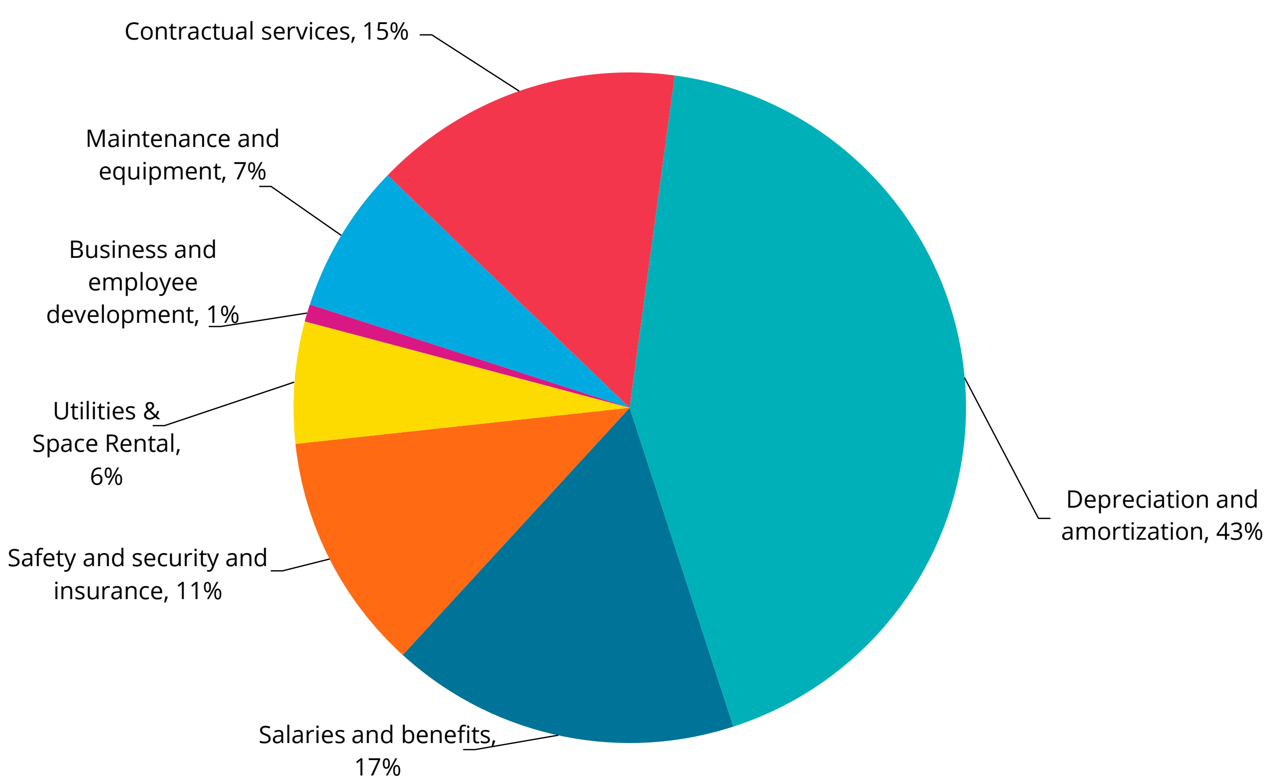
Fiscal Year 2023 compared to 2022: Total fiscal year 2023 operating expenses increased by $14.7 million or 5.1 percent.

Salaries and benefits increased by $4.9 million or 10.5 percent due to planned wage and benefit increases, higher overtime, and increased head count. Contractual services increased by $11.1 million or 32.2 percent, primarily due to an increase in parking and shuttle operations and Rental Car Center (RCC) buses expenses due to an increase in enplanements. Utilities increased by $3.4 million or 23.8 percent due to increased gas and electric usage and rates. Maintenance expenses increased by $5.7 million or 52.8 percent due to an increase in annual and major maintenance.

Partially offsetting the increase in operating expenses described above, safety and security decreased by $1.1 million or 3.4 percent because of law enforcement and guard services staff vacancies. Depreciation and amortization decreased by $10.4 million or 7.3 percent due to disposal of assets, caused by the demolition of various fixed assets necessary for the construction of the New Terminal 1.

Fiscal Year 2022 compared to 2021: Total fiscal year 2022 operating expenses increased by $13.4 million or 4.8 percent. Contractual services increased by $9.5 million or 38.1 percent, primarily due to an increase in parking and shuttle operations and Rental Car Center (RCC) buses expenses due to increase in enplanements. Utilities increased by $2.5 million or 21 percent due to increased gas and electric usage and rates. Maintenance expenses increased by $1.6 million, or 18.0 percent, due to an increase in annual and major maintenance. Business Development increased by $1.6 million or 753.4 percent due to an increase in marketing and advertising costs.

Partially offsetting the increase in operating expenses described above, salaries and benefits, decreased by $6.5 million or 12.4 percent, primarily due to a $5.1 million decrease in retirement expense caused by investment gains on the pension and OPEB plan assets.



Nonoperating Revenues (Expenses) (in thousands)

	FY 2023	FY 2022	From 2022 to 2023 Increase (Decrease)	From 2022 to 2023 % Change
Passenger facility charges	**$ 46,755**	$ 40,394	$ 6,361	15.7%
Customer facility charges	**34,375**	30,333	4,041	13.3%
Federal Relief Grants	**-**	78,922	(78,922)	(100.0%)
Quieter Home Program, net	**(2,051)**	(2,541)	490	19.3%
Other interest income	**11,145**	11,893	(748)	(6.3%)
Investment income (loss)	**50,882**	(48,884)	99,766	204.1%
Interest expense, net	**(127,464)**	(109,675)	(17,789)	(16.2%)
Other nonoperating income (expenses)	**(1,654)**	(13,316)	11,661	87.6%
Nonoperating revenues (expenses), net	**$ 11,987**	$ (12,874)	$ 24,861	193.1%

Note: Fiscal year 2022 and 2021 amounts have been restated for GASB 94 & GASB 96.

	FY 2022	FY 2021	From 2021 to 2022 Increase (Decrease)	From 2021 to 2022 % Change
Passenger facility charges	$ 40,394	$ 22,110	$ 18,284	82.7%
Customer facility charges	30,333	15,755	14,578	92.5%
Federal Relief Grants	78,922	77,219	1,704	2.2%
Quieter Home Program, net	(2,541)	(3,233)	691	21.4%
Other interest income	11,893	6,748	5,144	76.2%
Investment income (loss)	(48,884)	2,495	(51,379)	(2,059.3%)
Interest expense, net	(109,675)	(76,628)	(33,048)	(43.1%)
Other nonoperating income (expenses)	(13,316)	(705)	(12,611)	(1,789.0%)
Nonoperating revenues (expenses), net	$ (12,874)	$ 43,762	$ (56,636)	(129.4%)

Note: Fiscal year 2022 and 2021 amounts have been restated for GASB 94 & GASB 96.

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

Customer Facility Charges (CFCs) are authorized under Section 1949 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected have been used to plan and construct a consolidated rental car facility and operate the related ground transportation system. The rental car agencies utilizing the consolidated rental car facility remit to the Airport Authority collection of the fee monthly. The current CFC fee is $9.00 per day, up to five days for rental car transactions that originate at the Rental Car Center. For car rental transactions of non-RCC tenants, the CFC rate is $3.41 per day, up to five days for rental car transactions.

Federal Relief Grants included the *American Rescue Plan Act* (ARPA) funds received from the federal government. ARPA was signed into law on March 11, 2021, and included $8 billion in funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the coronavirus disease pandemic. On

August 10, 2021, the Airport Authority was awarded a $78.9 million ARPA grant, which was fully utilized in fiscal year 2022.

Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multi-family dwellings located in the Year 2020 65 dB Community Noise Equivalent Level contour. The project is eligible for the FAA's Airport Improvement Program (AIP) which awards grants for certain eligible Airport Authority expenditures. The $2.1 million of expenses represents the authority's cost, net of the grant funds utilized in FY23. From inception through the end of fiscal year 2023, the Airport Authority has spent $283.5 million and received reimbursement for $231.3 million.

Other Interest Income includes interest earned on lease receivables and notes receivable. For June 30, 2023, and 2022 other interest income was $11.1 million and $11.9 million, respectively.

Investment income (loss) is derived from interest earned by the Airport Authority on investments and includes unrealized gain (loss) on investments. For June 30, 2023, and 2022 Investment income was a gain of $50.9 million and a loss of $48.9 million, respectively.

Interest expense includes interest paid and accrued on bonds, variable debt, and leases. For June 30, 2023, and 2022 interest expense was $127.5 million and $109.7 million, respectively. The increase is due to a full year of interest on the 2021 bonds that were issued in December 2021 to fund construction of the New Terminal 1.

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

Fiscal Year 2023 compared to 2022: Nonoperating revenues (net) increased by $24.9 million or 193.1 percent. The increases in PFCs and CFCs are due to an increase in enplaned passengers. PFCs increased by $6.4 million or 15.7 percent, and CFCs increased by $4.0 million or 13.3 percent. Investment income increased by $99.8 million or 204.1 percent. The increase is due to the movement of unrealized gain/loss on investments of $72.9 million as the increase in market yields moderated significantly resulting in an unrealized gain in fiscal year 2023 of $11.7 million compared to an unrealized loss of $61.3 million in fiscal year 2022. Increased interest rates and higher investment balances accounted for the $26.8 million of additional interest revenue in fiscal year 2023. Other nonoperating income (expenses) decreased by $11.7 million or 87.6 percent, as there was no fixed asset disposal loss reported this year.

Fiscal Year 2022 compared to 2021: Nonoperating revenues (net) decreased by $56.6 million or 129.4 percent. The increases in PFCs and CFCs are due to an increase in enplaned passengers. PFCs increased by $18.3 million or 82.7 percent, and CFCs increased by $14.6 million or 92.5 percent. Investment income (loss) decreased by $51.4 million or 2,059.3 percent. The decrease is due to an unrealized loss on investments of $61.3 million as market yields increased significantly, decreasing the market value of fixed rate securities held by the Authority. The unrealized loss was offset partially by increased interest earnings due to higher yields and larger investment balances. Other nonoperating income (expenses) decreased by $12.6 million or 1,789.0 percent, due to the loss on fixed asset disposals, caused by the demolition of various fixed assets necessary for the construction of the New Terminal 1.

Federal Grant Contributions (in thousands)

	FY 2023	FY 2022	From 2022 to 2023 Increase (Decrease)	From 2022 to 2023 % Change
Federal grants	**$ 52,287**	$ 12,958	$ 39,329	303.5%

	FY 2022	FY 2021	From 2021 to 2022 Increase (Decrease)	From 2021 to 2022 % Change
Federal grants	$ 12,958	$ 13,932	$ (973)	(7.0%)

Federal Grant Contributions are comprised of Airport Improvement Project (AIP) entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2023, federal grant contributions increased by $39.3 million, or 303.5 percent compared to fiscal year 2022, due to an increase in grant awards and substantial New Terminal 1 construction activities funded by federal grants.

Assets, Liabilities and Net Position (in thousands)

The statements of net position present the financial position of the Airport Authority as of a period in time. The statements include all assets, deferred outflows, liabilities, deferred inflows, and net position of the Airport Authority. A summary comparison of the Airport Authority's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2023, 2022 and 2021, is as follows:

	FY 2023	FY 2022	FY 2021
Assets and Deferred Outflows of Resources			
Current assets	**$ 723,463**	$ 491,098	$ 480,254
Capital and lease assets, net	**2,795,855**	2,284,111	2,063,687
Noncurrent assets	**2,037,198**	2,719,699	914,583
Total assets	**5,556,516**	5,494,907	3,458,524
Deferred outflows of resources	**18,040**	22,390	33,471
Total assets & deferred outflows of resources	**5,574,556**	5,517,297	3,491,996
Liabilities and Deferred Inflows of Resources			
Current liabilities	**280,701**	250,171	157,227
Long-term liabilities	**3,871,111**	3,947,346	2,077,162
Total liabilities	**4,151,812**	4,197,517	2,234,389
Deferred inflows of resources	**389,565**	405,712	368,049
Total liabilities & deferred inflows of resources	**4,541,377**	4,603,229	2,602,439
Net Position			
Net investment in capital assets	**330,220**	420,903	325,062
Restricted	**230,636**	176,638	192,484
Unrestricted	**472,323**	316,527	372,011
Total net position	**$ 1,033,179**	$ 914,068	$ 889,557

Note: Fiscal year 2022 and 2021 amounts have been restated for GASB 94 & GASB 96.

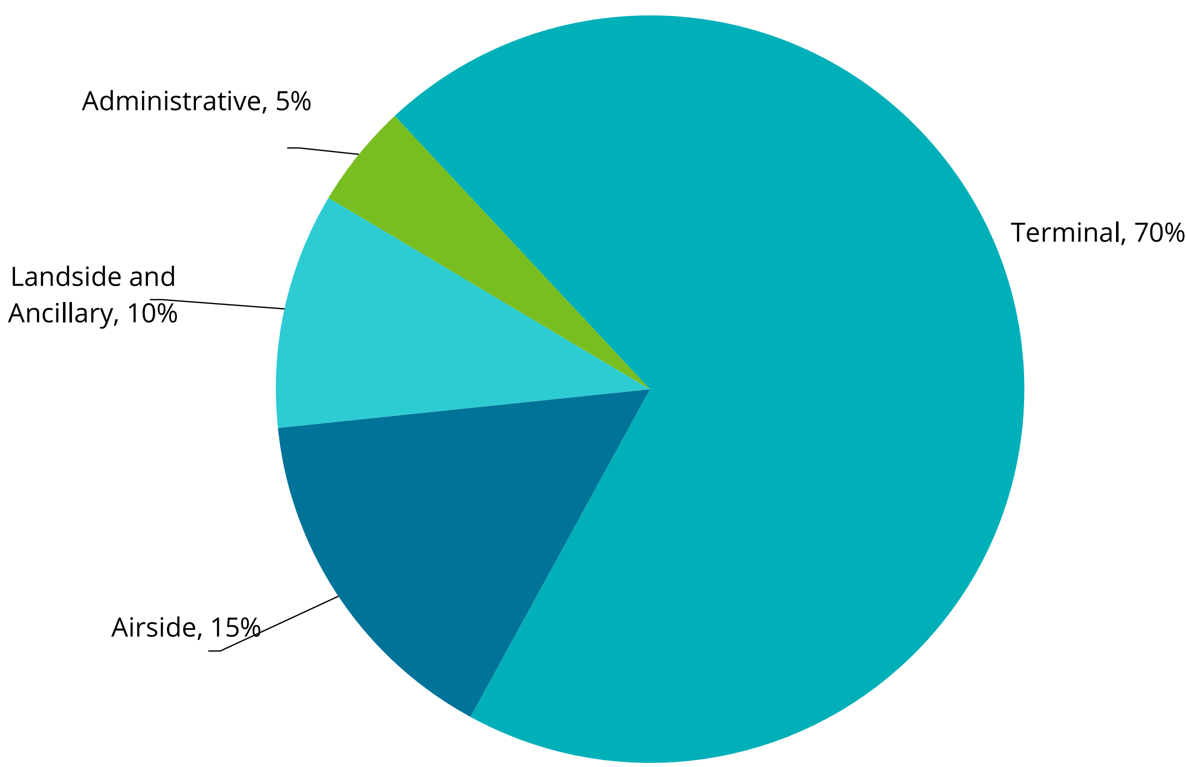
As of June 30, 2023, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,033.2 million. This reflects a $119.1 million or 13.0 percent increase in net position from June 30, 2022. The Airport Authority uses capital and lease assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital and lease assets is reported net of related debt, the funds required to repay this debt must be provided annually from operations. The unrestricted net position of $472.3 million as of June 30, 2023, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2023, 2022, and 2021, management has designated unrestricted funds in the amount of $16.0 million, $16.2 million, and $22.5 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake self-insurance, and operating contingency.

Capital Program

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

The current Capital Program, which includes projects through 2027, consists of $595.0 million for airside projects, $379.5 million for landside and ancillary projects, $2.7 billion for terminal projects, which includes the replacement of Terminal 1, and $174.1 million for administrative projects.

Capital Program Projects by Type



Additional information about the Airport Authority's capital and lease assets can be found in Note 5 of the financial statements.

Capital Financing and Debt Management

On February 19, 2014, the Airport Authority issued $305.3 million of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest on the Series 2014 Bonds, fund deposits to the senior reserve fund, the rolling coverage fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.0 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.5 percent to 5.6 percent and mature in fiscal years 2019 to 2045. Interest for the fiscal years ended June 30, 2023, and 2022 amounted to $15.2 million and $15.6 million, respectively, including accrued interest of $7.6 million and $7.8 million, respectively. The principal balance on the Series 2014 Bonds as of June 30, 2023, and 2022 was $275.7 million and $282 million, respectively.

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

On August 3, 2017, the Airport Authority issued $291.2 million of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund $32.6 million of the Airport Authority's outstanding variable rate debt, which was issued during 2017, fund the subordinate reserve fund and pay the cost of issuance of the subordinate Series 2017 Bonds.

The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of $48.4 million, which is being amortized over the life of the bonds. Interest for the fiscal years ended June 30, 2023, and 2022 amounted to $13.3 million and $13.6 million, respectively, including accrued interest of $6.7 million and $6.8 million, respectively. The principal balance on the Series 2017 Bonds as of June 30, 2023, and 2022 was $266.6 million and $271.9 million, respectively.

On December 11, 2019, the Airport Authority issued $338.8 million of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and $124.9 million of Series B Subordinate Airport Revenue Bonds (Series 2019 Bonds). The Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the Series 2019 Bonds, refund $34.3 million of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account to refund the 2010C bonds, fund the subordinate reserve fund, and pay the costs of issuance of the Series 2017 Bonds.

The Series 2019 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2021 to 2050. The bonds were issued at a premium of $96.9 million, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January

1 and July 1 of each year. Interest for the fiscal years ended June 30, 2023, and 2022 amounted to $21.9 million and $22.1 million, respectively, including accrued interest of $10.9 million and $11.1 million, respectively. The principal balance on the Series 2019 Bonds as of June 30, 2023, and 2022 was $454.6 million and $459 million, respectively.

The Airport Authority issued $241.6 million of Series A, B and C Subordinate Airport Revenue Refunding Bonds (Series 2020 Bonds). The Authority entered into a Forward Delivery Purchase Contract on December 11, 2019, and delivered the Series 2020 Bonds Proceeds on April 8, 2020. Proceeds from the sale of the Series 2020 Bonds were used to fund the Series 2010 A and B Bonds escrow accounts to refund the 2010 A/B bonds and pay the costs of issuance of the Series 2020 Bonds.

The Series 2020 Bonds are structured as serial bonds that bear interest rates of 5.0 percent and mature in fiscal years 2021 to 2041. The bonds were issued at a premium of $49.4 million, which is being amortized over the life of the bonds. Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal years ended June 30, 2023, and 2022 amounted to $10.6 million and $11.5 million, respectively, including accrued interest of $5.4 million and $5.8 million, respectively. The principal balance on the Series 2020 Bonds as of June 30, 2023, and 2022 was $212.5 million and $227 million, respectively.

On December 8, 2021, the Airport Authority issued $1,941.7 million of Series A, B and C Subordinate Airport Revenue Bonds (Series 2021 Bonds). The Series 2021 Bonds were issued to finance The New Terminal 1 development at SDIA, fund a portion of the interest accruing on the Series 2021 Bonds, fund the subordinate reserve fund, pay the costs of issuance of the Series 2021 Bonds and to refund the 2013 Series A and B bonds.

The Series 2021 A and B Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2027 to 2057 and were issued at a premium of $332.4 million, which is being amortized over the life of the bonds. The Series 2021 C Bonds are federally Taxable Bonds and are structured as serial and term bonds that bear interest at rates ranging from 0.5 percent to 3.1 percent and mature in fiscal years 2023 to 2037. Interest on the Series 2021 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal years ended June 30, 2023, and 2022 amounted to $82.0 million and $46.3 million, respectively, including accrued interest of $41.0 million and $46.3 million, respectively. The principal balance on the Series 2021 Bonds as of June 30, 2023, and 2022 was $1,932.0 million and $1,941.7 million, respectively.

Interest expense on the Series 2014, 2017, 2019, 2020 and 2021 Bonds for fiscal years ended June 30, 2023, and June 30, 2022, of $143.1 million and $116.3 million, respectively, was offset by bond premium amortization of $26.7 million in fiscal year 2023 and $21.6 million in fiscal year 2022.

The Airport Authority leases properties from various third parties and uses that space to conduct its operations, the terms of which expire 2024 through 2072. The measurement of the lease payable is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. Incremental Borrowing Rates of 1.1 percent to 3.8 percent were used by the Airport Authority to measure lease payables. Liabilities recorded under lease contracts during the years ended June 30, 2023, and 2022, were $228.9 million and $232.4 million, respectively.

On July 19, 2021, The Airport Authority and Bank of America agreed to a Revolving Credit Agreement. The Airport Authority is authorized to issue up to $200.0 million in Subordinate Revolving Obligations. The revolving credit agreement is for a term of three years. At the end of fiscal years 2023 and 2022, the Airport Authority had $80.1 million in aggregate principal of Subordinate Revolving Obligations outstanding. These obligations were used to finance the New Terminal 1. Obligations incurred under the Revolving Credit Agreement are payable solely from and secured by a pledge of "Subordinate Net Revenues." Subordinate Net Revenues are generally defined as all revenues and other cash receipts of the Airport Authority's Airport operations remaining after Senior Lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture.

Additional information of the Airport Authority's long-term debt can be found in Note 6 to the financial statements.

The SDIA's PFC program was established in 1994, and currently authorizes the imposition of a $4.50 fee on enplaning passengers. There are currently four active applications which provide the Airport Authority to impose and use PFC revenue through May 1, 2040.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately $89.3 million in grant awards for the federal fiscal year ended September 30, 2023, as compared to $83.4 million for 2022. Grant awards are recognized as nonoperating revenue or capital contributions as eligible expenses are incurred.

Request for Information

This financial report is designed to provide a general overview of the Airport Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the San Diego County Regional Airport Authority Accounting Department, P.O. Box 82776, San Diego, CA 92138. The Accounting Department can also be reached at (619) 400-2806. A copy of the financial report is available at www.san.org

Financial Statements

Statements of Net Position

June 30, 2023, and 2022

Assets and Deferred Outflows of Resources	2023	2022 as restated
Current Assets		
Unrestricted:		
Cash and cash equivalents (Note 2)	**$ 26,108,388**	$ 10,560,677
Investments (Note 2)	**306,492,307**	238,734,707
Tenant receivables, net	**20,872,111**	22,784,819
Grants receivable	**19,163,746**	25,461,356
Lease receivables, current portion (Note 3)	**21,579,230**	25,256,727
Partnership lease receivables, current portion (Note 3)	**3,281,883**	2,891,820
Note receivable, current portion (Note 4)	**4,926,819**	4,766,887
Other current assets	**17,351,605**	10,291,837
Total unrestricted current assets	**419,776,089**	340,748,830
Restricted cash, cash equivalents and investments with trustees (Notes 2 and 6)	**303,687,039**	150,348,859
Total current assets	**723,463,128**	491,097,689
Noncurrent Assets		
Restricted assets (Notes 2 and 6):		
Restricted cash, cash equivalents and investments not with trustees	**202,552,633**	154,568,287
Restricted cash, cash equivalents and investments with trustees (Note 2)	**1,232,265,747**	2,025,521,963
Passenger facility charges receivable (Note 1)	**7,035,361**	4,185,454
Customer facility charges receivable (Note 1)	**3,169,514**	2,884,858
Other restricted assets	**2,403,167**	3,999,762
Total restricted assets	**1,447,426,421**	2,191,160,323
Other noncurrent assets:		
Investments, noncurrent (Note 2)	**184,596,297**	141,423,628
Lease receivables, long-term portion (Note 3)	**146,460,548**	168,039,778
Partnership lease receivables, long-term portion (Note 3)	**135,261,080**	125,895,083
Note receivable, long-term portion (Note 4)	**24,451,275**	29,378,094
Cash and cash equivalents designated for specific capital projects and other commitments (Note 2)	**99,002,685**	50,449,426
Net pension asset (Note 7)	**-**	8,995,046
Net OPEB asset (Note 10)	**-**	4,357,476
Total other noncurrent assets	**589,771,885**	528,538,531
Capital and lease assets (Note 5):		
Land, land improvements and nondepreciable assets/leases	**182,279,198**	182,279,198
Buildings and structures	**1,884,157,140**	1,823,469,725
Lease assets	**238,303,897**	238,303,897
Subscription assets	**464,378**	464,378
Machinery and equipment	**139,202,241**	124,708,399
Runways, roads and parking lots	**630,577,748**	637,019,738
Construction in progress	**1,145,357,693**	578,124,720
Total capital and lease assets	**4,220,342,295**	3,584,370,056
Less accumulated depreciation and amortization	**(1,424,487,252)**	(1,300,259,420)
Capital and lease assets, net	**2,795,855,043**	2,284,110,636
Total noncurrent assets	**4,833,053,349**	5,003,809,490
Total assets	**5,556,516,476**	5,494,907,179
Deferred outflows of resources:		
Pensions (Note 7 and 8)	**12,162,436**	18,137,274
OPEB (Note 10)	**5,877,459**	4,252,768
Total deferred outflows of resources	**18,039,895**	22,390,042
Total assets and deferred outflows of resources	**5,574,556,372**	5,517,297,222

See Notes to Financial Statements. (Continued)

Liabilities, Deferred Inflows of Resources and Net Position	2023	2022 as restated
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	**3,699,871**	7,326,129
Accrued liabilities	**51,830,325**	45,972,090
Compensated absences, current portion (Note 6)	**3,750,891**	3,264,966
Other current liabilities	**16,591,374**	14,502,025
Lease and subscription liabilities, current portion (Note 6)	**3,677,515**	3,586,324
Long-term debt, current portion (Note 6)	**387,928**	323,293
Total payable from unrestricted assets	**79,937,904**	74,974,827
Payable from restricted assets:		
Accounts payable	**9,179,789**	17,466,214
Accrued liabilities	**69,749,979**	39,743,912
Long-term debt, current portion (Note 6)	**50,055,000**	40,160,000
Accrued interest on variable rate debt and bonds (Note 6)	**71,778,216**	77,826,260
Total payable from restricted assets	**200,762,984**	175,196,385
Total current liabilities	**280,700,888**	250,171,213
Long-Term Liabilities		
Compensated absences, net of current portion (Note 6)	**1,343,480**	1,789,112
Other noncurrent liabilities	**647,536**	663,924
Lease and subscription liabilities, long-term portion (Note 6)	**225,503,027**	229,180,542
Long-term debt, net of current portion (Note 6)	**3,635,975,207**	3,713,339,080
Net pension liability (Note 7 and 8)	**7,197,809**	2,373,440
Net OPEB liability (Note 10)	**444,406**	-
Total long-term liabilities	**3,871,111,466**	3,947,346,098
Total liabilities	**4,151,812,354**	4,197,517,311
Deferred inflows of resources		
Pensions (Note 7 and 8)	**4,749,968**	27,258,294
OPEB (Note 10)	**1,653,747**	4,901,161
Gain on refunding	**9,440,839**	9,943,477
Leases (Note 3)	**147,922,470**	168,064,374
Partnership leases (Note 3)	**225,797,623**	195,544,264
Total deferred inflows of resources	**389,564,647**	405,711,570
Total liabilities and deferred inflows of resources	**4,541,377,002**	4,603,228,881
Net Position		
Net investment in capital assets	**330,219,977**	420,903,099
Restricted:		
Debt Service	**67,075,020**	48,292,097
Construction	**141,003,071**	93,634,418
Pension	**-**	8,995,046
OPEB	**-**	4,357,476
Operation and maintenance expenses	**17,932,678**	15,136,888
Small business bond guarantee	**2,222,300**	2,222,300
OCIP loss reserve	**2,403,167**	3,999,762
Total restricted net position	**230,636,236**	176,637,988
Unrestricted net position	**472,323,157**	316,527,254
Total net position	**$ 1,033,179,370**	$ 914,068,340

See Notes to Financial Statements.

Statements of Revenues, Expenses and Changes in Net Position

For the Fiscal Years Ended June 30, 2023, and 2022

	2023	2022 as restated
Operating revenues:		
Airline revenue:		
Landing fees	**$ 44,741,469**	$ 35,354,215
Aircraft parking fees	**11,188,756**	8,855,947
Building rentals	**129,743,693**	97,046,860
Other aviation revenue	**7,123,044**	6,518,253
Concession revenue	**75,558,792**	88,138,271
Parking and ground transportation revenue	**65,414,598**	57,075,628
Ground and non-airline terminal rentals	**23,257,118**	19,651,356
Other operating revenue	**3,734,823**	2,999,290
Total operating revenues	**360,762,294**	315,639,820
Operating expenses before depreciation and amortization:		
Salaries and benefits (Notes 6, 7, 8 and 9)	**51,230,961**	46,373,068
Contractual services (Note 13)	**45,580,643**	34,490,679
Safety and security	**33,042,629**	34,190,686
Space rental	**313,483**	839,337
Utilities	**17,567,259**	14,193,387
Maintenance	**16,417,015**	10,746,604
Equipment and systems	**921,761**	339,942
Materials and supplies	**660,733**	496,452
Insurance	**1,996,788**	1,740,603
Employee development and support	**681,446**	537,388
Business development	**1,916,108**	1,781,323
Equipment rentals and repairs	**4,010,388**	3,471,765
Total operating expenses before depreciation and amortization	**174,339,213**	149,201,234
Income from operations before depreciation and amortization	**186,423,081**	166,438,586
Depreciation and amortization expense	**131,586,318**	142,011,648
Operating income	**$ 54,836,763**	$ 24,426,938

See Notes to Financial Statements. (Continued)

San Diego County Regional Airport Authority

	2023	2022 as restated
Nonoperating revenues (expenses):		
Passenger facility charges	**$ 46,754,727**	$ 40,394,092
Customer facility charges	**34,374,844**	30,333,350
Federal relief grants	**-**	78,922,308
Quieter Home Program grant revenue (Note 1)	**19,023,947**	14,392,766
Quieter Home Program expenses (Note 1)	**(21,075,144)**	(16,934,242)
Other Interest Income	**11,145,007**	11,892,517
Investment income (loss)	**50,881,687**	(48,883,995)
Interest expense (Note 6)	**(127,463,755)**	(109,675,241)
Other revenues (expenses), net	**(1,654,133)**	(13,315,574)
Nonoperating revenues (expenses), net	**11,987,180**	(12,874,018)
Income before federal grants	**66,823,943**	11,552,920
Federal grants (Note 1)	**52,287,087**	12,958,340
Change in net position	**119,111,030**	24,511,260
Net position, beginning of year, as restated	**914,068,340**	889,557,081
Net position, end of year	**$ 1,033,179,370**	$ 914,068,340

See Notes to Financial Statements.

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023, and 2022

	2023	2022 as restated
Cash Flows From Operating Activities		
Receipts from customers	$ 362,504,812	$ 371,536,489
Payments to suppliers	(129,535,335)	(107,568,553)
Payments to employees	(54,368,079)	(48,787,730)
Other receipts (payments)	3,737,502	2,996,459
Net cash provided by operating activities	182,338,900	218,176,665
Cash Flows From Noncapital Financing Activities		
Misc nonoperating receipts (payments)	(1,654,133)	163,686
Quieter Home Program grant receipts	20,850,254	11,723,416
Quieter Home Program payments	(21,075,144)	(16,934,242)
Net cash used in noncapital financing activities	(1,879,024)	(5,047,139)
Cash Flows From Capital and Related Financing Activities		
Capital outlay	(597,490,633)	(334,497,078)
Proceeds from variable debt	-	80,100,000
Other interest income	11,145,007	11,892,517
Federal grants received (excluding Quieter Home Program)	56,758,390	76,754,333
Proceeds from passenger facility charges	43,904,820	41,970,700
Proceeds from customer facility charges	34,090,188	29,832,774
Payment of principal on bonds and commercial paper	(40,360,000)	(389,230,000)
Proceeds from issuance of Series 2020 Bonds	-	2,274,125,831
Payment on note payable	(354,139)	(323,293)
Interest and debt fees paid	(160,704,536)	(119,271,370)
Net cash provided by (used in) capital and related financing activities	(653,010,901)	1,671,354,415
Cash Flows From Investing Activities		
Sales and maturities of investments	1,815,186,082	2,703,087,078
Purchases of investments	(1,322,506,966)	(4,619,871,044)
Interest received on investments and note receivable	39,205,993	12,419,871
Principal payments received on notes receivable	4,766,887	2,372,252
Increase in principal on notes receivable	-	(9,308,366)
Net cash provided by (used in) investing activities	536,651,995	(1,911,300,209)
Net decrease in cash and cash equivalents	64,100,970	(26,816,268)
Cash and cash equivalents, beginning of year	61,010,103	87,826,370
Cash and cash equivalents, end of year	$ 125,111,073	$ 61,010,103

See Notes to Financial Statements. (Continued)

San Diego County Regional Airport Authority

		2023		2022 as restated
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position				
Unrestricted cash and cash equivalents	**$**	**26,108,388**	$	10,560,677
Cash and cash equivalents designated for specific capital projects and other commitments		**99,002,685**		50,449,426
Total cash and cash equivalents	**$**	**125,111,073**	$	61,010,103
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	**$**	**54,836,763**	$	24,426,938
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expense		**131,586,318**		142,011,648
Change in pensions/OPEB liability/asset		**18,621,297**		(45,794,077)
Change in deferred outflows related to pensions/OPEB		**4,350,147**		11,081,306
Change in deferred inflows related to pensions/OPEB		**(25,755,740)**		29,002,100
Change in deferred inflows related to leases		**(20,141,904)**		(1,383,657)
Change in deferred inflows related to partnership leases		**6,116,521**		3,968,456
Changes in assets and liabilities:				
Receivables, net		**1,912,709**		56,568,711
Other assets		**(5,463,173)**		(97,336)
Accounts payable		**(3,626,258)**		654,407
Accrued liabilities		**5,858,235**		1,205,133
Compensated absences		**40,293**		292,136
Lease receivables		**15,500,666**		(8,408,150)
Other liabilities		**(1,496,975)**		4,649,049
Net cash provided by operating activities	**$**	**182,338,900**	$	218,176,665
Noncash investing, Capital and Financing Activities				
Additions to capital assets included in accounts payable	**$**	**78,929,768**	$	57,210,125
Capital assets (and related deferred inflow) contributed by operator		**24,136,838**		-
Unrealized gain (loss) on investments		**11,675,694**		(61,303,866)

See Notes to Financial Statements.

Notes to Financial Statements

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Use of estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Investments: Investments in the state and county investment pools are recorded at net asset value and money market mutual funds and non-negotiable certificates of deposit are recorded at amortized cost. All other investments are stated at fair value based on quoted market prices.

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

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

Airport Improvement Program (AIP) grants are authorized and disbursed by the FAA under the *Airway Improvement Act of 1982*, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. As of June 30, 2023, and 2022, the Airport Authority recovered $52.3 million and $13.0 million, respectively, for approved capital projects; and $19.0 million and $14.4 million, respectively, for the Quieter Home Program.

ARPA: The *American Rescue Plan Act of 2021* (ARPA) was signed into law on March 11, 2021, and includes $8 billion in funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA has established the *Airport Rescue Grants* to make grants to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded $78.8 million on August 10, 2021. For the fiscal year ended June 30, 2022, the Airport Authority drew and expended $78.8 million.

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

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects, contribute to the Airport Authority's noise mitigation (Quieter Home Program), or to repay debt service issued to build eligible capital projects. As of June 30, 2023, and 2022, accrued PFC receivables totaled $7.0 million and $4.2 million respectively, and there were $105.6 million and $61.4 million PFC amounts collected but not yet applied for approved capital projects as of June 30, 2023, and 2022, respectively.

On May 20, 2003, the FAA approved an increase in the Airport Authority's PFC charge per enplaned passenger from $3.00 to $4.50, beginning August 2003. Currently, there are four active applications that allow the Airport Authority to impose and use $1.2 billion in PFC revenue through April 2040.

The latest application was approved by the FAA in February 2019 (as amended in August 2020) providing collection authority with a charge effective date through April 2040. In accordance with the Aviation Investment Reform Act (AIR-21), airports imposing a $4.50 collection level are required to reduce AIP Passenger Entitlement Apportionment to 75 percent.

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

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects and operate the related ground transportation system. The current CFC rate, which has been in effect since January 1, 2017, is $9.00 per day for a maximum of five days. As of June 30, 2023, and 2022, accrued CFC receivables totaled $3.2 million and $2.9 million, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2023, and 2022, were $25.1 million, and $25.0 million, respectively.

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

- Employer Contributions – Pensions and OPEB– These contributions are those made after the measurement date through the fiscal year end (July 1st – June 30th) resulting in a cash outlay not yet recognized under GASB 68 or GASB 75. This amount is deferred and recognized in the following fiscal year. This item is presented as a deferred outflow of resources.
- Investment difference – Pensions and OPEB – These amounts represent the difference in projected and actual earnings on pension/OPEB plan assets. These differences are deferred and amortized over a closed five-year period. This item can be presented as both a deferred outflow and deferred inflow of resources and is combined annually as a single net unamortized balance.
- Experience difference – Pensions and OPEB – These amounts represent the difference in expected and actual pension/OPEB experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Assumption changes – Pensions and OPEB – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension/OPEB liability/asset. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Debt Refunding - These amounts represent the gain or loss from the refunding of debt. These differences are deferred and recognized as interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Leases and Partnership Leases – Represents the initial value of lease receivable under GASB 87 and GASB 94 systematically reduced and recognized as lease revenue over the term of the lease.

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

Lease and subscription based technology assets are initially recorded as the sum of 1) the amount of the initial measurement of the lease or subscription liability, 2) lease or subscription payments made at or before the commencement of the term, less any incentives received from the vendor at or before the commencement of the term, 3) initial direct costs that are ancillary charges necessary to place the asset into service. Lease and subscription assets are amortized on a straight-line basis over the shorter of the term or useful life of the underlying asset.

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred. Major outlays for capital assets and improvements are capitalized as construction in progress as projects are constructed. The Airport Authority no longer capitalizes interest due to the adoption of GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* that eliminated the requirement to capitalize interest.

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

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

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

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

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

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

Unrestricted net position as of June 30, 2023, and 2022 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2023	2022
Operating contingency	**$ 2,000,000**	$ 2,000,000
Insurance contingency	**13,839,942**	13,121,946
Capital projects and other commitments	**163,794**	1,068,502
Total designated net position	**$ 16,003,736**	$ 16,190,448

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

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

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

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

	2023	2022
Southwest Airlines	**35.3%**	34.1%
Alaska Airlines	**16.4%**	17.5%
United Airlines	**12.3%**	13.1%
Delta Airlines	**12.2%**	12.4%
American Airlines	**10.8%**	12.4%

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

Additionally, the Airport Authority has a single-employer defined benefit preservation of benefit pension plan administered through SDCERS. For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Plan: The Airport Authority provides an agent multiple-employer defined benefit postemployment benefit plan (the OPEB Plan). The OPEB Plan funds are managed by California Public Employees Retirement System (CalPERS) under the California Employer's Retiree Benefit Trust (CERBT) fund. For purposes of measuring the net OPEB liability (asset), deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accounting pronouncements adopted: The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2023:

GASB Statement No. 91, *Conduit Debt Obligations*, effective for the Airport Authority's year ending June 30, 2023.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*, effective for the Airport Authority's year ending June 30, 2023. Details of the restated balances are provided in Note 13.

GASB Statement No. 96*, Subscription-Based Information Technology Arrangements*, effective for the Airport Authority's year ending June 30, 2023. Details of the restated balances are provided in Note 13.

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

GASB Statement No. 100, *Accounting Changes and Error Corrections,* effective for the Airport Authority's year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, effective for the Airport Authority's year ending June 30, 2025.

Reclassifications: Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation. The reclassifications had no effect on the changes in net position.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

	2023	2022
Unrestricted and Undesignated:		
Cash and cash equivalents	**$ 26,108,388**	$ 10,560,677
Current investments	**306,492,307**	238,734,707
Noncurrent investments	**184,596,297**	141,423,628
Total unrestricted and undesignated	**517,196,992**	390,719,012
Designated for specific capital projects and other commitments: cash and cash equivalents	**99,002,685**	50,449,426
Restricted:		
Current cash, cash equivalents and investments, with trustees	**303,687,039**	150,348,859
Noncurrent cash, cash equivalents and investments, not with trustees	**202,552,633**	154,568,287
Noncurrent cash, cash equivalents and investments, with trustees	**1,232,265,747**	2,025,521,963
Total restricted cash, cash equivalents and investments	**1,738,505,419**	2,330,439,109
Total cash, cash equivalents and investments	**$ 2,354,705,095**	$ 2,771,607,547

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

	2023	2022
Restricted cash, cash equivalents and investments:		
Bond reserves:		
Operation and maintenance reserve subaccount	$ 46,342,596	$ 45,410,666
Operation and maintenance subaccount	17,932,678	15,136,888
Renewal and replacement account	5,400,000	5,400,000
Total bonds reserves	69,675,274	65,947,554
Passenger facility charges unapplied	105,594,340	61,379,099
Customer facility charges unapplied	25,203,857	25,185,007
Small business development bond guarantee	2,222,300	2,222,300
2013 Series debt service account	167	163
2013 Series debt service reserve fund	63	38,018
2014 Renew and Replace	14,281,747	11,674,803
2014 Rolling coverage fund	7,312,430	7,217,003
2014 Series debt service account	14,280,456	14,065,605
2014 Series debt service reserve fund	22,286,987	22,143,752
2017 Series debt service account	12,458,985	12,125,293
2017 Series debt service reserve fund	14,937,220	14,759,099
2019 Series CAP Interest Fund	6,627	2,164,375
2019 Series Construction Fund	24,876,930	87,809,097
2019 Series Debt Services Account	17,330,104	13,318,441
2019 Series Debt Services Reserve Fund	29,650,952	29,230,025
2020 Series Debt Services	20,904,314	20,206,542
2020 Series Debt Services Reserve Fund	30,538,478	30,032,139
2021 Series CAP Interest Fund	167,474,239	241,585,184
2021 Series Construction Fund	1,025,900,425	1,544,293,820
2021 Series Cost of Issuance	-	21,961
2021 Series Debt Services Reserve Fund	110,509,757	108,528,789
2021 Series Revolving Construction Fund	1,017,524	993,764
2021Series Debt Services Account	22,042,241	15,497,275
Total restricted cash, cash equivalents and investments	$ 1,738,505,419	$ 2,330,439,108

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

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

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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
Non-U.S. Securities	5 years	AA	30 percent	10 percent
Bankers' acceptances	180 days	AAA/Aaa	40 percent	5 percent
Commercial paper	270 days	A-1; P-1; F-1	25 percent	5 percent
Negotiable certificates of deposit	5 years	A	30 percent	5 percent
Medium-term notes	5 years	A	20 percent	5 percent
Money market mutual funds	N/A	AAA/Aaa	20 percent	5 percent
Repurchase agreements	1 year	A	None	None
Local Agency Investment Fund	N/A	N/A	None	$75 million
San Diego County Investment Pool	N/A	N/A	None	$75 million
Local Government Investment Pool	N/A	N/A	None	$75 million
U.S. State and California agency	5 years	A	20 percent	5 percent
Placement service certificates of deposits	3 years	N/A	30 percent	5 percent
Time certificates of deposit	3 years	*	20 percent	5 percent
Bank deposits	N/A	*	None	None
Asset-Backed Securities	5 years	AA	10 Percent	5 percent
Mortgage Backed Securities	5 years	AA	10 Percent	5 percent
Mortgage Pass-through Securities	5 years	AA	10 Percent	5 percent
Collaterallized Mortgage Obligation	5 years	AA	10 Percent	5 percent

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

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

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

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

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

Any other investment which is a permitted investment of the Authority in accordance with the laws of the State.

*Investment requires collateralization

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

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

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

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

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

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

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

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

	2023				
		Investment Maturities (in Years)			
Investment Type	Total	0-1	1-2	2-5	Ratings
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	$ 305,723,741	39,870,579	61,119,416	204,733,746	AA+
U.S. Agency securities	154,823,563	56,917,351	67,553,552	30,352,660	AA+
U.S. Agency securities	15,421,257	11,719,819	-	3,701,438	A-1+
U.S. Agency securities	7,293,225	-	2,358,375	4,934,850	NR
Non-U.S. Securities	9,902,300	-	9,902,300	-	AAA
Non-U.S. Securities	10,310,335	-	10,310,335	-	A
Medium-term notes	4,812,950	-	-	4,812,950	AAA
Medium-term notes	4,897,650	4,897,650	-	-	AA+
Medium-term notes	19,603,915	9,872,900	-	9,731,015	AA
Medium-term notes	6,968,290	6,968,290	-	-	AA-
Medium-term notes	29,170,415	11,405,815	12,018,100	5,746,500	A+
Medium-term notes	47,398,205	20,054,835	11,425,350	15,918,020	A
Medium-term notes	6,585,190	4,793,650	-	1,791,540	A-
Municipal Bonds	2,458,450	-	-	2,458,450	AA+
Negotiable Certificates of deposit	2,222,300	2,222,300	-	-	Not rated
Money market mutual funds	303,965,395	303,965,395	-	-	AAA
Local Agency Investment Fund	302,888,305	302,888,305	-	-	Not rated
San Diego County Investment Pool	285,514,584	285,514,584	-	-	AAA
San Diego County Inv. Pool-Treasury	767,276,409	767,276,409	-	-	AAA
CalTrust Fund	16,835,121	16,835,121	-	-	AA
CalTrust Fund	16,220,619	16,220,619	-	-	A+
Total investments subject to credit and interest rate risk:	2,320,292,218	1,861,423,622	174,687,428	284,181,168	
Total Investments	$ 2,320,292,218				

		2022			
		Investment Maturities (in Years)			
Investment Type	Total	0-1	1-2	2-5	Ratings
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	$ 231,211,065	57,730,410	27,133,119	146,347,536	AA+
U.S. Agency securities	97,162,627	27,422,110	51,463,229	18,277,289	AA+
Non-U.S. Securities	5,197,610	-	-	5,197,610	AAA
Non-U.S. Securities	9,139,850	-	-	9,139,850	A
Medium-term notes	11,629,780	3,894,940	4,754,000	2,980,840	AA
Medium-term notes	17,067,595	4,982,730	3,997,440	8,087,425	A+
Medium-term notes	30,961,940	5,498,750	10,962,010	14,501,180	A
Medium-term notes	1,878,420	-	-	1,878,420	A-
Medium-term notes	5,988,440	1,988,440	-	4,000,000	AA+
Medium-term notes	5,682,140	-	-	5,682,140	AA-
Municipal Bonds	4,908,300	-	4,908,300	-	AA+
Negotiable Certificates of deposit	2,222,300	2,222,300	-	-	Not rated
Money market mutual funds	150,481,793	150,481,793	-	-	Not rated
Local Agency Investment Fund	349,923,926	349,923,926	-	-	Not rated
San Diego County Investment Pool	423,896,690	423,896,690	-	-	AAA
San Diego County Inv. Pool-Treasury	1,373,116,904	1,373,116,904			AAA
CalTrust Fund	16,298,735	16,298,735	-	-	AA
CalTrust Fund	16,090,945	16,090,945			A+
Total investments subject to credit and interest rate risk:	2,752,859,060	2,433,548,673	103,218,097	216,092,290	
Total Investments	$ 2,752,859,060				

Concentration of credit risk: The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated in the table provided earlier in this note. The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer, or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2023, and 2022.

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

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

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

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

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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

June 30, 2023	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury obligations	$ 305,723,741	$ 300,833,941	$ 4,889,800	$ -
U.S. agency securities	177,538,044	94,277,252	83,260,793	-
Non-U.S. Securities	20,212,635	4,934,250	15,278,385	-
Negotiable certificates of deposit	2,222,300	-	2,222,300	-
Municipal Bonds	2,458,450	-	2,458,450	-
Medium-term notes	119,436,615	67,113,975	52,322,640	-
Total investments by fair value level	627,591,785	$ 467,159,417	$ 160,432,368	$ -
Investments measured at amortized cost				
Money market mutual funds	303,965,395			
Investments measured at net asset value				
CalTrust Fund	33,055,740			
Local Agency Investment Fund	302,888,305			
San Diego County Investment Pool	285,514,584			
San Diego County Inv. Pool-Treasury	767,276,409			
Total investments	$ 2,320,292,218			

June 30, 2022	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury obligations	$ 231,211,065	$ 231,211,065	$ -	$ -
U.S. agency securities	97,162,627	-	97,162,627	-
Non-U.S. Securities	14,337,460	14,337,460	-	-
Negotiable certificates of deposit	2,222,300	-	2,222,300	-
Municipal Bonds	4,908,300	-	4,908,300	-
Medium-term notes	73,208,315	-	73,208,315	-
Total investments by fair value level	423,050,067	$ 245,548,525	$ 177,501,542	$ -
Investments measured at amortized cost				
Money market mutual funds	150,481,793			
Investments measured at net asset value				
CalTrust Fund	32,389,680			
Local Agency Investment Fund	349,923,926			
San Diego County Investment Pool	423,896,690			
San Diego County Inv. Pool-Treasury	1,373,116,904			
Total investments	$ 2,752,859,060			

NOTE 3. LEASES AND PUBLIC-PRIVATE PARTNERSHIPS

Lease Receivable

The Airport Authority leases a portion of its property to various third parties who use the space to conduct their operations on the Airport grounds, the terms of which expire 2024 through 2046. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. A number of leases have a maximum possible term of 12 months (or less), including options to extend, regardless of their probability of being exercised. Those payments are recognized as inflows of resources based on the payment provisions of the lease contracts and are therefore excluded from the schedule in this section.

Concession lease receivables for space within the terminals are typically based on the minimum annual guarantee plus a minimum 3 percent annual escalation, less rent holidays. As of June 30, 2023, there are 62 terminal food services and retail concession locations open.

The Airport Authority's CFC revenues and Bonds funded construction of the Rental Car Center facility (RCC), which was completed and placed in service on January 20, 2016. The RCC facility sits on 24.85 acres of land and houses all the major and many small operator rental car tenants. The land rent leases for the RCC commenced on the opening date of the facility and are non-cancellable. Once the Bonds are repaid or defeased, in addition to land rent, the rental car operators will also pay facility rent.

Various other leasing arrangements are in place for Airport Authority owned buildings, ground, and support spaces. Payments for these leases are generally based on total square footage being leased and an established rate, with periodic increases based on the Consumer Price Index.

Short-term lease payments are recognized as inflows of resources based on the payment provisions of the lease contract and are therefore not included in the lease receivable balances below.

The Airport Authority is party to a lease-leaseback transaction with the Port of San Diego. The lessor and lessee transactions have been netted in accordance with GASB 87, therefore the resulting balance is not included in the lease receivable figure below.

The Airport Authority reports leases receivable with a carrying amount of $168.0 million and $193.3 million as of June 30, 2023, and 2022, respectively, and a deferred inflow of resources in the amount of $147.9 million and $168.1 million as of June 30, 2023, and 2022, respectively, related to these agreements. The deferred inflow of resources will be recognized as revenue over the terms of the agreements.

Revenue recognized under lease contracts during the years ended June 30, 2023, and 2022, was $25.7 million and $23.7 million, respectively, which includes both lease revenue and interest. The Airport recognized lease revenue of $13.4 million and $7.8 million, for the years ended June 30, 2023, and 2022, respectively, for variable payments not previously included in the measurement of the lease receivable.

The following is a schedule by year of minimum payments to be received under the Airport Authority's leases that are included in the measurement of the lease receivable as of June 30, 2023:

Years Ending June 30,	Principal	Interest	Total
2024	$ 21,579,230	$ 4,940,854	$ 26,520,084
2025	12,684,623	4,406,985	17,091,608
2026	11,804,674	4,167,455	15,972,129
2027	10,934,570	3,931,931	14,866,501
2028	8,373,048	3,747,767	12,120,815
2029 - 2033	29,180,673	16,255,267	45,435,940
2034 - 2038	24,521,597	11,757,652	36,279,249
2039 - 2043	28,828,387	6,742,530	35,570,917
2044 - 2046	20,132,977	1,209,573	21,342,550
Total	$ 168,039,779	$ 57,160,014	$ 225,199,793

Regulated Leases

The Airport Authority leases a portion of its property to air carriers and other aeronautical users, whose leases meet the definition of a regulated lease as defined in GASB 87, and therefore are only subject to the disclosure requirements. The terms of the regulated leases expire 2024 through 2033.

Certain capital assets, such as loading bridges, airfield, and building space are leased to airlines as part of the Airport Authority's Airline Operating Lease Agreement (AOLA). On July 1, 2019, the Airport Authority entered into the current ten-year AOLA with passenger airlines and cargo carriers operating at SDIA. The AOLAs cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SDIA. Under the terms of the AOLA, landing fees and aircraft parking fees are calculated based on a residual rate-setting methodology, in which all costs of the facility and services are recovered from the airlines, and the airlines assume the financial risk. Terminal rental rates are based on a compensatory rate-setting methodology, in which the airlines each pay for only the actual cost of facilities and services they use; financial risk and control is assumed by the airport. The AOLA also includes signatory and non-signatory rate structures. Air Carriers that signed a non-signatory agreement are charged a 120 percent premium on all signatory rates, fees, and charges, except for the Federal Inspection Services fee, which all airlines pay the same rate for use of the immigration and customs facilities. Signatory carriers are required to pay a minimum amount each year ($500,000 for passenger carriers, and $250,000 for cargo carriers). The agreement has no provisions that grant the airlines direct approval rights over capital projects, with the limited exception of certain transportation projects that exceed a $350 million threshold, as defined in the AOLA. It also allows flexibility to meet the demands of changing airline activity and to accommodate new entrant carriers. Terms of the new agreement financially support execution of the New Terminal 1, formerly referred to as the Airport Development Program. The Airport Authority does provide for preferential or exclusive use of certain assets to air carriers. As of June 30, 2023, 45 of the 59 terminal and cargo aircraft parking positions were subject to preferential use and 99,070 square feet of the 443,194 square feet of airline designated space was subject to exclusive use. As of June 30, 2022, 45 of the 60 terminal and cargo aircraft parking positions were subject to preferential use and 97,350 square feet of the 437,071 square feet of airline designated space was subject to exclusive use.

The Airline Support Building (ASB) is an Airport Authority facility leased by carriers to process belly cargo. A portion of the lease payments increase annually based on CPI. Substantially all buildings and improvements in these leases are for the exclusive use of the four airline tenants.

The Airport Authority recognized fixed revenue under regulated lease contracts of $10.6 million and $18.5 million for the fiscal years ended June 30, 2023, and 2022, respectively. Variable lease revenue not previously included in the future minimum payments under its regulated leases were $182.5 million and $141.0 million, for the years ended June 30, 2023, and 2022, respectively.

The following is a schedule by year of expected future minimum payments to be received under the Airports regulated leases as of June 30, 2023:

Years Ending June 30,	Total Future
2024	$ 8,738,494
2025	8,999,654
2026	9,270,656
2027	9,551,937
2028	9,843,950
2029 - 2033	15,665,422
Total	$ 62,070,113

Public-Private and Public-Public Partnerships

The Airport Authority has entered into various public-private partnership arrangements that meet the definition of a service concession arrangement in which the operators will operate and maintain the Airport Authority's assets for terms of which expire 2049 through 2050. At the end of the arrangements, operations will be transferred to the Airport Authority. The measurement of the related public-private partnership (PPP) receivable is based on the present value of future payments expected to be received during the PPP term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any PPP incentives payable to the operator. Incremental borrowing rates of 1.1 percent to 3.8 percent were used to measure PPP receivables.

Signature Flight Support is the exclusive lessee of the Fixed Base Operator (FBO) leasehold at SDIA, with their lease expiring April 30, 2049. Ground rent at the FBO increases annually based on the Consumer Price Index (CPI) but cannot drop below the base rent escalation. Substantially all buildings and improvements in this lease are for exclusive use of this tenant and transfer to the Airport Authority at the end of the agreement.

SAN Fuel Company, LLC has a 30-year lease agreement to operate and maintain the fuel facilities at SDIA, which expires May 31, 2050. In addition, the agreement provides for the construction of fuel storage tanks, airlines fueling operations facility (AFO) and a hydrant fuel system for Terminals 1 and 2. Construction of the fuel storage tanks and AFO were completed in fiscal year 2023. The hydrant fuel system will be completed and placed into service upon the completion of the New Terminal 1. All assets constructed are owned by the Airport Authority. Payments for the ground portion of this lease increase every five years, starting in 2025, based on CPI. Substantially all buildings and improvements in this lease are for the exclusive use of this tenant.

The Airport Authority reports partnership leases receivable with a carrying amount of $138.5 million and $138.2 million as of June 30, 2023, and 2022, respectively, and a deferred inflow of resources in the amount of $225.8 million and $195.5 million as of June 30, 2023, and 2022, respectively, related to these agreements. The deferred inflow of resources will be recognized as revenue over the terms of the agreements. Revenue recognized under the PPP arrangements during fiscal years ended June 30, 2023, and 2022, was $10.1 million and $9.0 million, respectively, which includes both PPP revenue and interest. There are no variable payments not previously included in the measurement of the PPP receivable.

The following is a schedule by year of minimum payments to be received under the Airport Authority's Public-Private Partnerships that are included in the measurement of the lease receivable as of June 30, 2023:

Years Ending June 30,	Principal	Interest	Total
2024	$ 3,281,883	$ 4,877,678	$ 8,159,561
2025	3,400,613	4,758,949	8,159,562
2026	3,523,638	4,635,924	8,159,562
2027	3,651,113	4,508,449	8,159,562
2028	3,783,200	4,376,362	8,159,562
2029 - 2033	21,070,741	19,727,069	40,797,810
2034 - 2038	25,168,076	15,629,734	40,797,810
2039 - 2043	30,062,163	10,735,647	40,797,810
2044 - 2048	35,907,935	4,889,875	40,797,810
2049 - 2050	8,693,602	212,949	8,906,551
Total	$ 138,542,964	$ 74,352,636	$ 212,895,600

NOTE 4. NOTE RECEIVABLE

As part of the transfer of airport operations from the District to the Airport Authority, and pursuant to the associated MOU, the District issued a $50.0 million unsecured promissory note to the Airport Authority. According to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years, maturing on December 31, 2030. The note is subordinate to all bond indebtedness of the District and carried a rate of 5.5 percent per annum through October 31, 2021. An amendment to that agreement reduced the rate to 3.6 percent per annum, effective November 1, 2021, reducing the monthly payment. At June 30, 2023, and 2022, the balance of the note receivable was $22.3 million and $24.8 million, respectively.

As part of the contracts to lease space in the Airline Support Building (ASB), tenants were given the option to issue a note receivable to the Airport Authority in order to fund tenant improvements to their space. Four airlines and one non-airline tenant exercised this option and issued notes for a combined total of $13.4 million commencing July 1, 2021, for a period of 5 years carrying the estimated thirty-year revenue bond index rate of 2.5 percent per annum through June 30, 2026. At June 30, 2023, the balance of the notes receivable was $7.1 million.

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

Years Ending June 30,	ASB	District	Total
2024	$ 2,292,350	$ 2,634,469	$ 4,926,819
2025	2,360,158	2,731,707	5,091,866
2026	2,429,662	2,832,535	5,262,197
2027	-	2,937,084	2,937,084
2028	-	3,045,492	3,045,492
2029 - 2031	-	8,114,638	8,114,638
Total	$ 7,082,170	$ 22,295,923	$ 29,378,094

NOTE 5. CAPITAL ASSETS AND LEASES

Depreciation expense for the years ended June 30, 2023 and June 30, 2022 amounted to $131.6 million and $142.0 million, respectively. While the additions to accumulated depreciation balance as of June 30, 2023 and June 30, 2022, was $133.2 million and $143.6 million, respectively. The variance is due to GASB 87 adjustments to accumulated depreciation for CIP projects.

	Balance at July 1, 2022	Increases	Decreases	**Balance at June 30, 2023**
Nondepreciable assets and leases:				
Land	$ 22,167,594	$ -	$ -	**$ 22,167,594**
Land - right-to-use lease asset	224,989,986	-	-	**224,989,986**
Construction in progress	578,124,720	621,296,376	(54,063,403)	**1,145,357,693**
Intangible asset	440,000	-	-	**440,000**
Total nondepreciable assets and leases	825,722,301	621,296,376	(54,063,403)	**1,392,955,274**
Depreciable assets and leases:				
Land improvements	160,111,604	-	-	**160,111,604**
Land improvements - right-to-use lease assets	13,313,911	-	-	**13,313,911**
Buildings and structures	1,823,029,725	63,901,385	(3,213,969)	**1,883,717,140**
Machinery and equipment	124,708,399	14,506,699	(12,858)	**139,202,241**
Right-to-use subscription assets	464,378	-	-	**464,378**
Runways, roads and parking lots	637,019,738	-	(6,441,991)	**630,577,748**
Total capital and lease assets being depreciated/amortized	2,758,647,755	78,408,084	(9,668,818)	**2,827,387,021**
Less accumulated depreciation and amortization for:				
Land improvements	(50,707,793)	(6,829,814)	-	**(57,537,607)**
Building and structures	(832,118,062)	(82,396,336)	3,236,241	**(911,278,157)**
Right-to-use lease assets	(11,275,961)	(6,483,298)	-	**(17,759,259)**
Right-to-use subscription assets	(92,876)	(92,876)	-	**(185,751)**
Machinery and equipment	(87,898,380)	(10,678,418)	12,858	**(98,563,939)**
Runways, roads and parking lots	(318,166,349)	(26,681,289)	5,685,100	**(339,162,538)**
Total accumulated depreciation and amortization	(1,300,259,420)	(133,162,031)	8,934,199	**(1,424,487,252)**
Total capital and lease assets being depreciated/amortized, net	1,458,388,335	(54,753,948)	(734,618)	**1,402,899,769**
Capital and lease assets, net	$ 2,284,110,636	$ 566,542,428	$ (54,798,021)	**$ 2,795,855,043**

	Balance at July 1, 2021	Increases	Decreases	Balance at June 30, 2022
Nondepreciable assets and leases:				
Land	$ 22,167,594	$ -	$ -	$ 22,167,594
Land - right-to-use lease asset	224,989,986	-	-	224,989,986
Construction in progress	248,538,868	377,043,444	(47,457,592)	578,124,720
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets and leases	496,136,449	377,043,444	(47,457,592)	825,722,301
Depreciable assets and leases:				
Land improvements	163,770,750	-	(3,659,146)	160,111,604
Land improvements - right-to-use lease assets	13,313,911	-	-	13,313,911
Buildings and structures	1,885,767,510	19,693,720	(82,431,505)	1,823,029,725
Machinery and equipment	122,982,559	6,130,853	(4,405,013)	124,708,399
Right-to-use subscription assets	-	464,378	-	464,378
Runways, roads and parking lots	719,974,821	18,769,256	(101,724,339)	637,019,738
Total capital and lease assets being depreciated/amortized	2,905,809,551	45,058,207	(192,220,003)	2,758,647,755
Less accumulated depreciation and amortization for:				
Land improvements	(45,475,582)	(10,384,845)	5,152,634	(50,707,793)
Building and structures	(824,007,617)	(83,738,691)	75,628,246	(832,118,062)
Right-to-use lease assets	(4,792,663)	(6,483,298)	-	(11,275,961)
Right-to-use subscription assets	-	(92,876)	-	(92,876)
Machinery and equipment	(80,936,062)	(11,309,899)	4,347,581	(87,898,380)
Runways, roads and parking lots	(383,511,041)	(31,577,753)	96,922,445	(318,166,349)
Total accumulated depreciation and amortization	(1,338,722,965)	(143,587,361)	182,050,906	(1,300,259,420)
Total capital and lease assets being depreciated/amortized, net	1,567,086,586	(98,529,154)	(10,169,097)	1,458,388,335
Capital and lease assets, net	$ 2,063,223,035	$ 278,514,290	$ (57,626,689)	$ 2,284,110,636

Note: Fiscal year 2022 amounts have been restated for GASB 94 & GASB 96

NOTE 6. LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2023, and 2022:

	Principal Balance at June 30, 2022	Additions /New Issuances	Reductions/ Repayments	**Principal Balance at June 30, 2023**	Due Within One Year
Variable Rate Debt					
Revolving LOC	$ 80,100,000	$ -	$ -	**$ 80,100,000**	$ -
Total variable rate debt	80,100,000	-	-	**80,100,000**	-
Bonds payable:					
Series 2014 Bonds	282,005,000	-	(6,320,000)	**275,685,000**	6,670,000
Series 2017 Bonds	271,915,000	-	(5,320,000)	**266,595,000**	5,585,000
Series 2019 Bonds	459,025,000	-	(4,440,000)	**454,585,000**	6,095,000
Series 2020 Bonds	226,995,000	-	(14,520,000)	**212,475,000**	15,240,000
Series 2021 Bonds	1,941,745,000	-	(9,760,000)	**1,931,985,000**	16,465,000
Bond premiums	486,158,691	-	(26,690,100)	**459,468,592**	-
Total bonds payable	3,667,843,691	-	(67,050,100)	**3,600,793,592**	50,055,000
Lease Liabilities	232,419,082	-	(3,471,838)	**228,947,243**	3,561,593
Subscription Liabilities	347,785	-	(114,486)	**233,299**	115,922
Note Payable - CRDC	5,878,682	-	(354,139)	**5,524,543**	387,928
Total debt obligations	3,753,822,373	-	(67,404,238)	**3,686,418,135**	50,442,928
Compensated absences	5,054,078	3,791,186	(3,750,893)	**5,094,372**	3,750,891
Total long-term liabilities	$ 3,758,876,452	$ 3,791,186	$ (71,155,131)	**$ 3,691,512,507**	$ 54,193,819

Note: Fiscal year 2022 amounts have been restated for GASB 94 & GASB 96.

	Principal Balance at June 30, 2021	Additions /New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2022	Due Within One Year
Variable Rate Debt					
Revolving LOC	$ -	$ 80,100,000	$ -	$ 80,100,000	$ -
Total variable rate debt	-	80,100,000	-	80,100,000	-
Bonds payable:					
Series 2013 Bonds	360,825,000	-	(360,825,000)	-	-
Series 2014 Bonds	288,095,000	-	(6,090,000)	282,005,000	6,120,000
Series 2017 Bonds	276,985,000	-	(5,070,000)	271,915,000	5,320,000
Series 2019 Bonds	462,445,000	-	(3,420,000)	459,025,000	4,440,000
Series 2020 Bonds	240,820,000	-	(13,825,000)	226,995,000	14,520,000
Series 2021 Bonds	-	1,941,745,000	-	1,941,745,000	9,760,000
Bond premiums	206,427,883	332,380,831	(52,650,023)	486,158,691	-
Total bonds payable	1,835,597,883	2,274,125,831	(441,880,023)	3,667,843,691	40,160,000
Lease Liabilities	235,804,038	-	(3,384,956)	232,419,082	3,471,838
Subscription Liabilities	464,378	-	(116,594)	347,785	114,486
Note Payable - CRDC	6,201,975	-	(323,293)	5,878,682	323,293
Total debt obligations	1,841,799,858	2,354,225,831	(442,203,316)	3,753,822,373	40,483,293
Compensated absences	4,761,943	292,136	-	5,054,078	3,264,966
Total long-term liabilities	$ 1,846,561,801	$ 2,354,517,967	$ (442,203,316)	$ 3,758,876,452	$ 43,748,259

Note: Fiscal year 2022 amounts have been restated for GASB 94 & GASB 96.

Subordinate Lien Series 2017, 2019, 2020 and 2021 Bonds: The Airport Authority issued $291.2 million of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds) on August 3, 2017. The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the Series 2017 Bonds, refund $32.6 million of the Airport Authority's outstanding variable rate debt, fund the subordinate reserve fund and pay the costs of issuance of the Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of $48.4 million which is being amortized over the life of the bonds. Interest on the Series 2017 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2023, and 2022 amounted to $13.3 million and $13.6 million, respectively, including accrued interest of $6.7 million and $6.8 million, respectively. The principal balance on the Series 2017 Bonds as of June 30, 2023, and 2022 was $266.6 million and $271.9 million, respectively.

The required debt service payments for the Series 2017 Bonds for the fiscal years ending June 30 are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	$ 5,585,000	$ 13,190,125	$ 18,775,125
2025	5,865,000	12,903,875	18,768,875
2026	6,155,000	12,603,375	18,758,375
2027	6,465,000	12,287,875	18,752,875
2028	6,790,000	11,956,500	18,746,500
2029-2033	39,395,000	54,201,375	93,596,375
2034-2038	50,275,000	43,045,875	93,320,875
2039-2043	64,170,000	28,808,750	92,978,750
2044-2048	81,895,000	10,635,875	92,530,875
	$ 266,595,000	$ 199,633,625	$ 466,228,625

The Airport Authority issued $338.8 million of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and $124.9 million of Series B Subordinate Airport Revenue Bonds on December 11, 2019 (Series 2019 Bonds). The Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the Series 2019 Bonds, refund $34.3 million of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account, fund the subordinate reserve fund, and pay the costs of issuance of the Series 2019 Bonds. The Series 2019 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2021 to 2050. The bonds were issued at a premium of $96.9 million which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2023, and 2022 amounted to $21.9 million and $22.1 million, respectively, including accrued interest of $10.9 million and $11.1 million, respectively. The principal balance on the Series 2019 Bonds as of June 30, 2023, and 2022 was $454.6 million and $459.0 million, respectively.

The required debt service payments for the Series 2019 Bonds for the fiscal years ending June 30 are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	$ 6,095,000	$ 21,899,100	$ 27,994,100
2025	6,400,000	21,594,350	27,994,350
2026	5,615,000	21,274,350	26,889,350
2027	5,895,000	20,993,600	26,888,600
2028	6,195,000	20,698,850	26,893,850
2029-2033	57,305,000	98,037,500	155,342,500
2034-2038	133,300,000	75,738,250	209,038,250
2039-2043	127,040,000	41,112,100	168,152,100
2044-2048	72,495,000	19,594,450	92,089,450
2049-2050	34,245,000	2,589,250	36,834,250
	$ 454,585,000	$ 343,531,800	$ 798,116,800

The Airport Authority issued $241.6 million of Series A, B and C Subordinate Airport Revenue Refunding Bonds (Series 2020 Bonds). The Airport Authority entered into a Forward Delivery Purchase Contract on December 11, 2019, and delivered the Series 2020 Bonds Proceeds on April 8, 2020. Proceeds from the sale of the Series 2020 Bonds were used to fund the Series 2010 A and B bonds escrow accounts and pay the costs of issuance of the Series 2020 Bonds. The Series 2020 Bonds are structured as serial bonds that bear interest rates of 5.0 percent and mature in fiscal years 2021 to 2041. The bonds were issued at a premium of $49.4 million, which is being amortized over the life of the bonds. Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2023, and 2022 amounted to $10.6 million and $11.5 million, respectively, including accrued interest of $5.4 million and $5.8 million, respectively. The principal balance on the Series 2020 Bonds as of June 30, 2023, and 2022 was $212.5 million and $227.0 million, respectively.

The required debt service payments for the Series 2020 Bonds for the fiscal years ending June 30 are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	$ 15,240,000	$ 10,623,750	$ 25,863,750
2025	16,005,000	9,861,750	25,866,750
2026	11,275,000	9,061,500	20,336,500
2027	11,830,000	8,497,750	20,327,750
2028	12,425,000	7,906,250	20,331,250
2029-2033	66,075,000	29,681,750	95,756,750
2034-2038	50,180,000	14,321,500	64,501,500
2039-2041	29,445,000	2,993,000	32,438,000
	$ 212,475,000	$ 92,947,250	$ 305,422,250

The Airport Authority issued $1,941.7 million of Series A, B and C Subordinate Airport Revenue and Revenue Refunding Bonds (Series 2021 Bonds). The Series 2021 Bonds were issued to finance certain capital improvements at SDIA including construction of the New Terminal 1, fund a portion of the interest accruing on the Series 2021 Bonds, fund the Series 2013 Escrow account, fund the subordinate reserve fund, and pay the costs of issuance of the Series 2021 Bonds. The Series 2021A and B Bonds are structured as serial bonds that bear interest rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2027 to 2057. The Series A and B bonds were issued at a premium of $332.4 million, which is being amortized over the life of the bonds. The Series 2021 C Bonds are federally Taxable Bonds and are structured as serial and term bonds that bear interest at rates ranging from 0.5 percent to 3.1 percent and mature in fiscal years 2023 to 2037. Interest on the Series 2021ABC Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2023, and 2022 amounted to $82 million and $46.3 million, respectively, including accrued interest of $41 million and $46.3 million, respectively. The principal balance on the Series 2021 Bonds as of June 30, 2023, and 2022 was $1,932 million and $1,941.7 million, respectively.

The required debt service payments for the Series 2021 Bonds for the fiscal years ending June 30 are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	$ 16,465,000	$ 81,898,541	$ 98,363,541
2025	16,570,000	81,719,420	98,289,420
2026	16,745,000	81,494,869	98,239,869
2027	10,310,000	80,979,369	91,289,369
2028	10,830,000	80,437,869	91,267,869
2029-2033	88,730,000	391,776,087	480,506,087
2034-2038	171,630,000	362,172,900	533,802,900
2039-2043	292,920,000	318,558,629	611,478,629
2044-2048	342,900,000	414,467,207	757,367,207
2049-2053	435,175,000	166,888,750	602,063,750
2053-2057	529,710,000	62,706,500	592,416,500
	$ 1,931,985,000	$ 2,123,100,141	$ 4,055,085,141

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

As subordinate lien bonds, the Series 2017, 2019, 2020 and 2021 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Bonds require the Airport Authority to maintain a reserve account with the bond trustee. On June 30, 2023, and 2022, the amount held by the trustee was $1,477.6 million and $2,120.6 million, respectively, which included the July 1 payment, a debt service reserve fund, construction fund, and a capitalized interest fund. The public ratings of the Subordinate Series Bonds as of June 30, 2023, are A/A2/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

Senior Lien Special Facilities Revenue Bonds, Series 2014: On February 19, 2014, the Airport Authority issued $305.3 million of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds, fund deposits to the senior reserve fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.0 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.5 percent to 5.6 percent. The bonds were issued at a premium of $0.6 million, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2023, and 2022 amounted to $15.2 million and $15.6 million, respectively, including accrued interest of $7.6 million and $7.8 million, respectively. The principal balance on the Series 2014 Bonds as of June 30, 2023, and 2022 was $275.7 million and $282 million, respectively.

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

The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's net position, as shown previously in the notes. For the fiscal years ended June 30, 2023, and 2022, the amount held by the trustee was $58.2 million and $55.1 million, respectively, which included the July 1 payment, the debt service reserve fund, the renewal and replace fund, and the rolling coverage fund.

The public ratings of the Senior Series Special Facility 2014 Bonds as of June 30, 2023, are BBB+/A3 by Standard & Poor's and Moody's Investors Service.

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

Years Ending June 30,	Principal	Interest	Total
2024	$ 6,670,000	$ 15,060,682	$ 21,730,682
2025	7,045,000	14,677,074	21,722,074
2026	7,440,000	14,271,928	21,711,928
2027	7,855,000	13,844,127	21,699,127
2028	8,295,000	13,392,412	21,687,412
2029-2033	48,980,000	59,250,031	108,230,031
2034-2038	64,295,000	43,501,662	107,796,662
2039-2043	84,410,000	22,828,056	107,238,056
2044-2045	40,695,000	2,094,701	42,789,701
	$ 275,685,000	$ 198,920,674	$ 474,605,674

Interest expense on the Series 2013, 2014 2017, 2019, 2020 and 2021 Bonds for fiscal years ended June 30, 2023, and June 30, 2022, of $143.1 million and $116.3 million, respectively, was offset by bond premium amortization of $26.7 million in fiscal year 2023 and $21.6 million in fiscal year 2022.

Subordinate Short-Term Debt Program: On July 19, 2021, The Airport Authority and Bank of America entered into a Revolving Credit Agreement. The Airport Authority is authorized to issue up to $200.0 million in Subordinate Revolving Obligations. The revolving credit agreement is for a term of three years. At the end of fiscal years 2023 and 2022, the Airport Authority had $80.1 million in aggregate principal of Subordinate Revolving Obligations outstanding. These obligations were used to finance the New Terminal 1. Obligations incurred under the Revolving Credit Agreement are payable solely from and secured by a pledge of "Subordinate Net Revenues." Subordinate Net

Revenues are generally defined as all revenues and other cash receipts of the Airport Authority's Airport operations remaining after Senior Lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture.

Line of credit: In fiscal year 2022, the Airport Authority maintained a $2.0 million line of credit held with US Bank, which is collateralized with a Treasury bond. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2023, and June 30, 2022, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

The Airport Authority had the following used and unused balances in line of credit type debt instruments as of June 30, 2023, and 2022:

	June 30, 2023		June 30, 2022	
	Used	Unused	Used	Unused
Revolving line of credit	$80,100,000	$119,900,000	$80,100,000	$119,900,000
Drawdown bonds	-	-	-	-
Line of credit	$ -	2,000,000	$ -	2,000,000
	$ 80,100,000	$ 121,900,000	$ 80,100,000	$ 121,900,000

Event of Default: In the event of default of all general airport revenue bonds issued by the Airport Authority, acceleration is not a remedy. For the Letter of Credit and Reimbursement Agreement, an event of default could result in either an acceleration or an interest rate increase of 3.0 to 7.0 percent in addition to the base rate. Other than this, there are no significant finance-related consequences in the event of default on other debt instruments. The Airport Authority's Letter of Credit and Reimbursement Agreement is collateralized with a $2.2 million Treasury bond. Excluding general airport revenue bonds, special facility bonds, and leases, no other assets have been pledged or collateralized for any other debt instruments. General Airport revenue bonds are secured by a pledge of Net Revenues which are generally defined as all revenues and other cash receipts of the Airport Authority's operations less amounts required to pay for operations and maintenance expenses of the airport (net revenues do not include cash received from PFCs, CFCs or Federal Grants). The special facility bonds are secured by a pledge of the Trust Estate.

NOTE PAYABLE

Receiving Distribution Center lease: The Airport Authority entered into an installment purchase agreement for a receiving and distribution center (RDC) in fiscal year 2013. This agreement has been determined to be a note payable and requires monthly lease payments of $73.1 thousand. The Airport Authority will become the owner of the RDC at the conclusion of the 20-year installment purchase agreement.

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, and the net present value of the future lease payments on June 30, 2023:

Years Ending June 30,	Amount
2024	$ 877,298
2025	877,298
2026	877,298
2027	877,298
2028-2032	4,386,489
2032	365,541
Total Lease Payments	8,261,221
Less amount representing interest	(2,736,678)
Present value of future lease payments	$ 5,524,543

LEASE LIABILITIES

The Airport Authority leases properties from the District and smaller third parties and uses that space to conduct its operations, the terms of which expire 2024 through 2072. The measurement of the lease payable is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

Incremental borrowing rates of 1.1 percent to 3.8 percent were used to measure lease payables. Lease liabilities recorded under lease contracts as of June 30, 2023, and 2022, were $228.9 million and $232.4 million, respectively.

The future principal and interest payments for lease liabilities as of June 30, 2023, are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	3,561,593	8,542,384	12,103,977
2025	3,654,325	8,449,652	12,103,977
2026	2,843,071	8,357,785	11,200,856
2027	2,659,160	8,270,002	10,929,162
2028	2,715,440	8,179,841	10,895,281
2029-2033	13,208,299	39,479,649	52,687,948
2034-2038	16,110,142	36,758,272	52,868,413
2039-2043	18,629,066	33,475,110	52,104,176
2044-2048	21,133,978	29,749,322	50,883,300
2049-2053	25,581,713	25,301,587	50,883,300
2054-2058	30,965,493	19,917,807	50,883,300
2059-2063	37,482,312	13,400,988	50,883,300
2064-2068	45,370,623	5,512,677	50,883,300
2069-2072	5,032,028	56,302	5,088,330
	$228,947,244	$245,451,378	$474,398,622

Subscription-Based Information Technology Arrangements

The Airport Authority entered Subscription-Based Information Technology Arrangement (SBITA) that allows the Airport Authority the right to use and control a vendor's software, alone or in combination with other assets, the terms of which expire 2024 through 2025. The measurement of the subscription liabilities is based on the present value of lease payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, and residual value guarantee payments that are fixed in substance.

Incremental borrowing rates of 1.1 percent to 3.8 percent were used to measure subscription payables. Subscription liabilities recorded under subscription contracts as of June 30, 2023, and 2022, were $0.1 million and $0.1 million, respectively.

The future principal and interest payments for lease liabilities as of June 30, 2023, are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	115,922	1,489	117,411
2025	117,377	335	117,711
	$233,299	$1,824	$235,123

NOTE 7. DEFINED BENEFIT PLANS

Introduction: The Airport Authority has two defined benefit pension plans which cumulatively represent the net pension liability or asset, related deferred inflows and deferred outflows of resource balances as reported on the statement of net position. The below schedule represents aggregating information as of and for the years ended June 30, 2023, and 2022:

	Defined Benefit Plan GASB 68)	Preservation of Benefits Trust Plan GASB 73	Total
Balances as of and for the year ended 6/30/2023			
Pension expense	$ 5,000,713	$ 56,102	$ 5,056,815
Net pension liability (asset)	5,583,686	1,614,123	7,197,809
Deferred outflows of resources	11,810,016	352,421	12,162,437
Deferred inflows of resources	3,967,393	782,576	4,749,969
Balances as of and for the year ended 6/30/2022			
Pension expense	$ 4,323,882	$ 329,788	$ 4,653,670
Net pension liability	(8,995,046)	2,373,440	(6,621,606)
Deferred outflows of resources	17,497,620	639,654	18,137,274
Deferred inflows of resources	26,976,052	282,242	27,258,294

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

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

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

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

The San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.0100 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in SDCERS to the SDCERS Board. The Airport Authority contributes to the Federal Social Security Program. The SDCERS Board issues a publicly available financial report that includes financial statements and required supplementary information for SDCERS. The financial report may be found on the San Diego City Employees' Retirement System website at www.sdcers.org.

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

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

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

The Airport Authority provides monthly payments for the life of the member, with 50 percent continuance to the eligible spouse or registered-domestic partner upon the member's death. If there is no eligible spouse, the member may receive either a lump sum payment equal to the accumulated surviving spouse contributions or an actuarially equivalent annuity. Members may also choose to receive a reduced lifetime monthly benefit and, upon death, leave more than 50 percent to their spouse or registered domestic partner, or to provide a continuance to a non-spouse.

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

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

As of the measurement dates June 30, 2022, and June 30, 2021, Plan membership was as follows:

	2022	2021
Active employees	378	385
Inactive employees entitled to but not yet receiving benefits	182	163
Inactive employees or beneficiaries currently receiving benefits	162	145
Total	722	693

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

The actuarial valuation is completed as of June 30, of each year. Once accepted by the SDCERS Board, the approved rates for the Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2023, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2022, actuarial valuation.

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

For the years ended June 30, 2023, and 2022, employees contributed $3.3 million and $3.0 million, respectively, and the Airport Authority contributed $7.7 million and $9.1 million, respectively, to the Plan. Under the Plan, the Airport Authority pays a portion of the classic participant's contribution, referred to as the "off-set." The offset is equal to 7.0 percent or 8.5 percent of the general classic members' base compensation and 9.6 percent of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no offset for PEPRA participants.

Net Pension Liability (Asset): The Airport Authority's net pension liability (asset) as of June 30, 2023, is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability as of June 30, 2023, is measured as of June 30, 2022. The annual valuation used is as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability (asset) follows.

Actuarial Assumptions: The total pension liability in the June 30, 2022, and June 30, 2021, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2022	June 30, 2021
Valuation date	June 30, 2021	June 30, 2020
Measurement date	June 30, 2022	June 30, 2021
Actarial cost method	Entry-age normal funding method	Entry-age normal funding method
Asset valuation method	Expected value with smoothing	Expected value with smoothing
Actuarial assumptions:		
Investment rate of return [1]	6.50%	6.50%
Inflation Rate	3.05%	3.05%
Interest Credited to Member Contributions	6.50%	6.50%
Projected salary increase [2]	3.05%	3.05%
Cost-of-living adjustment	1.9% per annum, compounded	1.9% per annum, compounded
Termination rate [3]	2.0% - 16.0%	2.0% - 16.0%
Disability rate [4]	0.01% - 0.20%	0.01% - 0.20%
Mortality [5]	0.02% - 13.54%	0.02% - 13.54%

(1) Net of investment expense
(2) Net plus merit component based on employee classification and years of service
(3) Based on years of service
(4) Based on age
(5) All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014 Experience Study
Further details about the actuarial assumptions can be found in the SDCERS June 30, 2020 and June 30, 2019 actuarial reports.

Discount Rate: For the June 30, 2022, and June 30, 2021, actuarial valuations, the discount rates used to measure the total pension liability was 6.5 percent. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

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

Asset Class	Target Allocation	Long-term Expected Real Rates of Return	Long-term Expected Nominal Rates of Return
Domestic equity	19.0%	4.9%	7.5%
International equity	12.0%	5.5%	8.0%
Global equity	8.0%	5.3%	7.8%
Domestic fixed income	22.0%	1.0%	3.5%
Return-Seeking Fixed Income	5.0%	4.4%	6.9%
Real estate	11.0%	3.2%	5.7%
Private equity and infrastructure	13.0%	7.5%	10.1%
Opportunity fund	10.0%	4.6%	7.1%
	100.0%		

Changes in the Net Pension Liability (Asset): Changes in the total pension liability (asset), plan fiduciary net position and the net pension liability through the year ended June 30, 2023, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of June 30, 2022	$ 254,465,897	$ 263,460,943	$ (8,995,046)
Changes for the year:			
Service cost	6,980,223	-	6,980,223
Interest on total pension liability	16,489,161	-	16,489,161
Difference between expected and actual experience	(1,288,936)	-	(1,288,936)
Changes in assumptions	-	-	-
Employer contributions	-	9,181,680	(9,181,680)
Member contributions	-	3,070,398	(3,070,398)
Net investment income	-	(4,188,463)	4,188,463
Benefit payments	(8,578,375)	(8,578,375)	-
Administrative expense	-	(461,899)	461,899
Net changes	13,602,073	(976,659)	14,578,732
Balances as of June 30, 2023	$ 268,067,970	$ 262,484,284	$ 5,583,686

Changes in the total pension liability, plan fiduciary net position and the net pension liability through the year ended June 30, 2022, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of June 30, 2021	$ 241,862,071	$ 207,843,276	$ 34,018,795
Changes for the year:			
Service cost	7,970,646	-	7,970,646
Interest on total pension liability	15,693,834	-	15,693,834
Difference between expected and actual experience	(2,239,695)	-	(2,239,695)
Changes in assumptions	-	-	-
Employer contributions	-	8,596,163	(8,596,163)
Member contributions	-	3,125,138	(3,125,138)
Net investment income	-	53,140,343	(53,140,343)
Benefit payments	(8,820,959)	(8,820,959)	-
Administrative expense	-	(423,018)	423,018
Net changes	12,603,826	55,617,667	(43,013,841)
Balances as of June 30, 2022	$ 254,465,897	$ 263,460,943	$ (8,995,046)

Sensitivity of the Net Pension Liability (Asset) to Discount Rate Changes: The following presents the resulting net pension liability (asset) calculated using the discount rate of 6.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal years ended June 30, 2023:

	1% Decrease 5.50%	Current 6.50%	1% Increase 7.50%
Total pension liability	$ 304,843,649	$ 268,067,970	$ 237,930,789
Plan fiduciary net position	262,484,284	262,484,284	262,484,284
Net pension liability (asset)	$ 42,359,365	$ 5,583,686	$ (24,553,495)
Plan fiduciary net position as a percentage of the total pension liability	86.1%	97.9%	110.3%

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan: For the years ended June 30, 2023, and June 30, 2022, the Airport Authority recognized pension expense, as measured in accordance with GASB 68, of $5.0 million and $4.3 million, respectively. At June 30, 2023 and June 30, 2022, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

For June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 370,346	$ 2,877,993
Net difference between projected and actual earnings	-	1,089,400
Changes in assumptions	3,776,149	-
Employer contributions made subsequent to June 30, 2022 measurement date	7,663,521	-
Total	$ 11,810,016	$ 3,967,393

For June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,218,022	$ 2,926,703
Net difference between projected and actual earnings	-	24,049,349
Changes in assumptions	7,177,433	-
Employer contributions made subsequent to June 30, 2021 measurement date	9,102,165	-
Total	$ 17,497,620	$ 26,976,052

The deferred outflows of resources, at June 30, 2023, and June 30, 2022, resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end will be recognized as a reduction of the net pension liability in fiscal year 2024, and an increase to the net pension asset in fiscal year 2023.

Other amounts reported as deferred outflows/inflows of resources related to the plan at June 30, 2023, will be recognized in pension expense as follows:

Years ended June 30,		
2024	$	382,007
2025		(179,075)
2026		(4,339,581)
2027		4,315,751
	$	179,102

NOTE 8. PRESERVATION OF BENEFITS TRUST PLAN

Preservation of Benefits Trust Plan (POB)description: The Airport Authority's single-employer defined benefit pension plan established as the preservation of benefits and trust plan (POB), administered by SDCERS, provides benefits to POB members and beneficiaries. The POB was established on January 1, 2003, for the purpose of providing benefits to POB members in excess of San Diego City Charter, Code Section 415(b) limitations. Information regarding SDCERS is included in Note 7.

The San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.1601 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in SDCERS to the SDCERS Board.

Benefits provided: Retirement benefits are provided to POB members with retirement benefits in excess of Code Section 415(b) who have participated in in the Plan since establishment of the POB. Participation ends for a portion of a plan year in which the retirement benefit of a retiree or beneficiary is not limited by Code Section 415(b) or when all benefit obligations to the retiree or beneficiary have been satisfied. Benefit payments are equal to the amount of retirement income that would have been payable, less the amount payable by the Plan. Benefit payments for the years ended June 30, 2023, and June 30, 2022, were $20.6 thousand and $52.4 thousand, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.

As of the measurement dates of June 30, 2022, and 2021, Plan membership was as follows:

	2022	2021
Active employees	2	2
Inactive employees or beneficiaries currently receiving benefits	1	1
Total	3	3

Total Pension Liability: The Airport Authority's total pension liability as of June 30, 2023, and June 30, 2022, was $1.6 million and $2.4 million, respectively. The pension liability as of June 30, 2023, is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

Actuarial Assumptions: The total pension liability in the June 30, 2022, and June 30, 2021, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2022	June 30, 2021
Valuation date	June 30, 2021	June 30, 2020
Measurement date	June 30, 2022	June 30, 2021
Actuarial cost method	Entry-age normal	Entry-age normal
Actuarial assumptions:		
Discount rate	3.54%	2.16%
Inflation rate	3.05%	3.05%
Interest credited to member contributions	6.50%	6.50%
Projected salary increases	3.05%	3.05%

Changes in the Total Pension Liability: Changes in the total pension liability through the year ended June 30, 2023, was as follows:

	Total Pension
Balances as of June 30, 2022	$ 2,373,440
Changes for the year:	
Service cost	68,342
Interest on total pension liability	51,359
Difference between expected and actual exper	(381,597)
Changes in assumptions	(437,754)
Benefit payments	(59,667)
Net changes	(759,317)
Balances as of June 30, 2023	$ 1,614,123

Changes in the total pension liability through the year ended June 30, 2022, was as follows:

	Total Pension
Balances as of June 30, 2021	$ 2,445,415
Changes for the year:	
Service cost	88,557
Interest on total pension liability	54,559
Difference between expected and actual exper	(195,545)
Changes in assumptions	22,116
Benefit payments	(41,662)
Net changes	(71,975)
Balances as of June 30, 2022	$ 2,373,440

Sensitivity of the Total Pension Liability to Discount Rate Changes: The following presents the resulting total pension liability calculated using the discount rate of 3.54 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal year ended June 30, 2023:

	1% Decrease 2.54%	Current Rate 3.54%	1% Increase 4.54%
Total pension liability	$ 1,916,452	$ 1,614,123	$ 1,374,691

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the POB: For the year ended June 30, 2023, and 2022, the Airport Authority recognized pension expense, as measured in accordance with GASB 73, of $56.1 thousand and $329.8 thousand. At June 30, 2023 and June 30, 2022, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

For June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 32,168	$ 439,310
Changes in assumptions	299,670	343,266
Employer contributions subsequent to June 30, 2022 measurement date	20,583	-
Total	$ 352,421	$ 782,576

For June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 129,056	$ 216,544
Changes in assumptions	458,200	65,698
Employer contributions subsequent to June 30, 2021 measurement date	52,398	-
Total	$ 639,654	$ 282,242

The deferred outflows of resources, at June 30, 2023, and June 30, 2022, resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end will be recognized as a reduction of the net pension liability in fiscal years 2024 and 2023, respectively.

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

Years ended June 30,	
2024	$ (92,524)
2025	(118,693)
2026	(239,522)
	$ (450,739)

NOTE 9. EMPLOYEES' DEFERRED COMPENSATION PLAN

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

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

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

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

Plan description: As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for over two million California public employees, retirees, and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States. As of June 30, 2022, CalPERS managed $440 billion in assets for more than 2,890 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding policy: CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the actuarially determined contributions (ADCs). As of May 9, 2009, the agreement with CERBT was approved. The retirees' contribution rate was raised from 5 percent to 10 percent of plan costs for single coverage and the entire cost of vision benefits, lowering the OPEB liabilities of the Airport Authority. Annually, the Airport Authority's goal is to fund 100 percent of the actuarially calculated ADC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ADC which has resulted in a net OPEB asset. During the fiscal years ended June 30, 2023, and 2022, the Airport Authority's contributions were $1.0 million and $1.0 million, respectively.

A measurement date of June 30, 2022, and 2021, was used for the June 30, 2023, and June 30, 2022 OPEB assets and expenses. The information that follows was determined as of a valuation date of June 30, 2022, and June 30, 2021, respectively.

Membership in the OPEB by membership class at June 30, 2022, and 2021, is as follows:

	2022	2021
Active employees	101	132
Inactive employees entitled to but not receiving benefits	-	-
Inactive employees or beneficiaries currently receiving benefits	120	97
Total	221	229

Actuarial Assumptions: The total OPEB liability in the June 30, 2022, and 2021 actuarial valuations was determined using the following actuarial assumptions, applied to all period included in the measurement:

Actuarial Valuation Date	June 30, 2021
Contribution Policy	Authority contributes at least the full ADC
Inflation	2.50%
Projected salary increase	2.75%
Investment rate of return	5.25%; Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
Actuarial cost method	Entry Age Normal Level Percent of Pay
Asset valuation method	5 year asset smoothing
Retirement age	SDCERS 2015-2019 Experience Study
Mortality	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Medical Trend	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076; Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076
Healthcare Participation of Future Retirees	90%
Spousal Assumption for Future Retirees	Currently covered - 2-party coverage if currently have 2 party or family coverage; Currently waived - 50% cover spouses at retirement

The long-term expected rate of return on the OPEB Plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rates of Return
Global Equity	23%	4.56%
Long US Treasuries	11%	0.29%
Mortgage-Backed Securities	11%	0.49%
Investment Grade Corporates	9%	1.56%
High Yeild	9%	3.00%
Sovereigns	11%	2.76%
TIPS	9%	-0.08%
Comodities	3%	1.22%
REITs	14%	4.06%
	100%	
Assumed Long-Term Rate of Inflation		2.50%
Expected Long-Term Net Rate of Return		5.25%

Discount Rate: The discount rate used to measure the net OPEB liability (asset) at June 30, 2023, and June 30, 2022, was 5.25 percent. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the net OPEB liability.

Changes in the Net OPEB Liability (Asset): Changes in the total OPEB liability, plan fiduciary net position, and the net OPEB asset through the year ended June 30, 2023, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/ (Asset)
Balances as of June 30, 2022	$ 29,372,019	$ 33,729,495	$ (4,357,476)
Changes for the year:			
Service cost	570,006	-	570,006
Interest on total OPEB liability	1,546,979	-	1,546,979
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	951,488	(951,488)
Member contributions	-	-	-
Net investment income	-	(3,627,823)	3,627,823
Benefit payments	(951,488)	(951,488)	-
Administrative expense	-	(8,562)	8,562
Net changes	1,165,497	(3,636,385)	4,801,882
Balances as of June 30, 2023	$ 30,537,516	$ 30,093,110	$ 444,406

Changes in the total OPEB liability, plan fiduciary net position and the net OPEB liability (asset) through the year ended June 30, 2022, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/ (Asset)
Balances as of June 30, 2021	$ 27,116,806	$ 28,766,021	$ (1,649,215)
Changes for the year:			
Service cost	446,233	-	446,233
Interest on total OPEB liability	1,829,473	-	1,829,473
Difference between expected and actual experience	(3,669,756)	-	(3,669,756)
Changes in assumptions	4,568,725	-	4,568,725
Employer contributions	-	919,462	(919,462)
Member contributions	-	-	-
Net investment income	-	4,973,926	(4,973,926)
Benefit payments	(919,462)	(919,462)	-
Administrative expense	-	(10,452)	10,452
Net changes	2,255,213	4,963,474	(2,708,261)
Balances as of June 30, 2022	$ 29,372,019	$ 33,729,495	$ (4,357,476)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Health Care Cost Trend Rates: The net OPEB liability (asset) of the Airport Authority has been calculated using a discount rate of 5.25 percent. The following presents the net OPEB liability (asset) using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

	1% Decrease 4.25%	Current Rate 5.25%	1% Increase 6.25%
Net OPEB liability (asset)	$ 4,938,405	$ 444,406	$ (3,239,591)

The net OPEB liability (asset) of the Airport Authority has been calculated using health care cost trend rates of 7.25 percent decreasing to 4.0 percent in 2076 and thereafter for non-Medicare and 6.3 percent decreasing to 4.0 percent in 2076 for Medicare. The following presents the net OPEB liability (asset) using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

	1% Decrease	Trend Rate	1% Increase
Net OPEB liability (asset)	$ (3,614,055)	$ 444,406	$ 5,418,365

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB: For the years ended June 30, 2023, and 2022, the Airport Authority recognized OPEB expense (income), as measured in accordance with GASB 75, of $0.9 million and ($0.2) million, respectively, and reported deferred inflows of resources and deferred outflows of resources related to the OPEB from the following sources:

For June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ 2,917,281	$ -
Net difference between expected and actual experience	-	1,580,826
Changes in assumptions	1,958,025	72,921
Employer contributions made subsequent to June 30, 2022 measurement date	1,002,148	-
Total	$ 5,877,454	$ 1,653,747

For June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ -	$ 1,793,923
Net difference between expected and actual experience	-	2,669,705
Changes in assumptions	3,301,280	437,533
Employer contributions made subsequent to June 30, 2021 measurement date	951,488	-
Total	$ 4,252,768	$ 4,901,161

The deferred outflows of resources at June 30, 2023, and June 30, 2022, related to OPEB resulting from Airport Authority contributions subsequent the measurement date and prior to year-end will be recognized as a reduction to the net OPEB liability in fiscal years 2024 and 2023, respectively.

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2023, related to the OPEB will be recognized in OPEB expense as follows:

Years ended June 30,		
2024	$	888,373
2025		780,340
2026		473,166
2027		1,079,680
	$	3,221,559

NOTE 11. RISK MANAGEMENT

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

Commercially issued insurance:

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

Self-insurance: Due to the exorbitant cost of earthquake insurance, the Airport Authority self-insures for losses due to earthquake damage. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist public entities through the Federal Emergency Management Agency and the California Disaster Assistance Act. As of June 30, 2023, and 2022, the Airport Authority has designated $13.8 million and $13.1 million, respectively, from its net position, as an insurance contingency.

A $2.0 million reserve has been established within unrestricted net position by the Airport Authority's management to respond to uninsured and underinsured catastrophic losses. This fund is maintained pursuant to Board action only; there is no requirement that it be maintained.

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

During fiscal year 2023, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Commitments: As of June 30, 2023, and 2022, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

The Airport Authority has funds which have been classified as noncurrent assets, primarily for the unpaid contractual portion of capital projects that are currently in progress and will not be funded by grants or additional debt but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. June 30, 2023, and 2022, these funds totaled approximately $99.0 million and $50.4 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at the current location. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement, and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2023, and 2022, the Airport Authority expensed $20.5 million and $21.9 million respectively for these services.

In fiscal year 2019, the Board approved a $38.0 million contract with Ace Parking Management Inc., for parking management services. As of June 30, 2023, $26.6 million has been spent and the contract is scheduled for completion in fiscal year 2024.

In fiscal year 2019, the Board approved a $46.8 million contract with Ace Parking Management Inc., for airport shuttle services. As of June 30, 2023, $23.3 million has been spent for shuttle services and the contract was completed in fiscal year 2023.

In fiscal year 2023, the Board approved a $70.0 million contract with Ace Parking III, LLC for airport shuttle services. As of June 30, 2023, $5.4 million has been spent for shuttle services and the contract is scheduled for completion in fiscal year 2027.

In fiscal year 2015, the Board approved a $29.0 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management, and maintenance of the shuttle vehicles. In fiscal years 2016-2022, the Board approved an additional $28.0 million. As of June 30, 2023, $53.7 million had been spent and the contract was completed in fiscal year 2023.

In fiscal year 2022, the Board approved a $103.0 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management, and maintenance of the shuttle vehicles. As of June 30, 2023, $7.8 million had been spent and the contract is scheduled for completion in fiscal year 2027.

In fiscal year 2019, the Board approved a $19.5 million contract with AECOM Technical Services, Inc. for on call program management, staffing support and consulting services. In fiscal year 2020, the board approved an additional $134.8 million. As of June 30, 2023, $78.9 million has been spent and the contract is scheduled for completion in fiscal year 2024.

In fiscal year 2021, the Board approved a $16.2 million contract with Granite Construction Company for the construction of the West Refueler Loading Facility and the West Solid Waste Facility. In fiscal year 2022, the board approved an additional $1.0 million. As of June 30, 2023, $15.1 million had been spent and the contract was completed in fiscal year 2023.

In fiscal year 2021, the Board approved an $80 million contract with Turner-Flatiron, A Joint Venture for the design-build of terminal and roadways. In fiscal year 2022, the Board approved an additional $2.5 billion. As of June 30, 2023, $684.7 million had been spent and the contract is scheduled for completion in early fiscal year 2028.

In fiscal year 2021 the Board approved a $97.6 million contract with Sundt Construction for the design-build administration building. As of June 30, 2023, $66.5 million had been spent and the contract is scheduled for completion in fiscal year 2024.

In fiscal year 2020, the Board approved a $35.0 million contract with Jacobs Engineering Group, Inc. to provide Airside-Landside Engineering consulting services. As of June 30, 2023, $26.5 million had been spent and the contract is scheduled for completion in fiscal year 2025.

In fiscal year 2022, the Board approved a 19.4 million contract with SOLPAC Construction Inc. dba Soltek Pacific Construction to construct Solid and Liquid waste facilities. In fiscal year 2023, the board approved an additional $0.4 million. As of June 30, 2023, $14.3 million had been spent and the contract is scheduled for completion in early fiscal year 2024.

Contingencies: As of June 30, 2023, the Airport Authority is subject to various contingencies including, but not limited to, contingencies arising from matters as described below:

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

The Airport Authority invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk, market risks and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of net position.

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2023, the Airport Authority implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements* and GASB Statement No. 96*, Subscription-Based Information Technology Arrangements*. As required when presenting prior period comparative statements, the financial statements of the fiscal year ended June 30, 2022, have been retrospectively restated. The effects of the restatement are as follows:

Statement of Net Position	2022 as restated	As Previously Reported	Effect of Change
Tenant receivables, net	22,784,819	12,087,092	10,697,727
Partnership lease receivables, current portion (Note 3)	2,891,820	-	2,891,820
Other current assets	10,291,837	9,909,877	381,960
Partnership lease receivables, long-term portion (Note 3)	125,895,083	-	125,895,083
Subscription assets	464,378	-	464,378
Less accumulated depreciation and amortization	(1,300,259,420)	(1,300,166,545)	(92,875)
Other current liabilities	14,502,025	17,029,533	2,527,508
Lease liabilities, current portion (Note 6)	3,586,324	3,471,838	(114,486)
Unrestricted long-term debt, current portion (Note 6)	323,293	354,139	30,846
Restricted long-term debt, current portion (Note 6)	40,160,000	40,360,000	200,000
Other noncurrent liabilities	663,924	55,458,074	54,794,150
Lease liabilities, long-term portion (Note 6)	229,180,542	228,947,243	(233,299)
Long-term debt, net of current portion (Note 6)	3,713,339,080	3,713,108,235	(230,845)
Deferred Inflow of resources from partnership leases (Note 3)	195,544,264	-	(195,544,264)
Net investment in capital assets	420,903,099	418,348,504	(2,554,595)
Unrestricted net position	316,527,254	317,414,146	886,892

Statements of Revenues, Expenses, and Changes in Net Position	2022 as restated	As Previously Reported	Effect of Change
Ground and non-airline terminal rentals	19,651,356	23,265,430	(3,614,074)
Equipment rentals and repairs	3,471,765	3,584,990	113,225
Depreciation and amortization expense	142,011,648	141,918,773	(92,875)
Other Interest Income	11,892,517	7,263,175	4,629,342
Net position, beginning of year	889,557,081	888,924,997	632,084

Statement of Cash Flows	2022 as restated	As Previously Reported	Effect of Change
Receipts from customers	371,536,489	324,778,280	46,758,209
Payments to suppliers	(107,568,553)	(107,183,225)	(385,328)
Capital outlay	(334,497,078)	(283,494,854)	(51,002,224)
Other interest income	11,892,517	7,263,176	4,629,341
Principal payments received on notes receivable	2,372,252	(6,936,114)	9,308,366
Increase in principal on notes receivable	(9,308,366)	-	(9,308,366)
Operating income (loss)	24,426,938	28,020,662	(3,593,724)
Depreciation and amortization expense	142,011,648	141,918,773	92,875
Receivables, net	56,568,711	10,954,300	45,614,411
Other assets	(97,336)	284,624	(381,960)
Lease receivables	(8,408,150)	(11,589,245)	3,181,095
Other liabilities	7,233,849	5,773,665	1,460,184

NOTE 14. SUBSEQUENT EVENTS

On October 25, 2023, the Airport Authority issued $1.1 billion of Series A and B Senior Airport Revenue Bonds (Series 2023 Bonds). The Series 2023 Bonds were issued to finance certain capital improvements at SDIA including construction of the New Terminal 1, refund subordinate revolving obligations, purchase a portion of the subordinate Series 2021C Bond, fund a portion of the interest accruing on the Series 2023 Bonds, fund the senior reserve fund, and pay the costs of issuance and underwriting fees of the Series 2023 Bonds. The Series 2023A and B Bonds are structured as both serial and term bonds that bear interest rates ranging from 5.0 percent to 5.25 percent and mature in fiscal years 2024 to 2059.

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

Last 10 fiscal years (plan year reported in subsequent fiscal year)

Defined Benefit Plan

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:									
Service cost	**$ 6,980,223**	$ 7,970,646	$ 7,857,035	$ 7,632,696	$ 7,390,428	$ 6,996,180	$ 6,205,263	$ 6,154,579	$ 6,099,481
Interest (includes interest on service cost)	**16,489,161**	15,693,834	14,257,205	13,355,418	12,621,226	11,416,679	10,277,610	9,327,538	8,465,485
Differences between expected and actual experience	**(1,288,936)**	(2,239,695)	925,862	(645,462)	(2,630,285)	3,975,029	(2,178,527)	345,661	-
Effect of changes of assumptions	**-**	-	6,767,000	-	6,416,088	5,871,218	10,473,890	-	-
Benefit payments, including refunds of member contributions	**(8,578,375)**	(8,820,959)	(6,733,942)	(6,429,659)	(4,462,751)	(4,669,787)	(3,023,391)	(2,482,523)	(2,913,221)
Net change in total pension liability	**13,602,073**	12,603,826	23,073,160	13,912,993	19,334,706	23,589,319	21,754,845	13,345,255	11,651,745
Total pension liability - beginning	**254,465,897**	241,862,071	218,788,911	204,875,918	185,541,212	161,951,893	140,197,048	126,851,793	115,200,048
Total pension liability - ending	**$ 268,067,970**	$ 254,465,897	$ 241,862,071	$ 218,788,911	$ 204,875,918	$ 185,541,212	$ 161,951,893	$ 140,197,048	$ 126,851,793
Plan Fiduciary Net Position:									
Contributions - employer	**$ 9,181,680**	$ 8,596,163	$ 8,424,834	$ 7,848,712	$ 7,318,546	$ 5,480,984	$ 4,047,780	$ 3,897,545	$ 3,924,988
Contributions - employee	**3,070,398**	3,125,138	3,321,661	3,178,464	3,162,781	2,990,317	2,967,269	2,840,236	2,765,079
Net investment income	**(4,188,463)**	53,140,343	390,013	12,086,349	14,036,710	19,480,875	1,651,283	4,390,185	18,302,683
Benefit payments, including refunds of member contributions	**(8,578,375)**	(8,820,959)	(6,733,942)	(6,429,659)	(4,462,751)	(4,669,786)	(3,023,391)	(2,482,523)	(2,913,221)
Administrative expense	**(461,899)**	(423,018)	(386,698)	(359,095)	(350,408)	(325,042)	(318,817)	(332,290)	(332,645)
Net change in plan fiduciary net position	**(976,659)**	55,617,667	5,015,868	16,324,771	19,704,878	22,957,348	5,324,124	8,313,153	21,746,884
Plan fiduciary net position - beginning	**263,460,943**	207,843,276	202,827,408	186,502,637	166,797,759	143,840,411	138,516,287	130,203,134	108,456,250
Plan fiduciary net position - ending	**$ 262,484,284**	$ 263,460,943	$ 207,843,276	$ 202,827,408	$ 186,502,637	$ 166,797,759	$ 143,840,411	$ 138,516,287	$ 130,203,134
Net pension liability (asset) - ending	**$ 5,583,686**	$ (8,995,046)	$ 34,018,795	$ 15,961,503	$ 18,373,281	$ 18,743,453	$ 18,111,482	$ 1,680,761	$ (3,351,341)
Plan fiduciary net position as a percentage of the total pension liability	**97.92%**	103.53%	85.93%	92.70%	91.03%	89.90%	88.82%	98.80%	102.64%
Covered payroll	**$ 30,809,714**	$ 33,328,788	$ 32,828,449	$ 31,584,841	$ 31,628,301	$ 31,131,795	$ 29,189,357	$ 27,955,455	$ 26,380,323
Net pension liability as a percentage of covered payroll	**18.12%**	(26.99%)	103.63%	50.54%	58.09%	60.21%	62.05%	6.01%	(12.70%)

Note to schedule: This schedule is intended to display the most recent 10 years of data for annual changes in the net pension liability. Until such time has elapsed after implementing GASB 68, this schedule will only present information from those years that are available.

Schedule of Contributions (Pensions)

Last 10 fiscal years (dollars in thousands)

Defined Benefit Plan

	2023	2022	2021	2020	2019
Actuarially determined contribution	**$ 4,944**	$ 6,570	$ 6,125	$ 6,159	$ 5,740
Contributions in relation to the actuarially determined contribution	**7,664**	9,102	8,522	8,356	7,783
Contribution deficiency (excess)	**$ (2,720)**	$ (2,532)	$ (2,397)	$ (2,197)	$ (2,043)
Covered payroll	**$ 33,458**	$ 30,810	$ 33,329	$ 32,828	$ 31,585
Contributions as a percentage of covered payroll	**22.91%**	29.54%	25.57%	25.45%	24.64%

	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 5,416	$ 3,765	$ 3,666	$ 3,823	$ 2,900
Contributions in relation to the actuarially determined contribution	7,247	5,421	3,948	3,823	3,728
Contribution deficiency (excess)	$ (1,831)	$ (1,656)	$ (282)	$ -	$ (828)
Covered payroll	$ 31,628	$ 31,132	$ 29,189	$ 27,955	$ 26,380
Contributions as a percentage of covered payroll	22.91%	17.41%	13.53%	13.68%	14.13%

* This schedule is presented for the fiscal year.

Schedule of Changes in the Net Pension Liability and Related Ratios

Last 10 fiscal years (plan year reported in subsequent fiscal year)

Preservation of Benefits Trust Plan

	2023	2022	2021	2020	2019	2018	2017
Total Pension Liability							
Service cost	**$ 68,342**	$ 88,557	$ 55,276	$ 49,343	$ 51,774	$ 60,994	$ 29,270
Interest cost	**51,359**	54,559	62,061	64,133	53,311	35,323	34,173
Differences between expected and actual experience	**(381,597)**	(195,545)	(57,318)	(64,295)	193,013	388,329	-
Changes of assumptions	**(437,754)**	22,116	661,465	109,070	(89,712)	(214,765)	272,579
Benefit Payments	**(59,667)**	(41,662)	(43,301)	(47,081)	(31,329)	-	
Net Change in Total Pension Liability	**(759,317)**	(71,975)	678,183	111,170	177,057	269,881	336,022
Total pension liability -beginning	**2,373,440**	2,445,415	1,767,232	1,656,062	1,479,005	1,209,124	873,102
Total pension liability - ending	**$ 1,614,123**	$ 2,373,440	$ 2,445,415	$ 1,767,232	$ 1,656,062	$ 1,479,005	$ 1,209,124
Covered payroll	**$ 30,809,714**	$ 33,328,788	$ 32,828,449	$ 31,584,841	$ 31,628,301	$ 31,131,795	$ 29,189,357
Net Pension Liability as a percentage of payroll	**5.24%**	7.12%	7.45%	5.60%	5.24%	4.75%	4.14%

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

Schedule of Contributions (Pensions)

Last 10 fiscal years

Preservation of Benefits Trust Plan

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	**$ -**	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	**20,583**	52,398	42,682	41,249	45,353	56,513
Contribution deficiency (excess)	**$ (20,583)**	$ (52,398)	$ (42,682)	$ (41,249)	$ (45,353)	$ (56,513)
Covered payroll	**$ 33,458,445**	$ 30,809,714	$ 33,328,788	$ 32,828,449	$ 31,584,841	$31,628,301
Contributions as a percentage of covered payroll	**0.06%**	0.17%	0.13%	0.13%	0.14%	0.18%

***** This schedule is presented for the fiscal year.

Note to schedule: This schedule is intended to display the most recent 10 years of data for the annual pension contributions. Until such time has elapsed after implementing GASB Statement No. 73, this schedule will only present information from the years that are available.

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios

Last 10 fiscal years (plan year reported in subsequent fiscal year)

Other Postemployment Benefits

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Cost	**$ 570,006**	$ 446,223	$ 501,198	$ 449,596	$ 436,501	$ 411,052
Interest Cost	**1,546,979**	1,829,473	1,739,459	1,883,080	1,772,578	1,606,959
Difference between expected and actual experience	**-**	(3,669,756)	-	(169,582)	-	-
Changes of Assumptions	**-**	4,568,725	-	(1,531,369)	-	766,830
Benefit Payments	**(951,488)**	919,462	(784,845)	(775,225)	(622,425)	(451,189)
Net Change in Total OPEB Liability	**1,165,497**	2,255,213	1,455,812	(143,500)	1,586,654	2,333,652
Total OPEB Liability (Beginning)	**29,372,019**	27,116,806	25,660,994	25,804,494	24,217,840	21,884,188
Total OPEB Liability (Ending)	**$ 30,537,516**	$ 29,372,019	$ 27,116,806	$ 25,660,994	$ 25,804,494	$ 24,217,840
Plan Fiduciary Net Position						
Contributions—Employer	**$ 951,488**	$ 919,462	$ 784,845	$ 775,225	$ 622,425	$ 2,012,419
Net Investment Income	**(3,627,823)**	4,973,926	982,113	1,604,058	1,896,351	2,175,582
Benefit Payments	**(951,488)**	(919,462)	(784,845)	(775,225)	(622,425)	(451,189)
Administrative Expense	**(8,562)**	(10,452)	(13,580)	(5,611)	(12,568)	(10,578)
Net Change in Plan Fiduciary Net Position	**(3,636,385)**	4,963,474	968,533	1,598,447	1,883,783	3,726,234
Plan Fiduciary Net Position (Beginning)	**33,729,495**	28,766,021	27,797,488	26,199,041	24,315,258	20,589,024
Plan Fiduciary Net Position (Ending)	**$ 30,093,110**	$ 33,729,495	$ 28,766,021	$ 27,797,488	$ 26,199,041	$ 24,315,258
Net OPEB Asset	**$ 444,406**	$ (4,357,476)	$ (1,649,215)	$ (2,136,494)	$ (394,547)	$ (97,418)
Net Position as a Percentage of OPEB Liability	**98.54%**	114.84%	106.08%	108.33%	101.53%	100.40%
Covered Payroll	**$ 14,296,047**	$ 12,786,000	$ 14,608,940	$ 13,869,000	$ 16,625,857	$ 16,141,609
Net OPEB Asset as a Percentage of Payroll	**3.11%**	(34.08%)	(11.29%)	(15.40%)	(2.37%)	(0.60%)

Note to schedule: This schedule is intended to display the most recent 10 years of data for the annual charges in the net OPEB liability (asset). Until such time has elapsed after implementing information GASB Statement No. 75, this schedule will only present from the years that are available.

Schedule of Contributions (OPEB)

Last 10 fiscal years (dollars in thousands)

Other Postemployment Benefits

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	**$ 264**	$ 326	$ 365	$ 427	$ 486	$ 472
Contributions in relation to the actuarially determined contribution	**1,002**	951	919	785	339	462
Contribution deficiency (excess)	**$ (738)**	$ (625)	$ (554)	$ (358)	$ 147	$ 10
Covered payroll	**$ 14,296**	$ 12,786	$ 12,786	$ 14,609	$ 13,869	$ 15,674
Contributions as a percentage of covered payroll	**7.01%**	7.44%	7.19%	5.37%	2.44%	2.95%

* This schedule is presented for the fiscal year.

Note to schedule: This schedule is intended to display the most recent 10 years of data for the annual OPEB contributions. Until such time has elapsed after implementing GASB Statement No. 75, this schedule will only present information from the years that are available.