

# **Comprehensive Annual Financial Report**

## **Port of Corpus Christi Authority of Nueces County, Texas**

**For the Year Ended December 31, 2004**

**Prepared by the Finance Department**

**Daniel R. Hodgkins**  
*Chief Financial Officer*



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**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

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**PORT COMMISSIONERS**

**Ruben Bonilla, Jr., Chairman**

Mr. Bonilla was appointed to the Port Commission by the City of Corpus Christi in 1998. He is an attorney and partner in the law firm of Bonilla & Chapa, P.C.

**Bernard A. Paulson, Vice-Chairman**

Mr. Paulson was appointed to the Port Commission by the City of Corpus Christi in 1997. He is retired.

**William D. Dodge, III, Secretary**

Mr. Dodge was appointed to the Port Commission by Nueces County in 1996. He is self-employed.

**Yolanda G. Olivarez, Commissioner**

Mrs. Olivarez was appointed to the Port Commission by Nueces County in 1997. She is a Senior Vice President with Wells Fargo Bank.

**Robert J. Gonzalez, Commissioner**

Mr. Gonzalez was appointed to the Port Commission by Nueces County in 2000. He is an attorney and partner in the law firm of Gonzalez and Gonzalez L.L.P.

**L. Michael Carrell, Commissioner**

Mr. Carrell was appointed to the Port Commission by the City of Corpus Christi in 2002. He is President of Frost Bank

**Judy Hawley, Commissioner**

Mrs. Hawley was appointed to the Port Commission by San Patricio County in 2004. She is Texas Business Development Director for Advanced Acoustic Concepts.

**EXECUTIVE STAFF**

John P. LaRue, Executive Director  
Robert Jacobi, Deputy Director  
Ed Altemus, Director of Trade Development  
Frank C. Brogan, Director of Engineering Services  
William J. Cotter, Director of Operations  
Daniel R. Hodgkins, Chief Financial Officer  
Sandra Terrell-Davis, Director of Human Resources

**PORT COMMISSION, PORT OF CORPUS CHRISTI AUTHORITY**

Executive Director ..... John P. LaRue

Director of Human Resources ..... Sandra Terrell-Davis

Community Relations Manager..... Patricia Cardenas

Deputy Director..... Robert Jacobi

Director of Trade Development..... Edward M. Altemus

Manager of Transportation ..... A. F. Babin

Manager of Industrial Development ..... J. Allen Speight

Trade Development Representative ..... Tom Moore

Marketing Manager..... John Valls

Director of Engineering Services..... Frank C. Brogan

Deputy Director of Engineering Services ..... Greg Brubeck

Chief Engineer ..... David L. Michaelson

Director of Operations ..... William J. Cotter

Deputy Director of Operations..... Tony Alejandro

Manager of Foreign Trade Zone..... Hilda B. Boyce

Manager of Risk Management..... David Solis

Chief of Port Security ..... Luther Kim

Harbormaster..... Jim Burns

Manager of Bulk Terminal..... Joe Giannina

Manager of Cold Storage Facility ..... Paul Kaup

Manager of Dock Operations ..... Raymond Kadlecek

Maintenance Manager..... David Throop

Chief Financial Officer ..... Daniel R. Hodgkins

Controller ..... Dennis J. DeVries

Chief Accountant..... Audre A. Debler

Manager of Management Information Systems ..... Gustavo Espinosa

Manager of Legislative Affairs..... Nelda Olivo



March 15, 2005

Port Commission  
Port of Corpus Christi Authority of Nueces  
County, Texas  
Corpus Christi, Texas

The Comprehensive Annual Financial Report of the Port of Corpus Christi Authority (Authority) for the year ended December 31, 2004 is submitted herewith. As required by Title 4, Chapter 49, Subchapter G of the Texas Water Code, the report includes financial statements, which have been audited by an independent firm of certified public accountants, Collier, Johnson & Woods, P.C. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and are audited in accordance with auditing standards generally accepted in the United States of America.

The report consists of management's representations concerning the finances of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that is designed both to protect the Authority's assets from loss, theft or misuse and to compile sufficient reliable information for the presentation of the Authority's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the year ended December 31, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the year ended December 31, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Authority was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the Single Audit Section.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

## **Governmental Structure**

The Authority is located along the southeastern coast of Texas on the Gulf of Mexico approximately 150 miles north of the Mexican border. The Authority maintains one of the deepest ports along the Gulf of Mexico coast with a channel depth of 45 feet. The Authority's port facilities are part of the Port of Corpus Christi complex. The Port of Corpus Christi has been a deep draft port since 1926. The channel is approximately 30 miles long and links the City of Corpus Christi with the Gulf of Mexico.

The Authority (formerly the Nueces County Navigation District No.1) is a navigation district and political subdivision of the State of Texas, having boundaries co-extensive with those of Nueces and San Patricio Counties, Texas. The Authority operates under the provisions of Article XVI, Section 59, of the Texas Constitution and related laws of the State of Texas, particularly Sections 60 and 62 of the Texas Water Code, and all amendments thereto. The Authority being a navigation district and political subdivision of the State of Texas is a separate and distinct entity of Nueces and San Patricio Counties and operates independently with its own Port Commission as its governing body. The only relationship the Authority and Nueces County have is that in the event the Port Commission deems it necessary to issue tax-supported bonds, it must request the Commissioners Court to call an election. The Commissioners Court shall call the election, canvas the vote, and if the bond issue is approved, thereafter set the necessary tax rate to service the bonds.

A Port Commission composed of seven commissioners who serve without pay governs the Authority. Each commissioner serves a staggered term of three years with appointments made to the Commission each year. Three commissioners are appointed by the Corpus Christi City Council, the governing body of the City of Corpus Christi, three commissioners are appointed by the Nueces County Commissioners Court, the governing body of Nueces County, and one commissioner is appointed by the San Patricio County Commissioners Court, the governing body of San Patricio County. The executive staff, under the leadership of the executive director, manages the operations of the Authority and assists the Commission in planning for the future. Port Commission efforts are directed toward encouraging industrial expansion, attracting new cargo, building and maintaining public terminals, setting operational policy and cooperating with the Federal Government as a local sponsor in maintaining and further improving vital navigation channels.

The Authority owns and operates public wharves, transit sheds, open storage facilities, freight handling facilities and equipment, warehouses, a bulk material handling terminal, a refrigerated warehouse, and a multi-purpose cruise terminal/conference center. The Authority also owns a grain elevator that is leased to Archer Daniels Midland (ADM). In addition, the Authority leases land, buildings and improvements, and maintains areas for the placement of dredged materials. All of these facilities are located at the Port of Corpus Christi on the Corpus Christi Ship Channel.

The Port of Corpus Christi consists not only of the Authority's docks, but also includes privately owned docks. The Authority owns eight general cargo docks, eleven liquid bulk cargo docks, two bulk material docks, a container terminal, two bagging facilities, a shipside grain elevator, a refrigerated warehouse and a multi-purpose cruise terminal/conference center. All of these facilities are operated for hire on a first-come, first-serve basis, with the exception to the shipside grain elevator that is leased. Most of the privately owned docks at the Port of Corpus Christi are owned by, and operated exclusively for, the various refineries, chemical plants and other industries that line the Channel. Approximately thirty-two privately owned docks are located at the Port of Corpus Christi, and compete directly with the Authority's docks.

The Port Commission adopts an annual budget each year, on a basis consistent with accounting principles generally accepted in the United States of America for proprietary funds, as a prudent management tool. Monthly budget reports are prepared for management to maintain proper budgetary control, and are reviewed by the Port Commission on a quarterly basis.

## **Local Economic Condition and Outlook**

The Authority continues to remain financially strong and a primary driver of the local economy. The Authority's sound fiscal management has allowed the Authority to remain financially stable. The Authority is currently ranked as the 7th

largest port in the United States and 32nd in the world in terms of tonnage. The Authority has served the local economy for over seventy-eight years, and is continually upgrading and expanding its' facilities to better serve South Texas industry and shippers. Local Port industries as well have made investments to upgrade and expand their facilities, to improve air and water quality, and improve process efficiencies, or supply utilities such as electricity and steam. Local refineries have made investments that permit them to provide clean burning gasoline during the ozone alert months, a volunteer program that has contributed to the local area's ability to maintain its "attainment" classification with environmental agencies.

The Authority has adopted a mission statement, which has become an integral part in the development of a strategic plan to guide the Authority into the year 2010. The mission statement is as follows: "It is the mission of the Port of Corpus Christi to serve as a regional economic development catalyst while protecting and enhancing its existing industrial base and simultaneously working to diversify its international maritime cargo business. In pursuit of this mission, the Port, which is a political subdivision of the State of Texas governed by appointees of Nueces County, the City of Corpus Christi and San Patricio County, shall be guided by the following basic principals: (1) The Port shall conduct its affairs in a positive, open and cooperative manner; (2) The Port shall operate in a fiscally responsible manner; (3) The Port shall be a positive and proactive force in the protection of the region's marine and water related resources; and (4) The Port shall be committed to serving its customers - present and future."

Economic development means attracting industrial and commercial activity, private capital and waterborne cargo shipments that will create employment opportunities, sustaining and upgrading existing jobs, introducing new basic dollars to the area and broadening the tax base that supports all public services. The 2003 Port Economic Impact findings reinforce the Port's mission statement: to be an economic catalyst for the region. Martin Associates of Lancaster, PA studied the economic impact of the Authority operations including the Ortiz Center and the gaming ship *Texas Treasure*. The last economic impact study for the Authority was in 1994. Nine years later, the 2003 report shows significant increases. In 1994, the Authority created 30,927 jobs, generated \$66.4 million in state and local taxes, and provided \$1 billion in business revenue. Today, the Authority creates approximately 39,905 jobs with 11,859 direct jobs. The Authority generates 8,930 induced jobs that are the result of purchases by the direct employees. The remainder of total jobs is comprised of 19,116 indirect jobs supported by the local purchases by businesses supplying services or dependent upon the Authority. The 39,905 jobs provide \$2.2 billion in income (direct, induced, and indirect wages and salaries) for families throughout the Coastal Bend. Authority operations generate \$1.3 billion of revenue for businesses providing services to the Authority and port industries, Ortiz Center, and Texas Treasure. More than \$195.4 million was paid in state and local taxes due to activity created by the Authority. Over the nine-year period, Authority tonnage grew by 7 million tons. Increasing by 4.7 million tons over the last nine years, petroleum and petrochemicals continue to be the Authority's top commodity; however, the 2003 report indicates the Authority's diversification efforts are working. The Authority remains an economic force via its ability to provide the commercial shippers with first class channels, docks and facilities for handling their cargo, and by providing public facilities designed to attract more tourist dollars to the area while maintaining financial stability. Ultimately, our goal is to raise the standard of living and enhance the quality of life of everyone in the local surrounding region.

## **Major Initiatives**

### ***Community Awareness Campaign***

The Authority maintains a strong community awareness campaign. The campaign was designed to help increase awareness of the Authority regarding its function, initiatives, direction and strategic importance for this area. The Authority's web site continues to be a great support in this endeavor. Used as an educational tool, the site contains the history of the authority and the port commission, various activities for children, information on educational tours, the speaker's bureau and community involvement initiatives. In an effort to promote the website as an educational tool, and to increase awareness, a promotional brochure was created and mailed to organizations, institutions and businesses in the area. Through this endeavor, more area organizations and institutions became aware of the Authority's initiatives and were interested in the Authority's active participation in their programs. The brochure and website also helped the Authority raise awareness in places as far as Mexico and the northern U.S. states. Groups of students from universities such as Cornell University, TEC

of Monterrey, Mexico, University of Texas-Laredo, Incarnate Word, San Antonio and Ohio State toured the Authority to learn more about its opportunities. The Authority has active representation in organizations in the area such as the Corpus Christi Chamber of Commerce, Corpus Christi Hispanic Chamber, Port Industries of Corpus Christi, the Propeller Club, Bayfest, YMCA, YWCA, March of Dimes, Corpus Christi State School, Corpus Christi Convention and Visitors Bureau, NCCJ, Texas A&M Outreach Program and the Corpus Christi Literacy Council.

Community involvement initiatives consist of several efforts, most of which rely on key partnerships:

#### ***Adopt-A-School and Educational Programs***

The Authority continued its "Adopt-A-School" partnership with CCISD Elementary Schools: Moses Menger, Solomon Coles and Mireles. The overall focus of this partnership was to improve student achievement and attendance, to recognize and support teachers and to strengthen community and educational efforts through funding and employee volunteer participation. For example, Authority staff participates in the Mentoring Program, Science Fairs, Planning and Decision Making Groups and other special programs initiated by the schools. Furthermore, the development of special videos, activity books and book covers featuring the Authority Mascot (Pocca) offered better ways to educate students about the Authority and included lesson plans, which are being upgraded to address academic standards of each grade level. School tours were offered to all levels. Pocca's Important Pack continues to be a key-learning tool to educate area students about the port. The Pack was developed with the support of the CCISD instructional staff as a toolbox to support teachers giving instruction about international trade, maritime industry, transportation and the Port of Corpus Christi. Pocca's Important Pack contains a series of lesson plans, a video, examples of cargoes, maps, general information about ports and a game. In addition, port staff continues to participate in the "Hispanic Women's Mentor Program" a part of the CCISD Abstinence Education Department. The purpose of this program is to involve professional Hispanic women in sharing their expertise and experiences with young Hispanic middle school girls, thus building their self-esteem and knowledge so that they can develop to their full potential and become more productive citizens and leaders in their communities.

#### ***The Authority and Port Industries Partnership***

This partnership provides an opportunity to inform the general public of the economic significance of port industries and to elevate their profile in the community. During 2004, the support to community organizations was enhanced and the organization presented its annual update of the "State of the Industry" to stakeholders, elected officials and community leaders. Not only did the Authority continue to be supportive of area organizations, but it also was a key team player in many projects that Port Industries of Corpus Christi supported. Together as a team, all Port Industries members made a significant difference in area events such as the March of Dimes and the American Diabetes Association fundraising campaigns and both the Authority and the Port Industries of Corpus Christi were recognized for their efforts every time they teamed up. Additionally, through this team effort, the Authority also helped raise awareness of local elections and the importance to get involved in the election process. In addition, the Authority and the Port Industries supported various educational programs emphasizing environmental responsibility and safety operations while supporting the economic growth of the area, throughout the year in all area schools.

#### ***Hands-on-Summer***

For the fifth year, the Authority, along with CITGO Refinery, the Caller-Times, YMCA and KRIS-TV gave school-aged children, from different area organizations, the opportunity to have a hands-on learning experience with various fields characteristic or common in each company. The Hands-on Summer program was created to support and enhance the children's understanding of the Authority and companies in the area. Due to the success of the program, the Museum at the Lexington and Driscoll Children's Hospital joined the group in 2002, providing a wider range of opportunities for the participants to observe. In 2004, the program was able to provide the participants two full weeks of learning with even more organizations joining in. Companies such as Bank of America, the YMCA, Del Mar College, Corpus Christi Museum of Science and History, Corpus Christi International Airport, City of Corpus Christi Municipal Juvenile Court, and the

City's Fire Department joined the Authority, giving the participants a wide variety of different career opportunities to experience in the area.

### ***A Tree For All***

The Authority hosted the 7th annual "A Tree For All". This project provides 250 Christmas trees to needy families in the area. The Authority, along with CITGO-Corpus Christi Refinery, oversees this project every year. Volunteers from both organizations are very proud of this effort and donate their time and energy in preparation of this special day. Each year, different organizations in the area support the project by selecting the families receiving the trees. Families selected not only receive a tree, but also Christmas decorations donated by the community through an area wide campaign called "Donate an Ornament".

### ***Pocca's Pride***

In order to further reach out to the community, the Port's involvement with the community keeps moving forward through 'POCCA'S PRIDE'. Pocca's Pride is headed by the Community Relations Department. As part of its agenda, Pocca's Pride looks for ways to get more involved in the community by supporting organizations or creating its own signature projects to better the community in many ways.

### ***Support to Military Operations***

The movement of military cargo as part of Operation Iraqi Freedom has been a top priority to the Authority. The Authority has also focused on educating the community about the importance of the military to the community and about military operations. The Authority teamed up with the 1192<sup>nd</sup> Terminal Transportation Brigade (TTB) of the U.S. Army Reserves and supported different programs and events through out the community. Authority employees and members of the 1192<sup>nd</sup> TTB visited schools to teach students what a reservist does when called to serve its country. In addition, the Authority and the 1192<sup>nd</sup> TTB, along with CITGO Refinery, Circle K and KRIS-TV, created "Operation Supply Our Troops" as a region wide campaign to collect items to send to soldiers fighting in Iraq. The campaign was a success and all collections were sent to the soldiers on board the ships that departed from our port to Kuwait. Another significant project was the planning and hosting of the largest Boss-Lift ever in the history of the Army Reserves. This event is created to expose civilian job bosses of the reservists to their job assignments when called on duty. Usually a Boss-Lift will host no more than 65 participants. With a lot of planning hours and manpower, Boss-Lift 2004 was a very successful event that brought to Corpus Christi, 250 of the bosses of the 1192<sup>nd</sup> TTB members from all over the United States.

### ***Cargo Diversification/Facility Expansions and Improvements***

Over the last decade, the Authority has worked to diversify and enhance the Authority's strong petrochemical foundation. These diversification efforts included the development of the Authority's general cargo terminals to handle break-bulk cargoes such as automobiles, refrigerated and military cargoes, steel products, and other project cargoes.

Two key diversification efforts of the Authority include the completion and operation of a state-of-the art 99,520 square foot refrigerated warehouse and the completion of the Congressman Solomon P. Ortiz International Center. The Authority continues to actively market both of these facilities, as well as position the Authority in new lines of business.

### ***Port of Corpus Christi Cold Storage***

The facilities repack line complete with scales, auto dumper, a pack off and full case conveyor has the capability of boxing up to 120,000 lbs of meat products per day. This repack line has been greatly utilized by its customers who are shipping products into Mexico. This facility has a distinct advantage over other facilities due to its close proximity to Mexico and its ability to re-pack product, blast freeze it and ship from one facility.

With regular service calls of meat imports from Australia, re-pack projects, and local business, the Cold Storage facility has developed a solid business foundation.

### ***Congressman Solomon P. Ortiz International Center***

This facility can handle cruise ships, as well as, serve as a meeting and banquet center. This is one component of the Authority's overall waterfront development plan, which includes a cruise terminal, conference center, and other attractions such as restaurants, entertainment, and retail activities.

The Center is managed and operated by Norris Conference Centers of Houston, Texas. The Center serves as a business catalyst for the Authority in its effort to attract more regional and international opportunities to South Texas.

In 2004, the Ortiz Center hosted more than 700 events with approximately 100,000 people. The Authority made major improvements and upgrades such as adding a new sound system, upgrading the facility's audio/video system, installing a LCD directional sign and now offers complimentary high-speed wireless internet. In 2004, the Ortiz Center received certification by the International Association of Conference Centers (IACC). This distinction is only given to conference centers that meet certain criteria regarding banquet and meeting center capabilities and features.

According to the 2003 economic impact study, the Ortiz Center generates 108 jobs, \$2.5 million in wages and salaries, \$3.4 million in direct business revenue for businesses in the Coastal Bend, \$500,000 in local purchases (food, beverage), and \$200,000 in state/local taxes.

The Authority has received grants of \$2.1 million for the development of a water ferry system to operate from the Ortiz Center to the Northside of the Corpus Christi Ship Channel. The design for the Water Taxi Landing was completed in 2004 and the project was bid. The contractor will begin construction on the landing in 2005 with a late 2005 completion date.

### ***Baseball Stadium and Development of Land Near Ortiz Center***

In 2002, the Port and the City of Corpus Christi began negotiations for approximately 12 acres of land (near the Ortiz Center previously occupied by cotton warehouses) for use by Ryan Sanders Ryan Sports, Inc. as a site for a 6,000-seat baseball stadium for major league affiliated baseball. Negotiations were completed in late 2003. Demolition of cotton warehouses began in early 2004. The first game is slated for Spring 2005. The baseball stadium is the first step for more entertainment, hotel, and retail development in and around the Port of Corpus Christi. The Authority's waterfront development plan included the development of a parcel of land near the Ortiz Center for a mixed use of entertainment, retail, hotel, and cultural activities. In 2003, the Authority developed a Request For Proposal (RFP) for this purpose. In 2004, the Authority selected FaulknerUSA as the development company to develop the parcels of land as mixed use of entertainment, retail and branded hotel

### ***Cruise Services***

The Authority continues its efforts to attract the cruise industry to South Texas. In 2004, Corpus Christi received several port-of-call visits from RiverBarge Excursion Lines. This is a positive step in highlighting South Texas' viability as a cruise destination. Also, the Authority began promoting a new concept to attract passenger services to Corpus Christi, the development of a ROPAX or ferry service between Corpus Christi and Southern Mexico that would carry both passengers and cargo. In 2004, the Authority signed a MDA with Marine Growth Ventures to develop the concept.

### ***Day Cruise Operation***

The *Texas Treasure* is a day cruise operation traveling offshore to international waters. The *Texas Treasure* sails twice a day six times a week from Port Aransas, Texas. In 2004, approximately 159,282 passengers enjoyed gambling and other on-board entertainment. The recent Port economic study examined the *Texas Treasure's* impact. The *Texas Treasure* is Texas' only day cruise operation. According to the study, the *Texas Treasure* provides:

- 537 jobs
- \$13.7 million in income
- \$12.3 million in direct business revenue for businesses in the Coastal Bend
- \$4.8 million in local purchases
- \$1.2 million in state/local taxes

### ***Trade With Cuba***

In a historic agreement in 2003, the Port of Corpus Christi was the first port ever to sign a strategic memorandum of understanding with ALIMPORT, the government-purchasing agency for Cuba. This agreement has opened the doors of commerce to move through the Port of Corpus Christi.

The Authority tenant Weststar Foods shipped 8,000 metric tons of pinto beans to Cuba bringing the total tonnage shipped from the Authority to Cuba to just over 58,000 metric tons. The beans came mostly from Montana using 110 full hopper rail cars, which were unloaded into the Weststar conveyor system. The beans were then bagged, palletized and shrink wrapped for shipment for Cuba.

In December 2004, the Authority was invited by ALIMPORT, along with representatives of Weststar to meet in Havana. This meeting resulted in a contract for 50,000 metric tons of peas to be shipped throughout year 2005 from Corpus Christi to Cuba.

### ***Military Cargo and Layberth***

The Authority continues to grow as a major Tier-1 Military Strategic Seaport and has worked closely with local, state, and federal organizations to grow this business sector without negatively impacting our core commercial port operations. Since the beginning of Operation Iraqi Freedom in 2003, The Port of Corpus Christi along with the Port of Beaumont have handled over forty per cent of the military equipment shipped by sea to and from the United States. This represents over sixty military cargo ships calling at the port, over 42,000 pieces of equipment shipped, and over 4,250 trucks and 8,500 railcars loaded or unloaded at the Authority's general cargo docks.

Overall this feat has been accomplished through a coordinated effort with the U.S. Army 1192nd and 1395<sup>th</sup> Transportation Terminal Brigades, the U.S. Coast Guard, the Military Sealift Command, the Maritime Administration and the Customs and Border Protection Service. This success could not have been accomplished without the services provided by our commercial partners that include: the International Longshoreman's Association, P&O Ports, NA, the Corpus Christi Terminal Railroad, the Aransas-Corpus Christi Pilots Association, and many other valuable service providers within the local maritime community. The Authority was the second busiest commercial port for military ship loadings among U.S. ports during the reporting year. Military equipment movements through the port are expected to continue in 2005-2006 as forces are rotated into and out of midwestern military bases.

Another enhancement to our military strategic seaport role, Cargo Docks 14-15 continue to serve as the home port for the Large Medium Speed RO-RO ship USNS **Benavidez** under a 5-year contract with Maritime Berthing Incorporated.

More military cargo is expected to move through the Authority in 2005, further positioning the Authority as a key military deployment center.

### ***La Quinta Trade Gateway Project***

In 1998, the Authority acquired 1,100 acres in San Patricio County, Texas. A master plan by Bermello-Ajamil of Miami, Florida indicated the potential for the development of this property into a major container terminal capable of handling 800,000 TEU'S (twenty-foot equivalent units) by 2010.

The Authority has sought participants to join in this venture. The Authority also authorized the Kingsley Group to perform a market feasibility study to determine cargo flows and the potential markets that the La Quinta container terminal can serve. The report results indicated strong potential for the La Quinta container terminal to handle significant amounts of cargo to/from key market areas including Northeastern Mexico, Central/Southwest Texas, the Pacific Southwest US, and the Asia-Latin America land bridge. The study illustrated Corpus Christi's competitive advantage to serve the markets of Northeastern Mexico and Central/Southwest Texas due to Corpus Christi's location and highway access. The La Quinta Trade Gateway features immediate interstate access and has distinct mileage advantages to key markets. Potentially, the La Quinta container terminal could be operational in 2008-2009 and handling approximately 100,000 TEUS. Thereafter, the La

Quinta container terminal could be handling about 400,000 TEUS. Once operational, the La Quinta container terminal could create in excess of 6,000 jobs and generate millions of dollars in revenue and state/local taxes.

Gulf Compress, a cotton-warehousing cooperative, became the Authority's first tenant at La Quinta, by constructing over 575,000 square feet of new cotton storage space. Cotton exports have increased and more of the South Texas crop is being shipped to world markets including Mexico, China, Pakistan, India, Taiwan, and Korea. Therefore, once La Quinta Trade Gateway container terminal is in place, cotton exporters will have a direct alternative instead of trucking goods to other ports.

Also, in 2004, the Authority signed a MOA with International Container Terminal Services, Inc., (ICTSI) to allow them to perform due diligence for consideration of being the Port's La Quinta Trade Gateway container terminal operator. ICTSI, established in 1987 in the Philippines, is involved in the development, acquisition, management and operation of container ports worldwide, and currently operates terminals in the Philippines, Europe, and South America.

### ***Channel Improvement Project***

In 1990, the U.S. Congress authorized the U.S. Army Corps of Engineers (Corps) to begin investigating the possibility of deepening the Corpus Christi Ship Channel (CCSC) from 45 feet to 50 feet in order to accommodate larger vessels, increase shipping efficiency, and enhance navigation safety. The Corps' 1994 Reconnaissance Report showed that the investigated improvements were in the Federal interest and recommended that a more detailed Feasibility Study be performed. A Feasibility Cost Share Agreement was executed between the Corps and the Authority in 1999, and the Feasibility Study was initiated. The Study, cost-shared 50/50 between the Corps and the Authority was completed in four years at a cost of approximately \$6.0 million. The Study examined deepening the CCSC and the La Quinta Ship Channel, widening the CCSC, and extending the La Quinta Ship Channel to the proposed La Quinta Trade Gateway Project. Staff worked together with all state and federal natural resource and regulatory agencies and the Corps on the various elements of the project.

The COE recommended a plan that includes:

- Widening the CCSC from 400' to 530' across Corpus Christi Bay and widening it from 500' to 530' across Redfish Bay.
- Adding 200' wide barge shelves on both sides of the CCSC across Corpus Christi Bay.
- Extending the La Quinta Ship Channel by 7400' at a depth of -39' MLT.
- Deepening all reaches of the CCSC (excluding La Quinta) from -45' MLT to -52' MLT.
- Constructing two ecosystem restoration features adjacent to the CCSC near Ingleside-on-the-Bay and Port Aransas, and providing erosion protection to a Brown Pelican rookery.

Channel improvements will cost approximately \$150 million. The CCSC improvement project, in addition to creating a safer, more efficient channel for navigation, will produce positive socioeconomic impacts to the region. The project has a high benefit-to-cost ratio with a projected average of about \$25 million per year in transportation cost savings over the next 50 years. Benefits may also include increased employment and revenue for the Authority and industry throughout the region.

The project's Final Feasibility Report and Final Environmental Impact Statement has been completed, and a Corps Chief's Report was executed on June 2, 2003. The project is seeking authorization in the Water Resource Development Act (WRDA) of 2005. The Pre-construction Engineering and Design (PED) Phase has been initiated with the Corps having negotiated and executed a design agreement in June 2004. The PED Phase includes the design of the first of seven scheduled construction contracts. Should the project be authorized in 2005, construction could be scheduled to begin as early as 2006.

### ***Joe Fulton International Trade Corridor***

The Authority received authorization for \$8.25 million in federal transportation funds for the Joe Fulton International Trade Corridor (Corridor). The corridor encompasses an 11.5-mile road and rail project that will significantly improve access to more than 2,000 acres of land along the North side of the channel for existing and future development. The corridor will

make approximately 1,000 acres of land (which has no access available) for use as marine terminals or industrial sites. The corridor will connect two major highway components- US Highway 181 and Interstate Highway 37; thus, establishing efficient intermodal links between highway, marine, and rail transportation systems. The corridor will address environmental and safety concerns, and facilitate international trade. Most important, the corridor will generate future economic development opportunities for South Texas.

The Corridor received authorization for \$11 million from the Texas Department of Transportation in 1999. Construction began in 2004 and is scheduled for completion in 2008.

### ***Security Enhancements***

As a result of 9-11, security became a top priority for the United States. In recognition of U.S. ports and their respective security issues, Congress authorized nearly \$92 million in funding for Ports in 2002. Of that, Corpus Christi received \$2.27 million, the largest award given to a Texas port. In 2003 and 2004, the Authority garnered additional security funds from the federal government. To date, the Authority has successfully received nearly \$12.3 million towards security. The funding is being used for renovation of offices for a new Security Command Center, lighting, surveillance cameras, fencing, and other security measures at the Authority's facilities.

In 2003, the Authority received \$3.6 million from Congress for a Vessel Traffic Information System (VTIS). Once in place, it will augment vessel safety and work in conjunction with security improvements to enhance Maritime Domain Awareness. The Authority is working with the U.S. Coast Guard to complete the installation of the system. Projected completion is slated for April 2005.

### **Cash Management**

The Public Funds Investment Act (PFIA) requires quarterly reporting to the governing body by its investment officers and the Port Commission adopts the investment policy with any recommended amendments annually.

The goal of the Authority's investment policy is to ensure the safety of all funds entrusted to the Authority, to ensure the availability of those funds for the payment of all necessary obligations of the Authority, and to provide for the investment of all funds, not immediately required, in interest-bearing securities. The safety of principal and liquidity is the primary objective. Accordingly, deposits were either insured by federal depository insurance or collateralized. All pledged collateral on deposits were held by the Federal Reserve Bank in the Authority's name.

At December 31, 2004, the composition of the Authority's investment portfolio consisted of 85% in certificates of deposit, and 15% in a money market account. With historically low interest rates, the weighted average maturity of the portfolio was at 86 days, with investments maturing within the next 90 days totaling \$10,198,700 or 53% of the portfolio, and the balance of the portfolio not extending beyond nine months. All bank accounts were collateralized and the Authority had a total of \$6,924,267 in excess coverage at year-end.

The yield of the total portfolio was 1.73%. The market value of the portfolio was \$19,398,700, which is book value.

### **Risk Management**

The Authority's schedule of insurance for 2004 included all perils coverage for the Authority's scheduled property with limits of \$100 million with an annual deductible of \$100,000, general liability with limits of \$20 million with an annual deductible of \$50,000 and workers' compensation which is fully self-insured. In addition, the Authority has other separate coverage with differing limits and deductibles for windstorm for property at Harbor Island, for the Tule Lift Bridge and Cold Storage Warehouse boiler and machinery, for hull, primary and excess P & I and marine liability for the Fire Fighting Response Vessel, and for foreign liability, non-owned aircraft, executive risk, auto liability and public officials liability. The Authority has set aside \$1 million for claims for which the Authority has a level of self-insurance.

The Authority maintains a self-funded health and dental plan for its employees and dependents. A specific stop loss policy is in force for individual claims in excess of \$100,000 annually and an aggregate stop loss policy is in force for annual aggregate claims in excess of approximately \$1,443,907.

**Pension Plan**

The Authority provides pension, disability, and death benefits for all its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 553 nontraditional defined benefit pension plans.

The plan provisions are adopted by the governing body of the Authority, within the options available in the state statutes governing TCERS (TCERS Act). Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the Authority within the actuarial constraints imposed by the TCERS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCERS Act.

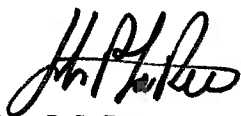
**Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port of Corpus Christi Authority of Nueces County, Texas, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2003. This was the twenty-first consecutive year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgments**

The preparation of this comprehensive annual financial report would not have been possible without the efficient and dedicated services of the entire staff of the Authority's Accounting Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Port Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the Authority.

Respectfully Submitted,



John P. LaRue  
Executive Director



Daniel R. Hodgkins  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port of Corpus Christi  
Authority of Nueces County,  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2003

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



*Nancy L. Ziehl*

President

*Jeffrey R. Emery*

Executive Director



# **FINANCIAL SECTION**

**Collier, Johnson  
& Woods**

A Professional  
Corporation

Certified Public Accountants  
555 N. Carancahua - Suite 1000  
Corpus Christi, Texas  
78478-0052  
(361) 884-9347  
FAX (361) 884-9422

INDEPENDENT AUDITOR'S REPORT

March 15, 2005

Port Commissioners  
Port of Corpus Christi Authority  
Of Nueces County, Texas

We have audited the accompanying statement of net assets of Port of Corpus Christi Authority as of December 31, 2004 and 2003, the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Corpus Christi Authority, as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2005 on our consideration of the Port of Corpus Christi Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the other required supplementary information on pages 3 through 9 and 26 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, supplemental schedules, statistical section and other information – municipal securities continuing disclosure information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, pages 73 and 74, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements of the Authority. The supplemental schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, statistical section and other information – municipal securities continuing disclosure information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

*Collins, Johnson & Woods*

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**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS  
Management's Discussion and Analysis  
December 31, 2004**

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As management of the Port of Corpus Christi of Nueces County, Texas (Authority), we offer readers as an introduction to the Authority's financial statements, this narrative overview and analysis of the Authority's activities and financial performance for the year ended December 31, 2004 and 2003. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with Authority's financial statements taken as a whole. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of the Authority exceeded its liabilities at December 31, 2004 by \$186,361,654 (net assets). Of this amount, \$28,062,089 is considered unrestricted net assets, and may be used to meet the Authority's current ongoing obligations to employees and creditors.
- The Authority's total net assets increased \$11,281,153 or 6.4% over the prior year. Income (Loss) Before Contributions produced an increase in net assets of \$828,021, while capital contributions provided an increase of \$10,453,132.
- The Authority's total debt decreased by \$931,965 in 2004, the result of scheduled debt service payments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority's basic financial statements are comprised of the financial statements and the notes to the financial statements. The basic financial statements can be found on pages 10 through 25 of this report. Since the Authority is comprised of a single enterprise fund, no fund level financial statements are shown. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Basic Financial Statements**

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. These statements offer short and long-term financial information about its activities.

The Statement of Net Assets includes all of the Authority's assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The assets and liabilities are presented in a format, which distinguishes between current and long-term assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. An increase in assets without a corresponding increase to liabilities, results in increased net assets, which indicates an improved financial position.

The Statements of Revenues, Expenses, and Changes in Fund Net Assets accounts for all of the Authority's current year's revenues and expenses. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, as well as its profitability, and credit worthiness. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation leave).

The Statement of Cash Flows primary purpose is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

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**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS  
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December 31, 2004**

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**Other Information**

In addition to the financial statements and accompanying notes, this report also presents certain *required supplementary information*, along with trend data. Statistical information presented on a multi-year basis and other information including disclosures for compliance with the Securities and Exchange Commission Rule 15c2-12 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Statistical and other information can be found on pages 32 through 65 of this report.

**FINANCIAL ANALYSIS**

The fundamental question that is most asked of business is, as a whole "Are you better off or worse off as a result of the year's activities?" The Statement of Net Assets, and the Statements of Revenues, Expenses, and Changes in Net Assets report information about the Authority's activities in a way that will help answer this question. These two statements report the net assets of the Authority and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, global market trends, population growth, regulations and new or changed government legislation.

**Statement of Net Assets**

The Statement of Net Assets serves over time as a useful indicator of the Authority's financial health or position. It distinguishes assets and liabilities as to their expected use for operations, restricted purposes and capital investment.

**2004 – 2003**

The Authority's assets exceeded its liabilities at the close of 2004 by \$186,361,654. This is an increase over 2003 of \$11,281,153. By far, the largest portion of the Authority's net assets (83.7%) reflects its investment in capital assets, less related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers and consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Authority's net assets (1.2%) represents resources that are subject to external legal restrictions on how they may be used. The remaining balance of unrestricted net assets (15.1%) may be used to meet the Authority's ongoing obligations to employees and creditors.

**2003 – 2002**

The Authority's assets exceeded its liabilities at the close of 2003 by \$175,080,501. This is an increase over 2002 of \$1,299,821. By far, the largest portion of the Authority's net assets (78.4%) reflects its investment in capital assets, less related debt used to acquire those assets that is still outstanding. An additional portion of the Authority's net assets (1.3%) represents resources that are subject to external legal restrictions on how they may be used. The remaining balance of unrestricted net assets (20.3%) may be used to meet the Authority's ongoing obligations to employees and creditors.

**PORT OF CORPUS CHRISTI AUTHORITY  
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The following condensed Statement of Net Assets provides an overview of the Authority's net assets as of December 31, 2004, 2003 and 2002:

	2004	2003	2002	2004-03 Change	2003-02 Change
<b>Assets</b>					
Current assets	\$ 30,409,389	\$ 32,461,648	\$ 31,315,078	\$ (2,052,259)	\$ 1,146,570
Restricted assets	2,243,263	2,348,028	2,660,144	(104,765)	(312,116)
Capital assets	171,224,183	153,288,142	152,808,258	17,936,041	479,884
Other non-current assets	8,412,228	9,017,838	9,608,063	(605,610)	(590,225)
<b>Total Assets</b>	<b>212,289,063</b>	<b>197,115,656</b>	<b>196,391,543</b>	<b>15,173,407</b>	<b>724,113</b>
<b>Liabilities</b>					
Current liabilities	9,980,780	5,238,468	5,256,354	4,742,312	(17,886)
Long-term debt, net of current portion	14,157,881	15,119,846	16,029,337	(961,965)	(909,491)
Other liabilities	1,788,748	1,676,841	1,325,172	111,907	351,669
<b>Total Liabilities</b>	<b>25,927,409</b>	<b>22,035,155</b>	<b>22,610,863</b>	<b>3,892,254</b>	<b>(575,708)</b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	156,056,302	137,188,296	135,287,438	18,868,006	1,900,858
Restricted	2,243,263	2,348,028	2,660,144	(104,765)	(312,116)
Unrestricted	28,062,089	35,544,177	35,833,098	(7,482,088)	(288,921)
<b>Total Net Assets</b>	<b>\$ 186,361,654</b>	<b>\$ 175,080,501</b>	<b>\$ 173,780,680</b>	<b>\$ 11,281,153</b>	<b>\$ 1,299,821</b>

**Statements of Revenues, Expenses, Change in Net Assets**

The Statements of Revenues, Expenses, and Change in Net Assets serves as a measure to determine how successful the Authority was during the past year in recovering its costs through its user fees and other charges, as well as to its profitability and credit worthiness. The following Condensed Statements of Revenues, Expenses, and Change in Net Assets summarize the operations of the Authority for the year ended December 31, 2004, 2003 and 2002:

	2004	2003	2002	2004-03 Variance	2003-02 Variance
Operating revenues	\$ 28,371,297	\$ 26,879,813	\$ 25,160,999	\$ 1,491,484	\$ 1,718,814
Operating expenses	29,081,705	27,464,301	25,582,739	1,617,404	1,881,562
<b>Operating Loss</b>	<b>(710,408)</b>	<b>(584,488)</b>	<b>(421,740)</b>	<b>(125,920)</b>	<b>(162,748)</b>
Non-operating revenues (expenses):					
Interest revenue	1,116,764	1,222,899	1,314,593	(106,135)	(91,694)
Interest expense and fiscal charges	(821,270)	(886,261)	(734,977)	64,991	(151,284)
Gain(Loss) on disposal of fixed assets	1,242,935	(90,856)	236,214	1,333,791	(327,070)
<b>Net Non-operating Revenues (Expenses)</b>	<b>1,538,429</b>	<b>245,782</b>	<b>815,830</b>	<b>1,292,647</b>	<b>(570,048)</b>
<b>Income (Loss) Before Contributions</b>	<b>828,021</b>	<b>(338,706)</b>	<b>394,090</b>	<b>1,166,727</b>	<b>(732,796)</b>
Capital contributions	10,453,132	1,638,527	1,123,096	8,814,605	515,431
Changes in Net Assets	11,281,153	1,299,821	1,517,186	9,981,332	(217,365)
Total Net Assets, Beginning of Year	175,080,501	173,780,680	172,263,494	1,299,821	1,517,186
<b>Total Net Assets, End of Year</b>	<b>\$ 186,361,654</b>	<b>\$ 175,080,501</b>	<b>\$ 173,780,680</b>	<b>\$ 11,281,153</b>	<b>\$ 1,299,821</b>

**Operating Revenues**

**2004 – 2003**

Operating revenues in 2004 increased by \$1,491,484 or 5.5% over 2003. In 2004, the single most significant increase came from the implementation of a new security surcharge fee. This fee was imposed to assist in defraying the additional costs associated with federal mandates to provide new and expanded security measures to protect the Authority's harbors and facilities against potential terrorist attacks. In addition, the Authority experienced moderate increases in tonnage throughput at both its public oil dock and bulk

**PORT OF CORPUS CHRISTI AUTHORITY  
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terminal facilities, that translated into increases in revenues. The Authority also realized an increase in revenues at our dry cargo docks, through the movement of additional military cargo, the leasing of two of our dry cargo docks for the lay berthing of military vessels, and the leasing of cargo sheds for the storage of cotton. A modest increase in bookings at the Conference Center during 2004 also translated into additional revenue. This was the fourth consecutive year that the Conference Center experienced an increase since opening in 2000. Conversely in 2004, the Authority experienced a downturn in revenues generated from the disposal of dredge material into our dredge disposal sites, and from our refrigerated warehouse facility. The decline in dredge disposal revenue was anticipated due to the sporadic and cyclical nature of this activity. The decline in revenues at our refrigerated warehouse facility was the result of an embargo placed on the export of poultry and beef due to avian influenza and mad cow disease, respectively.

**2003 – 2002**

Operating revenues in 2003 increased by \$1,718,814 or 6.8% over 2002. This was principally due to an increase in cargo tonnage that moved across both public and private oil docks, the movement of military cargo overseas across our dry cargo docks, and from revenues generated through the disposal of dredge material into our dredge disposal sites by our customers. Conversely in 2003, the Authority also experienced a downturn in tonnage throughput at our bulk terminal, caused primarily by declines in the movement of copper concentrates, coal, and petroleum coke through this facility. These declines were the result of overseas market conditions, high shipping costs, and political and labor unrest in copper exporting countries.

The following table summarizes operating revenues by division for the years ended December 31, 2004, 2003 and 2002:

	2004	2003	2002	2004-03 Variance	2003-02 Variance
Oil Docks	\$ 14,085,986	\$ 13,101,080	\$ 11,766,441	\$ 984,906	\$ 1,334,639
Dry Cargo Docks	2,484,404	1,863,698	1,203,850	620,706	659,848
Refrigerated Warehouse	937,401	1,250,043	1,039,688	(312,642)	210,355
Conference Center	1,739,888	1,505,575	1,439,357	234,313	66,218
Bulk Terminal	4,238,939	2,984,193	4,756,874	1,254,746	(1,772,681)
Property and Buildings	2,562,544	4,007,884	2,763,246	(1,445,340)	1,244,638
Other Facilities	2,322,135	2,167,340	2,191,543	154,795	(24,203)
<b>Total Operating Revenues</b>	<b>\$ 28,371,297</b>	<b>\$ 26,879,813</b>	<b>\$ 25,160,999</b>	<b>\$ 1,491,484</b>	<b>\$ 1,718,814</b>

**Operating Expenses**

**2004 – 2003**

Operating expenses in 2004 increased by \$1,617,404 or 5.9% over 2003. The primary contributor to the overall increase in operating expenses came from the creation of a new port security department. Ten police officers, along with eight dispatchers were added to staff this department in 2004, along with associated operating overhead costs to maintain and support the department. Maintenance costs were up due primarily to dock repairs performed at our refrigerated warehouse facility and wire rope repairs made to our lift bridge. Conference center expenses increased as a result of increased bookings of events in 2004. Less significant increases were also noted in utilities costs, fire protection and equipment rental.

**2003 – 2002**

Operating expenses in 2003 increased by \$1,881,562 or 7.4% over 2002. This increase can be attributed to the hiring of new personnel, COLA and merit increases, maintenance dredging and fender replacements at our public oil docks, increased utility costs at our refrigerated warehouse and conference center, and funding to outside agencies for the promotion of regional economic development. In addition, depreciation expense increased due to placing new assets in service. Some of the more significant capital assets placed in service include cargo dock improvements to accommodate military vessel lay-berthing, shoreline protection, stabilization of a staging/storage pad, and maintenance shop expansion.

**PORT OF CORPUS CHRISTI AUTHORITY  
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The following table breaks down operating expenses by functional group for the years ended December 31, 2004, 2003 and 2002:

	2004	2003	2002	2004-03 Variance	2003-02 Variance
Maintenance and Operations	\$ 13,937,712	\$ 12,474,555	\$ 11,415,193	\$ 1,463,157	\$ 1,059,362
General and Administrative	9,630,337	9,572,631	8,883,174	57,706	689,457
Depreciation	5,513,656	5,417,115	5,284,372	96,541	132,743
<b>Total Operating Expenses</b>	<b>\$ 29,081,705</b>	<b>\$ 27,464,301</b>	<b>\$ 25,582,739</b>	<b>\$ 1,617,404</b>	<b>\$ 1,881,562</b>

**Non-operating Revenues (Expenses)**

**2004 – 2003**

Non-operating revenues (expenses) increased by \$1,292,647 over 2003. This increase is primarily due to the sale of property in 2004 for the construction of a Double A Division baseball stadium. In addition, interest expense and related bond issuance costs decreased over the prior year, offset by a reduction in interest earnings on investments.

**2003 – 2002**

Non-operating revenues (expenses) decreased by \$570,048 from 2002. This decrease is primarily due to the change in gain (loss) on disposal of assets from the prior year. There were no sales of property in 2003 that were similar to those in the prior year. In addition, interest expense and related bond issuance costs increased over the prior year, and to a lesser extent the reduction in interest earnings also contributed to the decline in non-operating revenues (expenses).

**Capital Grants and Contributions**

**2004 – 2003**

Capital grants and contributions increased by \$10,453,132 over 2003. The increase is due to increased project expenditures for ongoing security enhancement projects, vessel traffic information system, water taxi landing and the Joe Fulton International Trade Corridor. The Authority is the recipient of a number of federal and state grants from a variety of programs. These grant funds are recorded on the basis of project expenditures made. As projects are advanced and expenditures incurred, grant funds are requested on a reimbursement basis and then recognized.

**2003 – 2002**

Capital grants and contributions increased by \$515,431 over 2002. The increase is due to increased project expenditures for newly started security enhancement projects, vessel traffic information system, water taxi and the Joe Fulton International Trade Corridor.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

**2004 – 2003**

The Authority's investment in capital assets as December 31, 2004, amounts to \$171,224,183 (net of accumulated depreciation). This investment in capital assets includes port facilities, elevator and bulk terminal facilities, machinery and equipment, property and buildings, furniture and equipment, and construction in progress. This amount represents a net increase (including, additions and retirements) of \$17,936,041 or 11.7%.

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Major capital asset additions during 2004 include the following:

● Joe Fulton International Trade Corridor	\$ 12,180,030
● Security enhancements	5,343,783
● La Quinta Gateway Project	1,730,840
● Waterfront Site Development	1,422,146
● Oil Dock Upgrades	720,222
● Dry Cargo Dock Improvements	624,385

**2003 – 2002**

The Authority's investment in capital assets as December 31, 2003, amounts to \$153,288,142 (net of accumulated depreciation). This amount represents a net increase (including additions and retirements) of \$479,884 or 0.3%.

Major capital asset additions during 2003 include the following:

● Security enhancements	\$ 1,554,127
● Dock improvements to cargo docks 14 & 15	863,363
● Joe Fulton International Trade Corridor	586,967
● Staging/storage pad	450,357
● La Quinta Gateway Project	282,777
● Purchase of property	262,870
● Port Aransas shoreline erosion GLO project Phase 1	217,352

Additional information regarding the Authority's capital assets can be found in Note 4 to the financial statements on page 20. The following table summarizes the Authority's capital assets (net of accumulated depreciation) as of December 31, 2004, 2003 and 2002:

	2004	2003	2002	2004-03 Change	2003-02 Change
<b>Capital assets, not being depreciated:</b>					
Land	\$ 38,768,079	\$ 38,701,240	\$ 38,438,370	\$ 66,839	\$ 262,870
Channel and waterfront improvements	18,868,431	18,625,279	18,625,279	243,152	-
Construction in progress	31,226,017	9,990,033	6,901,812	21,235,984	3,088,221
	<u>88,862,527</u>	<u>67,316,552</u>	<u>63,965,461</u>	<u>21,545,975</u>	<u>3,351,091</u>
<b>Capital assets, being depreciated:</b>					
Port facilities	49,605,870	52,086,651	54,215,002	(2,480,781)	(2,128,351)
Buildings and improvements	25,763,768	26,363,031	26,738,709	(599,263)	(375,678)
Machinery and equipment	6,992,018	7,521,908	7,889,086	(529,890)	(367,178)
	<u>82,361,656</u>	<u>85,971,590</u>	<u>88,842,797</u>	<u>(3,609,934)</u>	<u>(2,871,207)</u>
<b>Net Capital Assets</b>	<b>\$ 171,224,183</b>	<b>\$ 153,288,142</b>	<b>\$ 152,808,258</b>	<b>\$ 17,936,041</b>	<b>\$ 479,884</b>

**Long-term Debt**

As of December 31, 2004, the Authority had long-term debt outstanding of \$15,167,881. This amount is comprised of general revenue bonds. The Authority's debt decreased through its annually scheduled debt service payments during 2004 and 2003. Additional information regarding the Authority's long-term debt can be found in Note 6 to the financial statements on page 21. The following table summarizes the Authority's long-term debt outstanding as of December 31, 2004 and 2003:

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	2004	2003	2002	2004-03 Change	2003-02 Change
Unlimited tax bonds	\$ -	\$ -	\$ 905,000	\$ -	\$ (905,000)
General revenue bonds	15,167,881	16,099,846	16,994,337	(931,965)	(894,491)
Promissory note	-	-	526,483	-	(526,483)
<b>Total Long-term Debt</b>	<b>\$ 15,167,881</b>	<b>\$ 16,099,846</b>	<b>\$ 17,520,820</b>	<b>\$ (931,965)</b>	<b>\$ (1,420,974)</b>

The Authority maintains a AAA rating from Standard and Poor's Corporation and a Aaa rating from Moody's Investor Service on its' general revenue bonds. In accordance with the Authority's general revenue bond covenants, the Authority is required to maintain a revenue bond coverage of at least 1.25 times the average debt service requirements of its' general revenue bonds. As of December 31, 2004 the Authority's revenue bond coverage was 10.5 times, compared to 4.6 times as of December 31, 2003.

**ECONOMIC OUTLOOK**

The basic financial statements emphasize the Authority's intent to recover the costs of its activities through its users fees and other charges. The results in 2004 were noticeably affected by the added financial burden to provide federally mandated security protection for its harbors and facilities. However, these costs were partially defrayed by a security surcharge fee imposed at mid-year. The Authority has been successful in securing federal funding to assist in the procurement of the necessary infrastructure to meet these mandates, but the Authority has been encumbered with the financial burden of having to man and maintain this infrastructure. The Authority continually reviews its current tariff structure, as well as looks into ways to reduce its overall operating costs.

During 2004, the Authority continued to work on a number of diversification initiatives that will be carried forward over the next few years. These initiatives included the following:

- A memorandum agreement with a potential container operator to operate a proposed container terminal at La Quinta
- The acquisition of its first tenant and the opening of a new cotton warehouse facility at La Quinta
- A letter of intent to offer cruise ferry service to Veracruz, Mexico
- A formal trade agreement with Cuba, that has resulted in the shipment of wheat, peas and beans to Havana
- A memorandum of understanding with a private Mexican consortium in Veracruz, that is expected to increase trade opportunities between the two ports
- Negotiations with a developer for the planning and development of available acreage near our conference center. The plan will include retail, restaurant and hotel elements to support the Authority's conference center, the new ballpark, the expanded convention center and new arena

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Authority's Chief Financial Officer, 222 Power Street, Corpus Christi, TX 78401.

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS  
Statement of Net Assets  
December 31, 2004 and 2003**

**ASSETS**

	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 2)	\$ 3,416,558	\$ 3,149,045
Cash and cash equivalents-restricted (Note 2)	108,296	96,015
Investments (Note 2)	14,778,324	22,000,000
Accounts receivable (net of allowance for doubtful accounts of \$210,244 and \$655,632 for 2004 and 2003, respectively)	5,994,370	3,887,462
Grant receivable	3,661,010	699,437
Notes receivable, current portion (Note 3)	524,192	485,363
Interest receivable	607,822	645,183
Inventory	515,423	585,543
Prepaid expenses	803,394	913,600
<i>Total Current Assets</i>	<u>30,409,389</u>	<u>32,461,648</u>
<b>NON-CURRENT ASSETS:</b>		
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents (Note 2)	571,587	2,348,028
Investments (Note 2)	1,671,676	-
<i>Total Restricted Assets</i>	<u>2,243,263</u>	<u>2,348,028</u>
<b>CAPITAL ASSETS:</b>		
Property, plant and equipment (Note 4)	263,889,096	242,078,850
Less accumulated depreciation	92,664,913	88,790,708
<i>Capital Assets, Net</i>	<u>171,224,183</u>	<u>153,288,142</u>
<b>OTHER NON-CURRENT ASSETS:</b>		
Notes receivable, net of current portion (Note 3)	8,201,239	8,725,431
Bond issuance costs, net of accumulated amortization	210,989	292,407
<i>Total Other Non-Current Assets</i>	<u>8,412,228</u>	<u>9,017,838</u>
<i>Total Non-Current Assets</i>	<u>181,879,674</u>	<u>164,654,008</u>
<b>TOTAL ASSETS</b>	<u>212,289,063</u>	<u>197,115,656</u>

See accompanying notes to financial statements

## LIABILITIES AND NET ASSETS

	2004	2003
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 6,654,379	\$ 2,073,110
Accrued expenses	409,803	772,062
Deferred income	1,071,805	703,625
Current maturities of long-term debt (Note 6)	1,010,000	980,000
Accrued interest payable	55,342	57,499
Compensated absences, current portion (Note 6)	671,155	556,157
Current restricted liabilities payable from restricted current assets	108,296	96,015
<i>Total Current Liabilities</i>	<u>9,980,780</u>	<u>5,238,468</u>
<b>NON-CURRENT LIABILITIES:</b>		
Long-term debt, net of current maturities (Note 6):	14,157,881	15,119,846
Compensated absences, net of current portion (Note 6)	1,788,748	1,676,841
<i>Total Non-Current Liabilities</i>	<u>15,946,629</u>	<u>16,796,687</u>
<b>TOTAL LIABILITIES</b>	<u>25,927,409</u>	<u>22,035,155</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	156,056,302	137,188,296
Restricted:		
Debt service	1,671,676	1,671,546
Channel improvements	342,611	222,623
Health and dental benefits	208,230	453,859
Law enforcement	20,746	-
Unrestricted	28,062,089	35,544,177
<b>TOTAL NET ASSETS</b>	<u>\$ 186,361,654</u>	<u>\$ 175,080,501</u>

See accompanying notes to financial statements

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES:</b>		
Wharfage	\$ 14,076,271	\$ 13,535,168
Dockage	3,858,120	3,218,880
Freight handling	1,976,486	1,492,129
Building and land rentals	3,409,141	3,361,762
Conference center	1,663,726	1,443,592
Refrigerated warehouse	816,739	1,137,336
FTZ user fees	261,666	264,750
Security surcharge fees	869,819	-
Other	1,439,329	2,426,196
<i>Total Operating Revenues</i>	<u>28,371,297</u>	<u>26,879,813</u>
<b>OPERATING EXPENSES:</b>		
Maintenance and operations	13,937,712	12,474,555
General and administrative	9,630,337	9,572,631
Depreciation	5,513,656	5,417,115
<i>Total Operating Expenses</i>	<u>29,081,705</u>	<u>27,464,301</u>
<i>Operating Loss</i>	<u>(710,408)</u>	<u>(584,488)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest revenue	1,116,764	1,222,899
Gain (loss) on disposal of fixed assets	1,242,935	(90,856)
Interest expense and fiscal charges	(739,852)	(781,399)
Amortization of bond issuance costs	(81,418)	(104,862)
<i>Net Non-Operating Revenues</i>	<u>1,538,429</u>	<u>245,782</u>
<i>Income (Loss) Before Capital Grants and Contributions</i>	<u>828,021</u>	<u>(338,706)</u>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>		
<i>Change in Net Assets</i>	<u>11,281,153</u>	<u>1,299,821</u>
<i>Total Net Assets , Beginning of Year</i>	<u>175,080,501</u>	<u>173,780,680</u>
<i>Total Net Assets , End of Year</i>	<u>\$ 186,361,654</u>	<u>\$ 175,080,501</u>

See accompanying notes to financial statements

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**  
**Comparative Statement of Cash Flows**  
**For the Years Ended December 31, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 26,625,945	\$ 27,009,982
Cash payments to suppliers for goods & services	(12,668,774)	(12,289,647)
Cash payments to employees for services	(10,661,851)	(8,857,109)
<i>Net Cash Provided by Operating Activities</i>	<u>3,295,320</u>	<u>5,863,226</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(19,216,048)	(5,347,904)
Capital grants and contributions	7,437,957	429,888
Proceeds from sale of assets	1,470,610	20,200
Principal payment of debt	(980,000)	(1,491,483)
Interest payments on debt	(693,974)	(749,813)
Distribution of overcollected taxes to taxpayers-Homeport	-	(155,214)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(11,981,455)</u>	<u>(7,294,326)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(24,150,000)	(26,500,000)
Proceeds from maturity of investments	29,700,000	23,500,000
Interest on investments	432,609	510,702
Principal payments on notes receivable	485,363	449,410
Interest received on notes receivable	721,516	625,457
<i>Net Cash Provided (Used) by Investing Activities</i>	<u>7,189,488</u>	<u>(1,414,431)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	<u>(1,496,647)</u>	<u>(2,845,531)</u>
<i>Cash and Cash Equivalents at Beginning of Year, Including Restricted Accounts</i>	<u>5,593,088</u>	<u>8,438,619</u>
<i>Cash and Cash Equivalents at End of Year, Including Restricted Accounts</i>	<u>\$ 4,096,441</u>	<u>\$ 5,593,088</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (710,408)	\$ (584,488)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	5,513,656	5,417,115
Changes in assets and liabilities:		
Accounts receivable	(2,106,908)	108,521
Inventories	70,120	59,954
Prepaid items	110,206	(177,278)
Accounts payable	173,547	711,349
Accrued expenses	(234,980)	(44,223)
Deferred income	368,180	20,607
Compensated absences	111,907	351,669
<i>Total Adjustments</i>	<u>4,005,728</u>	<u>6,447,714</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 3,295,320</u>	<u>\$ 5,863,226</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>		
Amortization of issue costs and discount on revenue bonds	129,453	175,371
Gain on disposal of capital assets	1,242,935	-
Loss on disposal of capital assets	-	90,856
Contributions of capital assets	53,603	660,152

See accompanying notes to financial statements

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Port of Corpus Christi Authority of Nueces County, Texas (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

**GENERAL HISTORY OF THE PORT OF CORPUS CHRISTI AUTHORITY**

The Nueces County Navigation District No. 1 was created November 30, 1922, by an order of the Commissioners Court of Nueces County, Texas after an election duly held on October 31, 1922, at which time the establishment of said district was submitted to the qualified taxpaying voters of Nueces County, Texas. The territorial boundaries of the District were made co-extensive with those of Nueces County. In 2003, Senate Bill 1934 was passed that allowed for the annexation of San Patricio County into the territorial jurisdiction of the Authority. The District was organized under Article III, Section 52, of the Constitution of the State of Texas, but has since been transferred to and is operating under Article XVI, Section 59, of the Texas Constitution and related laws of the State of Texas, particularly Sections 60 and 62 of the Texas Water Code and all amendments thereto. The Authority being a navigation district and political subdivision of the State of Texas is a separate and distinct entity from Nueces County and operates independently with its own Port Commission as its governing body. The only relationship the Authority and Nueces County have is that in the event the Port Commission deems it necessary to issue tax supported bonds, it must request the Commissioners Court to call an election. The Commissioners Court shall call the election, canvas the vote, and if the bond issue is approved, thereafter set the necessary tax rate to service the bonds. The original property, plant and equipment of the Authority were acquired with funds from the sale of bonds, the interest and sinking funds being provided from ad valorem taxes levied on the property within Nueces County, Texas. Additions to the property, plant and equipment of the Authority have been made with surplus funds arising from the operations of the Authority facilities, grants from the Federal Government, proceeds of general revenue bonds, and improvement bonds supported by ad valorem tax levies.

On May 20, 1981, the Governor of the State of Texas signed into law a bill changing the legal name of the Nueces County Navigation District No. 1 to the Port of Corpus Christi Authority of Nueces County, Texas.

**REPORTING ENTITY**

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. GASB Statement No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based upon the application of these criteria, the following is a brief review of the component unit addressed in defining the Authority's reporting entity.

**COMPONENT UNIT**

The Industrial Development Corporation (IDC) was organized by the Authority under the State of Texas Development Corporation Act of 1979. The IDC is a non-profit corporation that issues industrial development revenue bonds to promote and develop commercial, industrial and manufacturing enterprises and to promote and encourage employment and public welfare. The issuance of any such bonds is adopted by the Board of Directors (Board) of the IDC, and approved by the Texas Economic Development Commission (TEDC) and the Port Commission. Net earnings of the IDC may be distributed to the Authority by action of the Board or upon dissolution of the IDC. The IDC is considered a blended component unit of the Authority as members of the Board of the IDC is comprised of two members of the Port

Commission and staff of the Authority, and the Authority is able to impose its will on the IDC, as defined in Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The financial statements of the IDC are not material to the financial statements of the Authority, and have not been included in the basic financial statements. In prior years, the IDC was included in the Authority's financial statements, all prior year information has been restated to exclude the IDC. The condensed financial statement information of the IDC follows:

	2004	2003
Total Net Assets	\$ 7,821	\$ 7,207
Change in Net Assets	\$ 614	\$ (815)

The financial statements of the IDC may be obtained from the Authority's Chief Financial Officer at 222 Power Street, Corpus Christi, Texas 78401.

**BASIS OF ACCOUNTING**

The Authority operates as an enterprise fund to report on its financial position and the results of its operations. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. All enterprise funds are accounted for on a flow of economic resources measurement focus, whereby all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity is classified as net assets. Enterprise fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for the use of facilities and services provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority applies all FASB Statements and Interpretations, APB Opinions and ARB's issued on or before November 30, 1989 unless they conflict with or contradict GASB pronouncements. The Authority has elected to only apply GASB pronouncements after November 30, 1989.

An annual budget for the Authority is adopted on a basis consistent with generally accepted accounting principles for proprietary funds, as a prudent management tool. Monthly budget reports are prepared for management to maintain proper budgetary control, and are reviewed by the Port Commission on a monthly basis.

**CASH AND INVESTMENTS**

The Authority's cash and cash equivalents consists of cash on hand, cash held on deposit with financial institutions in demand deposit accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in obligations of the United States Treasury, or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies; obligations of states, agencies, counties, cities and other political subdivisions of any state having a rating of not less than A; certificates of deposits, prime domestic banker's acceptances; certain commercial paper, certain mutual funds; fully collateralized repurchase agreements, and public funds investment pools.

**INVENTORY**

Inventory is valued at cost utilizing the first in first out method. Inventory consists of expendable materials used in the construction and maintenance of port facilities.

**INVENTORIES HELD FOR OTHERS**

Inventory held by the Authority's refrigerated warehouse for others as of December 31, 2004 consists of 4,043,139 pounds of meat, seafood, cottonseed and grains with an estimated fair market value of \$4,851,767.

**BOND ISSUANCE COSTS**

Bond issue costs and original issue discount associated with the Revenue Bonds, Series 2002-A and B are being amortized using the interest rate method.

**PROPERTY, PLANT AND EQUIPMENT**

Property constructed or acquired by purchase is stated at cost. Authority policy has set the capitalization threshold for reporting capital assets at \$1,000. Contributed assets are stated at cost, if available, or estimated fair market value on the date received. Net interest costs, if material, are capitalized on major construction projects during the construction period. No interest was capitalized for the years ended December 31, 2004 and 2003.

Depreciation is computed using the straight-line method over the following useful lives:

Port facilities	10-50 Years
Buildings and improvements	5-50 Years
Machinery and equipment	3-50 Years

**RESTRICTED ASSETS**

Certain resources are set aside for the repayment of the Authority's revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Authority has entered into escrow agreements with the United States Army Corp of Engineers to fund the Authority's cost share of channel improvements and maintenance. These funds are maintained in separate bank accounts and are specifically restricted for that purpose. All revenues received from participating in Federal equitable sharing of forfeited properties are restricted for use in the *United States Department of Justice Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies* or the *United States Department of Treasury Guide of Equitable Sharing For Foreign Countries and Federal, State and Local Law Enforcement Agencies*. Revenues received from participating in the State sharing of forfeited properties are also restricted for use as defined by state statutes. Cash and seized assets are reported as restricted assets. The Authority through a trust agreement, funds the payment of employee health and dental benefits. These funds are maintained in separate bank accounts and are specifically restricted for that purpose.

When an expense is incurred for purposes for which restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

**COMPENSATED ABSENCES**

Authority employees are granted vacation at rates of 10 to 25 days per year and may accumulate up to a maximum of 20 to 50 days, depending on their length of employment. Upon termination, employees are paid for any unused accumulated vacation. Sick leave accumulates at the rate of 12 days per year. Upon termination for any reason other than for cause, employees are paid for any unused sick leave up to a maximum of 60 days. Compensated absences are accrued when incurred.

**DEFERRED INCOME**

Foreign trade zone user fees, non-refundable deposits for events at the Solomon P. Ortiz Conference and Convention Center, and operating lease payments are recognized as income over the term of related agreements. Amounts received but not yet earned are reflected as deferred income in the accompanying balance sheets.

**CONCENTRATION OF REVENUES**

The Authority's operating revenues are subject to risk, because of their concentration in the petroleum industry. Five customers from the petroleum industry make up over 65 percent of the wharfage and dockage revenue base of the Authority for 2004. This risk is further enhanced by the fact that petroleum cargo continues to be the Authority's top commodity representing 86 percent for 2004, of the total cargo tonnage moving through the Authority.

**RECLASSIFICATIONS**

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

**2. CASH AND INVESTMENTS**

The Authority's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits, for safekeeping and trust with the Authority's agent bank, approved pledged securities in amounts sufficient to protect Authority funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. Any portion of a deposit not covered by FDIC insurance is exposed to custodial credit risk in any of the following ways:

- 1) Deposits are not collateralized
- 2) Collateral for deposits is held by the pledging financial institution and/or
- 3) Collateral for deposits is held by the pledging institution's trust department or agent, but not the name of the Authority

At December 31, 2004, the Authority's deposits held at financial institutions of \$1,781,195, were entirely covered by FDIC insurance or were secured by collateral held by the Authority's agent in the Authority's name. In addition to deposits with financial institutions, the Authority maintains \$950 in petty cash at various locations throughout the entity.

At December 31, 2003, the Authority's deposits held at financial institutions of \$1,470,552, were entirely covered by FDIC insurance or were secured by collateral held by the Authority's agent in the Authority's name. In addition to deposits with financial institutions, the Authority maintains \$950 in petty cash at various locations throughout the entity.

The Authority's investment policies and types of investments are governed by the Public Funds Investment Act ("PFIA"). The Authority's management believes that it has complied with the requirements of the PFIA and the Authority's investment policies.

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**Notes to Financial Statements  
December 31, 2004 and 2003**

Texas Statutes authorize the Authority to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements and common trusts. Similar to cash deposits, investments held at financial institution are categorized according to three levels of risk.

The categories of risk are:

- 1) Investments that are insured, registered, or held by the Authority or its agent in the Authority's name.
- 2) Investments that are uninsured and unregistered, held by the counter-party's trust department or agent in the Authority's name.
- 3) Uninsured or unregistered investments held by the counter-party, its trust department or its agent, but not in the Authority's name.

Pooled investments are not categorized because they are not evidenced by certificates that exist in physical or book form.

The Authority's investments at December 31, 2004 and 2003 are as follows:

	2004		2003		Category
	Carrying Value	Fair Value	Carrying Value	Fair Value	
Investments:					
Certificates of Deposit	\$ 16,450,000	\$ 16,450,000	\$ 22,000,000	\$ 22,000,000	1
<b>Total investments</b>	<b>\$ 16,450,000</b>	<b>\$ 16,450,000</b>	<b>\$ 22,000,000</b>	<b>\$ 22,000,000</b>	
Temporary investments shown as cash equivalents:					
Mutual fund-AIM	\$ 3,168,919	\$ 3,168,919	\$ 4,717,858	\$ 4,717,858	Pooled
<b>Total temporary investments shown as cash equivalents</b>	<b>\$ 3,168,919</b>	<b>\$ 3,168,919</b>	<b>\$ 4,717,858</b>	<b>\$ 4,717,858</b>	

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the Authority's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "non-participating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of non-participating interest-earning investment contracts.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act designed to promote liquidity and safety of principal. The Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The AIM fund is an open-ended mutual fund, consisting of direct obligations of the U.S. Treasury and other securities issued or guaranteed as to principal and interest by the U.S. Government or by its agencies or instrumentalities, as well as repurchase agreements secured by such obligations. While these deposits are not covered by FDIC insurance or by

pledged collateral, the AIM fund is rated AAAM by Standard & Poors and invests in compliance with Rule 2a-7 under the Investment Company Act of 1940.

A 2a7-like pool is one that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does operate in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940.

**3. NOTES RECEIVABLE**

Notes Receivable as of December 31, 2004 and 2003 are summarized as follows:

	2004	2003
\$12,000,000 Note Receivable due in annual principal installments ranging from \$524,192 to \$1,131,691 through 2015; interest at 8.0%.	\$ 8,725,431	\$ 9,210,794
Less Current Maturities	524,192	485,363
<b>Notes Receivable - Net</b>	<b>\$ 8,201,239</b>	<b>\$ 8,725,431</b>

Total note receivable requirements as of December 31, 2004, are as follows:

	Principal	Interest	Total
2005	\$ 524,192	\$ 698,035	\$ 1,222,227
2006	566,127	656,099	1,222,226
2007	611,418	610,809	1,222,227
2008	660,331	561,896	1,222,227
2009	713,157	509,069	1,222,226
Thereafter	5,650,206	1,683,153	7,333,359
<b>Total</b>	<b>\$ 8,725,431</b>	<b>\$ 4,719,061</b>	<b>\$ 13,444,492</b>

Pursuant to a Construction and Installment Sale Agreement (Agreement) entered into on May 3, 1994, the Authority agreed to construct crude storage facilities on premises leased to an Authority User, and then sell the facilities to the User. On January 12, 1995, the Authority sold their undivided right, title and interest in the crude storage facilities to the User, and a Promissory Note (Note) was executed made payable to the Authority by the User in the amount of \$12,000,000.

The Note is due and payable in twenty-one annual installments, the first installment being interest only and the remaining twenty annual installments of equal principal and interest, at a rate of 8 percent, unless sooner paid. All payments are applied first to interest with the remainder, if any, applied to unpaid principal.

Note payments are based on revenue received from wharfage fees collected by the Authority for crude oil moving across the Authority's Oil Dock 1 to the User's crude storage facilities, and fifty percent of dockage fees collected by the Authority for ships berthing at the Authority's Oil Dock 1 for purpose of delivering crude oil to the User's crude storage facilities. Monthly amounts are credited to a debt service account that is used to make scheduled note payments when due. In the event there are insufficient funds in the debt service account to meet scheduled note payments, the User is required to make up any shortfall. Should a surplus exist, the excess is applied in inverse order against principal last coming due on the note. In 2004 and 2003, the Authority credited \$1,206,878 and \$1,070,641, respectively of applicable revenue received from wharfage and dockage fees collected to the debt service account.

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**Notes to Financial Statements  
December 31, 2004 and 2003**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 was as follows:

	<b>Beginning Balance</b>	<b>Transfers and Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 38,701,240	\$ 110,975	\$ 44,136	\$ 38,768,079
Channel and waterfront improvements	18,625,279	243,152	-	18,868,431
Construction in progress	9,990,033	21,235,984	-	31,226,017
<b>Total capital assets, not being depreciated</b>	<b>67,316,552</b>	<b>21,590,111</b>	<b>44,136</b>	<b>88,862,527</b>
Capital assets, being depreciated:				
Port facilities	120,724,436	599,318	-	121,323,754
Buildings and improvements	38,657,606	1,056,695	1,441,700	38,272,601
Machinery and equipment	15,380,256	431,249	381,291	15,430,214
<b>Total capital assets, being depreciated</b>	<b>174,762,298</b>	<b>2,087,262</b>	<b>1,822,991</b>	<b>175,026,569</b>
Less: accumulated depreciation for				
Port facilities	68,637,785	3,080,099	-	71,717,884
Buildings and improvements	12,294,575	1,485,808	1,271,550	12,508,833
Machinery and equipment	7,858,348	947,749	367,901	8,438,196
<b>Total accumulated depreciation</b>	<b>88,790,708</b>	<b>5,513,656</b>	<b>1,639,451</b>	<b>92,664,913</b>
<b>Total capital assets, being depreciated, net</b>	<b>85,971,590</b>	<b>(3,426,394)</b>	<b>183,540</b>	<b>82,361,656</b>
<b>Total capital assets, net</b>	<b>\$ 153,288,142</b>	<b>\$ 18,163,717</b>	<b>\$ 227,676</b>	<b>\$ 171,224,183</b>

Capital asset activity for the year ended December 31, 2003 was as follows:

	<b>Beginning Balance</b>	<b>Transfers and Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 38,438,370	\$ 262,870	\$ -	\$ 38,701,240
Channel and waterfront improvements	18,625,279	-	-	18,625,279
Construction in progress	6,901,812	3,088,221	-	9,990,033
<b>Total capital assets, not being depreciated</b>	<b>63,965,461</b>	<b>3,351,091</b>	<b>-</b>	<b>67,316,552</b>
Capital assets, being depreciated:				
Port facilities	119,776,961	947,475	-	120,724,436
Buildings and improvements	37,643,384	1,133,582	119,360	38,657,606
Machinery and equipment	14,972,122	575,908	167,774	15,380,256
<b>Total capital assets, being depreciated</b>	<b>172,392,467</b>	<b>2,656,965</b>	<b>287,134</b>	<b>174,762,298</b>
Less: accumulated depreciation for				
Port facilities	65,561,959	3,075,826	-	68,637,785
Buildings and improvements	10,904,675	1,400,095	10,195	12,294,575
Machinery and equipment	7,083,036	941,194	165,882	7,858,348
<b>Total accumulated depreciation</b>	<b>83,549,670</b>	<b>5,417,115</b>	<b>176,077</b>	<b>88,790,708</b>
<b>Total capital assets, being depreciated, net</b>	<b>88,842,797</b>	<b>(2,760,150)</b>	<b>111,057</b>	<b>85,971,590</b>
<b>Total capital assets, net</b>	<b>\$ 152,808,258</b>	<b>\$ 590,941</b>	<b>\$ 111,057</b>	<b>\$ 153,288,142</b>

**5. LEASES**

**OPERATING LEASES**

The Authority leases to others certain land and improvements. These leases are classified as operating leases in accordance with the criteria of Statement of Financial Accounting Standards (SFAS) No. 13. As of December 31, 2004, minimum lease payments under these operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

<b>Years Ending</b>	
2005	\$ 3,108,236
2006	1,156,256
2007	787,141
2008	541,986
2009	353,965
Thereafter	2,702,608
<b>Total</b>	<b>\$ 8,650,192</b>

**6. LONG-TERM LIABILITIES**

**LONG-TERM DEBT**

On March 26, 2002, the Authority issued revenue bonds, Series 2002-A, in the amount of \$10,390,000 to reimburse for the costs associated with the acquisition, construction, and equipment of a refrigerated warehouse facility and Series 2002-B, in the amount of \$7,865,000 to reimburse for the costs associated with the acquisition, construction, and equipment of a multipurpose cruise/terminal conference facility known as the "Congressman Solomon P. Ortiz International Center". These bonds will be repaid from the pledged revenues of the Authority. Pledged revenues, as defined by the bond resolutions include all of the Authority's revenues and expenses other than those related to a) interest expense on revenue bonds, and b) depreciation.

A statement of changes in long-term debt for the year ended December 31, 2004, is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Revenue bonds	\$ 16,110,000	\$ -	\$ 980,000	\$ 15,130,000	\$ 1,010,000
Accumulated Accretion	(10,154)	48,035	-	37,881	
<b>Total</b>	<b>\$ 16,099,846</b>	<b>\$ 48,035</b>	<b>\$ 980,000</b>	<b>\$ 15,167,881</b>	<b>\$ 1,010,000</b>

A statement of changes in long-term debt for the year ended December 31, 2003, is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Revenue bonds	\$ 17,075,000	\$ -	\$ 965,000	\$ 16,110,000	\$ 980,000
Promissory notes	526,483	-	526,483	-	-
	17,601,483	-	1,491,483	16,110,000	980,000
Accumulated Accretion	(80,663)	70,509	-	(10,154)	
<b>Total</b>	<b>\$ 17,520,820</b>	<b>\$ 70,509</b>	<b>\$ 1,491,483</b>	<b>\$ 16,099,846</b>	<b>\$ 980,000</b>

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Notes to Financial Statements  
December 31, 2004 and 2003**

Long-term debt as of December 31, 2004 and 2003 is summarized as follows:

	2004	2003
<b>Revenue Bonds:</b>		
\$10,390,000 2002-A first lien revenue bonds, collateralized by a first lien on pledged revenues of the Authority, due in annual principal installments of \$570,000 to \$910,000 through 2016; interest at 1.85 percent to 5.2 percent.	\$ 8,620,000	\$ 9,175,000
\$7,865,000 2002-B first lien revenue bonds, collateralized by a first lien on pledged revenues of the Authority, due in annual principal installments of \$440,000 to \$680,000 through 2016; interest at 1.6 percent to 4.9 percent.	6,510,000	6,935,000
Total Revenue Bonds	15,130,000	16,110,000
Accumulated Accretion	37,881	(10,154)
Total Revenue Bonds and Accumulated Accretion	15,167,881	16,099,846
Total Principal Outstanding	15,167,881	16,099,846
Less Current Maturities	1,010,000	980,000
<b>Long-term Debt - Net</b>	<b>\$ 14,157,881</b>	<b>\$ 15,119,846</b>

Total debt service requirements as of December 31, 2004 are as follows:

	Principal	Interest	Total
2005	\$ 1,010,000	\$ 664,103	\$ 1,674,103
2006	1,040,000	632,157	1,672,157
2007	1,075,000	595,548	1,670,548
2008	1,120,000	554,175	1,674,175
2009	1,160,000	508,740	1,668,740
Thereafter	9,725,000	1,975,390	11,700,390
<b>Total</b>	<b>\$ 15,130,000</b>	<b>\$ 4,930,113</b>	<b>\$ 20,060,113</b>

**COMPENSATED ABSENCES**

A statement of changes in compensated absences for the year ended December 31, 2004, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Vacation	\$ 596,874	\$ 506,839	\$ 427,887	\$ 675,826	\$ 444,556
Sickleave	1,636,124	384,782	236,829	1,784,077	226,599
<b>Total</b>	<b>\$ 2,232,998</b>	<b>\$ 891,621</b>	<b>\$ 664,716</b>	<b>\$ 2,459,903</b>	<b>\$ 671,155</b>

A statement of changes in compensated absences for the year ended December 31, 2003, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Vacation	\$ 522,230	\$ 466,639	\$ 391,995	\$ 596,874	\$ 373,701
Sickleave	1,417,520	\$ 404,474	185,870	1,636,124	182,456
<b>Total</b>	<b>\$ 1,939,750</b>	<b>\$ 871,113</b>	<b>\$ 577,865</b>	<b>\$ 2,232,998</b>	<b>\$ 556,157</b>

Compensated Absences as of December 31, 2004 and 2003 is summarized as follows:

	2004	2003
Vacation	\$ 675,826	\$ 596,874
Sickleave	1,784,077	1,636,124
Total Compensated Absences	2,459,903	2,232,998
Less Current Portion	671,155	556,157
<b>Compensated Absences - Net</b>	<b>\$ 1,788,748</b>	<b>\$ 1,676,841</b>

## 7. PENSION PLAN

### Plan Description

The Authority provides pension, disability, and death benefits for all its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 553 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the Authority, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the Authority within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

### Contributions

The contribution rate for employees is 7% and the Authority's rate is 11%, both as adopted by the governing body of the Authority. Employee and Authority contributions were \$554,295 and \$871,036, respectively for the year ended December 31, 2004, and \$456,583 and \$717,489, respectively for the year ended December 31, 2003. Both the employees and the Authority make monthly contributions.

### Annual Pension Cost and Net Pension Obligation

The Authority's annual pension costs (APC) were equal to the Authority's required and actual contributions. Three-year trend information is as follows:

Years Ended December 31,	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 871,036	100.00%	\$ -
2003	717,489	100.00%	\$ -
2002	585,657	100.00%	\$ -

The latest actuarial valuation for the Authority employees was completed as of December 31, 2003. The actuarial cost method and significant assumptions underlying the actuarial calculations have not changed from the prior valuation, and are as follows:

Actuarial Cost Method	Entry Age
Asset Valuation Basis	Long-term appreciation with adjustment
Projected Annual Salary Increases	5.5%
Assumed Rate of Return on Investments	8.00%
Inflation Factor	3.5%
Amortization Method	Level percentage of payroll, open
Amortization Periods	20 years

**8. CONSTRUCTION AND IMPROVEMENT COMMITMENTS**

At December 31, 2004, the Authority had remaining contractual construction and improvement commitments of approximately \$35,756,020. These commitments are being financed through operating revenues and capital grants.

**9. COMMITMENTS AND CONTINGENCIES**

**LITIGATION**

From time to time, the Authority is subject to routine litigation incidental to its operations. Management believes that the results of any claims or litigation will not materially affect the Authority's financial position.

**RISK MANAGEMENT**

The Authority is fully self-insured on workers' compensation, and is self-insured for \$100,000 on property and \$50,000 on general liability claims annually and has purchased excess loss policies for claims in excess of these amounts. The Authority has established a self-funded health and dental plan (plan) for its employees and dependents. A specific stop loss policy is in force for individual plan claims in excess of \$100,000 annually, and an aggregate stop loss policy is in force for annual aggregate claims in excess of approximately \$1,443,907. The Authority has made no significant changes in its insurance coverage from coverage in the prior year. In the past three years the Authority has had no settlements, which exceeded insurance coverage.

A liability for unpaid claims is reported when it is probable that a loss has occurred and the amount the loss can be reasonably estimated. The Authority's liability is an estimate and includes an amount for claims that have been incurred but not reported. The methodology used to determine the liability is based on recent claim settlement trends, including frequency and amount of payouts, and other factors such as inflation, changes in legal doctrines and damage awards. At December 31, 2004, the liability of \$242,242 is comprised of estimated health claims of \$104,566 and estimated workers compensation claims of \$141,676. The liability at December 31, 2003, was comprised of estimated health claims of \$96,015 and workers compensation claims of \$198,284.

Changes in the balances of claims liabilities as of December 31, 2004 and 2003 are as follows:

	2004	2003
Unpaid claims, beginning of fiscal year	\$ 294,299	\$ 366,705
Incurred claims (including IBNRs)	1,316,578	921,334
Claims payments	(1,364,635)	(993,740)
<b>Unpaid claims, end of fiscal year</b>	<b>\$ 246,242</b>	<b>\$ 294,299</b>

**FACILITIES FINANCING BONDS**

The Authority and IDC have entered into agreements with five unrelated entities to finance construction of pollution control, environmental, and solid waste disposal facilities. To accomplish this, the Authority and IDC acted as issuers of facilities financing revenue bonds in the original amount of \$425,745,000. The bonds are secured solely by the facilities and installment sales agreements, and the Authority and IDC assumed no current or future obligation for repayment of the bonds. The installment sales agreements were entered into with the entities for an amount equal to the outstanding bonds to secure repayment. The proceeds of the bonds were received and used by the entities and are repaid when due directly by the entities. At December 31, 2004, facilities financing revenue bonds outstanding amounted to \$425,745,000.

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**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS****Required Supplementary Information  
Schedule of Funding Progress - Pension Plan**

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	<u>2003</u>	<u>2002</u>	<u>2001</u>
Actuarial Valuation Date	12/31/2003	12/31/2002	12/31/2001
Actuarial Value of Assets	\$ 10,728,469	\$ 9,277,397	\$ 8,736,367
Actuarial Accrued Liability (AAL)	\$ 15,445,423	\$ 14,091,854	\$ 13,220,605
Funded Ratio	69.5%	65.8%	66.1%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 4,716,954	\$ 4,814,457	\$ 4,484,238
Annual covered Payroll	\$ 6,522,619	\$ 6,094,250	\$ 5,896,407
UAAL as a Percentage of Covered Payroll	72.3%	79.0%	76.1%

# **SUPPLEMENTAL SCHEDULES**

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Schedule of Revenues and Expenses  
Actual and Budget (GAAP Basis)**

	Year Ended December 31, 2004		
	Actual	Budget	Variance (%)
<b>OPERATING REVENUES:</b>			
Wharfage	\$ 14,076,271	\$ 13,959,660	1
Dockage	3,858,120	3,532,384	9
Freight handling	1,976,486	1,701,200	16
Building and land rentals	3,409,141	3,117,052	9
Conference center	1,663,726	1,650,000	1
Refrigerated warehouse	816,739	1,826,000	(55)
FTZ user fees	261,666	265,000	(1)
Security surcharge fees	869,819	-	100
Other	1,439,329	1,332,150	8
<i>Total Operating Revenues</i>	<u>28,371,297</u>	<u>27,383,446</u>	<u>4</u>
<b>OPERATING EXPENSES:</b>			
Maintenance and operations	13,937,712	14,818,166	6
General and administrative	9,630,337	9,918,810	3
Depreciation	5,513,656	5,643,968	2
<i>Total Operating Expenses</i>	<u>29,081,705</u>	<u>30,380,944</u>	<u>4</u>
<i>Operating Loss</i>	<u>(710,408)</u>	<u>(2,997,498)</u>	<u>76</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest revenue	1,116,764	1,215,352	(8)
Gain on disposal of fixed assets	1,242,935	1,800,000	(31)
Interest expense and fiscal charges	(739,852)	(856,700)	14
Amortization of bond issuance costs	(81,418)	(138,000)	41
<i>Net Non-Operating Revenues</i>	<u>1,538,429</u>	<u>2,020,652</u>	<u>(24)</u>
<i>Income (Loss) Before Capital Grants and Contributions</i>	<u>828,021</u>	<u>(976,846)</u>	<u>(185)</u>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>			
	10,453,132	19,726,051	47
<i>Change in Net Assets</i>	<u>\$ 11,281,153</u>	<u>\$ 18,749,205</u>	<u>(40)</u>

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Schedules of Maintenance and  
Operations and General and  
Administrative Expenses**

**For the Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>MAINTENANCE AND OPERATIONS:</b>		
Employee services	\$ 5,206,360	\$ 4,144,531
Maintenance	2,641,655	2,686,825
Utilities	964,332	886,009
Telephone	20,468	22,358
Insurance	1,327,486	1,427,198
Professional services	444,902	228,158
Police expenses	64,252	-
Contracted services	1,483,850	1,485,158
Office and equipment rental	25,941	11,908
Operator and event expenses	1,438,345	1,310,806
Warehouse supplies	51,281	46,823
Safety/Environmental	43,180	46,293
General	225,660	178,488
<i>Total Maintenance and Operations</i>	<u>\$ 13,937,712</u>	<u>\$ 12,474,555</u>
<b>GENERAL AND ADMINISTRATIVE:</b>		
Employee services	\$ 5,367,098	\$ 5,048,655
Maintenance	274,342	272,419
Utilities	135,135	131,448
Telephone	108,862	103,287
Insurance	45,278	107,456
Professional services	1,642,718	1,781,500
Police expenses	1,429	-
Contracted services	60,516	68,343
Office and equipment rental	3,042	8,270
Administrative	1,598,908	1,533,738
Trade and sales development	143,296	125,484
Media advertising	102,957	88,530
Production	25,460	57,538
Safety/Environmental	20,992	19,889
General	100,304	226,074
<i>Total General and Administrative</i>	<u>\$ 9,630,337</u>	<u>\$ 9,572,631</u>

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Schedules of Long-Term  
Debt Amortization**

**REVENUE BONDS, SERIES 2002-A**

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2005	\$ 570,000	\$ 388,855	\$ 958,855
2006	590,000	370,330	960,330
2007	610,000	348,795	958,795
2008	635,000	324,395	959,395
2009	660,000	298,360	958,360
2010	690,000	270,310	960,310
2011	720,000	239,605	959,605
2012	755,000	206,485	961,485
2013	790,000	171,000	961,000
2014	825,000	132,685	957,685
2015	865,000	91,435	956,435
2016	910,000	47,320	957,320
Total	<u>\$ 8,620,000</u>	<u>\$ 2,889,575</u>	<u>\$ 11,509,575</u>

**REVENUE BONDS, SERIES 2002-B**

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2005	\$ 440,000	\$ 275,248	\$ 715,248
2006	450,000	261,827	711,827
2007	465,000	246,753	711,753
2008	485,000	229,780	714,780
2009	500,000	210,380	710,380
2010	520,000	190,380	710,380
2011	545,000	168,800	713,800
2012	565,000	145,365	710,365
2013	590,000	120,505	710,505
2014	620,000	93,660	713,660
2015	650,000	64,520	714,520
2016	680,000	33,320	713,320
Total	<u>\$ 6,510,000</u>	<u>\$ 2,040,538</u>	<u>\$ 8,550,538</u>

**SUMMARY OF LONG-TERM DEBT**

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2005	\$ 1,010,000	\$ 664,103	\$ 1,674,103
2006	1,040,000	632,157	1,672,157
2007	1,075,000	595,548	1,670,548
2008	1,120,000	554,175	1,674,175
2009	1,160,000	508,740	1,668,740
2010	1,210,000	460,690	1,670,690
2011	1,265,000	408,405	1,673,405
2012	1,320,000	351,850	1,671,850
2013	1,380,000	291,505	1,671,505
2014	1,445,000	226,345	1,671,345
2015	1,515,000	155,955	1,670,955
2016	1,590,000	80,640	1,670,640
Total	<u>\$ 15,130,000</u>	<u>\$ 4,930,113</u>	<u>\$ 20,060,113</u>

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Schedules of Facilities Financing Bonds  
December 31, 2004**

<u>Description</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Series Maturity</u>	<u>Original Amount</u>	<u>Balance Outstanding</u>
<b>Pollution Control Revenue Bonds:</b>					
Union Pacific Res., Series 1989	Variable	06/30/1989	2022	\$ 40,000,000	\$ 40,000,000
Union Pacific Res., Series 1992	Variable	09/01/1992	2010	16,650,000	16,650,000
Valero Refining, Series 1997A	* Variable	04/01/1997	2027	24,400,000	24,400,000
Valero Refining, Series 1997B	* Variable	04/01/1997	2027	32,800,000	32,800,000
Valero Refining, Series 1997C	* Variable	04/01/1997	2027	32,800,000	32,800,000
Valero Refining, Series 1997D	* Variable	04/01/1997	2027	8,500,000	8,500,000
Hoechst Celanese, Series 2002A	6.450%	05/01/2002	2030	13,995,000	13,995,000
Hoechst Celanese, Series 2002B	6.700%	05/01/2002	2030	39,000,000	39,000,000
<b>Environmental Facilities Revenue Bonds:</b>					
Citgo Petroleum, Series 1998	* Variable	08/01/1998	2028	22,200,000	22,200,000
Citgo Petroleum, Series 2003	* 8.250%	05/01/2003	2031	39,200,000	39,200,000
<b>Solid Waste Disposal Revenue Bonds:</b>					
Flint Hills Res., Series 2002A	Variable	10/01/2002	2029	125,000,000	125,000,000
Flint Hills Res., Series 2002B	Variable	10/01/2002	2029	11,700,000	11,700,000
Flint Hills Res., Series 2003	Variable	04/01/2003	2028	19,500,000	19,500,000
Total				<u>\$ 425,745,000</u>	<u>\$ 425,745,000</u>

\* - Issued by the Industrial Development Corporation (IDC)

# **STATISTICAL SECTION**



TABLE I

PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS

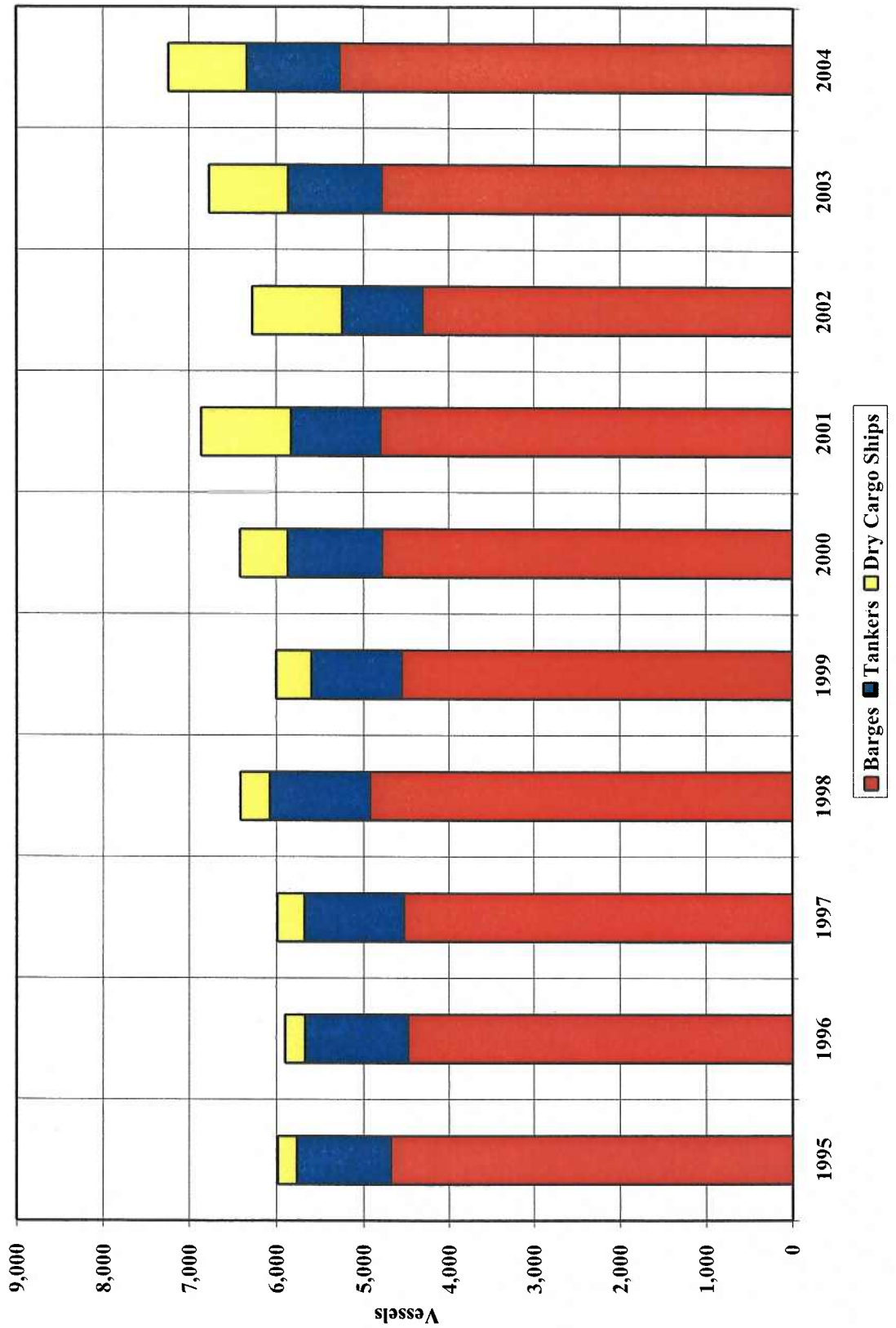
Vessel Traffic  
Last Ten Years

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Inner Harbor</b>										
<i>Ships</i>										
Dry Cargo	119	137	197	206	268	216	224	266	244	210
Tankers	908	946	926	920	799	866	843	744	841	803
<i>Barges</i>	4,522	4,244	4,284	4,700	4,357	4,605	4,625	4,066	4,465	4,818
<i>Total Vessels</i>	5,549	5,327	5,407	5,826	5,424	5,687	5,692	5,076	5,550	5,831
<b>La Quinta Harbor</b>										
<i>Ships</i>										
Dry Cargo	102	91	115	132	126	123	124	119	116	101
Tankers	126	161	143	134	158	132	119	112	152	167
<i>Barges</i>	127	141	147	150	143	159	132	161	257	281
<i>Total Vessels</i>	355	393	405	416	427	414	375	392	525	549
<b>Harbor Island</b>										
<i>Ships</i>										
Dry Cargo	-	-	-	-	-	195	681	628	540	581
Tankers	1	-	-	-	1	-	-	-	-	-
<i>Barges</i>	-	-	-	1	2	-	8	23	5	-
<i>Total Vessels</i>	1	-	-	1	3	195	689	651	545	581
<b>Ingleside Harbor</b>										
<i>Ships</i>										
Dry Cargo	-	-	1	3	7	13	4	13	6	13
Tankers	47	86	80	92	87	88	65	84	80	86
<i>Barges</i>	26	78	96	70	50	18	35	52	56	111
<i>Total Vessels</i>	73	164	177	165	144	119	104	149	142	210
<b>Rincon Point</b>										
<i>Ships</i>										
Dry Cargo	-	-	-	-	-	-	-	-	-	-
Tankers	-	-	-	-	-	-	-	-	-	-
<i>Barges</i>	7	16	2	4	2	-	-	3	4	66
<i>Total Vessels</i>	7	16	2	4	2	-	-	3	4	66
<b>Total</b>										
<i>Ships</i>	221	228	313	341	401	547	1,033	1,026	906	905
Dry Cargo	1,082	1,193	1,149	1,146	1,045	1,086	1,027	940	1,073	1,056
Tankers	4,682	4,479	4,529	4,925	4,554	4,782	4,800	4,305	4,787	5,276
<i>Barges</i>	5,985	5,900	5,991	6,412	6,000	6,415	6,860	6,271	6,766	7,237
<i>Total Vessels</i>										

TABLE I (Continued)

Vessel Traffic  
Last Ten Years

PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS



**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

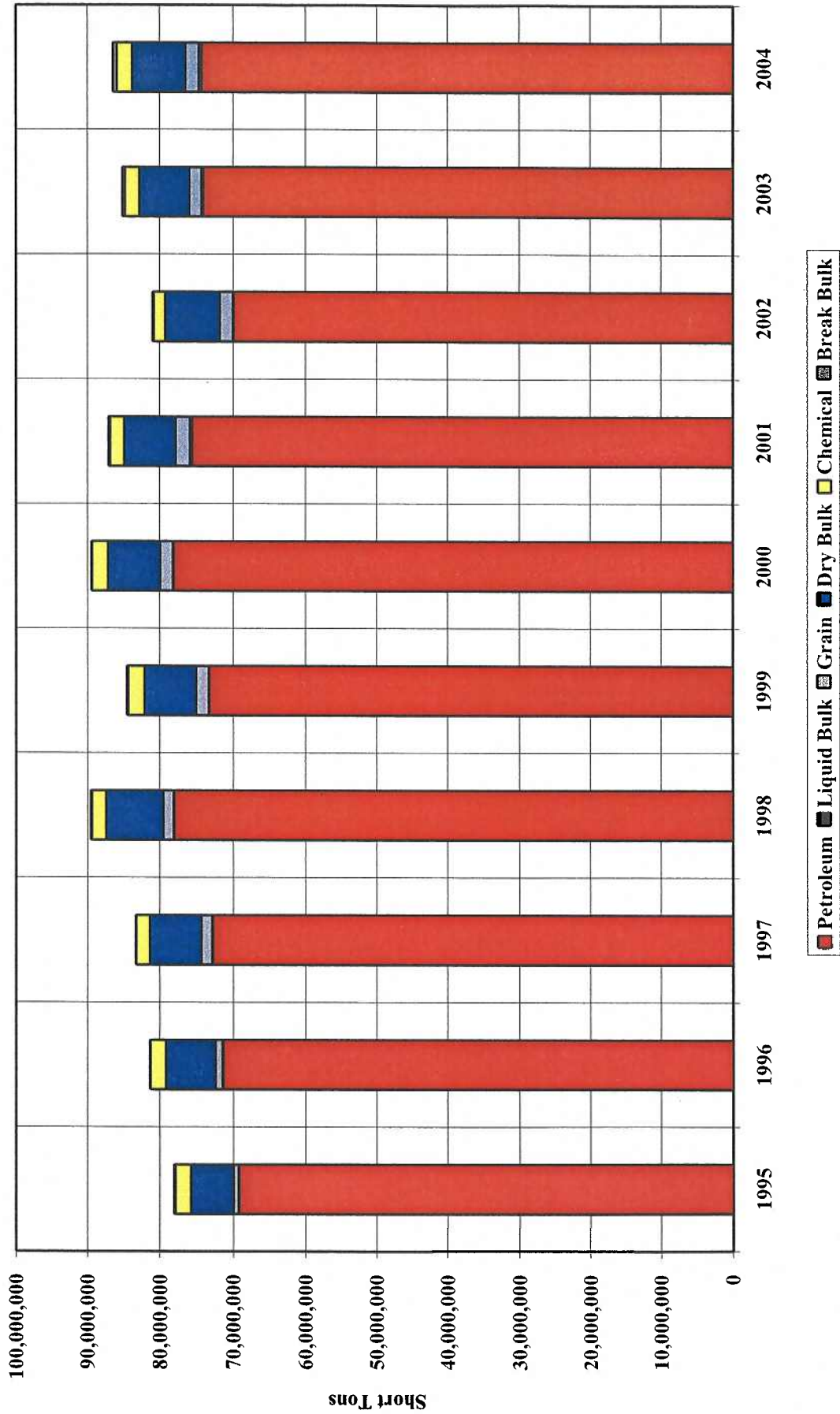
**Port Commerce By Commodity  
Last Ten Years**

Commodity By Port Division - Short tons	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Inner Harbor</b>										
Break Bulk	189,558	47,359	23,914	37,607	111,565	65,680	18,786	41,356	210,873	253,084
Grain	701,147	974,819	1,497,226	1,463,127	1,742,108	1,729,729	1,960,433	1,845,301	1,666,579	1,836,090
Chemical	196,632	150,742	79,954	63,116	55,008	62,109	65,394	48,861	37,243	47,295
Dry Bulk	1,633,444	2,018,776	2,043,499	2,520,833	1,996,667	1,989,651	2,259,592	2,501,157	2,062,015	2,541,606
Liquid Bulk	70,222	72,233	56,203	53,649	56,876	113,130	320,633	65,538	243,135	407,906
Petroleum	64,613,821	65,437,266	66,643,071	71,098,102	66,923,986	71,533,183	69,375,427	63,809,573	67,466,251	67,414,002
<b>Total</b>	<b>67,404,824</b>	<b>68,701,195</b>	<b>70,343,867</b>	<b>75,236,434</b>	<b>70,886,210</b>	<b>75,493,482</b>	<b>74,000,265</b>	<b>68,311,786</b>	<b>71,686,096</b>	<b>72,499,983</b>
<b>La Quinta</b>										
Break Bulk	-	-	-	-	64	-	-	-	-	-
Chemical	1,932,300	1,969,192	1,845,704	1,938,542	2,250,676	2,168,006	1,878,788	1,556,565	1,966,843	2,095,441
Dry Bulk	4,104,026	4,733,524	4,943,913	5,326,210	5,002,167	5,187,747	4,813,124	4,890,941	4,761,502	4,689,730
Petroleum	-	-	21,906	34,152	22,713	25,991	30,785	26,862	23,386	31,518
<b>Total</b>	<b>6,036,326</b>	<b>6,702,716</b>	<b>6,811,523</b>	<b>7,298,904</b>	<b>7,275,620</b>	<b>7,381,744</b>	<b>6,722,697</b>	<b>6,474,368</b>	<b>6,751,731</b>	<b>6,816,689</b>
<b>Harbor Island</b>										
Break Bulk	-	-	5,400	-	-	2	10,609	5,132	17,146	1,816
Petroleum	72,791	-	-	-	1,060	138	1,074	2,760	533	-
<b>Total</b>	<b>72,791</b>	<b>-</b>	<b>5,400</b>	<b>-</b>	<b>1,060</b>	<b>140</b>	<b>11,683</b>	<b>7,892</b>	<b>17,679</b>	<b>1,816</b>
<b>Ingleside</b>										
Break Bulk	-	-	75	99,173	58,619	6,275	186,428	93,260	133,165	241,882
Dry Bulk	-	-	-	-	-	-	48	-	3,506	(3,506)
Petroleum	4,502,269	5,903,325	6,091,791	6,873,407	6,285,993	6,523,003	6,111,062	6,061,259	6,531,995	6,769,131
<b>Total</b>	<b>4,502,269</b>	<b>5,903,325</b>	<b>6,091,866</b>	<b>6,972,580</b>	<b>6,344,612</b>	<b>6,529,278</b>	<b>6,297,538</b>	<b>6,154,519</b>	<b>6,668,666</b>	<b>7,007,507</b>
<b>Rincon Point</b>										
Break Bulk	-	1,507	-	-	-	-	-	-	62	6,234
Dry Bulk	23,093	19,172	24,317	20,215	17,468	19,847	3,774	10,358	6,890	61,574
<b>Total</b>	<b>23,093</b>	<b>20,679</b>	<b>24,317</b>	<b>20,215</b>	<b>17,468</b>	<b>19,847</b>	<b>3,774</b>	<b>10,358</b>	<b>6,952</b>	<b>67,808</b>
<b>Total</b>	<b>78,039,303</b>	<b>81,327,915</b>	<b>83,276,973</b>	<b>89,528,133</b>	<b>84,524,970</b>	<b>89,424,491</b>	<b>87,035,957</b>	<b>80,958,923</b>	<b>85,131,124</b>	<b>86,393,803</b>
<b>Commodity Totals - Short tons</b>										
Break Bulk	189,558	48,866	29,389	136,780	170,248	71,957	215,823	139,748	361,246	503,016
Grain	701,147	974,819	1,497,226	1,463,127	1,742,108	1,729,729	1,960,433	1,845,301	1,666,579	1,836,090
Chemical	2,128,932	2,119,934	1,925,658	2,001,658	2,305,684	2,230,115	1,944,182	1,605,426	2,004,086	2,142,736
Dry Bulk	5,760,563	6,771,472	7,011,729	7,867,258	7,016,302	7,197,245	7,076,538	7,402,456	6,833,913	7,289,404
Liquid Bulk	70,222	72,233	56,203	53,649	56,876	113,130	320,633	65,538	243,135	407,906
Petroleum	69,188,881	71,340,591	72,756,768	78,005,661	73,233,752	78,082,315	75,518,348	69,900,454	74,022,165	74,214,651
<b>Total</b>	<b>78,039,303</b>	<b>81,327,915</b>	<b>83,276,973</b>	<b>89,528,133</b>	<b>84,524,970</b>	<b>89,424,491</b>	<b>87,035,957</b>	<b>80,958,923</b>	<b>85,131,124</b>	<b>86,393,803</b>

TABLE II (Continued)

Port Commerce By Commodity  
Last Ten Years

PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS



**Port Commerce By Direction  
Last Ten Years**

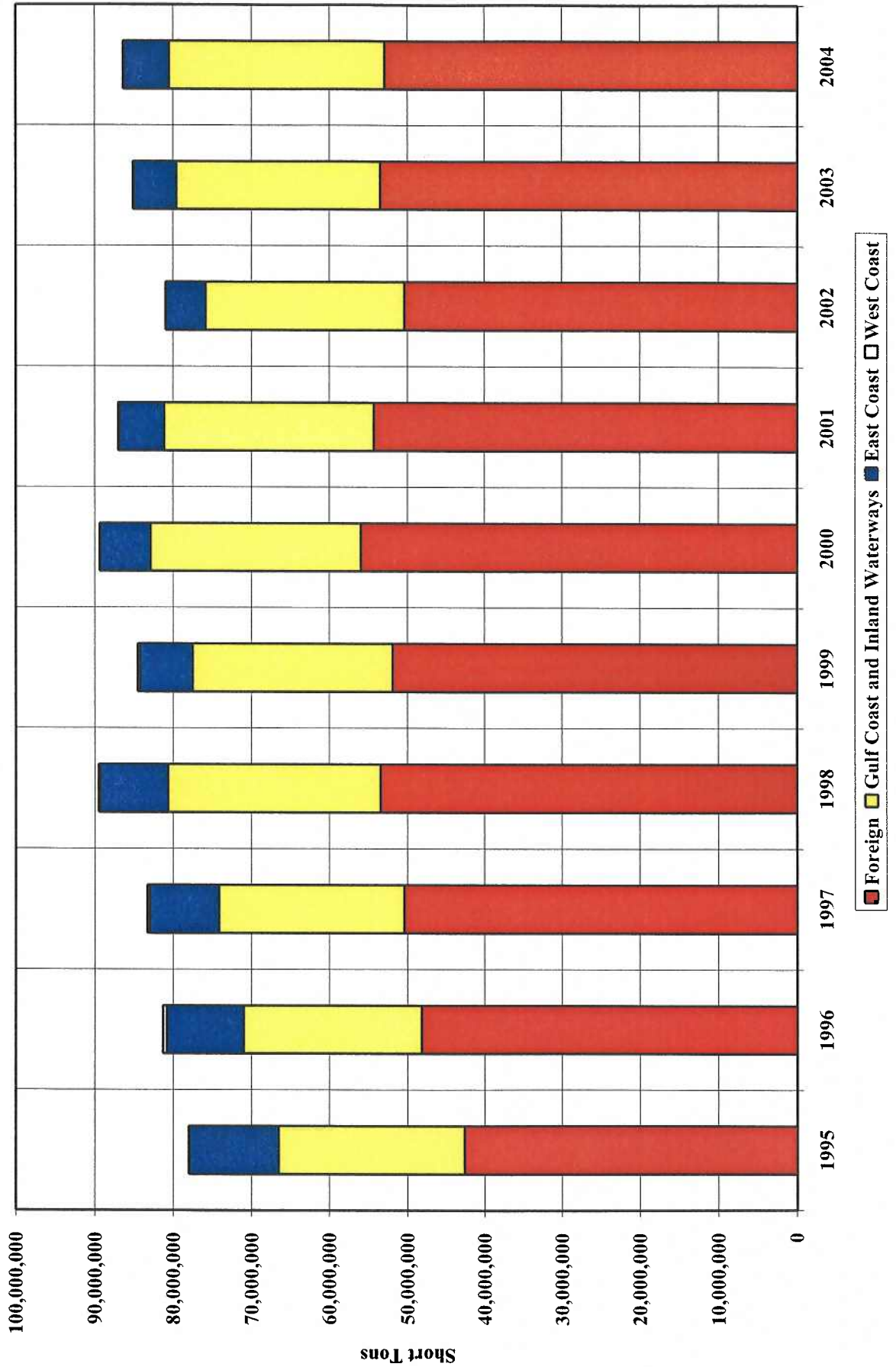
**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

Direction - Short tons	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Foreign:</b>										
Imports	36,642,061	40,811,052	41,989,133	45,275,874	43,364,220	46,600,131	44,913,824	40,923,567	44,299,031	43,994,496
Exports	5,974,399	7,375,842	8,431,392	8,197,342	8,562,230	9,366,965	9,410,670	9,464,432	9,207,582	8,968,838
<b>Total</b>	<b>42,616,460</b>	<b>48,186,894</b>	<b>50,420,525</b>	<b>53,473,216</b>	<b>51,926,450</b>	<b>55,967,096</b>	<b>54,324,494</b>	<b>50,387,999</b>	<b>53,506,613</b>	<b>52,963,334</b>
<b>Gulf Coast and Inland Waterways:</b>										
Inbound	9,245,588	8,079,452	8,943,672	9,095,922	9,499,486	9,140,970	9,455,352	10,183,135	9,631,747	10,766,788
Outbound	14,667,346	14,739,063	14,811,150	18,088,453	16,092,321	17,758,974	17,357,278	15,292,417	16,423,427	16,762,133
<b>Total</b>	<b>23,912,934</b>	<b>22,818,515</b>	<b>23,754,822</b>	<b>27,184,375</b>	<b>25,591,807</b>	<b>26,899,944</b>	<b>26,812,630</b>	<b>25,475,552</b>	<b>26,055,174</b>	<b>27,528,921</b>
<b>East Coast:</b>										
Inbound	391,026	82,744	185,832	175,326	231,043	431,501	352,825	285,988	237,307	130,761
Outbound	11,030,008	9,743,249	8,625,349	8,476,846	6,458,762	6,003,290	5,348,948	4,780,686	5,238,667	5,708,837
<b>Total</b>	<b>11,421,034</b>	<b>9,825,993</b>	<b>8,811,181</b>	<b>8,652,172</b>	<b>6,689,805</b>	<b>6,434,791</b>	<b>5,701,773</b>	<b>5,066,674</b>	<b>5,475,974</b>	<b>5,839,598</b>
<b>West Coast:</b>										
Inbound	-	266,594	16,147	118,888	23,797	28,549	94,843	12,621	-	-
Outbound	88,875	229,919	274,298	99,482	293,111	94,111	102,217	16,077	93,363	61,950
<b>Total</b>	<b>88,875</b>	<b>496,513</b>	<b>290,445</b>	<b>218,370</b>	<b>316,908</b>	<b>122,660</b>	<b>197,060</b>	<b>28,698</b>	<b>93,363</b>	<b>61,950</b>
<b>Total</b>	<b>78,039,303</b>	<b>81,327,915</b>	<b>83,276,973</b>	<b>89,528,133</b>	<b>84,524,970</b>	<b>89,424,491</b>	<b>87,035,957</b>	<b>80,958,923</b>	<b>85,131,124</b>	<b>86,393,803</b>
<b>Total:</b>										
Foreign	42,616,460	48,186,894	50,420,525	53,473,216	51,926,450	55,967,096	54,324,494	50,387,999	53,506,613	52,963,334
Domestic	35,422,843	33,141,021	32,856,448	36,054,917	32,598,520	33,457,395	32,711,463	30,570,924	31,624,511	33,430,469
<b>Total</b>	<b>78,039,303</b>	<b>81,327,915</b>	<b>83,276,973</b>	<b>89,528,133</b>	<b>84,524,970</b>	<b>89,424,491</b>	<b>87,035,957</b>	<b>80,958,923</b>	<b>85,131,124</b>	<b>86,393,803</b>
<b>Inbound</b>	<b>46,278,675</b>	<b>49,239,842</b>	<b>51,134,784</b>	<b>54,666,010</b>	<b>53,118,546</b>	<b>56,201,151</b>	<b>54,816,844</b>	<b>51,405,311</b>	<b>54,168,085</b>	<b>54,892,045</b>
<b>Outbound</b>	<b>31,760,628</b>	<b>32,088,073</b>	<b>32,142,189</b>	<b>34,862,123</b>	<b>31,406,424</b>	<b>33,223,340</b>	<b>32,219,113</b>	<b>29,553,612</b>	<b>30,963,039</b>	<b>31,501,758</b>
<b>Total</b>	<b>78,039,303</b>	<b>81,327,915</b>	<b>83,276,973</b>	<b>89,528,133</b>	<b>84,524,970</b>	<b>89,424,491</b>	<b>87,035,957</b>	<b>80,958,923</b>	<b>85,131,124</b>	<b>86,393,803</b>

TABLE III (Continued)

PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS

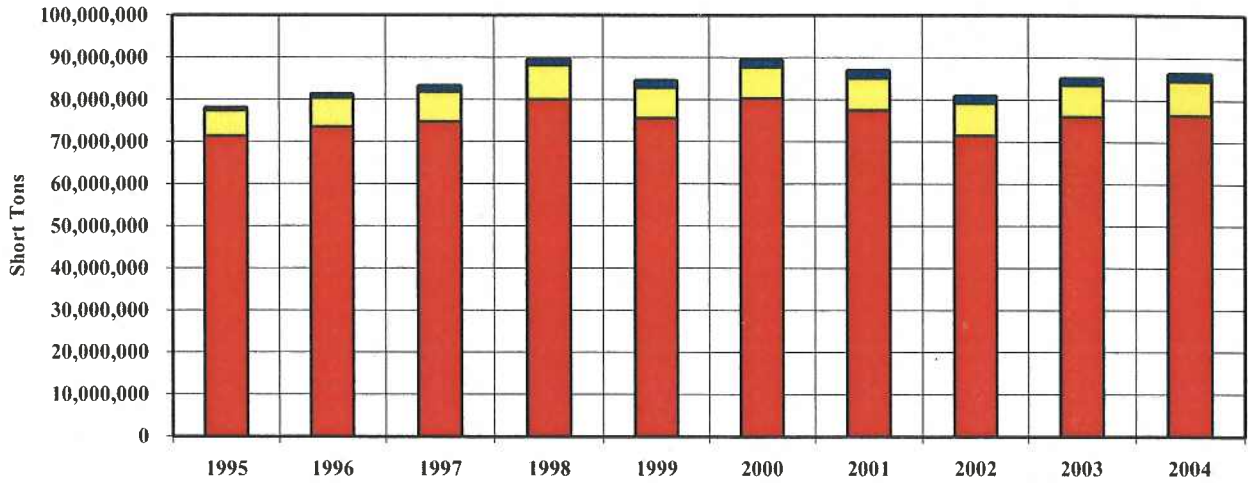
Port Commerce By Direction  
Last Ten Years



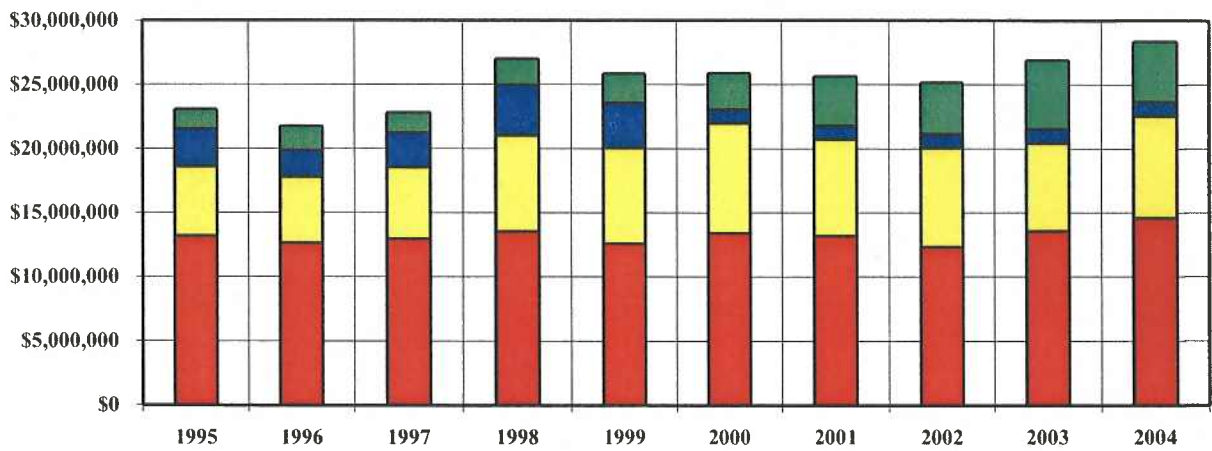
**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Tonnage, Operating Revenues and Expenses  
By Cargo Classification  
Last Ten Years**

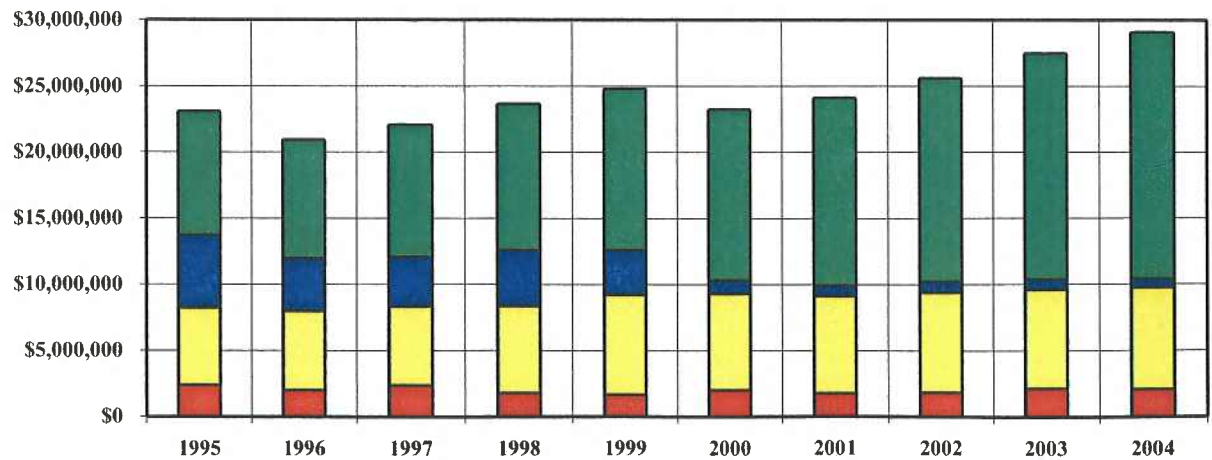
Tonnage:



Operating Revenues:



Operating Expenses:

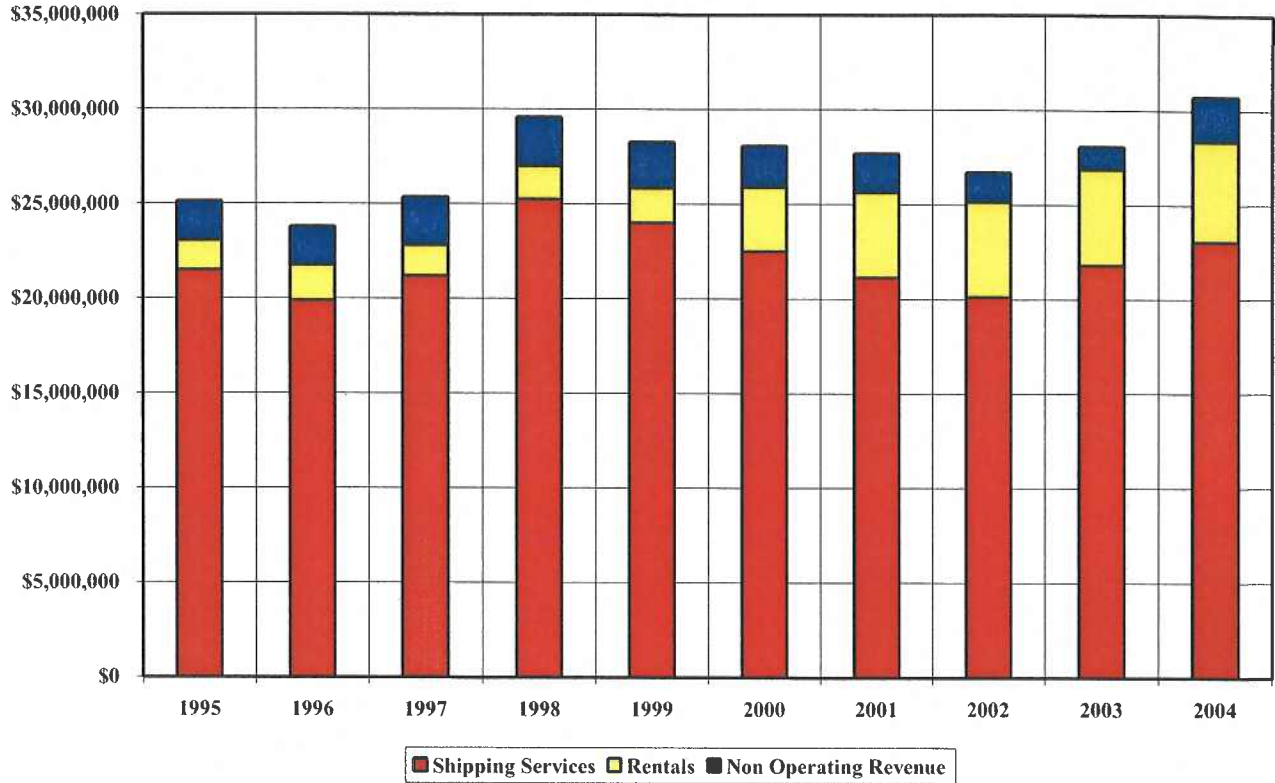


Petroleum/Chemical
  Dry Cargo
  Grain
  Other

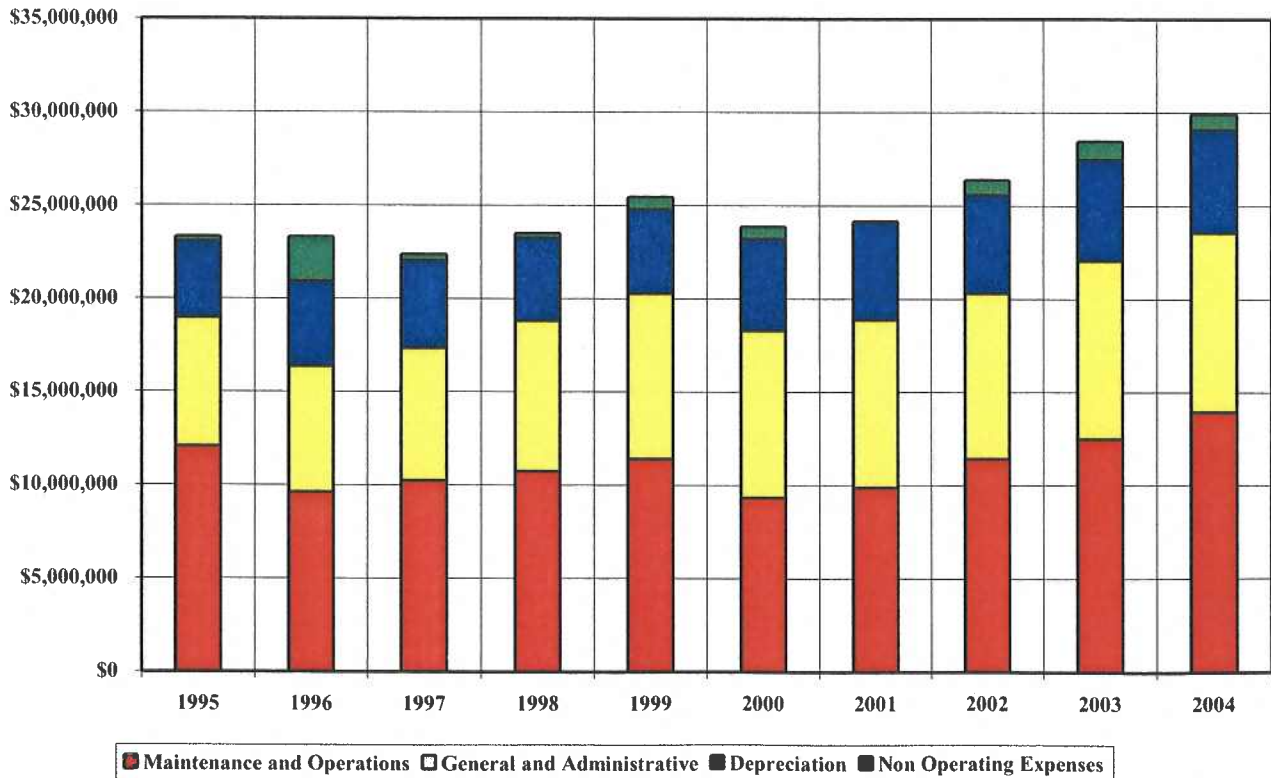
**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Revenue Source and Application  
Last Ten Years**

Revenue Source:



Revenue Application:



**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Financial Performance Indicators**  
**Last Ten Years**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Operating Revenues (OR)	\$ 23,057,266	\$ 21,757,378	\$ 22,800,045	\$ 26,995,863	\$ 25,836,907	\$ 25,890,403	\$ 25,624,318	\$ 25,160,999	\$ 26,879,813	\$ 28,371,297
Operating Expenses (OE) *	(19,012,450)	(16,351,360)	(17,339,439)	(19,201,351)	(20,269,616)	(18,279,022)	(18,865,409)	(20,298,367)	(22,047,186)	(23,568,049)
Net Operating Income (NOI)	4,044,816	5,406,018	5,460,606	7,794,512	5,567,291	7,611,381	6,758,909	4,862,632	4,832,627	4,803,248
Non-Operating Revenues	2,143,950	2,039,893	2,532,046	2,572,029	2,426,614	2,192,369	2,055,366	1,550,807	1,222,899	2,359,699
Non-Operating Expenses	(257,408)	(2,372,750)	(315,995)	(264,489)	(656,174)	(627,071)	(85,005)	(734,977)	(977,117)	(821,270)
Net Income "A" (NI"A")	5,931,358	5,073,161	7,676,657	10,102,052	7,337,731	9,176,679	8,729,270	5,678,462	5,078,409	6,341,677
Depreciation	(4,102,915)	(4,569,389)	(4,695,994)	(4,425,667)	(4,509,898)	(4,944,421)	(5,224,868)	(5,284,372)	(5,417,115)	(5,513,656)
Net Income (Loss) "B" (NI"B")	\$ 1,828,443	\$ 503,772	\$ 2,980,663	\$ 5,676,385	\$ 2,827,833	\$ 4,232,258	\$ 3,504,402	\$ 394,090	\$ (338,706)	\$ 828,021
Net Capital Assets (NCA) **	\$ 112,986,967	\$ 117,399,178	\$ 117,956,248	\$ 118,269,753	\$ 122,779,056	\$ 147,286,699	\$ 143,840,270	\$ 145,906,446	\$ 143,298,109	\$ 139,998,166
Total Assets (TA)	\$ 170,735,538	\$ 171,285,596	\$ 172,384,118	\$ 178,459,639	\$ 179,958,670	\$ 179,630,724	\$ 179,679,554	\$ 196,391,543	\$ 197,115,656	\$ 212,289,063

**Operating Indicators:**

Operating ROI (NOI/NCA)	3.58%	4.60%	4.63%	6.59%	4.53%	5.17%	4.70%	3.33%	3.37%	3.43%
Operating Margin (NOI/OR)	17.54%	24.85%	23.95%	28.87%	21.55%	29.40%	26.38%	19.33%	17.98%	16.93%
Operating Ratio (OE/OR)	82.46%	75.15%	76.05%	71.13%	78.45%	70.60%	73.62%	80.67%	82.02%	83.07%

**Other ROI Indicators:**

ROI "A" (NI"A"/TA)	3.47%	2.96%	4.45%	5.66%	4.08%	5.11%	4.86%	2.89%	2.58%	2.99%
ROI "B" (NI"B"/TA)	1.07%	0.29%	1.73%	3.18%	1.57%	2.36%	1.95%	0.20%	-0.17%	0.39%

\* - Excludes Depreciation

\*\* - Excludes Construction in Progress

Expenses by Type  
Last Ten Years

PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Operating Expenses:</b>										
Maintenance and Operation:										
Employee services	\$ 3,565,559	\$ 3,482,579	\$ 3,933,523	\$ 4,113,336	\$ 4,563,345	\$ 3,293,465	\$ 3,570,749	\$ 3,929,041	\$ 4,144,531	\$ 5,206,360
Maintenance	3,470,301	2,597,113	2,674,863	2,919,585	2,213,199	1,756,682	1,761,065	1,970,104	2,686,825	2,641,655
Utilities	701,970	747,251	646,548	625,315	660,189	468,382	615,609	694,391	886,009	964,332
Telephone	6,650	12,897	17,473	22,204	26,092	30,158	33,212	34,045	22,358	20,468
Insurance	1,265,256	1,164,276	1,299,047	1,026,451	978,421	966,835	966,114	1,276,352	1,427,198	1,327,486
Professional services	203,254	117,050	260,363	115,416	182,015	114,171	137,700	202,418	228,158	444,902
Police expenses	-	-	-	-	-	-	-	-	-	64,252
Contracted services	1,034,685	874,593	912,584	988,017	1,128,658	1,062,328	1,205,445	1,597,049	1,485,158	1,483,850
Office and equipment rental	35,692	32,717	10,786	9,152	55,208	51,250	40,616	106,710	11,908	25,941
Operator and event expenses	-	-	-	-	-	244,174	708,885	1,225,868	1,310,806	1,438,345
Warehouse supplies	-	-	-	-	-	-	1,898	85,770	46,823	51,281
Grain handling	961,392	228,595	67,937	463,180	58,274	1,094	-	-	-	-
Ginning	474,470	138,701	157,606	366,040	1,258,237	1,096,642	546,622	-	-	-
Safety/Environmental	56,987	69,315	40,703	43,647	58,281	21,034	33,018	39,985	46,293	43,180
General	280,525	148,349	203,042	220,682	228,439	227,802	246,706	253,460	178,488	225,660
	<u>\$12,056,741</u>	<u>\$ 9,613,436</u>	<u>\$10,224,475</u>	<u>\$10,913,025</u>	<u>\$11,410,358</u>	<u>\$ 9,334,017</u>	<u>\$ 9,867,639</u>	<u>\$11,415,193</u>	<u>\$12,474,555</u>	<u>\$13,937,712</u>
<b>General and Administrative:</b>										
Employee services	\$ 3,553,344	\$ 3,541,346	\$ 4,060,736	\$ 4,170,496	\$ 4,521,403	\$ 4,484,449	\$ 4,485,094	\$ 4,523,035	\$ 5,048,655	\$ 5,367,098
Maintenance	247,741	336,266	262,002	298,099	317,737	281,890	234,515	297,592	272,419	274,342
Utilities	74,609	106,470	119,642	110,965	102,943	125,271	154,595	118,395	131,448	135,135
Telephone	70,564	88,594	86,186	105,203	103,524	129,241	124,877	98,649	103,287	108,862
Insurance	70,563	113,865	110,179	99,291	79,152	39,961	85,113	208,519	107,456	45,278
Professional services	1,551,796	1,145,952	1,111,892	1,641,139	1,665,601	1,761,967	1,914,403	1,794,626	1,781,500	1,642,718
Police expenses	-	-	-	-	-	-	-	-	-	1,429
Contracted services	1,158	2,676	14,727	10,151	25,609	79,711	105,890	94,226	68,343	60,516
Office and equipment rental	26,406	27,169	24,717	25,087	44,365	30,848	46,307	2,245	8,270	3,042
Administrative	971,390	856,011	1,004,757	1,209,395	1,361,721	1,344,684	1,262,105	1,279,119	1,533,738	1,598,908
Trade and sales development	85,783	76,558	103,137	163,991	227,183	209,492	178,538	129,229	125,484	143,296
Media advertising	143,919	151,408	194,785	295,463	238,715	248,392	211,051	124,256	88,530	102,957
Production	102,075	78,222	80,363	105,620	107,252	111,049	77,551	55,918	57,538	25,460
Safety/Environmental	21,298	29,920	19,607	(9,176)	20,227	6,869	11,241	13,638	19,889	20,992
General	35,063	183,467	(77,766)	62,602	43,826	91,181	106,490	143,727	226,074	100,304
	<u>\$ 6,955,709</u>	<u>\$ 6,737,924</u>	<u>\$ 7,114,964</u>	<u>\$ 8,288,326</u>	<u>\$ 8,859,258</u>	<u>\$ 8,945,005</u>	<u>\$ 8,997,770</u>	<u>\$ 8,883,174</u>	<u>\$ 9,572,631</u>	<u>\$ 9,630,337</u>
Depreciation	\$ 4,102,915	\$ 4,569,389	\$ 4,695,995	\$ 4,425,667	\$ 4,509,898	\$ 4,944,421	\$ 5,224,868	\$ 5,284,372	\$ 5,417,115	\$ 5,513,656
<b>Non-Operating Expenses:</b>										
Other:										
Interest	\$ 257,408	\$ 421,672	\$ 315,995	\$ 252,987	\$ 167,605	\$ 128,862	\$ 85,005	\$ 734,977	\$ 886,261	\$ 821,270
Loss - suspended capital projects	-	1,951,078	-	-	-	-	-	-	-	-
Other	-	-	-	11,502	488,569	498,208	-	-	90,856	-
	<u>\$ 257,408</u>	<u>\$ 2,372,750</u>	<u>\$ 315,995</u>	<u>\$ 264,489</u>	<u>\$ 656,174</u>	<u>\$ 627,070</u>	<u>\$ 85,005</u>	<u>\$ 734,977</u>	<u>\$ 977,117</u>	<u>\$ 821,270</u>

TABLE VIII

PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS

Revenues by Source  
Last Ten Years

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Operating Revenues:</b>										
Wharfage	\$ 12,587,356	\$ 12,504,190	\$ 12,683,762	\$ 13,546,195	\$ 12,592,047	\$ 13,282,469	\$ 13,215,302	\$ 12,534,632	\$ 13,535,168	\$ 14,076,271
Dockage	2,937,117	2,778,378	3,582,641	4,020,559	3,619,507	3,229,447	3,009,600	2,733,667	3,218,880	3,858,120
Freight handling	2,732,128	3,222,755	3,652,867	4,683,526	4,158,629	2,019,205	2,033,916	2,410,795	1,492,129	1,976,486
Bagging	1,704,566	368,417	96,928	841,439	41,344	-	-	-	-	-
Building and land rentals	1,313,366	1,512,873	1,306,175	1,430,634	1,495,070	2,835,108	3,363,438	3,385,964	3,361,762	3,409,141
Conference center	-	-	-	-	-	296,861	833,712	1,367,934	1,443,592	1,663,726
Refrigerated warehouse	-	-	-	-	-	-	102,623	954,178	1,137,336	816,739
FTZ user fees	252,427	358,182	298,827	335,160	346,660	261,250	281,750	287,115	264,750	261,666
Security surcharge fees	-	-	-	-	-	-	-	-	-	869,819
Compress	1,133,973	307,392	403,509	922,611	2,298,035	2,734,668	1,477,844	185,538	45,598	-
Other	396,333	705,191	775,336	1,215,739	1,285,615	1,231,395	1,306,133	1,301,176	2,380,598	1,439,329
	<u>\$ 23,057,266</u>	<u>\$ 21,757,378</u>	<u>\$ 22,800,045</u>	<u>\$ 26,995,863</u>	<u>\$ 25,836,907</u>	<u>\$ 25,890,403</u>	<u>\$ 25,624,318</u>	<u>\$ 25,160,999</u>	<u>\$ 26,879,813</u>	<u>\$ 28,371,297</u>
<b>Non-Operating Revenues:</b>										
Other:										
Interest	\$ 1,854,116	\$ 1,803,343	\$ 1,947,942	\$ 2,031,442	\$ 1,751,857	\$ 1,619,461	\$ 1,261,435	\$ 1,314,593	\$ 1,222,899	\$ 1,116,764
Other	289,834	236,550	584,104	540,587	674,757	572,907	787,431	236,214	-	1,242,935
	<u>\$ 2,143,950</u>	<u>\$ 2,039,893</u>	<u>\$ 2,532,046</u>	<u>\$ 2,572,029</u>	<u>\$ 2,426,614</u>	<u>\$ 2,192,368</u>	<u>\$ 2,048,866</u>	<u>\$ 1,550,807</u>	<u>\$ 1,222,899</u>	<u>\$ 2,359,699</u>

TABLE IX

PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS

Property Tax Levies and Collections  
Last Ten Years

Year	Current Tax Levy	Current Tax Collections	Percent of Levy Collected Tax Year	Unpaid End of Tax Year	Subsequent Collections	Total Collections	Total Collections As Percent of Levy	Unpaid Taxes December 31, 2004	Unpaid Taxes As Percent of Levy
1995	\$ 2,650,938	\$ 894,626	33.75%	\$ 1,756,312	\$ 1,747,566	\$ 2,642,192	99.67%	\$ 8,746	0.33%
1996	2,629,887	1,014,562	38.58%	1,615,325	1,606,875	2,621,437	99.68%	8,450	0.32%
1997	2,757,300	1,018,880	36.95%	1,738,420	1,729,257	2,748,137	99.67%	9,163	0.33%
1998	2,683,336	1,055,716	39.34%	1,627,620	1,616,711	2,672,427	99.59%	10,909	0.41%
1999	2,548,703	982,346	38.54%	1,566,357	1,553,874	2,536,220	99.51%	12,483	0.49%
2000	2,484,092	961,998	38.73%	1,522,094	1,508,196	2,470,194	99.44%	13,898	0.56%
2001	235,945	88,340	37.44%	147,605	146,044	234,384	99.34%	1,561	0.66%
2002 *	-	-	-	-	-	-	-	-	-
2003 *	-	-	-	-	-	-	-	-	-
2004 *	-	-	-	-	-	-	-	-	-

\* Tax supported debt was retired in 2002 and no tax levy was required.

TABLE X

PORT OF CORPUS CHRISTI AUTHORITY  
 OF NUECES COUNTY, TEXAS

Assessed and Estimated True Value of Taxable Property  
 Last Ten Years

Year	Minerals	Real Property	Personal Property	Total	Less Exemptions	Assessed Valuation	True Value	Percentage of Assessed to True Value
1995	\$ 203,360,540	\$ 9,798,555,202	\$ 1,761,448,129	\$ 11,763,363,871	\$ 2,276,176,302	\$ 9,487,187,569	\$ 9,487,187,569	100%
1996	157,245,270	9,941,008,053	1,717,281,833	11,815,535,156	2,140,492,535	9,675,042,621	9,675,042,621	100%
1997	190,042,450	10,070,119,027	1,723,132,828	11,983,294,305	2,083,917,183	9,899,377,122	9,899,377,122	100%
1998	198,951,378	10,344,835,260	1,666,778,846	12,210,565,484	2,120,174,085	10,090,391,399	10,090,391,399	100%
1999	144,161,950	10,589,017,231	1,681,544,034	12,414,723,215	2,136,440,457	10,278,282,758	10,278,282,758	100%
2000	191,485,540	10,798,381,895	1,718,537,663	12,708,405,098	2,234,972,638	10,473,432,460	10,473,432,460	100%
2001	344,843,680	11,284,528,832	1,800,919,381	13,430,291,893	2,285,588,602	11,144,703,291	11,144,703,291	100%
2002 *	-	-	-	-	-	-	-	-
2003 *	-	-	-	-	-	-	-	-
2004 *	-	-	-	-	-	-	-	-

Source - Nueces County Tax Appraisal District

\* Tax supported debt was retired in 2002

PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS

Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Years

	1995	1996	1997	1998	1999	2000	2001	2002 *	2003 *	2004 *
Port of Corpus Christi Authority	\$ 0.02795	\$ 0.02719	\$ 0.02785	\$ 0.02659	\$ 0.02480	\$ 0.02372	\$ 0.00212	\$ -	\$ -	\$ -
Nueces County	0.32877	0.33459	0.33459	0.33459	0.34462	0.35274	0.35024	-	-	-
Hospital District	0.24470	0.24170	0.23316	0.22803	0.22803	0.22803	0.22803	-	-	-
Water Control and Improvement District No. IV	0.07464	0.07785	0.07931	0.07640	0.06682	0.06250	0.05000	-	-	-
Water Control and Improvement District No. V	0.17507	0.18068	0.18068	0.15845	0.16938	-	-	-	-	-
Drainage District No. II	0.37050	0.37960	0.38467	0.38470	0.38470	0.38895	0.42440	-	-	-
City of Agua Dulce	0.72225	0.72250	0.72225	0.63704	0.68369	0.68369	0.68136	-	-	-
City of Aransas Pass	**	**	**	**	**	**	**	-	-	-
City of Bishop	0.52636	0.54811	0.86952	0.88866	0.85429	0.87954	0.86675	-	-	-
City of Corpus Christi	0.61273	0.82373	0.62373	0.62373	0.62373	0.62373	0.64418	-	-	-
City of Driscoll	0.63000	0.64541	0.66339	0.66339	0.58643	0.59883	0.66000	-	-	-
City of Port Aransas	0.47000	0.47000	0.47000	0.47000	0.47000	0.47000	0.47000	-	-	-
City of Robstown	1.08208	1.08208	1.08208	1.08208	1.08208	1.08208	1.08208	-	-	-
Del Mar College District	0.19682	0.20781	0.20781	0.20781	0.22047	0.22047	0.21988	-	-	-
Agua Dulce ISD	1.85626	1.94490	1.94490	1.94490	1.86730	1.84430	1.74280	-	-	-
Banquete ISD	1.52150	1.52150	1.61150	1.66150	1.75000	1.55500	1.38000	-	-	-
Bishop ISD	1.34460	1.42000	1.50000	1.50000	1.61000	1.62500	1.62764	-	-	-
Calallen ISD	1.52200	1.57000	1.57000	1.57000	1.48581	1.52417	1.59883	-	-	-
Corpus Christi ISD	1.42800	1.45800	1.51800	1.55500	1.50000	1.57000	1.57000	-	-	-
Driscoll ISD	1.37100	1.42600	1.42600	1.42600	1.50000	1.91000	1.63470	-	-	-
Flour Bluff ISD	1.37908	1.43947	1.43947	1.49672	1.49192	1.52620	1.52620	-	-	-
London ISD	1.49000	1.43913	1.43000	1.41000	1.41000	1.33690	1.26480	-	-	-
Port Aransas ISD	1.44000	1.44000	1.44000	1.44000	1.42030	1.44906	1.46200	-	-	-
Robstown ISD	1.56909	1.56909	1.56909	1.56000	1.61400	1.61400	1.61400	-	-	-
Tuloso-Midway ISD	1.49990	1.56205	1.56205	1.59205	1.67205	1.75005	1.73970	-	-	-
West Osco ISD	1.51000	1.51000	1.51000	1.51000	1.48000	1.54000	1.54000	-	-	-
South Texas Water Authority	0.14171	0.14171	0.14171	0.14171	0.14171	0.13297	0.11150	-	-	-

Property tax rates based on per \$100 assessed valuation.  
Source - Nueces County Tax Appraisal District

\* Tax supported debt was retired in 2002

\*\* Rate not available

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Ratio of Net General Bonded Debt to Assessed Valuation  
and Net Bonded Debt Per Capita  
Last Ten Years**

Year	Estimated Population (a)	Assessed Valuation	Gross Bonded Debt (b)	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
1995	317,099	\$ 9,675,042,621	\$ 14,002,864	\$ 1,403,071	\$ 12,599,793	0.0013	\$ 39.73
1996	317,099	9,675,042,621	12,145,000	1,590,326	10,554,674	0.0011	33.29
1997	315,722	9,899,377,122	10,100,000	1,638,483	8,461,517	0.0009	26.80
1998	312,708	10,090,391,399	7,820,000	1,690,640	6,129,360	0.0006	19.60
1999	316,498	10,278,282,758	5,515,000	1,617,883	3,897,117	0.0004	12.31
2000	313,645	10,473,432,460	3,235,000	1,691,680	1,543,320	0.0001	4.92
2001	316,280	11,144,703,291	905,000	883,257	21,743	0.0000	0.07
2002 *	-	-	-	-	-	-	-
2003 *	-	-	-	-	-	-	-
2004 *	-	-	-	-	-	-	-

(a) Source - BEA Regional Facts - Nueces County; U.S. Census Bureau

(b) Only unlimited tax bonds are included since revenue bonds are not tax supported.

\* Tax supported debt was retired in 2002

TABLE XIII

PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS

Revenue Bond Coverage  
Last Ten Years

Year	Gross Revenues		Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements (A)			Total	Coverage
	1a	2a			Principal	Interest	Reserve		
1995	\$ 22,607,359	\$ 19,576,773		3,030,586	\$ 230,000	\$ 68,144	\$ 29,815	\$ 327,959	9.24
1996	-	-		-	-	-	-	-	-
1997	-	-		-	-	-	-	-	-
1998	-	-		-	-	-	-	-	-
1999	-	-		-	-	-	-	-	-
2000	-	-		-	-	-	-	-	-
2001	-	-		-	-	-	-	-	-
2002	27,835,369	20,298,422	2b	7,536,947	1,219,643	452,024	-	1,671,667	4.51
2003	29,740,622	22,047,186	2b	7,693,436	1,239,231	432,315	-	1,671,546	4.60
2004	41,184,128	23,568,049	2b	17,616,079	1,260,833	410,843	-	1,671,676	10.54

(1a) Gross revenues represent operating revenues less revenues from grain elevator and other debt related revenues as per bond resolutions.

(1b) Gross revenues represent all revenues, income and receipts, including interest income, and any other revenues

(2a) Operating expenses represent operating expenses less bond interest, operating expenses from grain elevator and other debt related expenses, as per bond resolutions.

(2b) Operating expenses represent maintenance and operating expenses

(A) Prior to 2002 debt service requirements represent current year annual debt service; Beginning in 2002 debt service requirements represent average annual debt service

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**
**Schedule of Insurance in Force  
December 31, 2004**

Details of Coverage	Policy Period	Deductible	Liability Limits
All risk property	04/01/04-05	\$100,000	\$ 100,000,000
Harbor Island Property - Primary	08/05/04-05	100,000	3,000,000
Boiler and Machinery	04/01/04-05	100,000	20,000,000
Tide & Wave Equipment	06/07/04-05	2,500	96,683
Business Auto Liability	10/01/04-05		10,000,000
Comprehensive Marine Liability	10/01/04-05	50,000	20,000,000
Foreign Liability	10/01/04-05		1,000,000
Pollution Legal Liability	10/16/04-05	100,000	5,000,000
Non-owned Aircraft Liability	10/01/04-05		2,000,000
Marine Liability and Primary P&I/Firebarge Hull	10/01/04-05		3,500,000
Excess P&I/Firebarge	10/01/04-05	50,000	80,000,000 excess of 20,000,000
Public Officials Liability	10/01/04-05	50,000	10,000,000
Law Enforcement Liability	10/01/04-05	10,000	5,000,000
Executive Risk	10/01/04-07		5,000,000
Customs Bond/Importer Bond	09/28/04-05		50,000
Customs Bond - FTZ Operator	09/28/04-05		250,000
Customs Bond - Cold Storage Warehouse	02/07/04-05		50,000
Customs Bond - Cold Storage Warehouse	02/07/04-05		50,000
Public Officials Bonds (7)	01/01/04-07		5,000

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Analysis of Funding Progress - Pension Plan**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL As a Percentage of Covered Payroll
1994	\$ 3,540,058	\$ 6,898,979	51.3%	\$ 3,358,921	\$ 4,808,482	69.9%
1995	4,206,457	8,115,396	51.8%	3,908,939	5,236,934	74.6%
1996	4,853,421	8,837,031	54.9%	3,983,610	5,258,846	75.8%
1997	5,620,580	9,925,817	56.6%	4,305,237	5,706,173	75.5%
1998	6,507,706	10,880,153	59.8%	4,372,447	6,311,717	69.3%
1999	7,482,804	11,795,117	63.4%	4,312,313	6,841,985	63.0%
2000	7,899,688	11,952,150	66.1%	4,052,462	5,759,469	70.4%
2001	8,736,367	13,220,605	66.1%	4,484,238	5,896,407	76.1%
2002	9,277,397	14,091,854	65.8%	4,814,457	6,094,250	79.0%
2003	10,728,469	15,445,423	69.5%	4,716,954	6,522,619	72.3%

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**
**Demographic Statistics  
Last Ten Years**

<u>Year</u>	<u>Population (1)</u>	<u>Per Capita Income (1)</u>	<u>Public School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
1995	317,099	\$12,194	55,964	8.4%
1996	317,099	12,194	56,038	8.6%
1997	315,722	13,500	55,191	7.6%
1998	312,708	17,350	55,088	6.1%
1999	316,498	20,673	51,566	6.6%
2000	313,645	22,275	53,461	6.2%
2001	316,280	22,864	53,528	5.6%
2002	316,499	19,829	52,598	6.1%
2003	318,879	18,843	52,931	6.6%
2004 *	385,956	16,752	77,174	6.9%

(1) Source - Corpus Christi Regional Economic Development Corporation

(2) Source - Texas Education Agency/PEIMS

(3) Source - U.S. Department of Labor-Bureau of Labor Statistics

\* - Nueces and San Patricio Counties (MSA)

PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS

Construction and Property Values  
Last Ten Years

Year	Construction (1)				Property Values (2)		
	Commercial		Residential		Market Value	Exemptions	Taxable Value
	Number of Units	Value	Number of Units	Value			
1995	142	\$ 53,879,334	768	\$ 82,067,732	\$ 11,763,363,871	\$ 2,276,176,302	\$ 9,487,187,569
1996	202	46,787,010	1,040	119,324,365	11,815,535,156	2,140,492,535	9,675,042,621
1997	245	68,190,468	881	114,343,122	11,983,294,305	2,083,917,183	9,899,377,122
1998	327	72,965,197	941	104,693,919	12,210,565,484	2,120,174,085	10,090,391,399
1999	271	44,346,551	701	82,260,573	12,414,723,215	2,136,440,457	10,278,282,758
2000	301	73,324,601	686	78,250,728	12,708,405,098	2,234,972,638	10,473,432,460
2001	235	61,258,982	876	89,891,377	13,430,291,893	2,285,588,602	11,144,703,291
2002	163	88,733,837	985	109,830,371	14,017,256,361	2,577,290,418	11,439,965,943
2003	157	198,745,734	1,264	131,999,592	14,742,391,603	2,711,844,657	12,030,546,946
2004 *	306	118,167,688	1,457	172,818,160	19,719,717,498	4,100,066,409	15,619,651,089

(1) Source - City of Corpus Christi

(2) Source - Nueces County Tax Assessor and Appraisal District  
San Patricio County Tax Assessor and Appraisal District

\* Includes Nueces County only

\*\* Nueces and San Patricio Counties

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Miscellaneous Statistical Data  
December 31, 2004**

<b>Date of Incorporation:</b>	1922			
<b>Form of Government:</b>	A public corporation and political subdivision of the State of Texas			
<b>Number of Employees:</b>	158			
<b>Geographic Location:</b>	Southeastern coast of Texas on the Gulf of Mexico approximately 150 miles north of the Mexican Border			
<b>Area:</b>	6,423 - Emergent acres 16,000 - Submerged acres			
<b>Population:</b>		<b>City of</b>	<b>Nueces</b>	<b>San Patricio</b>
	<b>Year</b>	<b>Corpus Christi</b>	<b>County</b>	<b>County</b>
	1920	10,522	22,807	11,386
	1930	27,741	51,779	23,836
	1940	57,301	92,661	28,871
	1950	108,053	165,471	35,842
	1960	167,690	221,573	45,021
	1970	204,525	237,544	47,288
	1980	232,119	268,215	58,013
	1990	256,632	296,527	58,749
	2000	277,454	313,645	67,138
<b>Elevation:</b>	Sea level to 85 feet, average 35 feet			
<b>Tidal Data:</b>				
<b>Average Water Level:</b>				
Inner Harbor	2.08 feet above Mean Low Tide (MLT)			
<b>Tidal Range:</b>				
Inner Harbor	Insignificant			
Aransas Pass	1.5 feet			
<b>Aerial Clearance:</b>				
Harbor Bridge and Upper Harbor Lift Bridge	138 feet			
<b>Temperature:</b>	Annual Average - 71° January Average - 56° July Average - 84°			
<b>Average Seasonal Rainfall:</b>	30.4 inches			

Miscellaneous Statistical Data  
December 31, 2004**Public Docks:**

Bulk oil	11 - Main Harbor
Dry cargo	8 - Main Harbor
Bulk materials	<u>2 - Main Harbor</u>
	<u>21</u>

**Private Docks:**

Dry cargo	- ADM/Growmark	1 - Main Harbor
	- Bay, Inc.	2 - Main Harbor
	- Heldenfels	1 - Main Harbor
	- Interstate Grain	1 - Main Harbor
	- Cemex USA	1 - Main Harbor
	- Texas Lehigh Cement	1 - Main Harbor
	- Corpus Christi Equipment Co.	1 - Rincon
	- Tor Minerals International, Inc.	1 - Rincon
	- Sherwin Alumina Company	1 - La Quinta
	- McDermott	1 - Harbor Island
	- Corpus Christi Day Cruises	1 - Harbor Island
	- Gulf Marine Fabricators	1 - Ingleside
	- Kiewit Offshore Services, Inc.	1 - Ingleside
Bulk liquids	- Citgo	6 - Main Harbor
	- Equistar	1 - Main Harbor
	- Flint Hills	3 - Main Harbor
	- Valero	3 - Main Harbor
	- Occidental Chemical	1 - La Quinta
	- Koch Gathering	1 - Ingleside
	- Channel Investments	1 - Jewel Fulton
	- Arco	1 - Jewel Fulton
	- Braswell	<u>1 - Jewel Fulton</u>
		<u>32</u>



## **Other Information (Unaudited)**

Annual financial information disclosure in compliance with the Securities Exchange Commission's Rule 15c2-12. This rule requires issuers of municipal securities to provide annual updates of selected financial information to a nationally recognized municipal securities information repository. This report will be filed with the State of Texas's Municipal Advisory Council in conformance with this requirement.

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Port Commerce By Commodity  
Last Ten Years**

**Table 1**

Commodity By Port Division - Short tons	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Inner Harbor</b>										
Break Bulk	189,558	47,359	23,914	37,607	111,565	65,680	18,786	41,356	210,873	253,084
Grain	701,147	974,819	1,497,226	1,463,127	1,742,108	1,729,729	1,960,433	1,845,301	1,666,579	1,836,090
Chemical	196,632	150,742	79,954	63,116	55,008	62,109	65,394	48,861	37,243	47,295
Dry Bulk	1,633,444	2,018,776	2,043,499	2,520,833	1,996,667	1,989,651	2,259,592	2,501,157	2,062,015	2,541,606
Liquid Bulk	70,222	72,233	56,203	53,649	56,876	113,130	320,633	65,538	243,135	407,906
Petroleum	64,613,821	65,437,266	66,643,071	71,098,102	66,923,986	71,533,183	69,375,427	63,809,573	67,466,251	67,414,002
<b>Total</b>	<b>67,404,824</b>	<b>68,701,195</b>	<b>70,343,867</b>	<b>75,236,434</b>	<b>70,886,210</b>	<b>75,493,482</b>	<b>74,000,265</b>	<b>68,311,786</b>	<b>71,686,096</b>	<b>72,499,983</b>
<b>La Quinta</b>										
Break Bulk	-	-	-	-	64	-	-	-	-	-
Chemical	1,932,300	1,969,192	1,845,704	1,938,542	2,250,676	2,168,006	1,878,788	1,556,565	1,966,843	2,095,441
Dry Bulk	4,104,026	4,733,524	4,943,913	5,326,210	5,002,167	5,187,747	4,813,124	4,890,941	4,761,502	4,689,730
Petroleum	-	-	21,906	34,152	22,713	25,991	30,785	26,862	23,386	31,518
<b>Total</b>	<b>6,036,326</b>	<b>6,702,716</b>	<b>6,811,523</b>	<b>7,298,904</b>	<b>7,275,620</b>	<b>7,381,744</b>	<b>6,722,697</b>	<b>6,474,368</b>	<b>6,751,731</b>	<b>6,816,689</b>
<b>Harbor Island</b>										
Break Bulk	-	-	5,400	-	-	2	10,609	5,132	17,146	1,816
Petroleum	72,791	-	-	-	1,060	138	1,074	2,760	533	-
<b>Total</b>	<b>72,791</b>	<b>-</b>	<b>5,400</b>	<b>-</b>	<b>1,060</b>	<b>140</b>	<b>11,683</b>	<b>7,892</b>	<b>17,679</b>	<b>1,816</b>
<b>Ingleside</b>										
Break Bulk	-	-	75	99,173	58,619	6,275	186,428	93,260	133,165	241,882
Dry Bulk	-	-	-	-	-	-	48	-	3,506	(3,506)
Petroleum	4,502,269	5,903,325	6,091,791	6,873,407	6,285,993	6,523,003	6,111,062	6,061,259	6,531,995	6,769,131
<b>Total</b>	<b>4,502,269</b>	<b>5,903,325</b>	<b>6,091,866</b>	<b>6,972,580</b>	<b>6,344,612</b>	<b>6,529,278</b>	<b>6,297,538</b>	<b>6,154,519</b>	<b>6,668,666</b>	<b>7,007,507</b>
<b>Rincon Point</b>										
Break Bulk	-	1,507	-	-	-	-	-	-	62	6,234
Dry Bulk	23,093	19,172	24,317	20,215	17,468	19,847	3,774	10,358	6,890	61,574
<b>Total</b>	<b>23,093</b>	<b>20,679</b>	<b>24,317</b>	<b>20,215</b>	<b>17,468</b>	<b>19,847</b>	<b>3,774</b>	<b>10,358</b>	<b>6,952</b>	<b>67,808</b>
<b>Total</b>	<b>78,039,303</b>	<b>81,327,915</b>	<b>83,276,973</b>	<b>89,528,133</b>	<b>84,524,970</b>	<b>89,424,491</b>	<b>87,035,957</b>	<b>80,958,923</b>	<b>85,131,124</b>	<b>86,393,803</b>
<b>Commodity Totals - Short tons</b>										
Break Bulk	189,558	48,866	29,389	136,780	170,248	71,957	215,823	139,748	361,246	503,016
Grain	701,147	974,819	1,497,226	1,463,127	1,742,108	1,729,729	1,960,433	1,845,301	1,666,579	1,836,090
Chemical	2,128,932	2,119,934	1,925,658	2,001,658	2,305,684	2,230,115	1,944,182	1,605,426	2,004,086	2,142,736
Dry Bulk	5,760,563	6,771,472	7,011,729	7,867,258	7,016,302	7,197,245	7,076,538	7,402,456	6,833,913	7,289,404
Liquid Bulk	70,222	72,233	56,203	53,649	56,876	113,130	320,633	65,538	243,135	407,906
Petroleum	69,188,881	71,340,591	72,756,768	78,005,661	73,233,752	78,082,315	75,518,348	69,900,454	74,022,165	74,214,651
<b>Total</b>	<b>78,039,303</b>	<b>81,327,915</b>	<b>83,276,973</b>	<b>89,528,133</b>	<b>84,524,970</b>	<b>89,424,491</b>	<b>87,035,957</b>	<b>80,958,923</b>	<b>85,131,124</b>	<b>86,393,803</b>

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Revenues by Source  
Last Ten Years**

**Table 2**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Operating Revenues:</b>										
Wharfage	\$ 12,587,356	\$ 12,504,190	\$ 12,683,762	\$ 13,546,195	\$ 12,592,047	\$ 13,282,469	\$ 13,215,302	\$ 12,534,632	\$ 13,535,168	\$ 14,076,271
Dockage	2,937,117	2,778,378	3,582,641	4,020,559	3,619,507	3,229,447	3,009,600	2,733,667	3,218,880	3,858,120
Freight handling	2,732,128	3,222,755	3,652,867	4,683,526	4,158,629	2,019,205	2,033,916	2,410,795	1,492,129	1,976,486
Bagging	1,704,566	368,417	96,928	841,439	41,344	-	-	-	-	-
Building and land rentals	1,313,366	1,512,873	1,306,175	1,430,634	1,495,070	2,835,108	3,363,438	3,385,964	3,361,762	3,409,141
Conference center	-	-	-	-	-	296,861	833,712	1,367,934	1,443,592	1,663,726
Refrigerated warehouse	-	-	-	-	-	-	102,623	954,178	1,137,336	816,739
FTZ user fees	252,427	358,182	298,827	335,160	346,660	261,250	281,750	287,115	264,750	261,666
Security surcharge fees	-	-	-	-	-	-	-	-	-	869,819
Compress	1,133,973	307,392	403,509	922,611	2,298,035	2,734,668	1,477,844	185,538	45,598	-
Other	396,333	705,191	775,336	1,215,739	1,285,615	1,231,395	1,306,133	1,301,176	2,380,598	1,439,329
	<u>\$ 23,057,266</u>	<u>\$ 21,757,378</u>	<u>\$ 22,800,045</u>	<u>\$ 26,995,863</u>	<u>\$ 25,836,907</u>	<u>\$ 25,890,403</u>	<u>\$ 25,624,318</u>	<u>\$ 25,160,999</u>	<u>\$ 26,879,813</u>	<u>\$ 28,371,297</u>
<b>Non-Operating Revenues:</b>										
Other:										
Interest	\$ 1,854,116	\$ 1,803,343	\$ 1,947,942	\$ 2,031,442	\$ 1,751,857	\$ 1,619,461	\$ 1,261,435	\$ 1,314,593	\$ 1,222,899	\$ 1,116,764
Other	289,834	236,550	584,104	540,587	674,757	572,907	787,430	236,214	-	1,242,935
	<u>\$ 2,143,950</u>	<u>\$ 2,039,893</u>	<u>\$ 2,532,046</u>	<u>\$ 2,572,029</u>	<u>\$ 2,426,614</u>	<u>\$ 2,192,368</u>	<u>\$ 2,048,865</u>	<u>\$ 1,550,807</u>	<u>\$ 1,222,899</u>	<u>\$ 2,359,699</u>

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Expenses By Type  
Last Ten Years**

**Table 3**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Operating Expenses:</b>										
Direct:										
Employee services	\$ 3,565,559	\$ 3,482,579	\$ 3,933,523	\$ 4,113,336	\$ 4,563,345	\$ 3,293,465	\$ 3,570,749	\$ 3,929,041	\$ 4,144,531	\$ 5,206,360
Maintenance	3,470,301	2,597,113	2,674,863	2,919,585	2,213,199	1,756,682	1,761,065	1,970,104	2,686,825	2,641,655
Utilities	701,970	747,251	646,548	625,315	660,189	468,382	615,609	694,391	886,009	964,332
Telephone	6,650	12,897	17,473	22,204	26,092	30,158	33,212	34,045	22,358	20,468
Insurance	1,265,256	1,164,276	1,299,047	1,026,451	978,421	966,835	966,114	1,276,352	1,427,198	1,327,486
Professional services	203,254	117,050	260,363	115,416	182,015	114,171	137,700	202,418	228,158	444,902
Police expenses	-	-	-	-	-	-	-	-	-	64,252
Contracted services	1,034,685	874,593	912,584	988,017	1,128,658	1,062,328	1,205,445	1,597,049	1,485,158	1,483,850
Office and equipment rental	35,692	32,717	10,786	9,152	55,208	51,250	40,616	106,710	11,908	25,941
Operator and event expenses	-	-	-	-	-	244,174	708,885	1,225,868	1,310,806	1,438,345
Warehouse supplies	-	-	-	-	-	-	1,898	85,770	46,823	51,281
Grain handling	961,392	228,595	67,937	463,180	58,274	1,094	-	-	-	-
Ginning	474,470	138,701	157,606	366,040	1,258,237	1,096,642	546,622	-	-	-
Safety/Environmental	56,987	69,315	40,703	43,647	58,281	21,034	33,018	39,985	46,293	43,180
General	280,525	148,349	203,042	220,682	228,439	227,802	246,706	253,460	178,488	225,660
	<u>\$ 12,056,741</u>	<u>\$ 9,613,436</u>	<u>\$ 10,224,475</u>	<u>\$ 10,913,025</u>	<u>\$ 11,410,358</u>	<u>\$ 9,334,017</u>	<u>\$ 9,867,639</u>	<u>\$ 11,415,193</u>	<u>\$ 12,474,555</u>	<u>\$ 13,937,712</u>
Indirect:										
Employee services	\$ 3,553,344	\$ 3,541,346	\$ 4,060,736	\$ 4,170,496	\$ 4,521,403	\$ 4,484,449	\$ 4,485,094	\$ 4,523,035	\$ 5,048,655	\$ 5,367,098
Maintenance	247,741	336,266	262,002	298,099	317,737	281,890	234,515	297,592	272,419	274,342
Utilities	74,609	106,470	119,642	110,965	102,943	125,271	154,595	118,395	131,448	135,135
Telephone	70,564	88,594	86,186	105,203	103,524	129,241	124,877	98,649	103,287	108,862
Insurance	70,563	113,865	110,179	99,291	79,152	39,961	85,113	208,519	107,456	45,278
Professional services	1,551,796	1,145,952	1,111,892	1,641,139	1,665,601	1,761,967	1,914,403	1,794,626	1,781,500	1,642,718
Police expenses	-	-	-	-	-	-	-	-	-	1,429
Contracted services	1,158	2,676	14,727	10,151	25,609	79,711	105,890	94,226	68,343	60,516
Office and equipment rental	26,406	27,169	24,717	25,087	44,365	30,848	46,307	2,245	8,270	3,042
Administrative	971,390	856,011	1,004,757	1,209,395	1,361,721	1,344,684	1,262,105	1,279,119	1,533,738	1,598,908
Trade and sales development	85,783	76,558	103,137	163,991	227,183	209,492	178,538	129,229	125,484	143,296
Media advertising	143,919	151,408	194,785	295,463	238,715	248,392	211,051	124,256	88,530	102,957
Production	102,075	78,222	80,363	105,620	107,252	111,049	77,551	55,918	57,538	25,460
Safety/Environmental	21,298	29,920	19,607	(9,176)	20,227	6,869	11,241	13,638	19,889	20,992
General	35,063	183,467	(77,766)	62,602	43,826	91,181	106,490	143,727	226,074	100,304
	<u>\$ 6,955,709</u>	<u>\$ 6,737,924</u>	<u>\$ 7,114,964</u>	<u>\$ 8,288,326</u>	<u>\$ 8,859,258</u>	<u>\$ 8,945,005</u>	<u>\$ 8,997,770</u>	<u>\$ 8,883,174</u>	<u>\$ 9,572,631</u>	<u>\$ 9,630,337</u>
Depreciation	\$ 4,102,915	\$ 4,569,389	\$ 4,695,995	\$ 4,425,667	\$ 4,509,898	\$ 4,944,421	\$ 5,224,868	\$ 5,284,372	\$ 5,417,115	\$ 5,513,656
<b>Non-Operating Expenses:</b>										
Other:										
Interest	\$ 257,408	\$ 421,672	\$ 315,995	\$ 252,987	\$ 167,605	\$ 128,862	\$ 85,005	\$ 734,977	\$ 886,261	\$ 821,270
Loss on suspended capital projects	-	1,951,078	-	11,502	488,569	498,208	-	-	-	-
Other	-	-	-	-	-	-	-	-	90,856	-
	<u>\$ 257,408</u>	<u>\$ 2,372,750</u>	<u>\$ 315,995</u>	<u>\$ 264,489</u>	<u>\$ 656,174</u>	<u>\$ 627,070</u>	<u>\$ 85,005</u>	<u>\$ 734,977</u>	<u>\$ 977,117</u>	<u>\$ 821,270</u>

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Debt Administration  
December 31, 2004**

At December 31, 2004, the Authority had one debt issue outstanding. This issue included \$15,130,000 in general revenue bonds. The Authority has maintained an AAA rating from Standard and Poor's Corporation and an Aaa rating from Moody's Investor Service on general revenue bond issues.

The following is a statement of changes in long-term debt for the year ended December 31, 2004:

**Table 4**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Revenue bonds	\$ 16,110,000	\$ -	\$ 980,000	\$ 15,130,000	\$ 1,010,000
Accumulated Accretion	(10,154)	48,035	-	37,881	
<b>Total</b>	<b>\$ 16,099,846</b>	<b>\$ 48,035</b>	<b>\$ 980,000</b>	<b>\$ 15,167,881</b>	<b>\$ 1,010,000</b>

At December 31, 2004, total debt service requirements are as follows:

**Table 5**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$ 1,010,000	\$ 664,103	\$ 1,674,103
2006	1,040,000	632,157	1,672,157
2007	1,075,000	595,548	1,670,548
2008	1,120,000	554,175	1,674,175
2009	1,160,000	508,740	1,668,740
Thereafter	9,725,000	1,975,390	11,700,390
<b>Total</b>	<b>\$ 15,130,000</b>	<b>\$ 4,930,113</b>	<b>\$ 20,060,113</b>

**Table 6**

A summary of changes in notes receivable for the year ended December 31, 2004, is as follows:

	Beginning Balance	Additions	Maturities	Ending Balance	Current Portion
<b>Notes Receivable</b>	<b>\$ 9,210,794</b>	<b>\$ -</b>	<b>\$ 485,363</b>	<b>\$ 8,725,431</b>	<b>\$ 524,192</b>

Notes Receivable as of December 31, 2004 is summarized as follows:

	Principal Outstanding
\$12,000,000 Note Receivable due in annual principal installments ranging from \$524,192 to \$1,131,691 through 2015; interest at 8.0 percent.	\$ 8,725,431
Less Current Maturities	524,192
<b>Notes Receivable - Net</b>	<b>\$ 8,201,239</b>

Total note receivable requirements as of December 31, 2004, are as follows:

	Principal	Interest	Total
2005	\$ 524,192	\$ 698,035	\$ 1,222,227
2006	566,127	656,099	1,222,226
2007	611,418	610,809	1,222,227
2008	660,331	561,896	1,222,227
2009	713,157	509,069	1,222,226
Thereafter	5,650,206	1,683,153	7,333,359
<b>Total</b>	<b>\$ 8,725,431</b>	<b>\$ 4,719,061</b>	<b>\$ 13,444,492</b>

Pursuant to a Construction and Installment Sale Agreement (Agreement) entered into on May 3, 1994, the Authority agreed to construct crude storage facilities on premises leased to an Authority User, and then sell facilities to the User. On January 12, 1995, the Authority sold their undivided right, title and interest in the crude storage facilities to the User, and a Promissory Note (Note) was executed made payable to the Authority by the User in the amount of \$12,000,000.

The Note is due and payable in twenty-one annual installments, the first installment being interest only and the remaining twenty annual installments of equal principal and interest, at a rate of 8 percent, unless sooner paid. All payments are applied first to interest with the remainder, if any, applied to unpaid principal.

Note payments are based on revenue received from wharfage fees collected by the Authority for crude oil moving across the Authority's Oil Dock 1 to the User's crude storage facilities, and fifty percent of dockage fees collected by the Authority for ships berthing at the Authority's Oil Dock 1 for purpose of delivering crude oil to the User's crude storage facilities. Monthly amounts are credited to a debt service account that is used to make scheduled note payments when due. In the event there are insufficient funds in the debt service account to meet scheduled note payments, the User is required to make up any shortfall. Should a surplus exist, the excess is applied in inverse order against principal last coming due on the note. In 2004, the Authority credited \$1,206,878 of applicable revenue received from wharfage and dockage fees collected to the debt service account.

**Table 7**

**Operating Leases**

The Authority leases to others certain land and improvements. These leases are classified as operating leases in accordance with the criteria of Statement of Financial Accounting Standards (SFAS) No. 13. As of December 31, 2004, minimum lease payments under these operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

<b>Years Ending</b>	
2005	\$ 3,108,236
2006	1,156,256
2007	787,141
2008	541,986
2009	353,965
Thereafter	2,702,608
<b>Total</b>	<b>\$ 8,650,192</b>

**PORT OF CORPUS CHRISTI AUTHORITY  
OF NUECES COUNTY, TEXAS**

**Financial Performance Indicators  
Last Ten Years**

**Table 8**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Operating Revenues (OR)	\$ 23,057,266	\$ 21,757,378	\$ 22,800,045	\$ 26,995,863	\$ 25,836,907	\$ 25,890,403	\$ 25,624,318	\$ 25,160,999	\$ 26,879,813	\$ 28,371,297
Operating Expenses (OE) *	(19,012,450)	(16,351,360)	(17,339,439)	(19,201,351)	(20,269,616)	(18,279,022)	(18,865,409)	(20,298,367)	(22,047,186)	(23,568,049)
Net Operating Income (NOI)	4,044,816	5,406,018	5,460,606	7,794,512	5,567,291	7,611,381	6,758,909	4,862,632	4,832,627	4,803,248
Non-Operating Revenues	2,143,950	2,039,893	2,532,046	2,572,029	2,426,614	2,192,369	2,055,365	1,550,807	1,222,899	2,359,699
Non-Operating Expenses	(257,408)	(2,372,750)	(315,995)	(264,489)	(656,174)	(627,071)	(85,005)	(734,977)	(977,117)	(821,270)
Net Income "A" (NI"A")	5,931,358	5,073,161	7,676,657	10,102,052	7,337,731	9,176,679	8,729,269	5,678,462	5,078,409	6,341,677
Depreciation	(4,102,915)	(4,569,389)	(4,695,994)	(4,425,667)	(4,509,898)	(4,944,421)	(5,224,868)	(5,284,372)	(5,417,115)	(5,513,656)
Net Income "B" (NI"B")	\$ 1,828,443	\$ 503,772	\$ 2,980,663	\$ 5,676,385	\$ 2,827,833	\$ 4,232,258	\$ 3,504,401	\$ 394,090	\$ (338,706)	\$ 828,021
Net Capital Assets (NCA)	\$112,986,967	\$117,399,178	\$117,956,248	\$118,269,753	\$122,779,056	\$147,286,699	\$143,840,270	\$145,906,446	\$143,298,109	\$139,998,166
Total Assets (TA)	\$170,735,538	\$171,285,596	\$172,384,118	\$178,459,639	\$179,958,670	\$179,630,724	\$179,679,554	\$196,391,543	\$197,115,656	\$211,529,979

**Operating Indicators:**

Operating ROI (NOI/NCA)	3.58%	4.60%	4.63%	6.59%	4.53%	5.17%	4.70%	3.33%	3.37%	3.43%
Operating Margin (NOI/OR)	17.54%	24.85%	23.95%	28.87%	21.55%	29.40%	26.38%	19.33%	17.98%	16.93%
Operating Ratio (OE/OR)	82.46%	75.15%	76.05%	71.13%	78.45%	70.60%	73.62%	80.67%	82.02%	83.07%

**Other ROI Indicators:**

ROI "A" (NI"A"/TA)	3.47%	2.96%	4.45%	5.66%	4.08%	5.11%	4.86%	2.89%	2.58%	3.00%
ROI "B" (NI"B"/TA)	1.07%	0.29%	1.73%	3.18%	1.57%	2.36%	1.95%	0.20%	-0.17%	0.39%

\* - Excludes Depreciation

**Table 9**

Year Ending	Series 2002-A Bonds			Series 2002-B Bonds			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2005	570,000	388,855	958,855	440,000	275,248	715,248	1,674,103
2006	590,000	370,330	960,330	450,000	261,827	711,827	1,672,157
2007	610,000	348,795	958,795	465,000	246,753	711,753	1,670,548
2008	635,000	324,395	959,395	485,000	229,780	714,780	1,674,175
2009	660,000	298,360	958,360	500,000	210,380	710,380	1,668,740
2010	690,000	270,310	960,310	520,000	190,380	710,380	1,670,690
2011	720,000	239,605	959,605	545,000	168,800	713,800	1,673,405
2012	755,000	206,485	961,485	565,000	145,365	710,365	1,671,850
2013	790,000	171,000	961,000	590,000	120,505	710,505	1,671,505
2014	825,000	132,685	957,685	620,000	93,660	713,660	1,671,345
2015	865,000	91,435	956,435	650,000	64,520	714,520	1,670,955
2016	910,000	47,320	957,320	680,000	33,320	713,320	1,670,640
	<b>\$ 8,620,000</b>	<b>\$ 2,889,575</b>	<b>\$ 11,509,575</b>	<b>\$ 6,510,000</b>	<b>\$ 2,040,538</b>	<b>\$ 8,550,538</b>	<b>\$ 20,060,113</b>
						<b>Average</b>	<b>\$ 1,671,676</b>

**Table 10**

**Plan Description**

The Authority provides pension, disability, and death benefits for all its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 553 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the Authority, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the Authority within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**Contributions**

The contribution rate for employees is 7% and the Authority's rate is 11%, both as adopted by the governing body of the Authority. Employee and Authority contributions were \$554,295 and \$871,036, respectively for the year ended December 31, 2004. Both the employees and the Authority make monthly contributions.

**Annual Pension Cost and Net Pension Obligation**

The Authority's annual pension costs were equal to the Authority's required and actual contributions. Three-year trend information is as follows:

<b>Years Ended December 31,</b>	<b>Annual Pension Cost</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2004	\$ 871,036	100.00%	\$ -
2003	717,489	100.00%	\$ -
2002	585,657	100.00%	\$ -

**Table 10 (Continued)**

The latest actuarial valuation for the Authority employees was completed as of December 31, 2003. The actuarial cost method and significant assumptions underlying the actuarial calculations are as follows:

Actuarial Cost Method	Entry Age
Asset Valuation Basis	Long-term appreciation with adjustment
Projected Annual Salary Increases	5.5%
Assumed Rate of Return on Investments	8.00%
Inflation Factor	3.5%
Amortization Method	Level percentage of payroll, open
Amortization Periods	20 years

**Schedule of Funding**

Schedule of funding progress for the Pension Plan for the employees of the Authority is as follows:

<b>Valuation Date</b> <b>December 31,</b>	<b>Actuarial</b> <b>Value of</b> <b>Assets</b>	<b>Actuarial</b> <b>Accrued</b> <b>Liability</b>	<b>Unfunded</b>	<b>Funded</b> <b>Ratio</b>	<b>Annual</b> <b>Covered</b> <b>Payroll</b>	<b>Percentage of</b> <b>Covered</b> <b>Payroll</b>
2003	\$ 10,728,469	\$ 15,445,423	\$ 4,716,954	69.46%	\$ 6,522,619	72.32%
2002	9,277,397	14,091,854	4,814,457	65.84%	6,094,250	79.00%
2001	8,736,367	13,220,605	4,484,238	66.08%	5,896,407	76.05%

**Table 11**

The Authority's investments at December 31, 2004, are shown below:

	Carrying Value	Fair Value	Category
Investments:			
Certificates of Deposit	\$ 16,450,000	\$ 16,450,000	1
<b>Total investments</b>	<b>\$ 16,450,000</b>	<b>\$ 16,450,000</b>	
Temporary investments shown as cash equivalents:			
Mutual fund-AIM	\$ 3,168,918	\$ 3,168,918	Pooled
<b>Total temporary investments shown as cash equivalents</b>	<b>\$ 3,168,918</b>	<b>\$ 3,168,918</b>	



# **SINGLE AUDIT SECTION**

**Collier, Johnson  
& Woods**

A Professional  
Corporation

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

March 15, 2005

Port Commissioners  
Port of Corpus Christi Authority  
Of Nueces County, Texas

We have audited the basic financial statements of the Port of Corpus Christi Authority, as of and for the year ended December 31, 2004 and 2003, and have issued our report thereon dated March 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Authority in a separate letter dated March 15, 2005.

This report is intended for the information and use of the Commissioners, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

*Collins, Johnson & Woods*

**Collier, Johnson  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

March 15, 2005

Port Commissioners  
Port of Corpus Christi Authority  
Of Nueces County, Texas

Compliance

We have audited the compliance of the Port of Corpus Christi Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standard generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Port of Corpus Christi Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

### Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Commissioners, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

*Collins, Johnson & Woods*

**PORT OF CORPUS CHRISTI AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED DECEMBER 31, 2004**

I. Summary of Audit Results:

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Port of Corpus Christi Authority.
2. No reportable conditions relating to the audit of the financial statements are reported in the "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards".
3. No instances of noncompliance material to the financial statements of the Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133".
5. The auditor's report on compliance for the major Federal award programs for the Authority expresses an unqualified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included:
  - U.S. Department of Transportation – Maritime and Land Security
    - Port Security Grant (CFDA – 20.401)
    - Port Security Grant (CFDA – 20.420)
    - Port Security Grant (CFDA – 97.056)
  - U.S. Department of Transportation – Passed Through Texas State Department of Transportation
    - Joe Fulton International Trade Corridor (CFDA – 20.000)
8. The dollar threshold for distinguishing Type A and Type B programs was \$500,000.
9. The Port was determined to be a low-risk auditee.

II. Findings Related to the Financial Statements

The audit disclosed no findings required to be reported.

III. Findings and questioned cost for Federal awards:

None

**PORT OF CORPUS CHRISTI AUTHORITY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED DECEMBER 31, 2004**

<b><u>REF. #</u></b>	<b><u>STATUS</u></b>
2004-1	Corrective Action Taken
2004-2	Corrective Action Taken
2004-3	The Port will ensure that only expenditures that have been paid will be included on reimbursement requests

**PORT OF CORPUS CHRISTI AUTHORITY OF NUECES COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
U.S. Department of Transportation			
Direct Programs			
Maritime and Land Security			
Port Security Grant	97.056	HSTS04-04-G-GPS330	\$ 561,945
Port Security Grant	97.056	HSTS04-04-G-GPS609	732
Subtotal			<u>562,677</u>
Port Security Grant	20.401	DTMA1G02051	1,251,258
Port Security Grant	20.420	DTSA20-03-G-01089	1,449,874
Total Maritime and Land Security			<u>3,263,809</u>
Passed through Texas State Department of Transportation			
Water Taxi Project	20.000	CSJ0916-35-088	21,215
Joe Fulton International Trade Corridor	20.000	CSJ0916-35-046	6,416,011
Total Passed Through Programs			<u>6,437,226</u>
Total U.S. Department of Transportation			<u>9,701,035</u>
U.S. Department of Justice			
Bulletproof Vest Grant	16.607	OMB#1121-0235	2,172
Total U.S. Department of Justice			<u>2,172</u>
Total Federal and passed through assistance			<u>\$ 9,703,207</u>

**PORT OF CORPUS CHRISTI AUTHORITY OF NUECES COUNTY, TEXAS**  
**NOTES TO EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

1. **General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of Port of Corpus Christi Authority of Nueces County, Texas (Authority). The Authority's reporting entity is defined in the Notes to the Authority's financial statements. All Federal financial assistance received directly from Federal agencies and passed through other governmental agencies is included on the schedule.

2. **Basis of Accounting**

The accompanying Schedule of Federal Financial Assistance is presented using the accrual basis of accounting, which is described in the Notes to the Authority's financial statements.