PORT OF CORPUS CHRISTI AUTHORITY OF NUECES COUNTY, TEXAS

Comprehensive Annual Financial Report For the Year Ended December 31, 2012

PORT CORPUS CHRISTI

Comprehensive Annual Financial Report

Port of Corpus Christi Authority
of Nueces County, Texas

For the Year Ended December 31, 2012

Prepared by the Finance Department

Dennis J. DeVries
Director of Finance

ABOUT THE 2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT PHOTO DESIGN

The Finance report photo design highlights the Eagle Ford Shale impact to the Port Authority. It showcases the different activities related to the daily operations at the port while supporting all commodities related to the shale.

COVER: The M/V Pennsylvania, a US flag vessel, enters the Port's inner harbor on its maiden voyage.

INTRODUCTORY SECTION: M/V Pennsylvania docking at Oil Dock 1 to load Eagle Ford Shale crude oil.

FINANCIAL SECTION: Steel pipe bound for Eagle Ford Shale pipe lines arrives at the port via rail along the Joe Fulton Corridor.

SUPPLEMENTAL SECTION: Ocean going barge docked at port's public Oil Dock 1 for loading of Eagle Ford Shale crude.

STATISTICAL SECTION: Cargo Dock 9 filled with sand from Brazil destined to be used in the Eagle Ford Shale process.

CONTINUING BOND DISCLOSURE SECTION: View from the deck of the M/V Florida staged at CD10 awaiting berth at Oil Dock1.

SINGLE AUDIT SECTION: Sand bound for Eagle Ford Shale loaded from rail car to truck at Cargo Dock 9.

BACK COVER: Night satellite observation of the location of the Eagle Ford Shale region.

INTRODUCTORY SECTION

PORT CORPUS CHRISTI

PORT CORPUS CHRISTI

April 3, 2013

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

State law requires that every navigation district or port authority publish at the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the year ended December 31, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Collier, Johnson and Woods, P. C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the Port of Corpus Christi Authority of Nueces County, Texas (Authority)'s financial statements for the year ended December 31, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follow the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A compliments this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

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 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.

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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 Port of Corpus Christi consists not only of the Authority's docks, but also includes privately owned docks. The Authority owns seven general cargo docks, eleven liquid bulk cargo docks, two bulk material docks, several layberthing areas, two bagging facilities, a shipside grain elevator, a refrigerated warehouse, cotton warehouses and a 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, refrigerated warehouse facility, several layberthing areas, and cotton warehouses that are 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, crude oil terminals, and other industries that line the Channel. Approximately thirty-six privately owned docks are located at the Port of Corpus Christi, and compete directly with the Authority's docks. In addition, the Authority leases land, and buildings and improvements, along with maintaining areas for the placement of dredged materials.

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 ECONOMY

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 5th largest port in the United States in terms of tonnage. The Authority has served the local economy for eighty six 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 and the port industries continue to support a voluntary 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. 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 Authority shall be guided by the following basic principles: (1) the Authority shall conduct its affairs in a positive, open and cooperative manner; (2) the Authority shall operate in a fiscally responsible manner; (3) the Authority shall be a positive and proactive force in the protection of the region's marine and water related resources; and (4) the Authority 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 findings from a 2011 Port Economic Impact Study reinforce the Authority's mission statement as being the economic catalyst for the region. Martin Associates of Lancaster, Pennsylvania studied the economic impact of the Authority operations including the Ortiz Center. The previous economic impact study for the Authority was in 2008. Three years later, the 2011 report showed similar increases. In 2008, the Authority created 40,560 jobs, generated $282.2 million in state and local taxes, and provided $1.6 billion in business revenue. Today, the Authority creates approximately 66,502 jobs with 13,746 direct jobs generated from marine cargo and vessel activity. The Authority generates an additional 16,767 induced jobs that are the result of purchases by the direct jobs. The remainder of total jobs is comprised of 15,607 indirect jobs supported by the local purchases by businesses supplying services or dependent upon the Authority and 20,382 related user jobs from shippers and consignees. The 66,502 jobs provided $4.0 billion in personal income for families throughout the Coastal Bend. Authority operations generated $13.1 billion in revenue for businesses providing services to the Authority and port industries, and the Ortiz Center. More than $314.9 million was paid in state and local taxes due to the activity created by the Authority. 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 for everyone in the local surrounding region.

LONG-TERM FINANCIAL PLANNING

The Authority has a number of major projects that will require significant funding in the future. These projects will be funded from federal and state assistance, and the Authority's unrestricted net position of $131 million.

Channel Improvement Project

In 2003, the Authority completed the feasibility phase of the Channel Improvement Project and in November 2007, the project was authorized by Congress in the Water Resources Development Act (WRDA) of 2007. The authorized project includes the following navigation and ecosystem restoration features: (1) deepening the Corpus Christi Ship Channel from 45 to 52 feet, (2) adding 200-foot barge shelves across Corpus Christi Bay, (3) widening the ship channel to 530 feet from Port Aransas to the Harbor Bridge, (4) extending the La Quinta Ship Channel approximately 1.4 miles at a depth of 39 feet, and (5) constructing ecosystem restoration features to protect endangered species, wetlands and sea grass. In December 2009, the U.S. Army Corps of Engineers (COE) awarded the first construction contract associated with the extension of the La Quinta Ship Channel. This contract was for $1.1 million and constructed a 126-acre dredge material placement area for containment of sands and clay excavated to create the La Quinta Channel extension. In 2011 the COE awarded two additional construction contracts, one for $33.5 million to dredge the extension of the La Quinta Ship Channel and another for $7.6 million to construct an ecosystem restoration project consisting of a rock breakwater and revetment adjacent to the La Quinta Channel near Ingleside-on-the-Bay, Texas. The ecosystem restoration project was completed in 2012, while the channel extension project is not expected to be complete until summer 2013. Follow-on contracts to complete the deepening and widening of the Corpus Christi Ship Channel are still pending appropriations of funding.

La Quinta Multi-Purpose Facility

In early 2011, in conjunction with the planned extension of the La Quinta Ship Channel, the Authority completed the preliminary engineering reports for the phasing of a multi-purpose dock and terminal project to be constructed on the Authority's 1,000 acre La Quinta property site. The envisioned multi-purpose dock and terminal facility will be able to handle a wide variety of general cargo such as containers, military equipment, wind turbines, and steel pipe. During 2012, the Authority was in final due-diligence discussions with an international company to secure them as the anchor tenant for this facility. The final designs for an initial phase of both the water and land-side infrastructure improvements are scheduled to commence in 2013 with the current target for having an operating facility by 2014/2015. Total cost of these improvements is approximately $9.2 million.

Nueces River Rail Yard

As part of the Authority's north side rail master plan, the Viola Channel site was identified as the best location to construct a new rail yard. This rail yard would become the main rail exchange for the three Class I railroads serving the Authority. The Authority purchased approximately 36 acres at the western end of the harbor for this purpose. This project consists of three phases. Phase one will call for a 7,800 ft long unit train siding and four parallel tracks. In addition, there will be a track for parking locomotives. This phase will provide approximately 14,000 track feet and have storage for 200 railcars. Total cost of Phase I is approximately $18.9 million. Funding will be provided by a USDOT TIGER Grant and Authority cash reserves, with half of the Authority's funding being recovered from the railroads through a special surcharge. Phase II will call for extending four of the tracks under Phase I to full unit train sidings and construct four additional unit train sidings. Total cost of Phase II is approximately $28 million, with funding to be provided from TXDOT and Authority cash reserves. The final Phase III will consist of the construction of trackage and infrastructure to provide receiving and departure tracks, outbound tracks and a plant entrance road for M&G Group. Total cost of Phase III is approximately $11 million, with funding coming from the Authority's cash reserves.

MAJOR INITIATIVES - 2012

Environmental Management System

Through the Authority's Environmental Management System (EMS), the Authority has remained proactive in its efforts to not only promote economic growth but at the same time be good stewards of the environment in its daily operations. The Authority's program is in its sixth year of ISO 14001 certification and its eighth year of implementation. Each year, the program undergoes a detailed external audit to maintain its ISO 14001 certification. The EMS program is driven by a team of Authority employees from the various operational areas of the Authority with the full support of management. During the past eight years, the program has identified numerous significant aspects impacting the environment such as spills, electrical consumption, storm water runoff and air emissions. Environmental Management Programs are established to reduce the environmental impact and to help reduce the Authority's environmental footprint.

The Joe Fulton Trade Corridor – Phase II

The Authority substantially completed the construction of the final phase of the Joe Fulton Trade Corridor at the end of 2012. This road and rail route has already streamlined truck and rail traffic in and out of the Authority by providing an alternative route to access the north side of the Inner Harbor. The corridor consists of almost 12 miles of new and existing roadway and 7 miles of new rail, and has significantly improved access to more than 2,000 acres of land along the North side of the channel for existing and future development, including approximately 1,100 acres of land which had no previous road access. The corridor connects two major highway components (US Highway 181 and Interstate Highway 37) and has established more efficient intermodal links between the Authority's highway, marine, and rail transportation systems.

Construction began in 2004 and Phase I was completed in 2008 at a cost of $50.4 million. Funding for the first phase of the project was provided through federal and state assistance and cash reserves of the Authority. Phase II was to rebuild a 2.25 mile section of substandard roadway and overlaid 6.5 miles of the original Phase I work with asphalt. Funding to complete Phase II of this project was provided from federal stimulus funding and the Authority's unrestricted net assets through 2012 at a cost of $10.9 million.

U.S. Naval Station Ingleside Facility

In 2005, Congress passed Base Realignment and Closure (BRAC) legislation that closed down Navy operations at Naval Station Ingleside (NSI) which returned the entire base to the Authority. The official reversion took place on April 30, 2010.

The main base consists of 483 acres of upland property, which provided facilities and support for approximately 2,000 military personnel. The maritime portion of the base included a 1,100-foot concrete pier and over 2,400 feet of wharf space. This premier property is located next to the Authority's 45-foot deep main ship channel and less than 10 miles from the Gulf of Mexico. In 2011 the Authority sold a small craft pier containing 375 feet of wharf structure, along with 3.34 acres of upland property and a lease for 10.91 acres of submerged property to Flint Hills Resources for their use in the transportation of Eagle Ford crude. In 2012, the Authority sold the remaining property totaling 915 acres that comprised the Naval Station Ingleside property and adjacent Authority green field property to Oxy Ingleside Energy Center, LLC, for expansion of their current operations in the area.

Wind Energy

The Port of Corpus Christi has proved to be an integral link within the logistics chain of this renewable industry by providing optimum facilities and staging areas to major wind manufacturers worldwide as efforts are made to meet project deadline goals under economic constraints. The Authority's uncongested access to docks, highway systems and rail offer the necessary modes for complete, competitive transportation packages with assurances of on-time deliveries to job sites. These advantages were in highest demand in 2012 as the industry struggled to forecast the outcome of the Production Tax Credit extension, resulting in the largest wind cargo year to date. Wind turbines currently installed across 39 states have reached a record number of 45,000+. In 2012, wind power was #1 in new capacity installed with 13,124 MW, a 28% growth rate and the ability to power 1.47 million US homes. The Authority strives to maintain its established position within the wind energy industry for onshore projects while positioning for the upcoming offshore wind industry in the Gulf of Mexico.

Eagle Ford Shale

The Eagle Ford Shale Play in South Texas continues to be a huge economic stimulator for the Region, State and the Nation. By the end of 2012, this shale play has supported over 116,000 jobs in the region with over $61 billion in economic impact.

The Eagle Ford Shale Play is estimated to create over 127,000 jobs with $89 billion in economic impact by 2020. The Authority has played a vital role as the logistical and distribution center for cargoes used in drilling and fracturing. New pipelines to the Authority have seen the beginning shipments of crude oil, condensate and gas for shipments to other refineries in Northern United States. Barite and sand are the most sought after commodities for drilling and fracturing. Barite continues to come in by bulk, while frac sand continues to come in by rail and barge. The Authority's proximity makes it the ideal port to handle these new commodities for transport into the Eagle Ford Shale Region. The Authority continues to invest in new rail infrastructure and liquid docks to support the current needs and estimated growth potential of the Eagle Ford Shale.

Bulk Terminal

In 2012, the Authority increased the import of barites and frac sand at Bulk Dock 1. The bulk terminal's largest storage pads have been leased to two coal exporters. Rail is crucial to getting the coal to the bulk terminal for export by ship. The bulk terminal continues plans for expansion and upgrades that will facilitate the export of coal.

Nueces River Rail Yard – Phase I

Another significant rail project is being designed on 36 acres of property currently owned by the Authority. The Nueces River Rail Yard will be constructed at the northwest end of the inner harbor adjacent to the Viola Channel. A $10 million TIGER 2012 grant was awarded to the Authority for this project, and a partnering agreement was reached with the three Class 1 railroads and the Authority's third party switching company. The new rail yard will be capable of more efficiently handling the increased number of unit trains and cars loading and unloading cargoes at the Authority. Once constructed, a 7,800 foot long unit train siding and four 4,000 ft long interchange tracks will be available for rail lines and Authority customers.

On-going Construction Projects and Marketing Efforts

Projects that carried over into 2012 include several Security Grant projects that added fencing, lighting, and gates at the Authority's oil docks and general cargo areas. All of the security improvements are integrated with a command and control system that insures that the Authority and its user are being properly safeguarded.

Additional projects carrying over and projected to be completed in 2013 are upgrades to the Viola Barge Dock, fire pressurization improvements at the Avery Point Oil Docks, hoist foundation, gangway support and dock expansion platforms, and evacuation catwalk at Oil Dock 11, replacement of fendering on Bulk Dock 1,installation of new DC drives and a PLC on the gantry crane at Bulk Dock 1 and shoreline stabilization at Pelican Island.

The growth of the Authority's cargo tonnage is focused on its cargo diversification efforts. The Authority continues a more aggressive marketing effort identifying new business opportunities and seeking new markets. The Business Development Department has the directive to diversify and bring additional cargoes and clients to the Authority. In 2012, the Business Development team continued its efforts to meet with freight forwarders, shipping agents and shipping lines in pursuit of this directive. As a result of their efforts, raw and finished steel products are arriving at the Authority. In addition, presentations on the "Liner Service" project to exporters/importers domiciled in a 400 mile radius of the authority were received with positive response. Bulk cargoes such as frac sand and ceramic proppants have also increased. In addition to these efforts, Authority staff has added a "mud-pump" manufacturing company within the Rincon Industrial park and another entity is seeking to import/handle raw bulk barite and process it for destinations within the Eagle Ford Shale area and beyond.

The "South Texas Alliance For Regional Trade" (START) continues to be a very important marketing resource for the Authority. START is a cooperative effort among three Texas Ports formed to strengthen the region's response to logistics and transportation needs, the driving forces of our diverse economy. The Alliance is anchored by Port San Antonio to the north, Port Corpus Christi on the waters of the Gulf of Mexico, and Port Laredo located on the U.S. – Mexico border. Our Ports have long-standing business relationships, bolstering the efforts and resources of our region.

AWARDS AND ACKNOWLEDGMENTS

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, 2011. This was the twenty-ninth 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

Dennis J. DeVries
Director of Finance

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, 2011

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.

Christopher P Morrill

President

Jeffrey R. Esser

Executive Director

PORT COMMISSION, PORT OF CORPUS CHRISTI AUTHORITY

- Executive Director — John P. LaRue
  - Managing Director — Frank C. Brogan
    - Director of Engineering Services — David Krams
      - Chief Engineer — David L. Michaelsen
      - Senior Project Engineer — Dan Koesema
      - Real Estate Manager — Darrin Aldredge
      - Environmental Compliance Manager — Sarah Garza
      - Coastal Environment Planning Manager — Paul Carangelo
    - Director of Finance — Dennis J. DeVries
      - Chief Accountant — Audre Debler
        - Accounting Manager — Lynn Angerstein
      - IT Manager — Gustavo Espinosa
    - Deputy Port Director of Operations and Business Development — Maynard J. "Sandy" Sanders
      - Director of Operations/Harbormaster — Anthony "Tony" Alejandro
        - Deputy Director of Operations — John Pasch
          - Chief of Port Security — Arch Archambo
          - Assistant Harbormaster — Ray Harrison
          - Manager of Bulk Terminal — Paul "Skip" Kaup
          - Manager of Dock Operations — Richard "Eric" Battersby
          - Manager of Foreign Trade Zone — Sonya Lopez-Sosa
          - Manager of Rail Operations — John Slubar
          - Maintenance Manager — David Villarreal
      - Director of Business Development — Ruben C. Medina
        - General Cargo & Tariff Manager — Maggie Iglesias-Turner
        - General Cargo & Information Representative — Eddie Martinez
    - Director of Human Resources — Sandra Terrell-Davis
      - Human Resource Manager — Monica Eurești
  - Director of Communications — Patricia Cardenas
    - Media Specialist — Jesse Samu
    - Marketing & Public Relations Coordinator — Liz Cantu
    - Manager of Government Affairs — Nelda Olivo

PORT COMMISSIONERS

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

Richard M. Borchard, Vice-Chairman
Mr. Borchard was appointed to the Port Commission by Nueces County in 2009. He is Director of Client Relations at the law firm of Linebarger, Goggan, Blair & Sampson.

Judy Hawley, Secretary
Mrs. Hawley was appointed to the Port Commission by San Patricio County in 2004. She is self-employed.

Robert Kostelnik, Commissioner
Mr. Kostelnik was appointed to the Port Commission by the City of Corpus Christi in 2010. He is retired from CITGO Refining & Chemicals, LP.

Michael D. Scott, Commissioner
Mr. Scott was appointed to the Port Commission by Nueces County in 2011. He is the Vice-President of H & S Constructors, Inc.

Al Jones, Commissioner
Mr. Jones was appointed to the Port Commission by the City of Corpus Christi in 2012. He is Chairman of the Board and CEO of American Bank.

Charles W. Zahn, Jr., Commissioner
Mr. Zahn was appointed to the Port Commission by Nueces County in 2012. He is an attorney and partner in the law firm of Charles W. Zahn, Jr.

EXECUTIVE STAFF

John P. LaRue, Executive Director
Frank C. Brogan, Managing Director
Maynard J "Sandy" Sanders, Deputy Port Director of Operations and Business Development
Ruben C. Medina, Director of Business Development
Anthony Alejandro, Director of Operations/Harbormaster
David Krams, Director of Engineering Services
Dennis J. DeVries, Director of Finance
Sandra Terrell-Davis, Director of Human Resources
Patricia Cardenas, Director of Communications

FINANCIAL SECTION

PORT CORPUS CHRISTI

COLLIER, JOHNSON & WOODS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

April 3, 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Corpus Christi Authority as of for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and other required supplementary information on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port of Corpus Christi Authority's basic financial statements. The introductory section, supplemental schedules, and the statistical section 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 financial awards, pages 76 and 77, is presented for purposes of additional analysis as required by the 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.

The supplemental schedules and the schedule of federal expenditures of awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules and the schedule of federal expenditures of awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2013 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Collier, Johnson & Woods

PORTCORPUSCHRISTI

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 years ended December 31, 2012 and 2011. 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 net position of the Authority at December 31, 2012 was $376,613,552. Of this amount, $130,695,182 is considered unrestricted net position, and may be used to meet the Authority's current ongoing obligations to employees and creditors.
- The investment in capital assets, net of debt decreased $88,427,261 from the prior year while the unrestricted net position increased $94,806,050 over the prior year. This is due mainly to the sale of the Naval Station Ingleside property and improvements in November, 2012.
- The Authority's total net position increased $4,707,326 or 1.3% over the prior year. A loss before contributions produced a decrease in net position of $955,989, while capital contributions provided an increase of $5,663,315.
- The Authority's total debt decreased by $7,317,641 in 2012, resulting from the payoff of bonded debt at the call date.

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 13 through 33 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 Position includes all of the Authority's assets, liabilities, deferred inflows/outflows of resources, 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. Net position increases when revenues exceed expenses. An increase in assets without a corresponding increase to liabilities, results in increased net position, which indicates an improved financial position.

The Statements of Revenues, Expenses, and Changes in Net Position accounts for all of the Authority's current year's revenues and expenses. 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.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain *required supplementary information* and other *supplemental information.* 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 41 through 68 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 Position, and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority and changes in it. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating.

Statement of Net Position

The Statement of Net Position 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.

The following condensed Statement of Net Position provides an overview of the Authority's net position as of December 31, 2012, 2011 and 2010:

	2012	2011	2010	2012-11 Change	2011-10 Change
Assets					
Current assets	$ 136,417,205	$ 45,223,671	$ 38,876,561	$ 91,193,534	$ 6,347,110
Restricted assets	252,763	1,924,226	1,927,662	(1,671,463)	(3,436)
Capital assets	255,697,974	351,899,915	341,020,588	(96,201,941)	10,879,327
Other non-current assets	6,472,489	911,553	1,562,408	5,560,936	(650,855)
Total Assets	**398,840,431**	**399,959,365**	**383,387,219**	**(1,118,934)**	**16,572,146**
Liabilities					
Current liabilities	10,111,126	9,495,675	9,542,935	615,451	(47,260)
Long-term debt, net of current portion	-	5,997,641	7,331,640	(5,997,641)	(1,333,999)
Unearned revenue, net of current portion	9,575,326	10,032,366	10,489,407	(457,040)	(457,041)
Other liabilities	2,540,427	2,527,457	2,222,363	12,970	305,094
Total Liabilities	**22,226,879**	**28,053,139**	**29,586,345**	**(5,826,260)**	**(1,533,206)**
Net Position					
Invested in capital assets, net of related debt	245,665,607	334,092,868	321,470,695	(88,427,261)	12,622,173
Restricted	252,763	1,924,226	1,927,662	(1,671,463)	(3,436)
Unrestricted	130,695,182	35,889,132	30,402,517	94,806,050	5,486,615
Total Net Position	**$ 376,613,552**	**$ 371,906,226**	**$ 353,800,874**	**$ 4,707,326**	**$ 18,105,352**

2012 – 2011

The Authority's assets exceeded its liabilities at the close of 2012 by $376,613,552. This is an increase over 2011 of $4,707,326. By far, the largest portion of the Authority's net assets (65.2%) 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. Unrestricted net assets (34.7%) may be used to meet the Authority's ongoing obligations to employees and creditors. The remainder of the Authority's net assets (0.1%) represents resources that are subject to external legal restrictions on how they may be used.

2011 – 2010

The Authority's assets exceeded its liabilities at the close of 2011 by $371,906,226. This is an increase over 2010 of $18,105,352. By far, the largest portion of the Authority's net position (89.8%) 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 position (0.5%) represents resources that are subject to external legal restrictions on how they may be used. The remaining balance of unrestricted net position (9.7%) may be used to meet the Authority's ongoing obligations to employees and creditors.

Statements of Revenues, Expenses, Change in Net Position

The Statements of Revenues, Expenses, and Change in Net Position serve 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 Statements of Revenues, Expenses, and Change in Net Position summarize the operations of the Authority for the years ended December 31, 2012, 2011 and 2010:

	2012	2011	2010	2012-11 Variance	2011-10 Variance
Revenues					
Operating revenues:					
Wharfage	$ 31,293,692	$ 27,410,252	$ 26,567,587	$ 3,883,440	$ 842,665
Dockage	10,331,997	8,948,217	8,138,326	1,383,780	809,891
Security fees	6,528,526	6,319,747	6,170,288	208,779	149,459
Freight handling	2,191,682	2,387,583	2,316,667	(195,901)	70,916
Building and land rentals	7,490,936	6,411,552	4,417,518	1,079,384	1,994,034
Conference center services	2,008,474	1,814,456	1,679,885	194,018	134,571
Warehouse handling charges	-	368,950	426,093	(368,950)	(57,143)
FTZ user fees	301,250	302,750	337,000	(1,500)	(34,250)
Other	2,285,857	4,735,454	2,226,488	(2,449,597)	2,508,966
Total operating revenues	62,432,414	58,698,961	52,279,852	3,733,453	6,419,109
Interest revenue	163,804	467,494	478,291	(303,690)	(10,797)
Federal and other grant assistance	337,965	169,966	60,806	167,999	109,160
Donation of personal property	-	4,500	225,825	(4,500)	(221,325)
Gain(Loss) on disposal of capital assets	(9,517,670)	3,727,517	(8,643)	(13,245,187)	3,736,160
Total Revenues	**53,416,513**	**63,068,438**	**53,036,131**	**(9,651,925)**	**10,032,307**
Expenses					
Operating expenses:					
Maintenance and operations	22,721,681	22,760,814	20,248,511	(39,133)	2,512,303
General and administrative	17,835,428	13,830,284	14,939,210	4,005,144	(1,108,926)
Depreciation	13,738,571	13,381,562	12,165,114	357,009	1,216,448
Total operating expenses	54,295,680	49,972,660	47,352,835	4,323,020	2,619,825
Interest expense and fiscal charges	(51,908)	392,699	450,602	(444,607)	(57,903)
Fiscal payments to subrecipients	128,730	-	-	128,730	-
Amortization of bond issuance costs	-	-	10,743	-	(10,743)
Total Expenses	**54,372,502**	**50,365,359**	**47,814,180**	**4,007,143**	**2,551,179**
Income Before Contributions	**(955,989)**	**12,703,079**	**5,221,951**	**(13,659,068)**	**7,481,128**
Capital Contributions	5,663,315	5,402,273	111,670,700	261,042	(106,268,427)
Changes in Net Position	4,707,326	18,105,352	116,892,651	(13,398,026)	(98,787,299)
Total Net Position, Beginning of Year	371,906,226	353,800,874	236,908,223	18,105,352	116,892,651
Total Net Position, End of Year	**$ 376,613,552**	**$ 371,906,226**	**$ 353,800,874**	**$ 4,707,326**	**$ 18,105,352**

Revenues

2012 – 2011

Operating revenues in 2012 increased by $3,733,453 or 6.4% over 2011. Wharfage revenues increased $3.9 million, and of this increase, $2.3 million was at the Authority's oil docks and $1.3 million was at the dry cargo docks. In addition, dockage revenues have increased $1.4 million and the majority of the increase was at the Authority's oil and dry cargo docks. The increases in wharfage and dockage have been a result of the upturn in petroleum tonnage at the oil docks and an increase in the movement of wind turbines at the dry cargo docks. Building and land rentals have increased $1.1 million over 2011. The Eagle Ford Shale activity has generated new leases for the Authority in 2012 and an increase in rental revenue was also recognized from leases at the Bulk Terminal Facility that began during the later part of 2011 for the anticipated export of coal. Other revenues decreased $1.5 million in 2012 due to a one-time receipt in 2011 of a $1 million non-refundable deposit for the termination of a sales contract on the Naval Station Ingleside property and decrease of $1.3 million in depletion charges for the deposit of dredge materials into the Authority's dredge placement areas.

2011 – 2010

Operating revenues in 2011 increased by $6,419,109 or 12.3% over 2010. Other revenues increased by $2.5 million due to the receipt in 2011 of $1.4 million in depletion charges for the deposit of dredge materials into the Authority's dredge placement areas and the forfeiture of a $1 million non-refundable deposit for the termination of a sales contract on the Naval Station Ingleside property. Building and land rentals have increased $2 million over 2010 due to new leases at the dry cargo docks and storage areas, the bulk terminal facility, Naval Station Ingleside, and the LaQuinta property. Wharfage revenues increased $843 thousand over 2010, and this increase was at the dry cargo docks and bulk terminal facility. The increase is largely attributed to an increase in the movement of wind turbines at the dry cargo docks and an increase in the movement of petroleum coke and barite at the bulk terminal facility. Dockage revenues have also increased $810 thousand compared to 2010, mainly at the bulk terminal facility and Naval Station Ingleside.

Expenses

2012 – 2011

Operating expenses in 2012 increased $4,323,020 or 8.7% over 2011. The major cost increases are as follows:

• Settlement	$ 3,500,000
• Professional services	901,435
• Employee services	647,260
• Depreciation	357,009

Professional services increased over 2011 due to the sale of Naval Station Ingleside (NSI). Legal fees of $758 thousand were incurred in the sale of NSI and a $3.5 million settlement was made to an unsuccessful buyer who was unable to produce the down payment in compliance with the contract terms. This settlement was made to facilitate the successful sale to another buyer. The increase over 2011 in employee services was due to replacing contracted maintenance at NSI with Authority personnel at a substantial overall cost savings, and in part to a cost of living increase for Authority personnel of 3.75%. Security improvements of $5.4 million and upgrades to the equipment at the bulk terminal of $2.2 million are the most significant reason for the increase in depreciation expense.

Utility expense has decreased $616 thousand and maintenance costs are down $231 thousand from 2011. The cold storage facility was leased in 2012 which has saved $291 thousand in utility expenses, and the sale of the NSI property resulted in savings of $255 thousand. The replacement of contracted maintenance at NSI has led to the drop in maintenance costs.

2011 – 2010

Operating expenses in 2011 increased $2,619,825 or 5.5% over 2010. The major cost increases are as follows:

• Depreciation	$ 1,216,448
• Major maintenance projects	942,934
• Utilities	647,115
• Facilities maintenance	582,420

Security improvements of $10.2 million and improvements to the Authority's oil docks of $3.2 million are the most significant reason for the increase in depreciation expense. Major maintenance projects in 2011 included the participation in the Harbor Bridge Lighting Project and repairs to the refrigerated warehouse facility. The increase in utilities and facilities maintenance are a result of the operation and maintenance of the Naval Station Ingleside facility.

Employee services have decreased $1 million over 2010 due to the implementation of an early retirement program and a reduction in force that eliminated ten positions.

The major cost increases at NSI are as follows:

• Maintenance	$ 844,785
• Utilities	612,248
• Insurance	366,443
• Security services	268,939
• Depreciation	1,911,663

The Authority has made an effort to reduce or maintain expenditure levels in 2010 to offset the impact of NSI. The Authority implemented an early retirement program and a reduction in force, eliminating 10 full time positions, and made reductions in administrative overhead costs. Major maintenance project expenses decreased $1.9 million, partly due to budget reductions, but also to the Authority's cost share in 2009 of $1.1 million for the maintenance dredging of Jewell Fulton and La Quinta channels by the U.S. Army Corp of Engineers.

Capital Grants and Contributions

2012 – 2011

Capital grants and contributions increased by $261,042 over 2011. 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. Major capital grants and contributions at December 31, 2012 include the following:

• Security Enhancements	$ 4,039,733
• Joe Fulton International Trade Corridor	645,766
• Shoreline Protection for Pelican Island	594,359
• National Clean Diesel Funding Assistance	383,457

2011 – 2010

Capital grants and contributions decreased by $106,268,427 from 2010. The Naval Station Ingleside was closed by the Base Realignment and Closure Commission in April, 2010 and the Authority was the recipient of the properties valued at $101,671,427. 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. Major capital grants and contributions at December 31, 2011 include the following:

• Security Enhancements	$ 4,312,361
• National Clean Diesel Funding Assistance	579,542
• Joe Fulton International Trade Corridor	510,370

CAPITAL ASSETS AND DEBT ADMINISTRATION

__Capital Assets__

2012 – 2011

The Authority's investment in capital assets as of December 31, 2012, amounts to $255,697,974 (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, intangibles and construction in progress. This amount represents a net decrease (additions net of retirements and depreciation) of $96,201,941 or 27.3%. Additional information regarding the Authority's capital assets can be found in Note 4 to the financial statements on page 22.

Major capital asset additions during 2012 include the following:

• Security Enhancements	$ 5,383,036
• Bulk Terminal Locomotive Engine Repower	1,285,203
• Upgrades to the Bulk Terminal Gantry Crane	911,828
• Bulkhead Upgrades at Viola Basin	911,580

In August, 2010, the Authority declared the Naval Station Ingleside property site of approximately 483 acres, the improvements thereon, and the two piers and approximately 436 acres of the Authority's property adjacent to the NSI site surplus property for sale or lease. A sale was approved on May 8, 2012 to Oxy Ingleside Property Holdings, LLC (Oxy) for 380.1 acres of the NSI site, improvements, and the two piers for $74.1 million and a gain of $7.2 million was recognized on the sale. On that date, the Authority's 436 acres adjacent to the NSI site was also sold for $8 million to Oxy and a loss of $1.9 million on the sale was recognized. On May 8, 2012, the Authority authorized a request for sealed bids to sell the remainder of the NSI site and improvements, and a bid from Oxy in the amount of $7 million was accepted and a $15.1 million loss was recognized on the sale.

2011 – 2010

The Authority's investment in capital assets as of December 31, 2011, amounts to $351,899,915 (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, intangibles and construction in progress. This amount represents a net increase (additions net of retirements and depreciation) of $10,879,327 or 3.2%. Additional information regarding the Authority's capital assets can be found in Note 4 to the financial statements on page 23.

Major capital asset additions during 2011 include the following:

• Security Enhancements	$ 10,208,596
• Oil Dock Upgrades and Improvements	3,158,853
• Reconstruction of Navigation Boulevard	2,227,226
• Storage Yard Expansions	451,483

In March, 2011, the Authority entered into a surplus sales agreement with Flint Hills Resources Corpus Christi, LLC for the sale of 3.34 acres on the east side of Naval Station Ingleside, the building thereon, and the small craft pier adjacent to the property for $8 million and realized a gain on the sale of $2.4 million. In June, 2011, the Authority received $1.26 million from Durlame, LLC for the sale of 5.1 acres of land east and southeast of Whataburger Field which had been deemed surplus property and realized a gain on the sale of $1.26 million.

The following table summarizes the Authority's capital assets (net of accumulated depreciation) as of December 31, 2012, 2011 and 2010:

	2012	2011	2010	2012-11 Change	2011-10 Change
Capital assets, not being depreciated:					
Land	$ 31,804,029	$ 60,245,357	$ 60,346,608	$ (28,441,328)	$ (101,251)
Channel & waterfront improvements	18,868,431	18,868,431	18,868,431	-	-
Intangibles	50,000	50,000	50,000	-	-
Construction in progress	50,448,505	43,870,087	30,866,201	6,578,418	13,003,886
	101,170,965	123,033,875	110,131,240	(21,862,910)	12,902,635
Capital assets, being depreciated:					
Port facilities	86,869,005	129,477,145	135,604,906	(42,608,140)	(6,127,761)
Buildings & improvements	47,709,245	79,423,876	82,744,445	(31,714,631)	(3,320,569)
Machinery and equipment	19,819,133	19,758,496	12,374,198	60,637	7,384,298
Intangibles	129,626	206,523	165,799	(76,897)	40,724
	154,527,009	228,866,040	230,889,348	(74,339,031)	(2,023,308)
Net Capital Assets	**$ 255,697,974**	**$ 351,899,915**	**$ 341,020,588**	**$ (96,201,941)**	**$ 10,879,327**

Long-term Debt

The Authority, by Resolution dated December 13, 2011, exercised its option to redeem general revenue bonds outstanding prior to their stated maturity. Notice of Redemption was sent to all registered bond holders and the bonds were redeemed on January 16, 2012. Additional information regarding the Authority's long-term debt can be found in Note 6 to the financial statements on pages 24-25. The following table summarizes the Authority's long-term debt outstanding as of December 31, 2012, 2011 and 2010:

	2012	2011	2010	2012-11 Change	2011-10 Change
General revenue bonds	$ -	$ 7,317,641	$ 8,596,640	$ (7,317,641)	$ (1,278,999)
Total Long-term Debt	**$ -**	**$ 7,317,641**	**$ 8,596,640**	**$ (7,317,641)**	**$ (1,278,999)**

The Authority maintained an A3 rating from Standard and Poor's Corporation and an A rating from Moody's Investor Service on its general revenue bonds. In accordance with the Authority's general revenue bond covenants, the Authority was 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, 2011 the Authority's revenue bond coverage was 15.66 times.

ECONOMIC OUTLOOK

The basic financial statements emphasize the Authority's intent to recover the cost of its activities through its user fees and other charges. In 2012, the Authority experienced overall positive operating results, despite a decline in tonnage throughput. Specifically, this downturn in tonnage was the direct result of a decline in bulk grain tonnage. This decline however was partially offset by increases in both petroleum and chemical tonnages.

As reported in 2011 the initial effects of the Eagle Ford Shale Play in South Texas had a negative impact on the import of petroleum crude into the Authority. Several local refineries began replacing some of their previously imported crude with domestically produced crude from Eagle Ford Shale. This trend continued throughout the first half of 2012. However during the last half of 2012, the Authority began to see these negative effects of reduced imports of crude diminish with the now export of the excess production of Eagle Ford Shale crude. By the end of 2012 the Authority had nearly rebounded from the lost volumes from imported crude. This positive trend is forecasted to continue well into 2013. This has been evidenced by the continual infrastructure being put in place to store the excess crude from Eagle Ford Shale for export to other refineries in the northern United States.

The Authority reviews its tariff structure on a continuous basis, as well as it looks at ways to reduce its overall operating costs while fulfilling its mission as the primary economic catalyst of the region. During 2012, the Authority continued to work on a number of diversification initiatives that will be carried forward over the next few years.

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 Director of Finance, 222 Power Street, Corpus Christi, TX 78401.

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 123,557,700	$ 27,771,301
Investments (Note 2)	493,549	5,535,450
Accounts receivable (net of allowance for doubtful accounts of $46,844 and $97,328 for 2012 and 2011, respectively)	8,220,273	7,282,729
Interest receivable	716	3,341
Intergovernmental receivable	2,408,850	1,951,569
Notes receivable, current portion (Note 3)	-	844,764
Inventory	799,815	858,441
Prepaid expenses	936,302	976,076
Total Current Assets	136,417,205	45,223,671
NON-CURRENT ASSETS:		
RESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	32,669	1,704,132
Other assets (Note 11)	220,094	220,094
Total Restricted Assets	252,763	1,924,226
CAPITAL ASSETS:		
Capital assets, not being depreciated (Note 4)	101,170,965	123,033,874
Capital assets, being depreciated, net (Note 4)	154,527,009	228,866,041
Capital Assets, Net	255,697,974	351,899,915
OTHER NON-CURRENT ASSETS:		
Net pension asset (Note 7)	6,472,489	911,553
Total Non-Current Assets	6,472,489	911,553
Total Non-Current Assets	262,423,226	354,735,694
TOTAL ASSETS	398,840,431	399,959,365
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	5,559,883	4,902,426
Accrued expenses	682,339	704,512
Unearned revenue	2,389,003	1,045,655
Unearned lease revenue, current portion (Note 6)	457,040	457,040
Current maturities of long-term debt (Note 6)	-	1,320,000
Accrued interest payable	-	29,321
Capital leases, current portion (Note 6)	-	521
Compensated absences, current portion (Note 6)	1,022,861	1,036,200
Total Current Liabilities	10,111,126	9,495,675
NON-CURRENT LIABILITIES:		
Long-term debt, net of current maturities (Note 6)	-	5,997,641
Unearned lease revenue, net of current portion (Note 6)	9,575,326	10,032,366
Compensated absences, net of current portion (Note 6)	2,265,755	2,112,877
Net OPEB obligation (Note 8)	274,672	414,580
Total Non-Current Liabilities	12,115,753	18,557,464
TOTAL LIABILITIES	22,226,879	28,053,139
NET POSITION:		
Invested in capital assets, net of related debt	245,665,607	334,092,868
Restricted:		
Debt service	-	1,671,259
Channel improvements	-	225
Law enforcement	32,669	32,648
Naval Station Ingleside economic development	220,094	220,094
Unrestricted	130,695,182	35,889,132
TOTAL NET POSITION	$ 376,613,552	$ 371,906,226

See accompanying notes to financial statements

Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES:		
Wharfage	$ 31,293,692	$ 27,410,252
Dockage	10,331,997	8,948,217
Security fees	6,528,526	6,319,747
Freight handling	2,191,682	2,387,583
Building and land rentals	7,490,936	6,411,552
Conference center services	2,008,474	1,814,456
Warehouse handling charges	-	368,950
FTZ user fees	301,250	302,750
Other	2,285,857	4,735,454
Total Operating Revenues	62,432,414	58,698,961
OPERATING EXPENSES:		
Maintenance and operations	22,721,681	22,760,814
General and administrative	17,835,428	13,830,284
Depreciation	13,738,571	13,381,562
Total Operating Expenses	54,295,680	49,972,660
Operating Income	8,136,734	8,726,301
NON-OPERATING REVENUES (EXPENSES):		
Interest revenue	163,804	467,494
Federal and other grant assistance	209,235	169,966
Federal funds received as fiscal agent	128,730	-
Fiscal payments to subrecipients	(128,730)	-
Donation of personal property	-	4,500
Gain (loss) on disposal of capital assets	(9,517,670)	3,727,517
Interest expense and fiscal charges	51,908	(392,699)
Net Non-Operating Revenues (Expenses)	(9,092,723)	3,976,778
Income (Loss) Before Capital Grants and Contributions	(955,989)	12,703,079
CAPITAL GRANTS AND CONTRIBUTIONS	5,663,315	5,402,273
Change in Net Position	4,707,326	18,105,352
Total Net Position , Beginning of Year	371,906,226	353,800,874
Total Net Position, End of Year	$ 376,613,552	$ 371,906,226

See accompanying notes to financial statements

Statement of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 62,358,745	$ 57,098,771
Cash payments to suppliers for goods & services	(24,881,826)	(14,974,495)
Cash payments to employees for services	(21,493,943)	(21,493,974)
Cash payments to and received from other operating sources	5,818	(3,144)
Net Cash Provided by Operating Activities	15,988,794	20,627,158
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal funds received as fiscal agent	128,730	-
Operating grants received	41,821	166,305
Net Cash Provided by Noncapital Financing Activities	170,551	166,305
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(15,434,286)	(28,969,494)
Capital grants and contributions	5,238,900	7,156,852
Proceeds from sale of assets	89,392,805	9,318,787
Principal payment of capital debt	(7,250,000)	(1,271,807)
Interest payments on capital debt	(44,922)	(411,242)
Net Cash Provided (Used) for Capital and Related Financing Activities	71,902,497	(14,176,904)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	99,470	74,076
Proceeds from sale and maturities of investments	5,534,828	5,493,700
Purchase of investments	(493,549)	(5,534,828)
Principal payments on notes receivable	844,764	947,867
Interest received on notes receivable	67,581	390,400
Net Cash Provided by Investing Activities	6,053,094	1,371,215
Net Increase in Cash and Cash Equivalents	94,114,936	7,987,774
Cash and Cash Equivalents at Beginning of Year, Including Restricted Accounts	29,475,433	21,487,659
Cash and Cash Equivalents at End of Year, Including Restricted Accounts	$ 123,590,369	$ 29,475,433
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 8,136,734	$ 8,726,301
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	13,738,571	13,381,562
Interest expense (non-capital)	(132)	(169)
Donations of personal property	-	7,600
Changes in assets and liabilities:		
Accounts receivable	(937,544)	(205,621)
Intergovernmental receivable	5,818	(2,315)
Inventories	58,626	(12,370)
Prepaid items	39,774	167,471
Net pension asset	(5,560,936)	(309,949)
Accounts payable	(355,362)	(116,976)
Accrued expenses	(35,512)	51,356
Unearned revenue	1,343,348	(905,349)
Unearned lease revenue	(457,040)	(457,041)
Financing leases	(521)	(2,957)
Net OPEB obligation	(139,908)	126,229
Compensated absences	152,878	179,386
Total Adjustments	7,852,060	11,900,857
Net Cash Provided by Operating Activities	$ 15,988,794	$ 20,627,158
Noncash Investing, Capital, and Financing Activities:		
Amortization of issue costs and discount on revenue bonds	$ 67,641	$ 13,999
Gain (loss) on disposal of capital assets	(9,517,670)	3,727,517
Donations of personal property	-	7,600

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. The condensed financial statement information of the IDC follows:

	2012	2011
Total Net Assets	$ 7,146	$ 3,445
Change in Net Assets	$ 3,702	$ 444

The financial statements of the IDC may be obtained from the Authority's Director of Finance 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 statement of net position. Proprietary fund equity is classified as net position. Enterprise fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

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.

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 CASH EQUIVALENTS

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.

INVESTMENTS

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.

Investments that mature within one year of acquisition are stated at cost or amortized cost. Investments with the remaining maturity of more than one year at the time of purchase are carried at fair value. Any realized gains and losses in fair value are reported in the operations of the current period.

INVENTORY AND PREPAID ITEMS

Inventory is valued at cost utilizing the first in first out method. Inventory consists of expendable materials used in the operation and maintenance of port facilities.
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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 $5,000. 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, 2012 and 2011.

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
Intangibles	3-5 Years

RESTRICTED ASSETS

Certain resources set aside for the repayment of the Authority's revenue bonds were classified as restricted assets on the balance sheet because their use was limited by applicable bond covenants. The Authority 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 were maintained in separate bank accounts and were specifically restricted for that purpose. All revenues received from participating in Federal equitable sharing of forfeited properties are restricted for use by 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. The Authority receives an annual allocation payment from the Law Enforcement Officer Standards and Education (LEOSE) account and that cash is restricted until spent for qualified expenses related to the continuing education of law enforcement personnel.

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

UNEARNED REVENUE

Foreign trade zone user fees, operating lease payments, and dredge placement fees are recognized as income over the term of related agreements. Amounts received but not yet earned are reflected as unearned revenue in the accompanying statement of net position.

CONCENTRATION OF REVENUES

The Authority's operating revenues are subject to risk, because of their concentration in the petroleum industry. Four customers from the petroleum industry made up over 55 percent of the Authority's wharfage and dockage revenue base for 2012, as compared to 62 percent for 2011. This risk is further enhanced by the fact that petroleum cargo continues to be the Authority's top commodity representing nearly 83 percent of the total cargo tonnage moved through the Authority in 2012, compared to 81 percent in 2011.

ESTIMATES

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

RECENT ACCOUNTING PRONOUNCEMENTS

GASB 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standard Boards (FASB) statements and interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants Committee on Accounting Procedures

GASB 62 was implemented retroactively in the year ended December 31, 2012, and did not have a significant impact on the Authority's financial statements.

GASB 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources are the acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are incorporated into the definitions of the required components of the residual measure and that measure is renamed as net position, rather than net assets. GASB 63 was implemented in the year ended December 31, 2012, and although the Authority had no deferred outflows or inflows, net assets have been renamed as net position.

2. DEPOSITS AND INVESTMENTS

The Authority's investments at December 31, 2012 and 2011 are as follows:

	2012			2011		
Investment Type	Carrying Value	Fair Value	Weighted Average Maturity (Days)	Carrying Value	Fair Value	Weighted Average Maturity (Days)
Certificates of Deposit	$ 493,549	$ 493,549	300	$ 5,535,450	$ 5,535,450	332
Local government pool	121,270,057	121,270,057	1	28,764,942	28,764,942	1
Total	121,763,606	121,763,606		34,300,392	34,300,392	
Short-term investments included in cash and cash equivalents	121,270,057	121,270,057		28,764,942	28,764,942	
Equity in Total Investments	**$ 493,549**	**$ 493,549**		**$ 5,535,450**	**$ 5,535,450**	
Portfolio weighted average maturity			2			54

INTEREST RATE RISK

In accordance with the Authority's investment policy, the Authority manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to one year or less.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy states that all investments will be of high quality with no perceived default risk. The Public Funds Investment Act ("PFIA"), Chapter 2256 of the Texas Government Code governs the types of investments in which the Authority may invest. The Authority's policy for managing credit risk, in compliance with state law, allows the Authority's to invest in obligations of the United States government, its agencies, and instrumentalities with a maximum stated maturity of two years, excluding mortgage backed securities; fully insured or collateralized certificates of deposit issued by banks doing business in Texas, with a maximum stated maturity of one year; fully collateralized repurchase agreements, with a maximum stated maturity of 90 days except for bond fund flex repurchase agreements, which will match expenditure plans on the bond funds; AAA Rated, constant dollar local government investment pools; money market mutual funds registered with the Securities and Exchange Commission whose assets consist exclusively of obligations of the United States Treasury, its agencies or instrumentalities and repurchase agreements backed by those securities; interest bearing accounts in banks doing business in Texas; FDIC insured brokered certificates of deposit from a bank in any state of the United States, delivered versus payment to the Authority's safekeeping agent, not to exceed one year to maturity; and general debt obligations of states, agencies, counties, cities, and other subdivisions of any state of the United States rated not less than AA by a nationally recognized rating firm as to investment quality.

Public funds investment pools in Texas 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 PFIA. In addition to other provisions of the PFIA designed to promote liquidity and safety of principal, the PFIA 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 services; and (3) maintain the market value of its portfolio within one half of one percent of the value of its shares.

CONCENTRATION OF RISK

The Authority's investment policy places the following maximum limits, by instrument for the portfolio:

United States Treasury securities	100%
United States Agency securities	100%
Certificates of deposit	80%
Repurchase agreements	100%
Flexagreements by bond fund	100%
Local government investment pools	100%
percent of pool ownership	10%
Money market mutual funds	100%
percent of fund ownership	10%
Brokered certificate of deposit securities	10%

The Authority's investment policy places no limit on the amount the Authority may invest in any one issuer.

As of December 31, 2012, the Authority's investment portfolio consisted of the following:

- investment in one AAAm rated local government investment pool representing 99.6 percent, and
- investment in fully insured certificates of deposit representing .4 percent.

As of December 31, 2011, the Authority's investment portfolio consisted of the following:

- investment in one AAAm rated local government investment pool representing 83.9 percent, and
- investment in collateralized or fully insured certificates of deposit representing 16.1 percent.

CUSTODIAL CREDIT RISK – DEPOSITS AND CERTIFICATES OF DEPOSIT

Custodial risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Investment Policy of the Authority requires that all time and demand deposits of the Authority be secured by pledged collateral with a market value equal to or greater than 102% of the principal plus accrued interest less an amount insured by FDIC. At December 31, 2012 the carrying amount of the Authority's cash and cash equivalents was $123,590,369. In accordance with the Authority's policy, the total bank deposits were covered by federal depository insurance (FDIC) or were secured by collateral held by the Authority's agent in the Authority's name. The cash funds and short-term investments included in cash and cash equivalents are not subject to collateralization requirements.

At December 31, 2011 the carrying amount of the Authority's cash and cash equivalents was $29,475,433. The total bank deposits were covered by federal depository insurance (FDIC) or were secured by collateral held by the Authority's agent in the Authority's name.

3. NOTES RECEIVABLE

Notes Receivable as of December 31, 2012 and 2011 are summarized as follows:

	2012	2011
$12,000,000 Note Receivable due in annual principal installments; $844,764 due in 2012; interest at 8.0%.	$ 844,764	$ 4,048,169
Less: Principal Prepayments	844,764	3,203,405
Principal Outstanding	-	844,764
Less: Current Maturities	-	844,764
Notes Receivable - Net	$ -	$ -

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 was 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 were applied first to interest with the remainder, if any, applied to unpaid principal.

Note payments were 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 were credited to a debt service account that was used to make scheduled note payments when due. In the event there were insufficient funds in the debt service account to meet scheduled note payments, the User was required to make up any shortfall. Should a surplus exist, the excess was applied in inverse order against principal last coming due on the note. In 2011, the Authority credited $1,338,267 of applicable revenue received from wharfage and dockage fees collected to the debt service account. In 2012, the User applied accumulated principal prepayments of $3,203,405 and applicable revenue of $267,858 received from wharfage and dockage in 2012, and made the final payment to satisfy the requirements of the Note.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Transfers and Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	$ 60,245,357	$ 156,506	$ 28,597,834	$ 31,804,029
Channel and waterfront improvements	18,868,431	-	-	18,868,431
Intangibles	50,000	-	-	50,000
Construction in progress	43,870,086	6,578,419	-	50,448,505
Total capital assets, not being depreciated	123,033,874	6,734,925	28,597,834	101,170,965
Capital assets, being depreciated:				
Port facilities	232,951,377	3,512,267	43,538,637	192,925,007
Buildings and improvements	111,069,610	3,041,842	33,702,995	80,408,457
Machinery and equipment	39,154,321	3,158,071	834,983	41,477,409
Intangibles	1,876,984	-	-	1,876,984
Total capital assets, being depreciated	385,052,292	9,712,180	78,076,615	316,687,857
Less: accumulated depreciation for				
Port facilities	103,474,231	6,502,297	3,920,526	106,056,002
Buildings and improvements	31,645,734	4,078,188	3,024,710	32,699,212
Machinery and equipment	19,395,825	3,081,189	818,738	21,658,276
Intangibles	1,670,461	76,897	-	1,747,358
Total accumulated depreciation	156,186,251	13,738,571	7,763,974	162,160,848
Total capital assets, being depreciated, net	228,866,041	(4,026,391)	70,312,641	154,527,009
Total capital assets, net	**$ 351,899,915**	**$ 2,708,534**	**$ 98,910,475**	**$ 255,697,974**

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Transfers and Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	$ 60,346,608	$ 124,199	$ 225,450	$ 60,245,357
Channel and waterfront improvements	18,868,431	-	-	18,868,431
Intangibles	50,000	-	-	50,000
Construction in progress	30,866,201	13,003,885	-	43,870,086
Total capital assets, not being depreciated	110,131,240	13,128,084	225,450	123,033,874
Capital assets, being depreciated:				
Port facilities	232,656,018	5,517,973	5,222,614	232,951,377
Buildings and improvements	110,576,099	1,211,924	718,413	111,069,610
Machinery and equipment	29,338,641	10,105,356	289,676	39,154,321
Intangibles	1,651,656	225,328	-	1,876,984
Total capital assets, being depreciated	374,222,414	17,060,581	6,230,703	385,052,292
Less: accumulated depreciation for				
Port facilities	97,051,112	6,471,822	48,703	103,474,231
Buildings and improvements	27,831,654	4,004,077	189,997	31,645,734
Machinery and equipment	16,964,443	2,721,059	289,677	19,395,825
Intangibles	1,485,857	184,604	-	1,670,461
Total accumulated depreciation	143,333,066	13,381,562	528,377	156,186,251
Total capital assets, being depreciated, net	230,889,348	3,679,019	5,702,326	228,866,041
Total capital assets, net	**$ 341,020,588**	**$ 16,807,103**	**$ 5,927,776**	**$ 351,899,915**

5. LEASES

OPERATING LEASES

The Authority leases to others certain land and improvements, and these leases are classified as operating leases. As of December 31, 2012, minimum lease payments under these operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

Years Ending	
2013	$ 6,436,704
2014	5,283,450
2015	4,611,549
2016	3,443,893
2017	1,770,865
Thereafter	24,998,587
Total	**$ 46,545,048**

CAPITAL LEASES

The Authority entered into lease agreements as lessee for financing the acquisition of computer equipment. These lease agreements qualified as capital leases, and therefore were recorded at the present value of their future minimum lease payments as of the inception date of the lease. Certain assets acquired through these capital leases did not meet the Authority's capitalization threshold criterion, and therefore were expensed.

The assets acquired through capital leases were as follows:

Assets:		
Capitalized:		
Machinery & Equipment	$	36,026
Less: Accumulated Depreciation		36,026
Capitalized, net		-
Expensed		15,975
Total	$	**15,975**

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". The Authority, by Resolution dated December 13, 2011, exercised its option to redeem the bonds prior to the stated maturity. Notice of Redemption was sent to all registered owners and the bonds were redeemed in whole on January 16, 2012.

A statement of changes in long-term debt for the year ended December 31, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds	$ 7,250,000	$ -	$ 7,250,000	$ -	$ -
Accumulated Accretion	67,641	-	67,641	-	-
Total	$ **7,317,641**	$ -	$ **7,317,641**	$ -	$ -

A statement of changes in long-term debt for the year ended December 31, 2011, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds	$ 8,515,000	$ -	$ 1,265,000	$ 7,250,000	$ 1,320,000
Accumulated Accretion	81,640	-	13,999	67,641	-
Total	$ **8,596,640**	$ -	$ **1,278,999**	$ **7,317,641**	$ **1,320,000**

Long-term debt as of December 31, 2012 and 2011 is summarized as follows:

	2012	2011
Revenue Bonds:		
$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 $755,000 to $910,000 through 2016; interest at 4.7 percent to 5.2 percent.	$ -	$ 4,145,000
$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 $565,000 to $680,000 through 2016; interest at 4.4 percent to 4.9 percent.	-	3,105,000
Total Revenue Bonds	-	7,250,000
Accumulated Accretion	-	67,641
Total Revenue Bonds and Accumulated Accretion	-	7,317,641
Less Current Maturities	-	1,320,000
Long-term Debt - Net	$ -	$ 5,997,641

The Authority was required to maintain adequate insurance coverage as defined in the applicable covenants of the revenue bonds, Series 2002 A & B. As of the date of redemption, the Authority had adequate insurance coverage and all insurance premiums had been paid.

UNEARNED LEASE REVENUE

The Authority entered into a lease agreement with Gulf Compress. Under the terms of the lease, Gulf Compress constructed 550,000 square feet of cotton warehouses on property owned by the Port at the proposed site of the LaQuinta Container Terminal Facility. On January 21, 2005, the cotton warehouses were completed and ownership was transferred to the Authority in consideration of a thirty year prepaid lease. Prepaid lease rentals will be amortized over the lease term as follows:

Years Ending	
2013	$ 457,040
2014	457,040
2015	457,040
2016	457,040
2017	457,040
Thereafter	7,747,166
Total	**$ 10,032,366**

CAPITAL LEASES

The Authority has entered into lease agreements as lessee for financing the acquisition of computer equipment.

A statement of changes in capital leases for the year ended December 31, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital leases	$ 521	$ -	$ 521	$ -	$ -
Total	**$ 521**	**$ -**	**$ 521**	**$ -**	**$ -**

A statement of changes in capital leases for the year ended December 31, 2011, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital leases	$ 10,285	$ -	$ 9,764	$ 521	$ 521
Total	**$ 10,285**	**$ -**	**$ 9,764**	**$ 521**	**$ 521**

COMPENSATED ABSENCES

A statement of changes in compensated absences for the year ended December 31, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Vacation	$ 952,179	$ 682,971	$ 633,560	$ 1,001,590	$ 633,560
Sickleave	2,196,898	479,429	389,301	2,287,026	389,301
Total	**$ 3,149,077**	**$ 1,162,400**	**$ 1,022,861**	**$ 3,288,616**	**$ 1,022,861**

A statement of changes in compensated absences for the year ended December 31, 2011, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Vacation	$ 898,186	$ 694,553	$ 640,560	$ 952,179	$ 640,560
Sickleave	2,044,382	548,156	395,640	2,196,898	395,640
Total	**$ 2,942,568**	**$ 1,242,709**	**$ 1,036,200**	**$ 3,149,077**	**$ 1,036,200**

Compensated Absences as of December 31, 2012 and 2011 are summarized as follows:

	2012	2011
Vacation	$ 1,001,590	$ 952,179
Sickleave	2,287,026	2,196,898
Total Compensated Absences	3,288,616	3,149,077
Less Current Portion	1,022,861	1,036,200
Compensated Absences - Net	**$ 2,265,755**	**$ 2,112,877**

OPEB OBLIGATION

A statement of changes in OPEB Obligation for the year ended December 31, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
OPEB Obligation	$ 414,580	$ 158,983	$ 298,891	$ 274,672	$ -
Total	**$ 414,580**	**$ 158,983**	**$ 298,891**	**$ 274,672**	**$ -**

A statement of changes in OPEB Obligation for the year ended December 31, 2011, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
OPEB Obligation	$ 288,351	$ 153,658	$ 27,429	$ 414,580	$ -
Total	**$ 288,351**	**$ 153,658**	**$ 27,429**	**$ 414,580**	**$ -**

OPEB Obligations as of December 31, 2012 and 2011 is summarized as follows:

	2012	2011
OPEB Obligation	$ 274,672	$ 414,580
Less Current Portion	-	-
OPEB Obligation - Net	**$ 274,672**	**$ 414,580**

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). TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 defined benefit pension plans which function similarly to cash balance-account 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 or is available on their website at www.tcdrs.org.

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.

Funding Policy

The Authority has elected the Annually Determined Contribution Rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the Authority is actuarially determined annually.

The actuarially determined rate for the calendar year 2012 was 7.57 percent and for the calendar year 2011 was 7.33 percent, however the governing body of the Authority adopted the rate of 11 percent for the calendar year 2012 and 2011. The contributions made by the Authority in excess of the actuarially determined rate are classified as net pension asset and reflected as other non-current assets.

A statement of changes in net pension asset for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Annual Required Contribution	$ 831,354	$ 771,971
Interest on Net Pension Asset	72,924	48,128
Adjustment to Actuarially Determined Rate	42,831	28,436
Annual Pension Cost	947,109	848,535
Contributions Made	6,508,045	1,158,484
Increase in Net Pension Asset	5,560,936	309,949
Net Pension Asset - Beginning of Year	911,553	601,604
Net Pension Asset - End of Year	**$ 6,472,489**	**$ 911,553**

The deposit rate payable by all employee members for the calendar year 2012 and 2011 was 7 percent as adopted by the governing body of the Authority. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. Employee and Authority contributions were $768,756 and $6,508,045, respectively for the year ended December 31, 2012, and $737,217 and $1,158,484, respectively for the year ended December 31, 2011.

Annual Pension Cost

For the Authority's year ended December 31, 2012, the annual pension cost for the TCDRS plan for its employees was $947,109 and the actual contributions for its employees were $6,508,045. Three-year annual trend information on annual pension cost is as follows:

Years Ended December 31,	Annual Pension Cost	Percentage of APC Contributed	Net Pension Asset
2012	$ 947,109	687.15%	$ 6,472,489
2011	848,535	136.53%	911,553
2010	1,018,873	127.83%	601,604

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 8 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 7.0 years.

As of December 31, 2011, the most recent actuarial valuation date, the plan was 83.36 percent funded. The actuarial accrued liability for benefits was $27,935,452, and the actuarial value of assets was $23,286,544 resulting in an unfunded actuarial accrued liability (UAAL) of $4,648,908. The covered payroll (annual payroll of active employees covered by the plan) was $10,531,666, and the ratio of the UAAL to the covered payroll was 44.14 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

8. POSTRETIREMENT BENEFITS

GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions* (OPEB), established new accounting standards for postretirement benefits. The new standard does not require funding of OPEB expense, but any differences between the annual required contribution (ARC) and the amount funded during the year is to be recorded in the employer's financial statements as an increase (or decrease) in the net OPEB obligation. The Authority is required to obtain an actuarial valuation at least once every three years in accordance with GASB 45 standards. The Authority's latest valuation is dated as of January 1, 2011.

Plan Description

The Authority provides postretirement healthcare benefits to eligible retired employees and their spouses through provisions enacted by the authority of the Port Commission. At December 31, 2012, four former employees were eligible for these benefits. The Authority funds a portion of the premiums for health insurance. Continuation of these benefits and the Authority's contributions are dependent on periodic authorization by the Port Commission. The health insurance benefits provided to retirees are the same as those offered to active employees. The supplied benefits include hospital, doctor, dental and prescription drug charges.

Employees, who have reached age 62, may continue coverage under the Authority's healthcare plan as a retiree until the age of 65.

The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to fund the plan. The plan does not issue a separate financial report.

Funding Policy

The required contribution is based on a projected pay-as-you-go basis, which is expected to continue. The cost of retiree health and life benefits, recorded on a pay-as-you-go basis was $298,891 for the year ended December 31, 2012 and $27,429 for the year ended December 31, 2011.

Annual OPEB Cost and Net OPEB Obligation

The annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) or funding excess over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation. The end of year net OPEB Obligation is shown as a non-current liability on the Statement of Net Position.

A statement of the calculation of the annual OPEB contribution and the change in the net OPEB obligation for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Determination of Annual Required Contribution		
Normal Cost at Year End	$ 93,900	$ 93,900
Amortization of UAAL	73,836	65,882
Annual Required Contribution (ARC)	167,736	159,782
Determination of Net OPEB Obligation		
Annual Required Contribution	167,736	159,782
Interest on Prior Year Net OPEB Obligation	16,484	11,534
Adjustment to ARC	(25,237)	(17,658)
Annual OPEB Cost	158,983	153,658
Contributions Made	(298,891)	(27,429)
Increase in Net OPEB Obligation	(139,908)	126,229
Net OPEB Obligation - Beginning of Year	414,580	288,351
Net OPEB Obligation - End of Year	**$ 274,672**	**$ 414,580**

The end of year net OPEB Obligation is shown as a non-current liability on the Statement of Net Position.

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and net OPEB obligation for the current and three preceding years were as follows:

Years Ended December 31,	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	4.00%	$ 158,983	188.00%	$ 274,672
2011	4.00%	153,658	17.85%	414,580
2010	4.00%	201,594	32.64%	288,351

Funding Status and Funding Progress

The schedule of funding progress for the current and three preceding years is as follows:

Actuarial Valuation Date, January 1	Actuarial Value of Assets	Discount Rate	Actuarial Accrued Liabilities (AAL) (1)	Unfunded Actuarial Accrued Liabilities (UAAL) (2)	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
2012	$ -	4.0%	$ 1,182,857	$ 1,182,857	0.0%	$ 10,982,221	10.8%
2011	-	4.0%	1,075,827	1,075,827	0.0%	10,531,666	10.2%
2010	-	4.0%	1,430,581	1,430,581	0.0%	11,840,675	12.1%

(1) Actuarial Accrued Liability determined under the projected unit credit cost method.
(2) Actuarial Accrued Liability less Actuarial Value of Assets.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used to determine the OPEB obligation is computed using the Projected Unit Credit Actuarial Cost Method which consists of the following cost components:

- The Normal Cost is the Actuarial Present Value of benefits allocated to the valuation year.
- The Actuarial Liability is the Actuarial Present Value of benefits accrued as of the valuation date.
- Valuation Assets are equal to the market value of assets as of the valuation date, if any.
- Unfunded Actuarial Accrued Liability (UAAL) is the difference between the Actuarial Accrued Liability and the Valuation Assets. The amortization of UAAL as of January 1, 2012 is calculated as a level dollar over 26 years on a closed basis.

The latest actuarial valuation for the Authority was completed as of January 1, 2011. The significant assumptions underlying the actuarial calculations are as follows:

Actuarial Cost Method	Projected Unit Credit
Discount Rate for Valuing Liabilities	Pay-as-you-go: 4.0%
Mortality Rates	RP2000 with Projection Scale AA
Healthcare Cost Trend	8.1% in the first year 7.5% in the second year 6.8% in the third year 6.2% in the fourth year Grade down to 4.7% after the seventy-second year
Dental Cost Trend	4.9% all years
Healthcare Inflation Rate	Percentage Trend by Year based on: Short Term-Milliman's *Health Cost Guidelines* Long Term-Getzen Model
Withdrawal Rates*	Based on Years of Service
Disability Rates*	Based on Age
Retirement Rates *	Based on Age
Employee Coverage	100% eligible for benefits elect coverage
Spousal Coverage	85% eligible for benefits elect coverage
Spouse Age Difference	Same as employee
Administrative Expense Load	5.0% on Gross per Capita Claims Costs
Medical Benefit Costs by Age	Varies based on projected average monthly cost for claims and administration based on experience

* Based on the 2009 pension valuation for the Texas County and District Retirement System

9. CONSTRUCTION AND IMPROVEMENT COMMITMENTS

At December 31, 2012, the Authority had remaining contractual construction and improvement commitments of approximately $8,101,999. These commitments are being financed through operating revenues and capital grants.

10. 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 self-insured for $4,000,000 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 $2,640,715. The Authority is covered for worker's compensation claims through the Texas Municipal League Risk Pool. Prior to 2005, the Authority was self-insured for worker's compensation and estimated remaining worker's compensation claims are reflected below. 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 that exceeded insurance coverage.

A liability for unpaid claims is reported when it is probable that a loss has occurred and the amount of 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 (IBNR). 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, 2012, the liability of $134,977 is comprised of estimated health claims of $124,109 and estimated worker's compensation claims of $10,868. At December 31, 2011, the liability of $194,817 is comprised of estimated health claims of $184,050 and estimated worker's compensation claims of $10,767.

Changes in the balances of claims liabilities as of December 31, 2012 and 2011 are as follows:

	2012	2011
Unpaid claims, beginning of fiscal year	$ 194,817	$ 207,216
Incurred claims (including IBNRs)	2,404,456	2,230,325
Claims payments	(2,464,296)	(2,242,724)
Unpaid claims, end of fiscal year	**$ 134,977**	**$ 194,817**

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 $535,395,000. 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, 2012, facilities financing revenue bonds outstanding amounted to $515,495,000.

11. NAVAL STATION INGLESIDE PROPERTY

The Authority, by Special Warranty Deed, conveyed land to the United States of America ("Navy") for the purpose of construction of Naval Station Ingleside (NSI) with the provision that should the subject property no longer be used for maritime purposes by the Department of Defense, the subject property would revert to the Authority. On September 8, 2005, Naval Station Ingleside was recommended to the President for closure by the Base Realignment and Closure Commission. In accordance with the Defense Base Closure and Realignment Act of 1990, the recommendation became effective and binding in November, 2005. The Authority exercised its reversionary rights to the subject property under the Deed and the title to the subject property reverted back to the Port in April, 2010. The fair market value as determined by appraisal of the land and improvements was reported as capital assets in the Authority's statement of net assets and as a capital contribution on the statement of revenues, expenses and changes in net assets in the amount of $101,671,427 for the year ended December 31, 2010.

The Authority, by Resolution dated August 10, 2010, declared the Naval Station Ingleside property, improvements thereon, and the two piers as surplus property for future sale or lease. On February 11, 2011 the Authority entered into a surplus sales agreement for 3.42 acres, improvements thereon, and the small craft pier to Flint Hills Resources Corpus Christi, LLC in the amount of $8,015,390. The Authority entered into a Letter of Intent dated March 29, 2012 to sell 380.1 acres of the NSI site referred to as the "Upland Property" including the real property interests and the two-tier berthing pier to Oxy Ingleside Property Holdings, LLC (Oxy) and the sale was approved on May 8, 2012 in the amount of $74,110,000. In addition, on May 8, 2012 the Authority authorized a request for sealed bids to sell the remaining approximately 100 acres and improvements referred to as the "Campus Property." The Authority accepted a bid from Oxy in the amount of $7,000,000 on July 31, 2012 and the surplus property sales agreement for the "Campus Property" was entered into on September 11, 2012.

The Authority, acting as the Naval Station Ingleside Main Base Implementing Local Redevelopment Authority (ILRA) was conveyed the personal property remaining at NSI by Base Realignment and Closure Commission letter dated May 19, 2010. The personal property is restricted for use of support of the economic redevelopment of the former NSI. The economic value of the personal property has been estimated at $220,094 and is reported as a restricted asset and a restriction of net assets on the statement of net position. The Authority and Oxy entered into Personal Property Use Agreements as part of the Surplus Sales Agreements of the realty and improvements above for the personal property remaining on the NSI site. The terms of the Personal Property Use Agreements allow Oxy the right to use, but not title to, all of the Navy-Conveyed Personal Property in connection with Oxy's redevelopment of the "Upland Property" and "Campus Property" until the sale of the personal property by the Authority or the time that Oxy nor any of its affiliates owns any portion of the before mentioned real properties. It is the intent of the Authority to request bids for the sale of the personal property in early 2013.

PENSION PLAN:

	2011	2010	2009
Actuarial Valuation Date	12/31/2011	12/31/2010	12/31/2009
Actuarial Value of Assets	$ 23,286,544	$ 21,744,295	$ 20,143,863
Actuarial Accrued Liability (AAL)	$ 27,935,452	$ 26,372,629	$ 24,899,158
Funded Ratio	83.4%	82.5%	80.9%
Unfunded Actuarial Accrued Liability (UAAL)	$ 4,648,908	$ 4,628,334	$ 4,755,295
Annual covered Payroll	$ 10,531,666	$ 11,840,675	$ 11,397,962
UAAL as a Percentage of Covered Payroll	44.1%	39.1%	41.7%

OPEB Obligation:

	2012	2011	2010
Actuarial Valuation Date	1/1/2011	1/1/2011	1/1/2010
Actuarial Value of Assets	$ -	$ -	$ -
Actuarial Accrued Liability (AAL)	$ 1,182,857	$ 1,075,827	$ 1,430,581
Funded Ratio	0.0%	0.0%	0.0%
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,182,857	$ 1,075,827	$ 1,430,581
Annual covered Payroll	$ 10,982,221	$ 10,531,666	$ 11,840,675
UAAL as a Percentage of Covered Payroll	10.8%	10.2%	12.1%

SUPPLEMENTAL SECTION

PORT CORPUS CHRISTI

	Year Ended December 31, 2012		
	Actual	Budget	Variance (%)
OPERATING REVENUES:			
Wharfage	$ 31,293,692	$ 30,642,863	2
Dockage	10,331,997	9,297,810	11
Security fees	6,528,526	6,370,551	2
Freight handling	2,191,682	2,726,018	(20)
Building and land rentals	7,490,936	7,611,162	(2)
Conference center services	2,008,474	1,919,843	5
FTZ user fees	301,250	291,000	4
Other	2,285,857	4,236,347	(46)
Total Operating Revenues	62,432,414	63,095,594	(1)
OPERATING EXPENSES:			
Maintenance and operations	22,721,681	25,850,526	12
General and administrative	17,835,428	14,396,928	(24)
Depreciation	13,738,571	12,643,696	(9)
Total Operating Expenses	54,295,680	52,891,150	(3)
Operating Income	8,136,734	10,204,444	(20)
NON-OPERATING REVENUES (EXPENSES):			
Interest revenue	163,804	377,034	(57)
Federal and other grant assistance	209,235	-	100
Federal funds received as fiscal agent	128,730	-	100
Fiscal payments to subrecipients	(128,730)	-	(100)
Gain on disposal of fixed assets	(9,517,670)	-	(100)
Interest expense and fiscal charges	51,908	(59,000)	188
Net Non-Operating Revenues (Expenses)	(9,092,723)	318,034	(2959)
Income (Loss) Before Capital Grants and Contributions	(955,989)	10,522,478	(1201)
CAPITAL GRANTS AND CONTRIBUTIONS	5,663,315	8,851,375	(36)
Change in Net Position	$ 4,707,326	$ 19,373,853	(76)

Schedules of Maintenance and Operations and General and Administrative Expenses
For the Years Ended December 31, 2012 and 2011

	2012	2011
MAINTENANCE AND OPERATIONS:		
Employee services	$ 8,258,807	$ 7,810,947
Maintenance	4,896,773	5,136,098
Utilities	1,735,122	2,327,822
Telephone	94,604	101,960
Insurance	2,311,581	2,099,345
Professional services	1,771,323	1,415,731
Police expenses	24,006	14,233
Contracted services	1,633,668	1,897,144
Office and equipment rental	65,037	142,778
Operator and event expenses	1,678,367	1,538,092
Warehouse supplies	-	8,024
Safety/Environmental	77,086	83,442
General	175,307	185,198
Total Maintenance and Operations	$ 22,721,681	$ 22,760,814
GENERAL AND ADMINISTRATIVE:		
Employee services	$ 7,423,777	$ 7,224,377
Maintenance	509,303	501,087
Utilities	171,122	194,864
Telephone	100,921	115,447
Insurance	97,774	92,492
Professional services	7,092,409	3,046,566
Police expenses	-	82
Contracted services	59,756	100,952
Office and equipment rental	76,941	65,104
Administrative	1,869,480	2,035,746
Trade and sales development	188,894	184,528
Media advertising	190,661	195,766
Production	21,774	24,222
Safety/Environmental	23,651	23,299
General	8,965	25,752
Total General and Administrative	$ 17,835,428	$ 13,830,284

Description		Interest Rates	Issue Date	Series Maturity	Original Amount	Balance Outstanding
Pollution Control Revenue Bonds:						
Union Pacific Res., Series 1989		Variable	06/30/1989	2022	$ 40,000,000	$ 40,000,000
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
Environmental Facilities Revenue Bonds:						
Citgo Petroleum, Series 2003	*	8.250%	05/01/2003	2031	39,200,000	19,300,000
Citgo Petroleum, Series 2006	*	Variable	10/01/2006	2036	50,000,000	50,000,000
Citgo Petroleum, Series 2007	*	Variable	05/01/2007	2037	45,000,000	45,000,000
Citgo Petroleum, Series 2008	*	Variable	04/01/2008	2043	50,000,000	50,000,000
Solid Waste Disposal Revenue Bonds:						
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
Flint Hills Res., Series 2005		Variable	03/01/2005	2030	25,000,000	25,000,000
Flint Hills Res., Series 2006		Variable	04/01/2006	2030	42,000,000	42,000,000
Flint Hills Res., Series 2007		Variable	10/01/2007	2032	35,000,000	35,000,000
Total					$ 535,395,000	$ 515,495,000

* - Issued by the Industrial Development Corporation (IDC)

PORT**CORPUSCHRISTI**

STATISTICAL SECTION

PORT CORPUS CHRISTI

Statistical Section
(Unaudited)

This part of the Port of Corpus Christi's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents

Sources: Unless otherwise noted, the information in these schedules is derived from the Authority's comprehensive annual financial reports and business records for the relevant years.

PORTCORPUSCHRISTI

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Changes in Net Position
Last Ten Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Operating revenues:										
Wharfage	$ 13,535,168	$ 14,076,271	$ 15,388,177	$ 19,351,717	$ 27,219,535	$ 26,359,823	$ 24,826,670	$ 26,567,587	$ 27,410,252	$ 31,293,692
Dockage	3,218,880	3,858,120	4,153,902	3,354,723	3,655,333	7,078,197	7,319,259	8,138,326	8,948,217	10,331,997
Security fees	-	869,819	2,121,042	2,158,237	2,351,695	3,474,748	3,412,485	6,170,288	6,319,747	6,528,526
Freight handling	1,492,129	1,976,486	2,351,619	2,065,511	2,166,118	2,178,423	2,428,621	2,316,667	2,387,583	2,191,682
Building and land rentals	3,361,762	3,409,141	3,705,185	4,037,572	4,545,342	4,318,458	3,924,060	4,417,518	6,411,552	7,490,936
Conference center services	1,443,592	1,663,726	1,556,200	1,495,599	1,597,594	1,451,630	2,007,407	1,679,885	1,814,456	2,008,474
Warehouse handling charges	1,137,336	816,739	1,737,118	1,484,404	1,211,146	1,367,306	596,168	426,093	368,950	-
FTZ user fees	264,750	261,666	233,333	243,000	295,000	284,500	326,000	337,000	302,750	301,250
Compress	45,598	-	-	-	-	-	-	-	-	-
Other	2,380,598	1,439,329	1,485,316	1,845,648	1,887,694	4,538,108	1,585,220	2,226,488	4,735,454	2,285,857
Total operating revenues	26,879,813	28,371,297	32,731,892	36,036,411	44,929,457	51,051,193	46,425,890	52,279,852	58,698,961	62,432,414
Interest revenue	1,222,899	1,116,764	1,084,006	1,269,697	1,230,324	932,447	584,849	478,291	467,494	163,804
Federal and other grant assistance	-	-	78,914	-	-	284,048	17,570	60,806	169,966	337,965
Donation of personal property	-	-	-	-	-	-	-	225,825	4,500	-
Gain on disposal of capital assets	-	1,242,935	60,268	-	-	-	7,266	-	3,727,517	-
Total Revenues	28,102,712	30,730,996	33,955,080	37,306,108	46,159,781	52,267,688	47,035,575	53,044,774	63,068,438	62,934,183
Expenses										
Operating expenses:										
Maintenance and operations	12,474,555	13,937,712	16,361,152	18,385,065	21,392,329	21,842,912	20,697,782	20,248,511	22,760,814	22,721,681
General and administrative	9,572,631	9,630,337	10,139,046	10,760,589	12,521,179	13,007,565	15,029,743	14,939,210	13,830,284	17,835,428
Depreciation	5,417,115	5,513,656	6,142,055	7,127,447	8,442,640	9,648,639	10,060,645	12,165,114	13,381,562	13,738,571
Total operating expenses	27,464,301	29,081,705	32,642,253	36,273,101	42,356,148	44,499,116	45,788,170	47,352,835	49,972,660	54,295,680
Interest expense and fiscal charges	781,399	739,852	712,323	689,611	620,495	562,442	504,030	450,602	392,699	(51,908)
Amortization of bond issuance costs	104,862	81,418	63,610	49,458	37,828	28,615	20,735	10,743	-	-
Fiscal payments to subrecipients	-	-	-	-	-	284,048	-	-	-	128,730
Loss on disposal of capital assets	90,856	-	-	15,395	10,293	308,883	-	8,643	-	9,517,670
Total Expenses	28,441,418	29,902,975	33,418,186	37,027,565	43,024,764	45,683,104	46,312,935	47,822,823	50,365,359	63,890,172
Income(Loss) Before Contributions	(338,706)	828,021	536,894	278,543	3,135,017	6,584,584	722,640	5,221,951	12,703,079	(955,989)
Capital Contributions	1,638,527	10,453,132	17,792,218	12,261,584	4,633,770	2,510,746	2,090,573	111,670,700	5,402,273	5,663,315
Changes in Net Position	1,299,821	11,281,153	18,329,112	12,540,127	7,768,787	9,095,330	2,813,213	116,892,651	18,105,352	4,707,326
Total Net Position, Beginning of Year	173,780,680	175,080,501	186,361,654	204,690,766	217,230,893	224,999,680	234,095,010	236,908,223	353,800,874	371,906,226
Total Net Position, End of Year	$ 175,080,501	$ 186,361,654	$ 204,690,766	$ 217,230,893	$ 224,999,680	$234,095,010	$ 236,908,223	$ 353,800,874	$ 371,906,226	$ 376,613,552
Net Position at Year End										
Invested in capital assets, net of related debt	$ 137,188,296	$ 156,056,302	$ 178,351,445	$ 195,074,359	$ 204,800,725	$202,587,244	$ 211,984,713	$ 321,470,695	$ 334,092,868	$ 245,665,607
Restricted	2,348,028	2,243,263	2,167,787	2,061,302	2,193,823	1,756,683	1,747,632	1,927,662	1,924,226	252,763
Unrestricted	35,544,177	28,062,089	24,171,534	20,095,232	18,005,132	29,751,083	23,175,878	30,402,517	35,889,132	130,695,182
Total Net Position	$ 175,080,501	$ 186,361,654	$ 204,690,766	$ 217,230,893	$ 224,999,680	$234,095,010	$ 236,908,223	$ 353,800,874	$ 371,906,226	$ 376,613,552

PORT OF CORPUS CHRISTI AUTHORITY OF NUECES COUNTY, TEXAS

Revenues by Source Last Ten Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Revenues:										
Wharfage	$ 13,535,168	$ 14,076,271	$ 15,388,177	$ 19,351,717	$ 27,219,535	$ 26,359,823	$ 24,826,670	$ 26,567,587	$ 27,410,252	$ 31,293,692
Dockage	3,218,880	3,858,120	4,153,902	3,354,723	3,655,333	7,078,197	7,319,259	8,138,326	8,948,217	10,331,997
Security fees	-	869,819	2,121,042	2,158,237	2,351,695	3,474,748	3,412,485	6,170,288	6,319,747	6,528,526
Freight handling	1,492,129	1,976,486	2,351,619	2,065,511	2,166,118	2,178,423	2,428,621	2,316,667	2,387,583	2,191,682
Building and land rentals	3,361,762	3,409,141	3,705,185	4,037,572	4,545,342	4,318,458	3,924,060	4,417,518	6,411,552	7,490,936
Conference center services	1,443,592	1,663,726	1,556,200	1,495,599	1,597,594	1,451,630	2,007,407	1,679,885	1,814,456	2,008,474
Warehouse handling charges	1,137,336	816,739	1,737,118	1,484,404	1,211,146	1,367,306	596,168	426,093	368,950	-
FTZ user fees	264,750	261,666	233,333	243,000	295,000	284,500	326,000	337,000	302,750	301,250
Compress	45,598	-	-	-	-	-	-	-	-	-
Other	2,380,598	1,439,329	1,485,316	1,845,648	1,887,694	4,538,108	1,585,220	2,226,488	4,735,454	2,285,857
	$ 26,879,813	$ 28,371,297	$ 32,731,892	$ 36,036,411	$ 44,929,457	$ 51,051,193	$ 46,425,890	$ 52,279,852	$ 58,698,961	$ 62,432,414
Non-Operating Revenues:										
Other:										
Interest	$ 1,222,899	$ 1,116,764	$ 1,084,006	$ 1,269,697	$ 1,230,324	$ 932,447	$ 584,849	$ 478,291	$ 467,494	$ 163,804
Other	-	1,242,935	139,182	-	-	284,048	24,836	286,631	3,901,983	337,965
	$ 1,222,899	$ 2,359,699	$ 1,223,188	$ 1,269,697	$ 1,230,324	$ 1,216,495	$ 609,685	$ 764,922	$ 4,369,477	$ 501,769

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Expenses by Type
Last Ten Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Expenses:										
Maintenance and Operation:										
Employee services	$ 4,144,531	$ 5,206,360	$ 6,296,241	$ 6,768,333	$ 6,952,412	$ 8,255,443	$ 7,866,038	$ 8,374,106	$ 7,810,947	$ 8,258,807
Maintenance	2,686,825	2,641,655	3,317,396	4,173,668	6,483,605	6,340,774	4,987,113	3,538,398	5,136,098	4,896,773
Utilities	886,009	964,332	1,095,452	1,399,011	1,383,059	1,357,364	1,631,307	1,702,868	2,327,822	1,735,122
Telephone	22,358	20,468	19,694	23,716	35,699	29,991	26,436	35,286	101,960	94,604
Insurance	1,427,198	1,327,486	1,264,823	1,726,286	2,017,983	1,902,331	1,844,918	2,266,112	2,099,345	2,311,581
Professional services	228,158	444,902	544,189	400,085	344,073	424,975	900,742	691,191	1,415,731	1,771,323
Police expenses	-	64,252	36,788	53,276	39,442	74,106	55,218	66,434	14,233	24,006
Contracted services	1,485,158	1,483,850	2,155,840	2,110,723	2,166,855	1,834,442	1,426,265	1,876,695	1,897,144	1,633,668
Office and equipment rental	11,908	25,941	78,665	129,527	124,691	91,004	97,627	73,983	142,778	65,037
Operator and event expenses	1,310,806	1,438,345	1,287,428	1,311,334	1,523,025	1,280,002	1,550,059	1,415,417	1,538,092	1,678,367
Warehouse supplies	46,823	51,281	136,382	64,946	38,292	68,428	44,700	9,037	8,024	-
Safety/Environmental	46,293	43,180	53,509	50,970	62,693	90,947	71,246	69,075	83,442	77,086
General	178,488	225,660	74,745	173,190	220,500	93,105	196,113	129,909	185,198	175,307
	$12,474,555	$13,937,712	$16,361,152	$18,385,065	$21,392,329	$21,842,912	$20,697,782	$20,248,511	$22,760,814	$22,721,681
General and Administrative:										
Employee services	$ 5,048,655	$ 5,367,098	$ 5,711,388	$ 6,150,455	$ 6,808,607	$ 7,349,030	$ 7,837,903	$ 7,692,080	$ 7,224,377	$ 7,423,777
Maintenance	272,419	274,342	229,548	324,760	351,566	320,610	432,088	453,408	501,087	509,303
Utilities	131,448	135,135	162,864	218,586	222,481	196,865	224,245	172,703	194,864	171,122
Telephone	103,287	108,862	209,939	205,520	213,248	231,958	209,267	196,626	115,447	100,921
Insurance	107,456	45,278	119,854	111,670	108,314	84,451	96,638	124,620	92,492	97,774
Professional services	1,781,500	1,642,718	1,713,073	1,864,026	2,290,016	2,419,843	3,322,950	3,526,850	3,046,566	7,092,409
Police expenses	-	1,429	1,341	654	216	314	174	82	82	-
Contracted services	68,343	60,516	54,189	134,754	198,260	88,262	64,213	151,445	100,952	59,756
Office and equipment rental	8,270	3,042	4,451	6,852	10,173	18,264	40,406	59,809	65,104	76,941
Administrative	1,533,738	1,598,908	1,483,098	1,647,031	1,925,958	1,873,318	2,392,822	2,108,277	2,035,746	1,869,480
Trade and sales development	125,484	143,296	107,450	123,054	146,161	148,946	204,427	157,237	184,528	188,894
Media advertising	88,530	102,957	91,527	73,557	157,725	109,262	108,425	206,557	195,766	190,661
Production	57,538	25,460	45,124	56,861	30,773	27,917	48,319	25,678	24,222	21,774
Safety/Environmental	19,889	20,992	20,439	36,047	26,992	38,206	22,681	21,544	23,299	23,651
General	226,074	100,304	184,761	(193,238)	30,689	100,319	25,185	42,294	25,752	8,965
	$ 9,572,631	$ 9,630,337	$10,139,046	$10,760,589	$12,521,179	$13,007,565	$15,029,743	$14,939,210	$13,830,284	$17,835,428
Depreciation	$ 5,417,115	$ 5,513,656	$ 6,142,055	$ 7,127,447	$ 8,442,640	$ 9,648,639	$10,060,645	$12,165,114	$13,381,562	$13,738,571
Non-Operating Expenses:										
Other:										
Interest	$ 886,261	$ 821,270	$ 775,933	$ 739,069	$ 658,323	$ 591,057	$ 504,030	$ 450,602	$ 392,699	$ (51,908)
Other	90,856	-	-	15,395	10,293	592,931	20,735	19,386	-	9,646,400
	$ 977,117	$ 821,270	$ 775,933	$ 754,464	$ 668,616	$ 1,183,988	$ 524,765	$ 469,988	$ 392,699	$ 9,594,492

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Financial Performance Indicators
Last Ten Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Revenues (OR)	$ 26,879,813	$ 28,371,297	$ 32,731,892	$ 36,036,411	$ 44,929,457	$ 51,051,193	$ 46,425,890	$ 52,279,852	$ 58,698,961	$ 62,432,414
Operating Expenses (OE) *	(22,047,186)	(23,568,049)	(26,500,198)	(29,145,654)	(33,913,508)	(34,850,477)	(35,727,525)	(35,187,721)	(36,591,098)	(40,557,109)
Net Operating Income (NOI)	4,832,627	4,803,248	6,231,694	6,890,757	11,015,949	16,200,716	10,698,365	17,092,131	22,107,863	21,875,305
Non-Operating Revenues	1,222,899	2,359,699	1,223,188	1,269,697	1,230,324	1,216,495	609,685	764,922	4,369,477	501,769
Non-Operating Expenses	(977,117)	(821,270)	(775,933)	(754,464)	(668,616)	(1,183,988)	(524,765)	(469,988)	(392,699)	(9,594,492)
Net Income "A" (NI"A")	5,078,409	6,341,677	6,678,949	7,405,990	11,577,657	16,233,223	10,783,285	17,387,065	26,084,641	12,782,582
Depreciation	(5,417,115)	(5,513,656)	(6,142,055)	(7,127,447)	(8,442,640)	(9,648,639)	(10,060,645)	(12,165,114)	(13,381,562)	(13,738,571)
Net Income (Loss) "B" (NI"B")	$ (338,706)	$ 828,021	$ 536,894	$ 278,543	$ 3,135,017	$ 6,584,584	$ 722,640	$ 5,221,951	$ 12,703,079	$ (955,989)
Net Capital Assets (NCA) **	$ 143,298,109	$ 139,998,166	$ 156,723,984	$ 175,997,745	$ 173,486,988	$ 218,586,423	$ 216,324,078	$ 310,154,387	$ 308,029,828	$ 205,249,468
Total Assets (TA)	$ 197,115,656	$ 212,289,063	$ 242,045,429	$ 252,168,291	$ 258,145,439	$ 263,271,819	$ 265,643,291	$ 383,387,219	$ 399,959,365	$ 398,840,431
Operating Indicators:										
Operating ROI (NOI/NCA)	3.37%	3.43%	3.98%	3.92%	6.35%	7.41%	4.95%	5.51%	7.18%	10.66%
Operating Margin (NOI/OR)	17.98%	16.93%	19.04%	19.12%	24.52%	31.73%	23.04%	32.69%	37.66%	35.04%
Operating Ratio (OE/OR)	82.02%	83.07%	80.96%	80.88%	75.48%	68.27%	76.96%	67.31%	62.34%	64.96%
Other ROI Indicators:										
ROI "A" (NI"A"/TA)	2.58%	2.99%	2.76%	2.94%	4.48%	6.17%	4.06%	4.54%	6.52%	3.20%
ROI "B" (NI"B"/TA)	-0.17%	0.39%	0.22%	0.11%	1.21%	2.50%	0.27%	1.36%	3.18%	-0.24%

* - Excludes Depreciation
** - Excludes Construction in Progress

PORT OF CORPUS CHRISTI AUTHORITY OF NUECES COUNTY, TEXAS

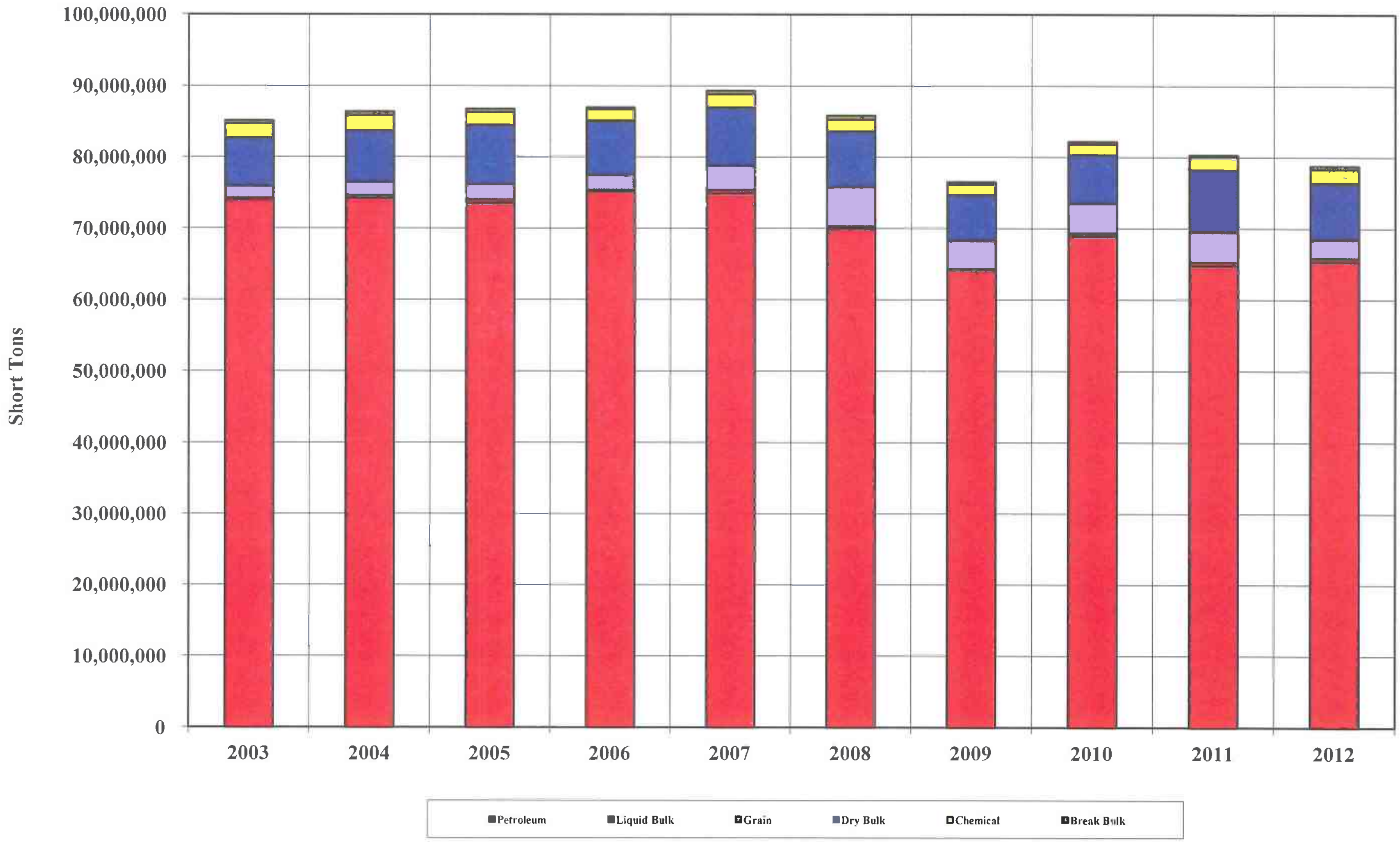
Port Commerce By Commodity Last Ten Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Commodity By Port Division - *Short tons*										
Inner Harbor										
Break Bulk	210,873	253,084	200,159	183,544	215,964	256,612	133,037	157,781	122,055	214,010
Grain	1,666,579	1,836,090	2,098,829	2,025,864	3,367,057	5,409,827	3,951,347	4,100,774	4,183,095	2,563,535
Chemical	37,243	47,295	66,514	59,851	52,709	68,760	43,982	37,814	58,377	58,066
Dry Bulk	2,062,015	2,541,606	2,544,880	2,008,088	2,420,282	2,318,675	1,974,232	2,038,029	2,821,831	2,317,603
Liquid Bulk	243,135	407,906	518,403	248,355	513,036	301,007	131,100	506,211	533,543	554,336
Petroleum	67,466,251	67,414,002	66,391,484	68,242,433	67,124,801	62,558,169	56,586,340	61,163,028	59,446,567	60,393,806
Total	71,686,096	72,499,983	71,820,269	72,768,135	73,693,849	70,913,050	62,820,038	68,003,637	67,165,468	66,101,356
La Quinta										
Break Bulk	-	-	-	-	-	-	-	1,369	-	-
Chemical	1,966,843	2,095,441	1,728,815	1,510,142	1,796,165	1,561,258	1,366,046	1,430,429	1,685,331	1,907,946
Dry Bulk	4,761,502	4,689,730	5,812,484	5,690,335	5,780,257	5,572,667	4,467,692	4,809,114	5,817,275	5,585,549
Petroleum	23,386	31,518	25,081	24,030	26,925	26,607	18,766	22,404	41,750	25,319
Total	6,751,731	6,816,689	7,566,380	7,224,507	7,603,347	7,160,532	5,852,504	6,263,316	7,544,356	7,518,814
Harbor Island										
Break Bulk	17,146	1,816	6	6	6	2	-	-	-	-
Petroleum	533	-	332	-	-	-	-	-	-	-
Total	17,679	1,816	338	6	6	2	-	-	-	-
Ingleside										
Break Bulk	133,165	241,882	226,899	46,637	224,714	277,147	178,826	169,609	175,551	175,287
Dry Bulk	3,506	(3,506)	-	-	42,722	-	-	7,012	4,615	10,742
Petroleum	6,531,995	6,769,131	7,115,455	6,909,586	7,741,913	7,475,838	7,660,416	7,715,429	5,330,829	4,957,218
Total	6,668,666	7,007,507	7,342,354	6,956,223	8,009,349	7,752,985	7,839,242	7,892,050	5,510,995	5,143,247
Rincon Point										
Break Bulk	62	6,234	17,918	26,510	4,519	18,829	6,130	10,500	9,025	1,669
Grain	-	-	-	5,746	10,329	14,040	-	12,503	31,726	15,312
Dry Bulk	6,890	61,574	38,690	1,707	(1,707)	-	1,734	12,291	48,647	25,790
Total	6,952	67,808	56,608	33,963	13,141	32,869	7,864	35,294	89,398	42,771
Total	85,131,124	86,393,803	86,785,949	86,982,834	89,319,692	85,859,438	76,519,648	82,194,297	80,310,217	78,806,188
Commodity Totals - *Short tons*										
Break Bulk	361,246	503,016	444,982	256,697	445,203	552,590	317,993	339,259	306,631	390,966
Grain	1,666,579	1,836,090	2,098,829	2,031,610	3,377,386	5,423,867	3,951,347	4,113,277	4,214,821	2,578,847
Chemical	2,004,086	2,142,736	1,795,329	1,569,993	1,848,874	1,630,018	1,410,028	1,468,243	1,743,708	1,966,012
Dry Bulk	6,833,913	7,289,404	8,396,054	7,700,130	8,241,554	7,891,342	6,443,658	6,866,446	8,692,368	7,939,684
Liquid Bulk	243,135	407,906	518,403	248,355	513,036	301,007	131,100	506,211	533,543	554,336
Petroleum	74,022,165	74,214,651	73,532,352	75,176,049	74,893,639	70,060,614	64,265,522	68,900,861	64,819,146	65,376,343
Total	85,131,124	86,393,803	86,785,949	86,982,834	89,319,692	85,859,438	76,519,648	82,194,297	80,310,217	78,806,188

TABLE 5 (Unaudited - Continued)

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Port Commerce By Commodity
Last Ten Years



PORT OF CORPUS CHRISTI AUTHORITY OF NUECES COUNTY, TEXAS

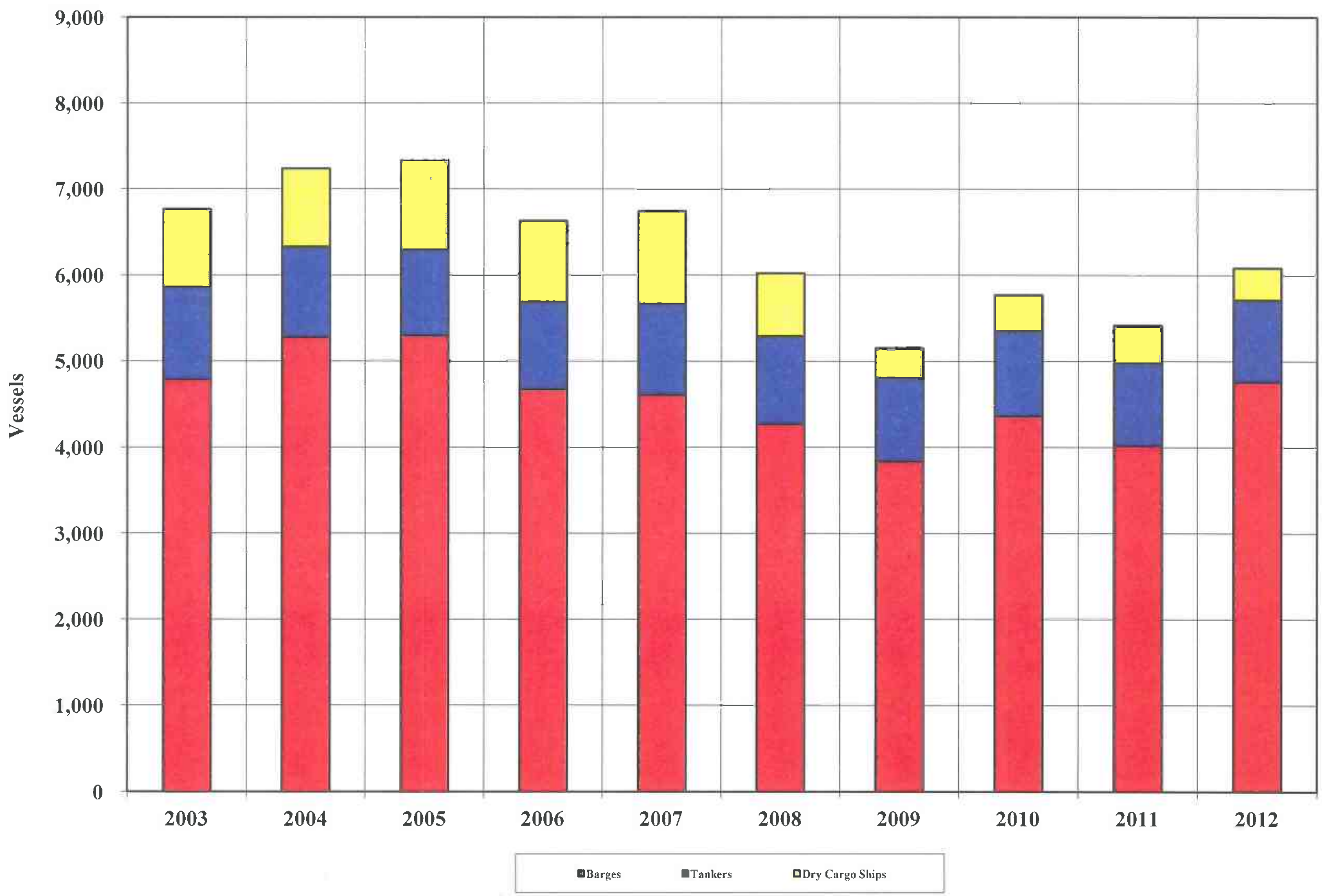
Vessel Traffic Last Ten Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Inner Harbor										
Ships										
Dry Cargo	244	210	268	233	300	377	217	234	271	221
Tankers	841	803	808	817	825	819	779	816	789	765
Barges	4,465	4,818	4,820	4,440	4,393	4,112	3,691	4,168	3,878	4,579
Total Vessels	5,550	5,831	5,896	5,490	5,518	5,308	4,687	5,218	4,938	5,565
La Quinta Harbor										
Ships										
Dry Cargo	116	101	147	128	117	107	100	124	117	114
Tankers	152	167	104	110	135	104	85	69	101	116
Barges	257	281	310	175	166	102	80	123	89	59
Total Vessels	525	549	561	413	418	313	265	316	307	289
Harbor Island										
Ships										
Dry Cargo	540	581	610	566	632	227	-	-	-	-
Barges	5	-	-	-	-	-	-	-	1	-
Total Vessels	545	581	610	566	632	227	-	-	1	-
Ingleside Harbor										
Ships										
Dry Cargo	6	13	12	15	28	19	22	58	42	37
Tankers	80	86	88	92	97	98	109	107	75	67
Barges	56	111	54	55	45	49	66	67	48	122
Total Vessels	142	210	154	162	170	166	197	232	165	226
Rincon Point										
Barges	4	66	114	2	6	8	2	3	2	2
Total Vessels	4	66	114	2	6	8	2	3	2	2
Total										
Ships										
Dry Cargo	906	905	1,037	942	1,077	730	339	416	430	372
Tankers	1,073	1,056	1,000	1,019	1,057	1,021	973	992	965	948
Barges	4,787	5,276	5,298	4,672	4,610	4,271	3,839	4,361	4,018	4,762
Total Vessels	6,766	7,237	7,335	6,633	6,744	6,022	5,151	5,769	5,413	6,082

TABLE 6 (Unaudited - Continued)

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Vessel Traffic
Last Ten Years



PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

TABLE 7 (Unaudited)

Tariff Rates
Last Ten Years

	U/M	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Wharfage Rates											
All Cargo NOS	W/M	$2.5000	$2.5000	$2.5000	$2.5000	$2.5000	$2.7500	$2.8600	$2.8500	$2.8900	$3.0400
Dry Bulk	S/T	$0.6000	$0.6000	$0.6000	$0.6000	$0.6000	$0.6000	$0.6200	$0.9000	$1.0500	$1.2500
Liquid Bulk	BRL	$0.0400	$0.0400	$0.0600	$0.0600	$0.0800	$0.0800	$0.0831	$0.0828	$0.0839	$0.0883
Beans, Lentils & Peas	S/T	$0.4000	$0.4000	$0.5000	$0.5000	$0.5000	$0.5500	$0.5700	$0.5700	$0.5800	$0.6100
Cotton	Bale	$0.1500	$0.1500	$0.4800	$0.4800	$0.4800	$0.4800	$0.5000	$0.5000	$0.5100	$0.5400
Grain and Grain Products	S/T	$0.4000	$0.4000	$0.5000	$0.5000	$0.5000	$0.7000	$1.3000	$1.2900	$1.3100	$1.3800
Grain and Grain Products (bulk)	S/T	$0.1700	$0.1700	$0.1700	$0.1700	$0.1700	$0.2500	$0.2600	$0.2600	$0.2600	$0.2700
Iron and Steel Articles	S/T	$1.2000	$1.2000	$1.2000	$1.2000	$1.2000	$1.8000	$1.8700	$1.8600	$1.8800	$1.9800
Machinery, agricultural	S/T	$1.7600	$1.7600	$1.7600	$1.7600	$1.7600	$2.7500	$2.8600	$2.8500	$2.8900	$3.0400
Machinery, grading, earth moving	S/T	$2.0000	$2.0000	$2.0000	$2.0000	$2.0000	$2.7500	$2.8600	$2.8500	$2.8900	$3.0400
Military Cargo	S/T	$1.3000	$1.3000	$2.3000	$2.3000	$2.3000	$2.3000	$5.3800	$5.3600	$5.4300	$5.7200
Milk, dehydrated	S/T	$0.4000	$0.4000	$0.5000	$0.5000	$0.5000	$0.7000	$1.5200	$1.5100	$1.5300	$1.6100
Passengers	Person	$4.0000	$5.0000	$5.0000	$5.0000	$5.0000	$5.0000	$5.0000	$4.9800	$5.0500	$5.5300
Power Generation/Plant Equipment	S/T	$0.0000	$0.0000	$0.0000	$1.9000	$1.9000	$2.7500	$2.8500	$2.8400	$2.8800	$3.0300
Refrigerated Cargo	S/T	$0.0000	$0.0000	$1.3000	$1.3000	$1.3000	$1.3000	$1.3000	$1.2900	$1.3100	$1.3800
Rice and Rice Products	S/T	$0.4000	$0.4000	$0.5000	$0.5000	$0.5000	$0.7000	$1.3000	$1.2900	$1.3100	$1.3800
Sand, aggregates, caliche, limestone	S/T	$0.6000	$0.6000	$0.6000	$0.6000	$0.6000	$0.6000	$0.6200	$0.9000	$1.0500	$1.2500
Vegetable oil	S/T	$1.2000	$1.2000	$1.2000	$1.2000	$1.2000	$1.2000	$1.2500	$1.2500	$1.2700	$1.3400
Vehicles	S/T	$3.4000	$3.4000	$3.4000	$3.4000	$3.4000	$4.7500	$4.9400	$4.9200	$4.9800	$5.2400
Vessels, pressure	S/T	$3.4000	$3.4000	$3.4000	$3.4000	$3.4000	$3.4000	$3.5300	$3.5200	$3.5700	$3.7600
Dockage Rates											
General Cargo											
Vessels							Dry/Liquid				
0-199	Feet	$1.90	$1.90	$1.97	$1.97	$1.97	$2.28/$1.62	$2.37	$2.36	$2.39	$2.52
200-399	Feet	$2.22	$2.22	$2.55	$2.55	$2.55	$2.99/$2.10	$3.11	$3.10	$3.14	$3.31
400-499	Feet	$3.00	$3.02	$3.50	$3.50	$3.50	$4.23/$2.88	$4.40	$4.38	$4.44	$4.67
500-599	Feet	$4.06	$4.06	$4.67	$4.67	$4.67	$5.69/$3.85	$5.91	$5.89	$5.97	$6.28
600-699	Feet	$4.72	$4.72	$5.43	$5.43	$5.43	$6.51/$4.47	$6.77	$6.74	$6.83	$7.19
700-799	Feet	$5.99	$5.99	$6.89	$6.89	$6.89	$8.39/$5.67	$8.72	$8.69	$8.80	$9.26
800-899	Feet	$7.21	$7.21	$8.29	$8.29	$8.29	$10.10/$6.83	$10.50	$10.46	$10.60	$11.16
900 +	Feet	$8.63	$8.63	$9.92	$9.92	$9.92	$12.08/$8.17	$12.55	$12.50	$12.66	$13.33
Barges - Inland Waterway		$0.09 NRT	$0.09 NRT	$0.09 NRT	$0.09 NRT	$0.09 NRT	$90.00 Flat	$95.00 Flat	$125.00	$126.64	$133.30
Bulk Terminal	GRT	$0.13	$0.13	$0.13	$0.13	$0.13	$0.49	$0.51	$0.41	$0.42	$0.44
Liquid Bulk											
Vessels	DWT	$0.025	$0.025	$0.025	$0.025	$0.025	See Dry/Liquid	See Dry/Liquid	See Dry/Liquid	See Dry/Liquid	See Dry/Liquid
Barges											
0-360 Feet	Barge	$70.00	$70.00	$70.00	$70.00	$70.00	$90.00	$95.00	$125.00	$126.64	$133.30
360 +	Barge	$700.00	$700.00	$700.00	$700.00	$700.00	See Dry/Liquid	See Dry/Liquid	See Dry/Liquid	See Dry/Liquid	See Dry/Liquid
Harbor Safety Fee [2]											
Ships	Ship	$240.00	$240.00	$240.00	$240.00	$240.00	$275.00	$275.00	$2,032.00	$2,032.00	$2,032.00
Barges	Barge	$30.00	$30.00	$30.00	$30.00	$30.00	$35.00	$35.00	$230.00	$230.00	$230.00
Security Surcharge Fee [1]		-	10.0%	10.5%	11.0%	11.5%	12.0%	10.0%	10.0%	7.5%	7.5%

1 Security surcharge fee is calculated on wharfage and dockage billings
2 Harbor Safety Fees include fireboat fees and a marine patrol fee implemented in 2010
Tariff rates reported on this schedule represent the most significant of the Authority's revenue sources, all rates may be obtained from the Authority's published tariff

S/T - short tons; BRL - barrel; DWT - dead weight tons; NRT - net registered tons; GRT - gross registered tons; W/M - weight or measure

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Ten Largest Customers
December 31, 2012 and 2003

WHARFAGE and DOCKAGE REVENUE:

Customer	2012 Wharfage and Dockage Revenue	2012 Rank	2012 %		2003 Wharfage and Dockage Revenue	2003 Rank	2003 %
Valero	$ 9,216,082	1	22.00%		$ 4,407,008	1	24.88%
Citgo	6,581,403	2	15.71%		3,771,482	2	21.29%
Flint Hills	5,180,458	3	12.37%		2,060,462	3	11.63%
NuStar Logistics	1,996,722	4	4.77%		-		0.00%
Max Shipping	1,361,273	5	3.25%		-		0.00%
Martin Operating	1,236,153	6	2.95%		-		0.00%
GE Energy Logistics	982,650	7	2.35%		-		0.00%
Valls Shipping Agency	942,375	8	2.25%		-		0.00%
Biehl & Co.	883,864	9	2.11%		245,168	9	1.38%
Port Corpus Terminal	841,811	10	2.01%		-		-
Shamrock Logistics	-		-	**	1,436,213	4	8.11%
Equistar	-		-		676,677	5	3.82%
Boyd-Campbell	-		-		499,785	6	2.82%
Aimcor	-		-		335,527	7	1.89%
NSA Agencies, Inc	-		-		248,968	8	1.41%
Corpus Christi Day Cruises	-		-		229,812	10	1.30%
Subtotal (10 largest)	29,222,791		69.75%		13,911,102		78.53%
Other	12,670,756		30.25%		3,805,301		21.47%
Total	**$ 41,893,547**		**100.00%**		**$ 17,716,403**		**100.00%**

TONNAGE:

Customer	2012 Tonnage	2012 Rank	2012 %		2003 Tonnage	2003 Rank	2003 %
Valero	22,664,538	1	28.76%		23,867,221	2	28.04%
Citgo	21,687,838	2	27.52%		24,902,637	1	29.25%
Flint Hills	12,535,434	3	15.91%		10,412,706	3	12.23%
Sherwin Alumina	5,585,549	4	7.09%		4,762,853	5	5.59%
NuStar Logistics	2,729,355	5	3.46%		-		-
Martin Operating	1,980,434	6	2.51%		-		-
Occidental	1,909,367	7	2.42%		1,965,491	8	2.31%
Trafigura Terminal	1,748,142	9	2.22%		-		0.00%
ADM/Growmark	1,309,142	8	1.66%		-		0.00%
Interstate Grain	1,254,393	10	1.59%		959,427	9	-
Koch Petroleum Group	-		-	*	6,463,631	4	7.59%
Shamrock Logistics	-		-	**	3,502,405	6	4.11%
Equistar	-		-		2,264,532	7	2.66%
Bay, Ltd	-		-		918,781	10	1.08%
Subtotal (10 largest)	73,404,192		93.15%		80,019,684		94.00%
Other	5,401,996		6.85%		5,111,439		6.00%
Total	**78,806,188**		**100.00%**		**85,131,123**		**100.00%**

* Flint Hills was formerly Koch Petroleum
** NuStar Logistics was formerly Shamrock Logistics

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Demographic and Economic Statistics
Last Ten Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012(E)
Population (1)	403,458	406,835	410,253	411,889	411,528	413,206	416,095	428,217	431,381	425,814
Personal Income-(in thousands) (1)	$ 10,805,356	$ 11,388,008	$ 12,200,894	$ 13,096,253	$ 14,096,242	$ 15,428,875	$ 15,211,542	$ 15,718,947	$ 16,655,106	$ 17,444,351
Per Capita Personal Income (1)	$26,782	$27.992	$29,740	$31,796	$34,253	$37,339	$36,558	$36,708	$38,609	$40,967
Unemployment rate (2)	6.80%	6.60%	5.20%	4.70%	4.20%	4.70%	7.20%	8.19%	7.88%	6.41%

Source:
(1) Bureau of Economic Analysis
(2) Texas Workforce Commission

(E) Estimated based on growth trend from 2003-2011

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Principal Employers
December 31, 2012 and 2003

	2012			2003*		
Employer	Number of Employees	Rank	Percent of Total MSA Employment	Number of Employees	Rank	Percent of Total MSA Employment
Corpus Christi Army Depot	5,800	1	2.80%	-	-	-
Corpus Christi ISD	5,178	2	2.50%	-	-	-
Christus Spohn Health System	5,144	3	2.48%	-	-	-
HEB Grocery Co.	5,000	4	2.41%	-	-	-
City of Corpus Christi	3,171	5	1.53%	-	-	-
Naval Air Station Corpus Christi	2,827	6	1.37%	-	-	-
Bay, Ltd.	2,100	7	1.01%	-	-	-
Driscoll Children's Hospital	1,800	8	0.87%	-	-	-
Del Mar College	1,542	9	0.74%	-	-	-
Corpus Christi Medical Center	1,200	10	0.58%	-	-	-
Total	33,762		16.29%	-		-

Corpus Christi Regional Economic and Development Corporation
Bureau of Labor Statistics

* Information for 2003 not available

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Employees by Function
Last Ten Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operations:										
Cold Storage Facility	12	13	13	13	12	9	-	-	-	-
Bulk Terminal Facility	16	16	16	17	16	17	17	14	17	18
Harbormaster's Office	12	12	12	11	10	10	10	9	9	9
Lift Bridge	8	8	8	8	5	-	-	-	-	-
Maintenance	38	37	38	39	43	43	48	46	45	45
Police Department	-	20	21	22	40	44	49	51	46	44
	86	106	108	110	126	123	124	120	117	116
Administration:										
Executive Director	2	2	2	2	2	5	4	6	2	2
Managing Director	-	-	-	-	-	-	-	-	-	2
Deputy Port Director	-	-	-	-	-	3	4	4	4	2
Government Affairs	1	1	1	1	1	1	1	1	1	1
Human Resources	5	5	4	4	5	5	5	5	5	5
Business Development	8	8	8	7	7	5	7	3	3	3
Communications	-	-	-	-	-	-	-	2	3	3
Property & Industrial Development	1	1	1	1	1	1	1	1	3	3
Finance and Administration	2	2	2	2	2	2	2	2	2	2
Accounting	7	8	8	8	8	9	9	7	8	8
Information Technology	5	7	7	7	9	9	7	7	6	7
Engineering	12	12	11	13	13	10	14	12	12	12
Operations	7	6	7	7	7	5	7	4	4	4
	50	52	51	52	55	55	61	54	53	54
	136	158	159	162	181	178	185	174	170	170

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Capital Asset Statistics
Last Five Years

	2008	2009	2010	2011	2012
Harbor divisions	6	6	6	6	6
Turning basins	5	5	5	5	5
Corpus Christi Ship Channel (miles)	35	35	35	35	35
Authorized channel draft (feet)	45	45	45	45	45
General cargo docks	8	8	8	8	7
Covered docks	3	3	3	3	3
Open docks	2	2	2	2	2
Special public use dock	1	1	1	1	1
Covered storage (square feet)	295,500	295,500	295,500	295,500	295,500
Dockside rail access (docks)	4	4	4	4	4
Roll-on/ Roll-off ramps	1	1	1	1	1
Liquid bulk docks	11	11	11	11	11
Ship	6	6	6	6	6
Barge	5	5	5	5	5
Bulk material docks	2	2	2	2	2
Gantry cranes	1	1	1	1	1
Unloading rate per hour (short tons)	600	600	600	600	600
Radial ship loaders	1	1	1	1	1
Loading rate per hour (short tons)	1,500	1,500	1,500	1,500	1,500
Layberth facilities/docks	3	3	3	3	3
Intermodal terminal	1	1	1	1	1
Open storage (acres)	25	28	28	30	30
Container handling machines	2	2	2	2	2
Bagging facilities	2	2	2	2	2
Grain	1	1	1	1	1
General purpose	1	1	1	1	1
Grain elevator	1	1	1	1	1
Bushel capacity (bushels)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Ship loading capacity per hour (bushels)	120,000	120,000	120,000	120,000	120,000
Truck unloading capacity per hour (bushels)	40,000	40,000	40,000	40,000	40,000
Railcar unloading capacity per hour (bushels)	80,000	80,000	80,000	80,000	80,000
Cotton warehouses	1	1	1	1	1
Covered storage (square feet)	575,000	575,000	575,000	575,000	575,000
Cold storage facilities	1	1	1	1	1
Refrigerated storage-chill and frozen (square feet)	100,000	100,000	100,000	100,000	100,000
Multi-purpose cruise terminal/meeting banquet center	1	1	1	1	1
Meeting rooms	5	5	5	5	5
Banquet hall	1	1	1	1	1
Outdoor plaza	1	1	1	1	1
Indoor square feet (approximate)	24,000	24,000	24,000	24,000	24,000
Outdoor square feet (approximate)	50,000	50,000	50,000	50,000	50,000
Industrial parks	1	1	1	1	1
Acreage	318	318	318	318	318
Barge canals	2	2	2	2	2
Land					
Submerged (acres)	18,750	18,750	18,750	18,750	18,750
Emerged (acres)	6,250	6,250	6,250	6,256	5,822
Dredge Placement Areas	4,688	4,688	4,688	4,688	4,688
Open storage/development (acres)	2,400	2,400	2,400	2,400	2,400
Railroads					
Railway (miles)	35	37	37	42	42
Security Command Center	1	1	1	1	1
Naval Station Ingleside					
Land-emerged (acres)	-	-	483	480	-
Land-submerged (acres)	-	-	429	429	-
Wharfs and piers (linear feet)	-	-	4050	3450	-
Buildings-office/classrooms,barracks,warehouse (sq ft)	-	-	788,367	781,217	-

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
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%
2004	12,187,288	16,966,500	71.8%	4,779,212	7,918,506	60.4%
2005	13,572,671	18,177,881	74.7%	4.605,210	8,544,001	53.9%
2006	15,800,903	19,925,412	79.3%	4,124,509	9,020,233	45.7%
2007	17,772,707	22,044,720	80.6%	4,272,013	9,558,262	44.7%
2008	18,097,936	23,421,983	77.3%	5,324,047	10,298,956	51.7%
2009	20,143,863	24,899,158	80.9%	4,755,295	11,397,962	41.7%
2010	21,744,295	26,372,629	82.5%	4,628,334	11,840,675	39.1%
2011	23,286,544	27,935,452	83.4%	4,648,908	10,531,666	44.1%

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Schedule of Insurance in Force
December 31, 2012

Details of Coverage	Policy Period	Deductible	Liability Limits
All Risk Property	04/01/12-13	$4,000,000/$100,000	$ 125,000,000
Boiler and Machinery	04/01/12-13	50,000 5,000	1,000,000 30,000,000
Business Auto Liability	10/01/12-13	250/500	10,000,000
Group Travel Accident	01/11/11-14	-	1,000,000
Foreign Liability	10/01/12-13	-	1,000,000
Pollution Legal Liability	10/16/08-13	100,000	5,000,000
Non-owned Aircraft Liability	10/01/12-13	-	2,000,000
Marine Liability and Primary P&I	10/01/12-13	50,000	20,000,000
Firebarge Hull & Machinery	10/01/12-13	25,000	3,500,000
29' Safeboat Hull & Machinery 31' Safeboat Hull & Machinery	10/01/12-13	25,000	259,065 350,000
Firebarge and Excess P&I	10/01/12-13		80,000,000 excess of 20,000,000
Errors and Omissions Liability	10/01/12-13	10,000	5,000,000/10,000,000
Law Enforcement Liability	10/01/12-13	10,000	5,000,000/10,000,000
Executive Risk	10/01/10-13	-	250,000/1,250,000
Customs Bond - FTZ Operator	09/28/12-13	-	250,000
International Carrier Bond	02/16/12-13	-	100,000
Employee Fidelity (Crime) Bond	12/21/11-14	25,000	2,000,000
Public Officials Bonds (8)	Varies	-	5,000
Workers' Compensation	01/01/12-13	-	Statutory
Corporate Fine Art	07/08/12-13	-	82,000
Terrorism	04/01/12-13	50,000	25,000,000

PORT OF CORPUS CHRISTI AUTHORITY OF NUECES COUNTY, TEXAS

Miscellaneous Statistical Data December 31, 2012

Date of Incorporation: 1922

Form of Government: A public corporation and political subdivision of the State of Texas

Number of Employees: 170

Geographic Location: Southeastern coast of Texas on the Gulf of Mexico approximately 150 miles north of the Mexican Border

Area:
5,822 - Emergent acres
18,750 - Submerged acres

Population:

Year	City of Corpus Christi	Nueces County	San Patricio County
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
2010	305,215	340,223	64,804

Elevation: Sea level to 85 feet, average 35 feet

Tidal Data:

Average Water Level:
Inner Harbor: 2.08 feet above Mean Low Tide (MLT)

Tidal Range:
Inner Harbor: Insignificant
Aransas Pass: 1.5 feet

Aerial Clearance:
Harbor Bridge: 138 feet

Temperature:
Annual Average - 71.6°
January Average - 55.1°
July Average - 84.1°

Average Seasonal Rainfall: 30.1

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Miscellaneous Statistical Data
December 31, 2012

Public Docks:

Bulk liquid	11	- Main Harbor
Dry cargo	7	- Main Harbor
Bulk materials	2	- Main Harbor
	20	

Private Docks:

Bulk liquid	- Citgo	6	- Main Harbor
	- Equistar	1	- Main Harbor
	- Flint Hills	3	- Main Harbor
	- Flint Hills	1	- Ingleside
	- Valero	3	- Main Harbor
	- Occidental Chemical	1	- La Quinta
	- Koch Gathering	1	- Ingleside
Dry cargo	- Bay Inc.	2	- Main Harbor
	- Heldenfels	1	- Main Harbor
	- Texas Docks & Rail (Trafigura)	2	- Main Harbor
	- Texas Lehigh Cement	1	- Main Harbor
	- Tor Minerals International, Inc.	1	- Rincon
	- McDermott	1	- Harbor Island
	- Gulf Marine Fabricators	1	- Ingleside
	- Kiewit Offshore Services, Inc.	1	- Ingleside
	- Helix Energy Solutions	1	- LaQuinta
	- Occidental Chemical (NSI)	3	- Ingleside
	- Signet Maritime	1	- Jewell Fulton
	- Nu Star Logistics	1	- Main Harbor
Bulk materials	- ADM/Growmark	1	- Main Harbor
	- Interstate Grain	1	- Main Harbor
	- Sherwin Alumina	1	- La Quinta
	- Vulcan Materials	1	- Main Harbor
		36	

CONTINUING BOND DISCLOSURES

PORT CORPUS CHRISTI

PORT OF CORPUS CHRISTI AUTHORITY OF NUECES COUNTY, TEXAS

Port Commerce By Commodity Last Ten Years

Table 1:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Commodity By Port Division - *Short tons*										
Inner Harbor										
Break Bulk	210,873	253,084	200,159	183,544	215,964	256,612	133,037	157,781	122,055	214,010
Grain	1,666,579	1,836,090	2,098,829	2,025,864	3,367,057	5,409,827	3,951,347	4,100,774	4,183,095	2,563,535
Chemical	37,243	47,295	66,514	59,851	52,709	68,760	43,982	37,814	58,377	58,066
Dry Bulk	2,062,015	2,541,606	2,544,880	2,008,088	2,420,282	2,318,675	1,974,232	2,038,029	2,821,831	2,317,603
Liquid Bulk	243,135	407,906	518,403	248,355	513,036	301,007	131,100	506,211	533,543	554,336
Petroleum	67,466,251	67,414,002	66,391,484	68,242,433	67,124,801	62,558,169	56,586,340	61,163,028	59,446,567	60,393,806
Total	71,686,096	72,499,983	71,820,269	72,768,135	73,693,849	70,913,050	62,820,038	68,003,637	67,165,468	66,101,356
La Quinta										
Break Bulk	-	-	-	-	-	-	-	1,369	-	-
Chemical	1,966,843	2,095,441	1,728,815	1,510,142	1,796,165	1,561,258	1,366,046	1,430,429	1,685,331	1,907,946
Dry Bulk	4,761,502	4,689,730	5,812,484	5,690,335	5,780,257	5,572,667	4,467,692	4,809,114	5,817,275	5,585,549
Petroleum	23,386	31,518	25,081	24,030	26,925	26,607	18,766	22,404	41,750	25,319
Total	6,751,731	6,816,689	7,566,380	7,224,507	7,603,347	7,160,532	5,852,504	6,263,316	7,544,356	7,518,814
Harbor Island										
Break Bulk	17,146	1,816	6	6	6	2	-	-	-	-
Petroleum	533	-	332	-	-	-	-	-	-	-
Total	17,679	1,816	338	6	6	2	-	-	-	-
Ingleside										
Break Bulk	133,165	241,882	226,899	46,637	224,714	277,147	178,826	169,609	175,551	175,287
Dry Bulk	3,506	(3,506)	-	-	42,722	-	-	7,012	4,615	10,742
Petroleum	6,531,995	6,769,131	7,115,455	6,909,586	7,741,913	7,475,838	7,660,416	7,715,429	5,330,829	4,957,218
Total	6,668,666	7,007,507	7,342,354	6,956,223	8,009,349	7,752,985	7,839,242	7,892,050	5,510,995	5,143,247
Rincon Point										
Break Bulk	62	6,234	17,918	26,510	4,519	18,829	6,130	10,500	9,025	1,669
Grain	-	-	-	5,746	10,329	14,040	-	12,503	31,726	15,312
Dry Bulk	6,890	61,574	38,690	1,707	(1,707)	-	1,734	12,291	48,647	25,790
Total	6,952	67,808	56,608	33,963	13,141	32,869	7,864	35,294	89,398	42,771
Total	85,131,124	86,393,803	86,785,949	86,982,834	89,319,692	85,859,438	76,519,648	82,194,297	80,310,217	78,806,188
Commodity Totals - *Short tons*										
Break Bulk	361,246	503,016	444,982	256,697	445,203	552,590	317,993	339,259	306,631	390,966
Grain	1,666,579	1,836,090	2,098,829	2,031,610	3,377,386	5,423,867	3,951,347	4,113,277	4,214,821	2,578,847
Chemical	2,004,086	2,142,736	1,795,329	1,569,993	1,848,874	1,630,018	1,410,028	1,468,243	1,743,708	1,966,012
Dry Bulk	6,833,913	7,289,404	8,396,054	7,700,130	8,241,554	7,891,342	6,443,658	6,866,446	8,692,368	7,939,684
Liquid Bulk	243,135	407,906	518,403	248,355	513,036	301,007	131,100	506,211	533,543	554,336
Petroleum	74,022,165	74,214,651	73,532,352	75,176,049	74,893,639	70,060,614	64,265,522	68,900,861	64,819,146	65,376,343
Total	85,131,124	86,393,803	86,785,949	86,982,834	89,319,692	85,859,438	76,519,648	82,194,297	80,310,217	78,806,188

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Revenues by Source
Last Ten Years

Table 2:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Revenues:										
Wharfage	$ 13,535,168	$ 14,076,271	$ 15,388,177	$ 19,351,717	$ 27,219,535	$ 26,359,823	$ 24,826,670	$ 26,567,587	$ 27,410,252	$ 31,293,692
Dockage	3,218,880	3,858,120	4,153,902	3,354,723	3,655,333	7,078,197	7,319,259	8,138,326	8,948,217	10,331,997
Security fees	-	869,819	2,121,042	2,158,237	2,351,695	3,474,748	3,412,485	6,170,288	6,319,747	6,528,526
Freight handling	1,492,129	1,976,486	2,351,619	2,065,511	2,166,118	2,178,423	2,428,621	2,316,667	2,387,583	2,191,682
Building and land rentals	3,361,762	3,409,141	3,705,185	4,037,572	4,545,342	4,318,458	3,924,060	4,417,518	6,411,552	7,490,936
Conference center services	1,443,592	1,663,726	1,556,200	1,495,599	1,597,594	1,451,630	2,007,407	1,679,885	1,814,456	2,008,474
Warehouse handling charges	1,137,336	816,739	1,737,118	1,484,404	1,211,146	1,367,306	596,168	426,093	368,950	-
FTZ user fees	264,750	261,666	233,333	243,000	295,000	284,500	326,000	337,000	302,750	301,250
Compress	45,598	-	-	-	-	-	-	-	-	-
Other	2,380,598	1,439,329	1,485,316	1,845,648	1,887,694	4,538,108	1,585,220	2,226,488	4,735,454	2,285,857
	$ 26,879,813	$ 28,371,297	$ 32,731,892	$ 36,036,411	$ 44,929,457	$ 51,051,193	$ 46,425,890	$ 52,279,852	$ 58,698,961	$ 62,432,414
Non-Operating Revenues:										
Other:										
Interest	$ 1,222,899	$ 1,116,764	$ 1,084,006	$ 1,269,697	$ 1,230,324	$ 932,447	$ 584,849	$ 478,291	$ 467,494	$ 163,804
Other	-	1,242,935	139,182	-	-	284,048	24,836	286,631	3,901,983	337,965
	$ 1,222,899	$ 2,359,699	$ 1,223,188	$ 1,269,697	$ 1,230,324	$ 1,216,495	$ 609,685	$ 764,922	$ 4,369,477	$ 501,769

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Expenses by Type
Last Ten Years

Table 3:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Expenses:										
Maintenance and Operation:										
Employee services	$ 4,144,531	$ 5,206,360	$ 6,296,241	$ 6,768,333	$ 6,952,412	$ 8,255,443	$ 7,866,038	$ 8,374,106	$ 7,810,947	$ 8,258,807
Maintenance	2,686,825	2,641,655	3,317,396	4,173,668	6,483,605	6,340,774	4,987,113	3,538,398	5,136,098	4,896,773
Utilities	886,009	964,332	1,095,452	1,399,011	1,383,059	1,357,364	1,631,307	1,702,868	2,327,822	1,735,122
Telephone	22,358	20,468	19,694	23,716	35,699	29,991	26,436	35,286	101,960	94,604
Insurance	1,427,198	1,327,486	1,264,823	1,726,286	2,017,983	1,902,331	1,844,918	2,266,112	2,099,345	2,311,581
Professional services	228,158	444,902	544,189	400,085	344,073	424,975	900,742	691,191	1,415,731	1,771,323
Police expenses	-	64,252	36,788	53,276	39,442	74,106	55,218	66,434	14,233	24,006
Contracted services	1,485,158	1,483,850	2,155,840	2,110,723	2,166,855	1,834,442	1,426,265	1,876,695	1,897,144	1,633,668
Office and equipment rental	11,908	25,941	78,665	129,527	124,691	91,004	97,627	73,983	142,778	65,037
Operator and event expenses	1,310,806	1,438,345	1,287,428	1,311,334	1,523,025	1,280,002	1,550,059	1,415,417	1,538,092	1,678,367
Warehouse supplies	46,823	51,281	136,382	64,946	38,292	68,428	44,700	9,037	8,024	-
Safety/Environmental	46,293	43,180	53,509	50,970	62,693	90,947	71,246	69,075	83,442	77,086
General	178,488	225,660	74,745	173,190	220,500	93,105	196,113	129,909	185,198	175,307
	$12,474,555	$13,937,712	$16,361,152	$18,385,065	$21,392,329	$21,842,912	$20,697,782	$20,248,511	$22,760,814	$22,721,681
General and Administrative:										
Employee services	$ 5,048,655	$ 5,367,098	$ 5,711,388	$ 6,150,455	$ 6,808,607	$ 7,349,030	$ 7,837,903	$ 7,692,080	$ 7,224,377	$ 7,423,777
Maintenance	272,419	274,342	229,548	324,760	351,566	320,610	432,088	453,408	501,087	509,303
Utilities	131,448	135,135	162,864	218,586	222,481	196,865	224,245	172,703	194,864	171,122
Telephone	103,287	108,862	209,939	205,520	213,248	231,958	209,267	196,626	115,447	100,921
Insurance	107,456	45,278	119,854	111,670	108,314	84,451	96,638	124,620	92,492	97,774
Professional services	1,781,500	1,642,718	1,713,073	1,864,026	2,290,016	2,419,843	3,322,950	3,526,850	3,046,566	7,092,409
Police expenses	-	1,429	1,341	654	216	314	174	82	82	-
Contracted services	68,343	60,516	54,189	134,754	198,260	88,262	64,213	151,445	100,952	59,756
Office and equipment rental	8,270	3,042	4,451	6,852	10,173	18,264	40,406	59,809	65,104	76,941
Administrative	1,533,738	1,598,908	1,483,098	1,647,031	1,925,958	1,873,318	2,392,822	2,108,277	2,035,746	1,869,480
Trade and sales development	125,484	143,296	107,450	123,054	146,161	148,946	204,427	157,237	184,528	188,894
Media advertising	88,530	102,957	91,527	73,557	157,725	109,262	108,425	206,557	195,766	190,661
Production	57,538	25,460	45,124	56,861	30,773	27,917	48,319	25,678	24,222	21,774
Safety/Environmental	19,889	20,992	20,439	36,047	26,992	38,206	22,681	21,544	23,299	23,651
General	226,074	100,304	184,761	(193,238)	30,689	100,319	25,185	42,294	25,752	8,965
	$ 9,572,631	$ 9,630,337	$10,139,046	$10,760,589	$12,521,179	$13,007,565	$15,029,743	$14,939,210	$13,830,284	$17,835,428
Depreciation	$ 5,417,115	$ 5,513,656	$ 6,142,055	$ 7,127,447	$ 8,442,640	$ 9,648,639	$10,060,645	$12,165,114	$13,381,562	$13,738,571
Non-Operating Expenses:										
Other:										
Interest	$ 886,261	$ 821,270	$ 775,933	$ 739,069	$ 658,323	$ 591,057	$ 504,030	$ 450,602	$ 392,699	$ (51,908)
Other	90,856	-	-	15,395	10,293	592,931	20,735	19,386	-	9,646,400
	$ 977,117	$ 821,270	$ 775,933	$ 754,464	$ 668,616	$ 1,183,988	$ 524,765	$ 469,988	$ 392,699	$ 9,594,492

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Debt Administration
December 31, 2012

The Authority, by Resolution dated December 13, 2011, exercised its option to redeem the general revenue bonds outstanding prior to the stated maturity. Notice of Redemption was sent to all registered owners and the bonds were redeemed on January 16, 2012.

The following is a statement of changes in long-term debt for the year ended December 31, 2012:

Table 4:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds	$ 7,250,000	$ -	$ 7,250,000	$ -	$ -
Accumulated Accretion	67,641	-	67,641	-	
Total	**$ 7,317,641**	**$ -**	**$ 7,317,641**	**$ -**	**$ -**

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Notes Receivable
December 31, 2011

Table 5:

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 was 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 were applied first to interest with the remainder, if any, applied to unpaid principal.

Note payments were 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 were credited to a debt service account that was used to make scheduled note payments when due. In the event there were insufficient funds in the debt service account to meet scheduled note payments, the User was required to make up any shortfall. Should a surplus exist, the excess was applied in inverse order against principal last coming due on the note. In 2011, the Authority credited $1,338,267 of applicable revenue received from wharfage and dockage fees collected to the debt service account. In 2012, the User applied accumulated principal prepayments of $3,203,405 and applicable revenue of $267,858 received from wharfage and dockage in 2012, and made the final payment to satisfy the requirements of the note.

A summary of changes in notes receivable for the year ended December 31, 2012, is as follows:

	Beginning Balance	Additions	Maturities	Ending Balance	Current Portion
Notes Receivable	$ 844,764	$ -	$ 844,764	$ -	$ -

Table 6:

Operating Leases

The Authority leases to others certain land and improvements, and these leases are classified as operating leases. As of December 31, 2012, minimum lease payments under these operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

Years Ending	
2013	$ 6,436,704
2014	5,283,450
2015	4,611,549
2016	3,443,893
2017	1,770,865
Thereafter	24,998,587
Total	**$ 46,545,048**

PORT OF CORPUS CHRISTI AUTHORITY OF NUECES COUNTY, TEXAS

Financial Performance Indicators Last Ten Years

Table 7:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Revenues (OR)	$ 26,879,813	$ 28,371,297	$ 32,731,892	$ 36,036,411	$ 44,929,457	$ 51,051,193	$ 46,425,890	$ 52,279,852	$ 58,698,961	$ 62,432,414
Operating Expenses (OE) *	(22,047,186)	(23,568,049)	(26,500,198)	(29,145,654)	(33,913,508)	(34,850,477)	(35,727,525)	(35,187,721)	(36,591,098)	(40,557,109)
Net Operating Income (NOI)	4,832,627	4,803,248	6,231,694	6,890,757	11,015,949	16,200,716	10,698,365	17,092,131	22,107,863	21,875,305
Non-Operating Revenues	1,222,899	2,359,699	1,223,188	1,269,697	1,230,324	1,216,495	609,685	764,922	4,369,477	501,769
Non-Operating Expenses	(977,117)	(821,270)	(775,933)	(754,464)	(668,616)	(1,183,988)	(524,765)	(469,988)	(392,699)	(9,594,492)
Net Income "A" (NI"A")	5,078,409	6,341,677	6,678,949	7,405,990	11,577,657	16,233,223	10,783,285	17,387,065	26,084,641	12,782,582
Depreciation	(5,417,115)	(5,513,656)	(6,142,055)	(7,127,447)	(8,442,640)	(9,648,639)	(10,060,645)	(12,165,114)	(13,381,562)	(13,738,571)
Net Income (Loss) "B" (NI"B")	$ (338,706)	$ 828,021	$ 536,894	$ 278,543	$ 3,135,017	$ 6,584,584	$ 722,640	$ 5,221,951	$ 12,703,079	$ (955,989)
Net Capital Assets (NCA) **	$ 143,298,109	$ 139,998,166	$ 156,723,984	$ 175,997,745	$ 173,486,988	$ 218,586,423	$ 216,324,078	$ 310,154,387	$ 308,029,828	$ 205,249,468
Total Assets (TA)	$ 197,115,656	$ 212,289,063	$ 242,045,429	$ 252,168,291	$ 258,145,439	$ 263,271,819	$ 265,643,291	$ 382,785,615	$ 398,726,746	$ 398,840,431
Operating Indicators:										
Operating ROI (NOI/NCA)	3.37%	3.43%	3.98%	3.92%	6.35%	7.41%	4.95%	5.51%	7.18%	10.66%
Operating Margin (NOI/OR)	17.98%	16.93%	19.04%	19.12%	24.52%	31.73%	23.04%	32.69%	37.66%	35.04%
Operating Ratio (OE/OR)	82.02%	83.07%	80.96%	80.88%	75.48%	68.27%	76.96%	67.31%	62.34%	64.96%
Other ROI Indicators:										
ROI "A" (NI"A"/TA)	2.58%	2.99%	2.76%	2.94%	4.48%	6.17%	4.06%	4.54%	6.54%	3.20%
ROI "B" (NI"B"/TA)	-0.17%	0.39%	0.22%	0.11%	1.21%	2.50%	0.27%	1.36%	3.19%	-0.24%

* - Excludes Depreciation
** - Excludes Construction in Progress

Table 8:

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 624 cash-balance-account type 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 or is available on their website at www.tcdrs.org.

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 Authority has elected the Annually Determined Contribution Rate plan provisions of the TCDRS Act, and under this Act the contribution rate is actuarially determined annually. The actuarially determined rate for 2012 was 7.57 percent, however the governing body of the Authority adopted the rate of 11 percent and the contribution rate for employees of 7 percent. Contributions made by the Authority in excess of the actuarially determined rate are classified as net pension asset. Employee and Authority contributions were $768,756 and $6,508,045, respectively for the year ended December 31, 2012. Both the employees and the Authority make monthly contributions.

Annual Pension Cost and Net Pension Obligation

The Authority's annual pension costs were $947,109 and the actual contributions for its employees were $6,508,045. Three-year trend information is as follows:

Years Ended December 31,	Annual Pension Cost	Percentage of APC Contributed	Net Pension Asset
2012	$ 947,109	687.15%	$ 6,472,489
2011	848,535	136.53%	911,553
2010	1,018,873	127.83%	601,604

Table 8 *(Continued):*

The latest actuarial valuation for the Authority employees was completed as of December 31, 2011. The actuarial cost method and significant assumptions underlying the actuarial calculations are as follows:

Actuarial Cost Method	Entry Age
Asset Valuation Method	SAF: 10-year smoothed value ESF: Fund value
Projected Annual Salary Increases	5.4% average
Assumed Rate of Return on Investments	8.00%
Inflation Factor	3.5%
Cost of Living Adjustment	0.0%
Amortization Method:	
Unfunded Actuarial Accrued Liability	Level percentage of payroll, closed
Remaining Amortization Period:	
Unfunded Actuarial Accrued Liability	7.0 years

Schedule of Funding

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

Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded	Funded Ratio	Annual Covered Payroll	Percentage of Covered Payroll
2011	$ 23,286,544	$ 27,935,452	$ 4,648,908	83.36%	$ 10,531,666	44.14%
2010	21,744,295	26,372,629	4,628,334	82.45%	11,840,675	39.09%
2009	20,143,863	24,899,158	4,755,295	80.90%	11,397,962	41.72%

PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS

Current Investments
December 31, 2012

Table 9:

The Authority's investments at December 31, 2012, are shown below:

	Carrying Value	Fair Value	Category
Investments:			
Certificates of Deposit	$ 493,549	$ 493,549	1
Total investments	**$ 493,549**	**$ 493,549**	
Temporary investments shown as cash equivalents:			
Local government pool-TEXPOOL	$ 121,270,057	$ 121,270,057	Pooled
Total temporary investments shown as cash equivalents	**$ 121,270,057**	**$ 121,270,057**	

SINGLE AUDIT SECTION

PORT CORPUS CHRISTI

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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*

April 3, 2013

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Corpus Christi Authority as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 3, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

Collier, Johnson & Woods

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

April 3, 2013

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

Report on Compliance for Each Major Federal Program

We have audited the Port of Corpus Christi Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Collier, Johnson & Woods

PORT OF CORPUS CHRISTI AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2012

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 significant deficiencies or material weaknesses 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 Port of Corpus Christi Authority which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133."

5. The auditor's report on compliance for major Federal award programs for the Port of Corpus Christi 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. Environmental Protection Agency
   National Clean Diesel Funding Assistance Program (CFDA – 66.039)

   U.S. Department of Homeland Security
   Port Security Grant (CFDA – 97.056)

   U.S. Department of the Interior – Passed Through Texas General Land Office
   Erosion Protection for Pelican Island - Phase 2 (CFDA – 15.668)

   U.S. Department of Transportation – Passed Through Texas State Department of
   Transportation ARRA Joe Fulton International Trade Corridor (CFDA – 20.205)

8. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

9. The Authority was determined to be a low-risk auditee.

II. Findings related to the financial statements – None

III. Findings and questioned costs for Federal awards – None

IV. Prior year audit findings requiring corrective action – None

PORT OF CORPUS CHRISTI AUTHORITY OF NUECES COUNTY, TEXAS
SCHEDULE OF FEDERAL EXPENDITURES OF AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Program Title	CFDA Number	Grant Number	Expenditures
Federal Assistance			
U.S. Environmental Protection Agency			
Direct Programs			
National Clean Diesel Funding Assistance Program	66.039	DE-00F11601-0	$ 417,621
Total U.S. Environmental Protection Agency			417,621
U.S. Department of Homeland Security			
Direct Programs			
Port Security Grant #6	97.056	2006-GB-T6-0090	-
Port Security Grant #7	97.056	2007-GB-T7-0033	1,109,350
Port Security Grant #7 Supplemental	97.056	2007-GB-T7-K038	263,417
Port Security Grant #8	97.056	2008-GB-T8-K129	2,599,774
Port Security Grant #9	97.056	2009-PU-T9-K049	350,353
Total Direct Programs			4,322,894
Passed through W.J. Wagner, Inc.			
Port Security Grant #11-UPS for Port Security Cameras	97.056	EMW-2011-PU-K00178-06	20,640
Total Passed Through Programs			20,640
Total U.S. Department of Homeland Security			4,343,534
U.S. Department of the Interior			
Passed through Texas General Land Office			
Erosion Protection for Pelican Island-Phase 2	15.668	GLO12-626-000-7031	594,359
Total U.S. Department of the Interior			594,359
U.S. Department of Transportation			
Passed through Texas State Department of Transportation			
ARRA Joe Fulton International Trade Corridor	20.205	CSJ0916-35-156	645,766
Total U.S. Department of Transportation			645,766
Total Federal and passed through assistance			$ 6,001,280

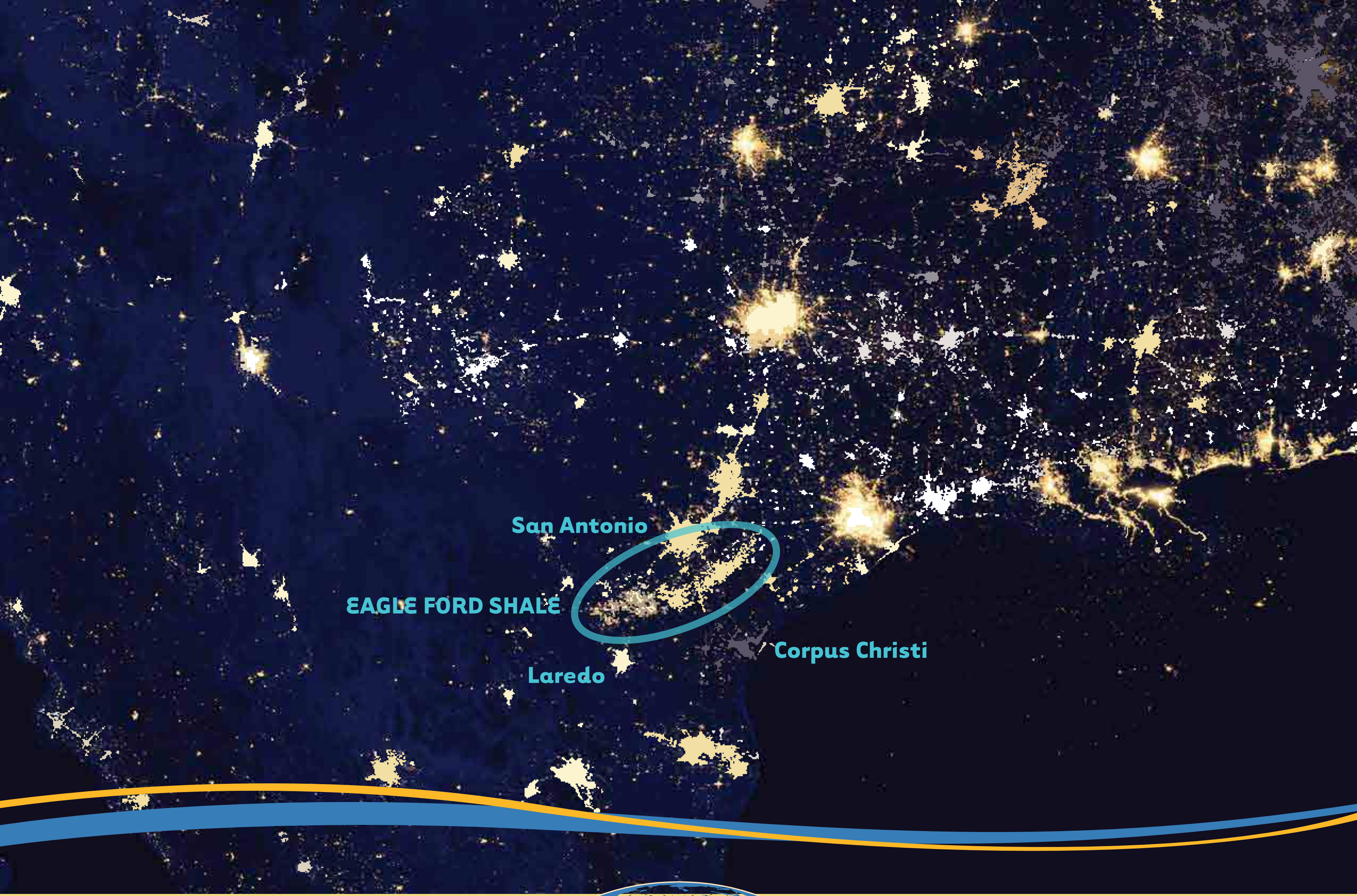
PORT OF CORPUS CHRISTI AUTHORITY OF NUECES COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

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 Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in the Notes to the Authority's financial statements.



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