



**Corpus Christi Regional Transportation Authority
Corpus Christi, Texas**

**Comprehensive Annual Financial Report
For the Year Ended December 31, 2004**



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Mission Statement

The Regional Transit Authority was created by the people to provide quality transportation in a responsible manner consistent with its financial resources and the diverse needs of the people. Secondly, the Authority will also act responsibly to enhance the regional economy.

Prepared by the Accounting & Finance Department



2004

Introductory Section

Comprehensive Annual Financial Report



COPRUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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5658 Bear Lane

Corpus Christi, Texas 78405

(361) 289-2712

May 10, 2005

Mike Rendon, Board Chair
and Members of the Board of Directors of the
Corpus Christi Regional Transportation Authority
and Citizens of the Authority's Service Area

Dear Board Chair, Board Members, and Citizens:

Management takes pleasure submitting to you this Comprehensive Annual Financial Report ("CAFR") of the Corpus Christi Regional Transportation Authority ("Authority") for the fiscal year ended December 31, 2004. This is the first CAFR to be produced since the fiscal year ended December 31, 1995. It is intended to become the standard format to be used to annually present the Authority's results of operations, financial position, cash flows, and related statistical information.

This CAFR is indicative of Authority management's commitment to providing high-quality, complete, concise, and reliable financial information about the Authority to the residents of this area and to all other interested parties. The Report is organized into the following sections:

- **The Introductory Section** contains this letter of transmittal, the Authority's Board of Directors and chief administrators, organization chart, and a map of the Authority's service area.
- **The Financial Section** contains the Independent Auditor's report, Management's Discussion and Analysis, the Authority's basic financial statements, required supplementary information, and related supplemental schedules.
- **The Statistical Section** provides financial, economic, and demographic information that is useful for indicating trends for comparative fiscal periods.
- **The Single Audit Section** provides financial and compliance information on the Authority's federal grants.

The information presented herein contains management's representations to fully disclose all financial information about the Authority in the form of financial statements, supplemental schedules, and statistical tables. Authority management bears full responsibility for this information. In conformance with accounting principles generally accepted in the United States of America ("GAAP"), the financial report was developed using the accrual basis of accounting, treating the Authority as a single enterprise fund. GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). In addition to this transmittal letter, management invites interested parties to read the MD&A and the notes to the financial statements in conjunction with the financial statements for added depth and analysis.

To provide a reasonable basis for management's representations concerning the Authority's financial information, management has established a system of internal controls that is designed to both protect the Authority's assets from loss, theft, or misuse and also to compile sufficient reliable information for the presentation of the Authority's financial statements in accordance with GAAP. Because the cost of internal controls should not outweigh the benefits, the Authority's system of controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge, this financial report is complete and reliable in all material respects.

Pursuant to Section 452.451, Subchapter J, of the Texas Transportation Code, the financial statements contained in the Financial Section have been audited by a firm of certified public accountants who are independent of the Authority. This is the first annual financial audit for the Authority performed by the firm of Collier, Johnson & Woods, P.C. The purpose of the audit is to provide reasonable, rather than absolute, assurance that the financial statements of the Authority for the year ended December 31, 2004, are free from material misstatement.

The auditor conducted the Authority's audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. An audit involves examining, on a test basis, evidence supporting amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The auditor concluded that the Authority's financial statements contained herein meet the criteria for issuing an unqualified report. The independent auditor's report is presented as the first item in the Financial Section of this report.

The Authority is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations. This type of audit is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The details concerning this audit are contained in the Single Audit Section of this report.

PROFILE OF THE AUTHORITY

The Corpus Christi Regional Transportation Authority is the primary source of a public mass transportation system that operates principally within Nueces County, Texas and certain neighboring communities. Note 1 in the Financial Section provides more details about the Authority as a legal entity.

Services

The Authority's service area encompasses Nueces County (except Petronila), the City of Gregory, and the City of San Patricio. The Authority's service area is 838 square miles and has a population of 317,015 according to the 2000 Census. Either directly or through contracts with various entities, the Authority provides virtually all transportation services in its service area. These services include fixed route, para-transit, vanpool, contracted services, and waterborne transportation. A schematic of the Authority's service area is presented at the end of this section.

The Authority maintains a fleet of 76 motorbus coaches and 39 demand responsive vehicles. In addition, the Authority utilizes a contracted ferryboat to provide its Harbor Ferry services during the summer months.

Board of Directors

An eleven-member Board of Directors (Board) establishes policy and sets direction for the Authority. Five members are appointed by the City of Corpus Christi, three members are appointed by the Nueces County Commissioners, and the remaining two members are appointed by participating small cities. The chair is appointed by the ten board members. Board members serve overlapping two-year terms. A listing of Authority Board members is included on page xiv.

Management

A General Manager is responsible for the daily operations of the Authority. He directly supervises six core personnel who lead the Operations Group, Human Resources, Information Technology, Finance, Capital Projects Administration, and the Authority's Disadvantaged Business Enterprise ("DBE") operations. Additionally, there are several departments that support these functions. The Authority had 190 employees as of December 31, 2004. An organization chart is shown within this section after the Board of Director's listing.

THE YEAR IN REVIEW

For the Authority, 2004 represented a myriad of opportunities and challenges. At the highest level, the Authority has undergone major changes on the Board and General Manager levels. Of the eleven board members, a total of 4 were new to the Board. The selection of the new General Manager in August represented the third one in the 19-year history of the Authority. After two years of declining ridership, the Authority witnessed almost a 3 per cent growth in ridership. Staff attributed the increased to an improved economy, steeper gasoline prices at the pump for consumers, newer and relatively more reliable fleet, and more opportunities for “choice” riders to utilize our services. The Authority continued its efforts to fulfill its mission to its customers by providing over 5.5 million trips through various modes of transportation services. Authority buses drove over 4.7 million miles and operated for 290,318 hours during the 363 operating days of 2004 to provide these services.

The new Bayfront Express Park and Ride service, which began in November of 2004, is an example of the greater utilization of buses on the part of choice riders. Offering direct service from the Coliseum, riders can park their cars at the Coliseum parking lot and be dropped off in front of the new American Bank Center Arena. The advantage of the non-stop 7-minute trip is twofold: avoid parking difficulties and traffic. The Bayfront Express has been a huge success. At the inaugural Cher Concert event, a total of 3,300 riders were transported.

The attractiveness of the fleet stems in large part to the introduction a combination of OPUS and Orion 30-, 35-, and 40-foot coaches. Since January of 2004, 18 such coaches were placed into service.

During the year, the Authority studied the existing fare structure for possible ways to simplify it. The Authority also considered the possibility of increasing fares in light of increasing costs of operations and, more specifically, the rising cost of fuel. Fares for fixed route services have not increased since the Authority was created in 1985. The one-way fares for the Authority’s para-transit services were last increased in 1999 from \$.50 to \$.75.

During 2004, construction on the IH 37 Livable Communities Initiative (“LCI”) started. This is the last of four original LCI projects implemented for the purpose of enhancing the beauty of the city. This project follows completion of its three predecessors - Oveal Williams LCI, Staples Street Corridor LCI, and Six Points LCI. The IH37 project is for the purpose of connecting the north side of City of Corpus Christi with the Staples Street Station by replacing an existing bridge for automobile traffic with a pedestrian-only throughway. The walkway is scheduled for completion by the summer of 2005.

Work continues on the implementation of the master plan for the Bear Lane complex. Gignac and Associates have been working on the design to upgrade the Authority’s maintenance facility, including security enhancements. The old administration building was razed consistent with the Master Plan.

Work was almost completed on the renovation of the Port Ayers Station. The \$300,000 project included replacing the exterior walls with hard stucco, including restroom and security enhancements.

The Southside Transfer Station's walls and benches were retiled. In addition, the Authority improved concrete pads, bus stop related sidewalks, and various wheelchair ramps to provide greater accessibility.

FINANCIAL CONDITION OF THE AUTHORITY

Local Economy

The Authority's ability to finance its operations is heavily dependent on sales taxes generated from the retail sales of certain taxable consumer goods in the local market. Even though sales tax spiked upward in 2004, the average long-term growth in overall sales tax collections for the previous ten-year period averaged 2.6% per year indicating milder inflationary pressures in most of those years. Currently the sales tax rate for the Corpus Christi area is 8.25%, which is the maximum rate allowed without taxpayer approval to raise it.

The largest portion of the Authority's sales taxes comes from within the City of Corpus Christi. The region has a varied manufacturing and industrial base that adds to the relative stability of the employment. Major industries with headquarters or division located within the city's boundaries, or in close proximity, include industrial, construction, meat processing, fast food restaurant, convenience store, banking, and financial services.

Unemployment in the area decreased from 7.1% to 6.7% over the last year. However, the number of jobs in the community also slightly decreased from 172,413 to 172,259. During this same period, personal income rose from \$30,097 to \$31,018 or 3.1%.

Fuel prices continue to rise above the already historical highs seen in 2004. This poses a budget challenge for the Authority's ability to control its costs. Rising fuel costs could also ultimately impact the cost of utilities and steel used in repair parts for the Authority's fleet. Management believes that these high fuel prices will have an impact on disposable income in the area, which is expected to potentially impact consumer spending and, thus, the Authority's share of sales taxes in the area.

Financial Planning, Annual Budgets and Budgetary Control

The Authority maintains its strong financial condition due to the way it manages its resources. The Authority considers financial management so vital to the accomplishment of its mission that it incorporated language directly into its mission statement to provide quality transportation services while staying within its means.

Sales tax is the primary funding source for the operating budget and federal matching grants are the primary funding source for capital purchases. The federal grants are received through the Federal Transit Administration (“FTA”) and have a matching principle wherein the Authority provides a portion to match the FTA amount.

Each year, the Authority Board adopts both an accrual-basis operating budget and a capital budget containing multi-year and single-year projects. These budgets serve as policy documents, operations guides, financial plans, and communication devices. The process for developing these budgets begins in July and, through a series of meetings and analysis, results in a balanced operating budget and a prioritized affordable capital budget. The Board must approve increases to appropriations and the General Manager may permit movement of funds within the approved budget.

In conjunction with the budget process, the Authority maintains long-term financial projections. These projections are maintained throughout the year and updated when significant events occur that warrant changes to the underlying assumptions. As an added measure of prudence, the Authority maintains internally-designated restrictions on some assets for events that could negatively impact the Authority’s operations.

By law, the Authority may not overspend the amount of total operating expenses in the approved budget. Responsibility for managing budgets is delegated to Department Heads and Project Managers. During the year, budget to actual comparisons are reported. Timely and appropriate actions must be taken if circumstances deviate from that plan while considering the ramifications.

Budget Amendment

The 2004 operating budget for sales tax funding was conservatively based upon 2003 levels actually received. In 2003, the state Comptroller’s office conducted sales tax audits of several large manufacturing companies in the Authority’s taxing area. These companies internally estimate sales taxes on goods they purchase for their operations and remit those amounts to the Comptroller’s office. This practice was approved by the Comptroller several years prior. Periodically, the Comptroller performs audits to determine if those companies over- or under-paid their sales taxes for multiple years. The effect this had on the Authority in 2003 was to refund approximately \$800,000 of sales taxes received over those years. There is no way to know the nature and extent of any refunds of this type in advance of these audits.

In light of this information, the Authority adopted a very conservative 2004 sales tax estimate, which then caused a tightening of the related expense budgets. The refunding levels estimated in the budget did not occur to the magnitude of the prior year and other sales tax activities were higher than budget. However, record high fuel prices, increasing need for repair parts to maintain buses, and a higher than expected actuary-determined pension contribution made a budget amendment necessary.

The Authority Board approved one amendment to its operating budget during 2004 as shown in the following table:

Category	Original Budget	Amendment	Revised Budget
Operating Revenues	\$ 1,139,605	-	1,139,605
Operating Expenses	21,955,571	687,527	22,643,098
Operating Income (Loss)	(20,815,966)	(687,527)	(21,503,493)
Other Income (Expense)	17,521,465	687,527	18,208,992
Net Income	(3,294,501)	-	(3,294,501)
Estimated Federal Share of Depreciation	3,307,935	-	3,307,935
Net Operating Budget	\$ 13,434	-	13,434

There were no amendments made to the Authority's capital budget, which contained \$11.5 million in multi-year projects and new 2004 requests of \$6.1 million. The bulk of the budget was for buses and bus facility-related projects. There were also appropriations for completing the ADART software development and various equipment replacements.

Comparison of Budget to Actual

Significant variances from budget in the revenue categories are primarily due to higher sales tax revenues and less need from preventive maintenance grant funding than originally anticipated. The unfavorable variance in investment income is due to an unrealized loss of \$46,807 on the market value of securities included in the Authority's investment portfolio. GAAP requires that this loss be recognized in the financial statements at December 31, 2004. Otherwise, investing activities were slightly higher than budget.

Revenue Category	Actual	Budget (Amended)	(Un)favorable Variance
Operating Revenues	\$ 1,142,949	1,139,605	3,344
Sales Tax	17,621,532	16,669,388	952,144
Federal and other grants	2,352,033	2,477,343	(125,310)
Investment Income	192,654	230,665	(38,011)
Total	\$ 21,309,168	20,517,001	792,167

The Authority spent about \$648,000 less than the amended budget. There were large variances primarily for fuel, parts, and utilities due to increases in market costs. There were savings from budget due to less than full staffing of bus operators and turn over in several key positions during the year. Also, health insurance claims were lower during 2004 than the prior year, on which the budget was based. Depreciation was lower than budget due to buses being replaced later in the year than originally anticipated. The following tables depict operating expenses both by function and by object class.

TABLE 3			
Expense Category	Expenses by Function - Actual to Budget		
	Actual	Budget (Amended)	(Un)favorable Variance
Transportation	\$ 4,411,779	4,476,538	64,759
Customer Programs	\$ 462,843	507,902	45,059
Purchased Transportation	\$ 4,256,034	4,319,226	63,192
Service Development	\$ 175,064	173,550	(1,514)
MIS	\$ 247,997	249,862	1,865
Vehicle Maintenance	\$ 3,720,091	3,554,536	(165,555)
Facilities Maintenance	\$ 734,313	771,068	36,755
Materials Management	\$ 152,440	157,825	5,385
Administrative and General	\$ 3,183,906	3,537,391	353,485
Special Projects	\$ 97,243	117,200	19,957
Depreciation	\$ 4,553,847	4,778,000	224,153
Total	\$ 21,995,557	22,643,098	647,541

TABLE 4			
Expense Category	Expenses by Object - Actual to Budget		
	Actual	Budget (Amended)	(Un)favorable Variance
Salaries	\$ 6,678,682	6,773,852	95,170
Fringe Benefits	1,156,448	1,192,482	36,034
Services	1,403,084	1,497,725	94,641
Materials and Supplies	2,319,241	2,225,150	(94,091)
Utilities	267,835	257,475	(10,360)
Insurance - Health	889,156	1,104,828	215,672
Insurance - Other	177,926	194,619	16,693
Purchased Transportation	4,274,364	4,279,822	5,458
Miscellaneous	189,929	246,283	56,354
Leases	85,045	92,862	7,817
Depreciation	4,553,847	4,778,000	224,153
Total	\$ 21,995,557	22,643,098	647,541

Cash Management

The Authority is subject to the requirements of Chapter 2256 of the Texas Government Code, commonly known as the “Public Funds Investment Act.” The Authority has incorporated the requirements of this code into its internal investment policies. This policy must be adopted annually by the Board of Directors. The overall strategies of the investment policy are to protect the amounts invested, to conservatively maximize investment earnings, and to have the funding available to meet Authority obligations as they become due. Management provides the Board with quarterly updates on the portfolio status and earning yields.

The Authority maintains a single commingled portfolio that includes all operating and capital funds. As of December 31, 2004, the Authority’s portfolio consisted of \$15.6 million of certificates of deposit, approved mutual funds, repurchase agreements, and United States Agency investments. The Authority did not invest in United States Treasuries because of the more favorable yields available in agency issues.

The dollar-weighted average yield for the portfolio for the last quarter of 2004 was 1.71% compared to the six-month Treasury benchmark of 1.61% for the same period. The market value of the portfolio as of December 31, 2004, was \$15,538,719 compared to a carrying value of \$15,555,097.

The Authority’s practice is to hold all investments until maturity. At December 31, 2004, the weighted average period to maturity is 178 days. Because of lower market yields in the current investing environment, no funds are currently being invested for more than one year. The most recent investments are for approximately six months.

Banking Operations

The Authority changed depository banks during 2004. Under the new banking arrangements, all control over key banking activities rests with Authority staff, who conduct much of the day to day transactions and monitoring over a secure connection to the bank’s systems via the internet.

The banking environment is moving from the traditional paper environment to electronic. Consistent with these changes, the Authority is in the process of making a similar transition while enhancing internal controls in the process.

Risk Management

The Authority's insurance structure includes coverage for various property, liability, workers compensation, and employee health benefits coverage. Property and Liability coverage is fully insured with an independent insurance company.

As of December 1, 2004, the Authority's workers compensation coverage is fully insured. Prior to that, the Authority maintained self-insurance up to \$50,000 per claim with a \$150,000 aggregate for the plan's year.

The Authority provides health insurance benefits for its employees using a self-insured program structure with a stop-loss at \$50,000 per claim. The estimated aggregate of claims is approximately \$1 million for the current plan year.

Retirement Plans

The Authority does not participate in the federal social security program but instead maintains two pension plans for its employees.

One of the pension plans is a single-employer defined benefit pension plan. All full-time Authority employees are eligible to participate and no employee contributions are allowed. Under the terms of the plan adopted by the Board of Directors, the Authority contributes amounts to the plan and uses the services of a professional actuary to recommend the appropriate amount annually.

The Authority also maintains a separate defined contribution plan. This plan is funded only by mandatory employee contributions at the rate of 7.51% of gross remuneration. The contributions remain the property of the employees, who may direct their investments by selecting from various investment alternatives available within the plan.

The notes to the financial statements provide further technical details on these plans.

GFOA

The Authority will submit this CAFR to the Government Finance Officers Association (“GFOA”) to apply for recognition in the form of its esteemed Certificate of Achievement for Excellence in Financial Reporting. The requirements for this program are quite stringent and the Authority realizes the value of earning such an honor. Management believes that this report meets the criteria for the award.

ACKNOWLEDGEMENTS

The Authority expresses thanks to the staff of the Accounting and Finance Department for the significant investment of time and effort needed in order to prepare this report. Likewise, a thank you to Fred Haley, Sharlene Sexton, Charles Trexler, Sharon Montez, and Sylvia Castillo who provided much of the supporting data included in this report. The Authority wishes to also thank Audre Debler of the Port of Corpus Christi for her contributions and various guidance that was instrumental in preparing the first report of this type for the Authority under current management.

Ricardo Sanchez
General Manager

Elias Sissamis
Director of Finance

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

BOARD OF DIRECTORS AND ADMINISTRATION

BOARD OF DIRECTORS

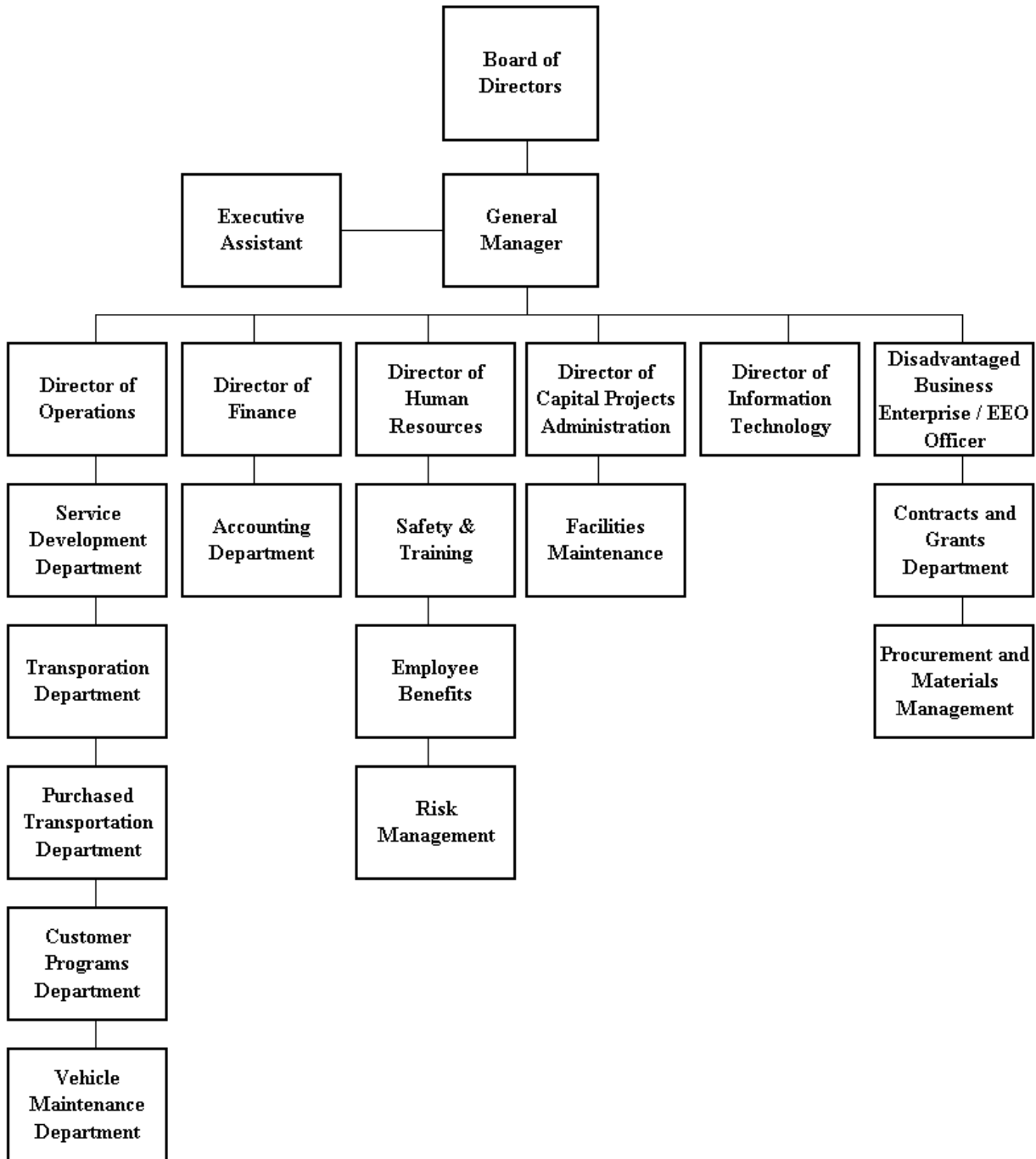
Board Chair	Mike Rendon
Board Vice Chair	Anna M. Flores
Board Secretary	Carmen P. Arias
Members	Rolando Barrera Joe Benavides John J. Buckley Davie Cissna John Longoria Crystal Lyons David Martinez Wayland Simmons
Advisory Member	Georgia R. Neblett

ADMINISTRATION

General Manager	Ricardo Sanchez
Director of Operations	David Seiler
Director of Service Development	Fred Haley
Director of Information Technology	Eduardo Carrion
Director of Human Resources	Sharlene Sexton
Director of Finance	Elias Sissamis
DBE / EEO Officer	Lamont Taylor

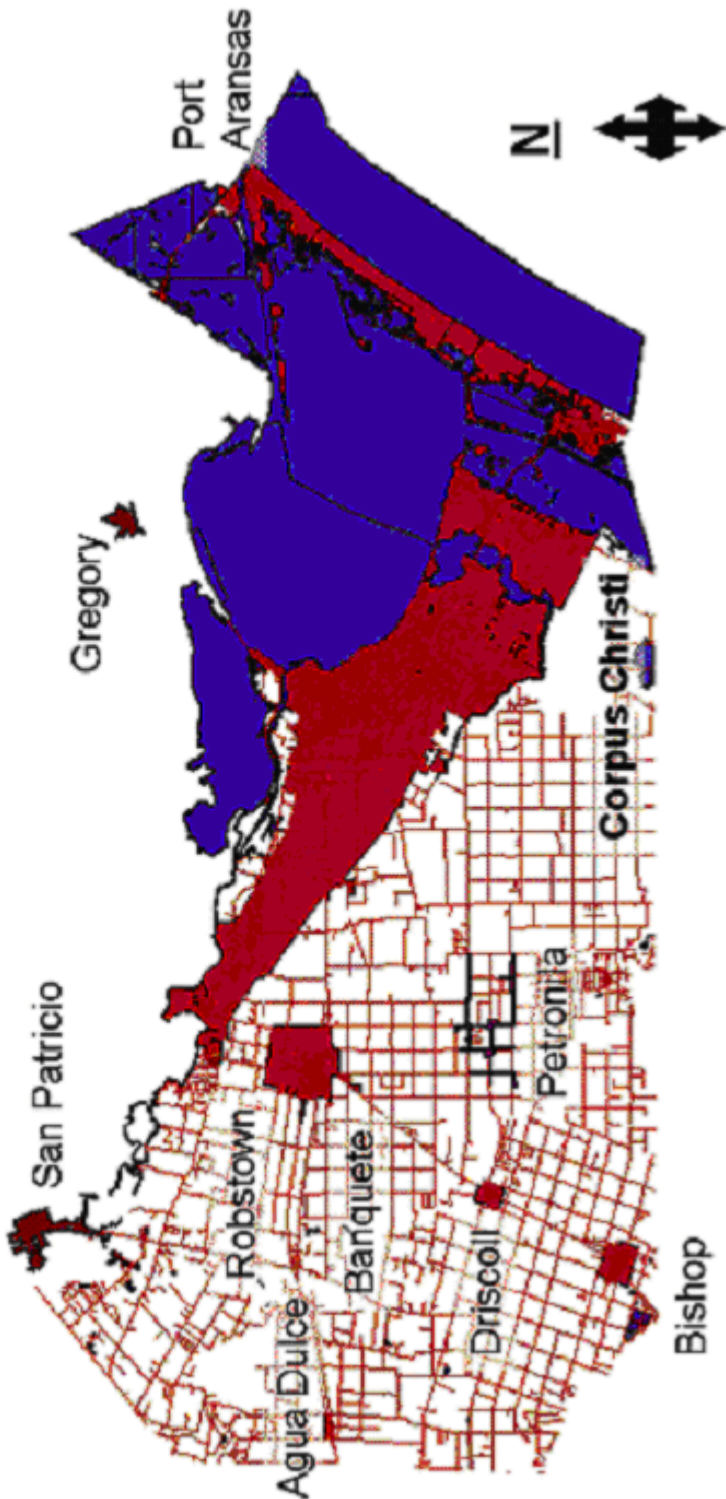
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

ORGANIZATION CHART



AUTHORITY SERVICE AREA

- All of Nueces County (except Petronila)
- City of Gregory (San Patricio County)
- City of San Patricio (San Patricio County)



2004

Financial Section

Comprehensive Annual Financial Report



INDEPENDENT AUDITOR'S REPORT

May 10, 2005

Board of Directors of the
Corpus Christi Regional Transit Authority

We have audited the accompanying statements of the net assets of the Corpus Christi Regional Transit Authority as of December 31, 2004 and the related statements of revenues, expenses and changes in net assets for the year then ended, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2005 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information on pages 3 through 14 and 39 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corpus Christi Regional Transit Authority's basic financial statements. The introductory section, supplemental information, 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 awards, pages 59 and 60, 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* is also not a required part of the basic financial statements of the Authority. The supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Collins, Johnson & Wood

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management of the Corpus Christi Regional Transportation Authority (“Authority”) offers to readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority during the year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the audited financial statements taken as a whole, the notes to the financial statements, and supplementary information presented.

FINANCIAL HIGHLIGHTS

- The Authority’s net assets total \$48.3 million at December 31, 2004. This represents an increase of \$4.4 million over 2003. Of total net assets, \$16.6 million is unrestricted and may be used to meet the Authority’s ongoing obligations to citizens and creditors in accordance with its mission.
- At December 31, 2004, current assets total \$19.8 million, a slight decrease of 1.6% from December 31, 2003.
- As of December 31, 2004, total liabilities decreased by \$1.5 million from December 31, 2003. This is due to payouts for previously accrued street improvements during 2004 and lower accruals at the end of the year compared to 2003.

BASIC FINANCIAL STATEMENTS

The Authority issues three basic financial statements and related notes to the financial statements:

1. Statement of Net Assets
2. Statement of Activities and Changes in Net Assets
3. Statement of Cash Flows

These statements are presented using the economic resources measurement focus and the accrual basis of accounting similar to the way private sector businesses present their financial information. The Authority is structured as a single enterprise with revenues recognized in the financial statements when both earned and measurable, not when actually received in cash. Expenses are recognized when they are incurred, not when they are paid. The costs of capital assets are capitalized by placing them on the balance sheet and then, except for land, depreciated over their estimated useful lives. Land is not depreciated since it has no known finite useful life that can be determined for depreciation purposes.

The Statement of Net Assets presents information on all the Authority's assets and liabilities, with the difference between them being reported as 'net assets.' Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases in assets without a corresponding increase in liabilities have a similar effect on net assets and, thus, improve the financial position of the Authority. The presentation of net assets also distinguishes between those invested in capital assets and those that are unrestricted by external parties or legal requirements.

The Statement of Activities and Changes in Net Assets accounts for the change in net assets by showing the details of current year's revenue and expense activities that caused the change. This statement measures the Authority's operations and can also be used to determine whether the Authority has successfully recovered all of its costs through fares and other user charges, sales taxes received, subsidies, and other sources of funding available. This statement can also serve as a basis for creditworthiness.

The Statement of Cash Flows provides details about the Authority's sources of cash, uses of cash, and the overall change in cash over the fiscal year. These activities are categorized by the different activities in which the Authority engages: operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes should be read as an integral part of the financial statements.

These financial statements can be found beginning on page 16 in the Financial Section.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets provide one indicator of the financial position and overall health of the organization. Increases in net assets indicate an improved financial position while decreases indicate deterioration of financial position. The Statement of Net Assets provides the necessary information on which to base this determination. These net assets are presented in two components: (1) those invested in capital assets and (2) those unrestricted and available for operations. It is important to understand that unrestricted net assets are not necessarily idle assets without a purpose attached to them. The Authority's long-range financial projections provide an in-depth forecast of the planned uses of these resources over the future.

CONDENSED SUMMARY OF NET ASSETS			
December 31			
	2004	2003	Change
Current and Other Assets	\$ 19,808,183	20,127,625	(319,442)
Capital Assets, Net of			
Accumulated Depreciation	31,705,996	28,376,996	3,329,000
Total Assets	51,514,179	48,504,621	3,009,558
Current Liabilities	2,315,886	3,760,242	(1,444,356)
Long Term Liabilities	875,245	850,791	24,454
Total Liabilities	3,191,131	4,611,033	(1,419,902)
Invested In Fixed Assets	31,705,996	28,376,996	3,329,000
Unrestricted	16,617,052	15,516,592	1,100,460
Total Net Assets	\$ 48,323,048	43,893,588	4,429,460

The Authority's net assets as of December 31, 2004, total \$48.3 million. This amount is the difference between total assets of \$51.5 million and total liabilities of \$3.2 million. The Authority's net assets increased \$4.4 million during 2004. Assets increased \$3.0 million while liabilities decreased by \$1.5 million, which resulted in the increase in net assets and, thus, improved financial position during 2004.

The largest portion of the Authority's total net assets reflect an investment in capital assets consisting of buses, bus stops, shelters, stations, operating facilities, and related land. There is no debt associated with these assets. The Authority uses these assets for the purpose of achieving its mission.

Capital Asset Activities

During 2004, the Authority completed several key capital projects. These projects include replacement of aging motor buses for fixed route service (\$4.9 million) and replacement of 11 other vehicles for para-transit service (\$723 thousand),

The Authority also saw the completion of ADART software development and utilization of the program to schedule trips for the Authority's para-transit service, major renovations completed for the Livable Communities Initiative at Port and Ayers Streets, completion of work done to the bus stop at the Fairgrounds, improvements to the Bear Lane facility parking lot, and a myriad of improvements to various bus shelters and stops.

The primary funding source for capital projects is federal formula and discretionary grants. The Schedule of Expenditures of Federal Awards on page 59 provides more details on federal grant activities during the year. The Single Audit Section of this CAFR provides information on the overall program.

The Authority's capital assets are typically acquired using a combination of funding provided by federal grants and the Authority's local dollars. Assets are then depreciated while maintaining the funding break-down. The following shows the Authority's assets by funding source as of December 31, 2004:

	Federally <u>Funded</u>	Locally <u>Funded</u>	<u>Total</u>
Capital Assets at Cost	\$ 48,965,973	20,656,196	69,622,169
Less: Accumulated Depreciation	<u>25,945,336</u>	<u>11,970,837</u>	<u>37,916,173</u>
Capital Assets, Net	<u>\$ 23,020,637</u>	<u>8,685,359</u>	<u>31,705,996</u>

Long-Term Liabilities

Long-term liabilities consist of \$.9 million in net pension obligation relating to the Authority's Deferred Benefit Pension Plan. The net pension obligation is the cumulative difference between annual pension cost plus interest on the balance and the Authority's actual contributions. The Authority corrected the accounting for pension liability in 2004 and will evaluate funding in the coming year. The 2003 balances in this MD&A have been restated for this correction.

While the Statement of Net Assets focuses on financial position at a point in time, the Statement of Revenues, Expenses, and Changes in Net Assets provides further details in to what specific activities took place during the year that led to the change in net assets shown on the Statement of Net Assets. The Authority's activities are detailed in the following table.

**CONDENSED SUMMARY OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS**

<u>DESCRIPTION</u>	<u>Year Ended December 31</u>		<u>Variance</u>
	<u>2004</u>	<u>2003</u>	
Revenues:			
Operating Revenues	\$ 1,142,949	1,139,654	3,295
Non-Operating Revenues:			
Sales Tax Income	17,621,532	15,963,016	1,658,516
Federal and Other Grants	2,394,066	2,481,224	(87,158)
Investment Income	192,654	213,804	(21,150)
Total Revenues	<u>21,351,201</u>	<u>19,797,698</u>	<u>1,553,503</u>
Expenses:			
Operating Expenses	17,441,710	17,644,443	(202,733)
Depreciation Expense	4,553,847	3,983,236	570,611
Distribution To Region Entities	1,168,404	1,223,085	(54,681)
Loss On Disposition of Property	473,590	-	473,590
Total Expenses	<u>23,637,551</u>	<u>22,850,764</u>	<u>786,787</u>
Net Loss Before Capital Grants	(2,286,350)	(3,053,066)	766,716
Capital Grants	<u>6,715,810</u>	<u>6,835,502</u>	<u>(119,692)</u>
Increase In Net Assets	4,429,460	3,782,436	647,024
Net Assets, January 1	<u>43,893,588</u>	<u>40,111,152</u>	<u>3,782,436</u>
Net Assets, December 31	<u>\$ 48,323,048</u>	<u>43,893,588</u>	<u>4,429,460</u>

A closer look at the summarized information about the Authority's activities shows that the \$4.4 million increase in net assets is due to a combination of \$6.7 million in federal contributions toward fixed asset additions offset by a net loss of about \$2.3 million.

The Authority maintains that the amount of net loss shall not exceed the federally funded portion of depreciation. The amount of depreciation attributable to federal grant funding is \$3.4 million. Also, the \$.5 million write-off of the former Administration building is extraordinary and must be removed from the net loss amount. After adjusting the net loss for these items, the actual net income for the Authority is \$1.6 million. The Authority utilizes these funds to match the FTA formula grant funding, FTA discretionary grants being sought, and also fund other planned capital purchases in accordance with the Authority's long-range financial projections.

Revenues

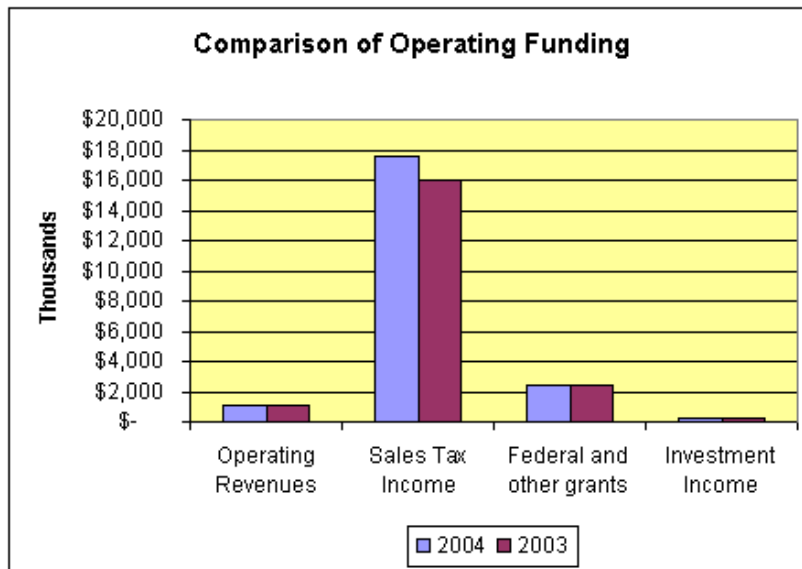
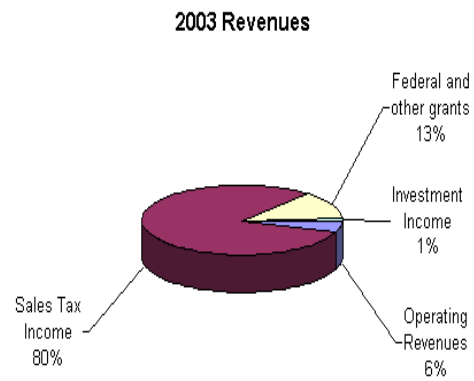
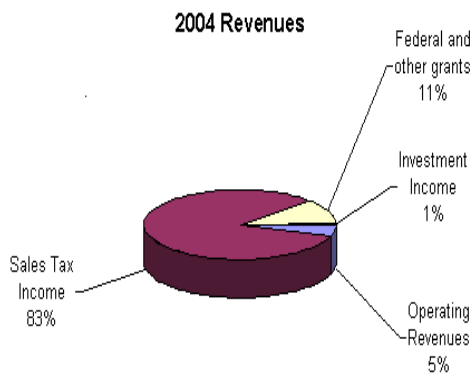
For the purposes of this presentation, the Authority groups its revenues into the following categories for discussion of significant activities.

Operating Revenues – This category of fare collections from all modes of transportation services, including fixed route fare box receipts, bus passes, Park & Ride fares, Harbor Ferry fares, Demand Response fares, and vanpools. This category also includes bus bench advertising amounts and other ancillary revenues. For 2004, this category of revenue accounted for 5.4% of total revenues. It is higher than 2003 by .3%.

Sales & Use Tax – The Authority receives a dedicated ½ cent sales and use tax levied on certain goods and services sold within its service region. This tax provides the primary funding for the annual operating budget. In 2004, the Authority's sales tax revenues increased over 2003 by \$1.7 million (10.4%). About \$800,000 of this increase is due to less refunding of sales taxes back to tax payers than 2003 levels. Otherwise, 2004 sales taxes are higher than 2003 by \$915,000 (5.5%).

Federal Grants & Other Reimbursements – The Authority received \$2.4 and \$2.5 million in federal grant funding in 2004 and 2003, respectively, to reimburse for certain inventory purchases and maintenance costs incurred for both vehicles and facilities. There is also other operating support for the Welfare to Work program undertaken by the Authority and other partner entities to transport area workers to jobs in Corpus Christi. This category of revenue accounted for 11% of total revenues in 2004 compared to 13% in 2003.

Investment Income – This represents income earned by the Authority's investing activities. For 2004, the Authority's yield on its portfolio was 1.51%, which is slightly lower than the benchmark six-month U.S. Treasury yield of 1.61% over the same time frame. The Authority's portfolio included some securities held at lower yields during a year in which the Federal Reserve made five increases to the prime rate.



Expenses By Function

The Authority's expenses are presented by function in the financial statements. Each function represents a separate purpose contributing the overall mission of the Authority and its operations. The percent of each function compared to total expenses is as follows:

<u>EXPENSES BY FUNCTION - PERCENT OF TOTAL</u>		
	<u>Year Ended</u>	
	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Transportation	39.4%	40.3%
Vehicle and Bus Facility Maintenance	20.3%	18.6%
Mission-Direct Support	4.0%	4.9%
Administrative and General	15.6%	17.7%
Depreciation	20.7%	18.4%
Totals	100.0%	100.0%

In 2004, the Authority's operating expenses, inclusive of depreciation, increased 1.7% over 2003. Removing depreciation from the totals, the Authority's 2004 spending was \$203 thousand or 1.1% less than 2003.

<u>EXPENSES BY FUNCTION – COMPARISON WITH PRIOR YEAR</u>				
Thousands of Dollars				
	<u>Year Ended December 31</u>		<u>Variance</u>	
	<u>2004</u>	<u>2003</u>	<u>Dollar</u>	<u>Percent</u>
Transportation	\$ 8,668	\$ 8,716	\$ (48)	-0.6%
Vehicle and Bus Facility Maintenance	\$ 4,454	\$ 4,020	\$ 434	10.8%
Mission-Direct Support	\$ 888	\$ 1,070	\$ (182)	-17.0%
Administrative and General	\$ 3,432	\$ 3,839	\$ (407)	-10.6%
Depreciation	\$ 4,554	\$ 3,983	\$ 571	14.3%
Totals	\$ 21,996	\$ 21,628	\$ 368	1.7%
<i>Totals Without Depreciation</i>	<i>\$ 17,442</i>	<i>\$ 17,644</i>	<i>\$ (203)</i>	<i>-1.1%</i>

The following section provides further details of the differences between the two years.

Expenses by Object

Another way to show the Authority's expenses is to group them into the following categories for discussion of *significant* activities by "object" or "type" of expense.

Labor and Fringe Benefits – These are amounts paid to employees for services and employee benefits other than health insurance. These expenses account for 33.5% of total operating expenses in 2004 and 34.1% in 2003. For 2004, these expenses increased over 2003 by 1.09% primarily due to an across the board 2% cost of living increase effective January 1, 2004, and reduced by higher vacancies in bus operator and some other positions in 2004.

Health Insurance – This amount represents the Authority's cost for providing health insurance benefits for its employees. This expense accounts for 4.2% of operating expenses during 2004 compared to 4.9% of 2003 operating costs. Health insurance costs were 13.44% lower in 2004 compared to 2003 due to lower levels of claims.

Services – This category includes various professional services, production fees, consulting, legal, contracted vehicle and facilities maintenance, and security services provided to the Authority. These expenses account for about 6.6% and 7.4% of the operating expenses in 2004 and 2003, respectively. In 2004, the Authority reduced the levels of consulting, legal, and production fees.

Materials and supplies – This category of expense includes fuel, tires, tubes, repair parts, promotional supplies, vehicle and facilities maintenance materials, supplies used by departments, and minor tools and equipment and made up 11.1% of total operating expenses in 2004 compared to 9.5% in 2003. The escalating cost of fuel is the primary cause for increase of 14.6% over the prior year amounts. In 2004, the average cost of fuel purchased by the Authority was \$1.36 versus \$1.04 in 2003. Fuel prices rose by an average of 30.7% in 2004 while consumption remained relatively flat. Repair parts needed for maintenance of the Authority's aging fleet increased primarily due to higher levels of maintenance required.

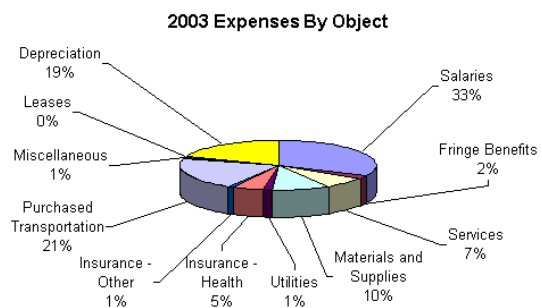
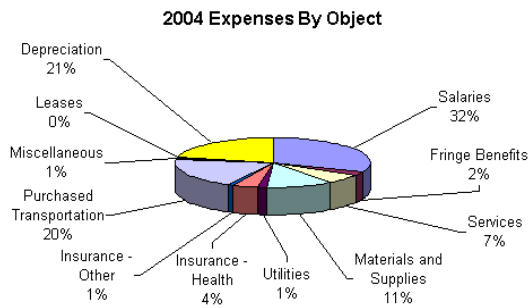
Purchased Transportation – This category of expense contains the costs of transportation provided by outside contractors. These services include B-Line, commuter routes, the Harbor Ferry, Port Aransas Trolley, Port Aransas Flexi-B, Robstown Circulator, Texas A&M services, and rural services. These costs represent about 20.1% and 20.7% of the Authority's total operating costs in 2004 and 2003, respectively. In 2004, the total cost of these services is in line with 2003.

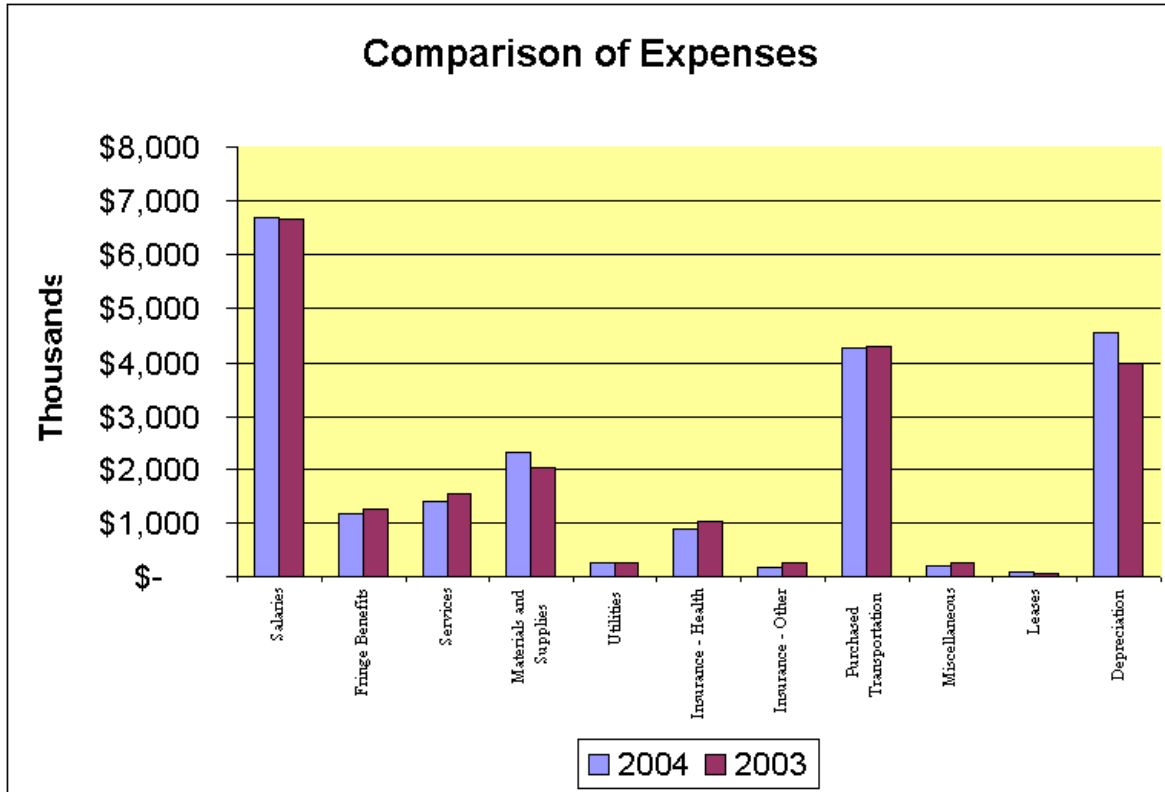
EXPENSES BY OBJECT - COMPARISON WITH PRIOR YEAR

Thousands of Dollars

	<u>Year Ended December 31</u>		<u>Variance</u>	
	<u>2004</u>	<u>2003</u>	<u>Dollar</u>	<u>Percent</u>
Salaries	\$ 6,679	\$ 6,674	\$ 5	0.1%
Fringe Benefits	\$ 1,156	\$ 1,260	\$ (104)	-8.3%
Services	\$ 1,403	\$ 1,537	\$ (134)	-8.7%
Materials and Supplies	\$ 2,319	\$ 2,024	\$ 295	14.6%
Utilities	\$ 268	\$ 261	\$ 7	2.7%
Insurance - Health	\$ 889	\$ 1,027	\$ (138)	-13.4%
Insurance - Other	\$ 178	\$ 249	\$ (71)	-28.5%
Purchased Transportation	\$ 4,275	\$ 4,297	\$ (22)	-0.5%
Miscellaneous	\$ 190	\$ 261	\$ (71)	-27.2%
Leases	\$ 85	\$ 55	\$ 30	54.5%
Depreciation	\$ 4,554	\$ 3,983	\$ 571	14.3%
Total	\$ 21,996	\$ 21,628	\$ 368	1.7%

PERCENT OF TOTAL OPERATING EXPENSES





Non-Operating Expense: Distributions to Region Entities

The Authority, through collaborative efforts with various government entities within its service area, maintains a street improvement program for the purpose of constructing, rebuilding, and rehabilitating streets within its service region. The streets are not the property of the Authority and, thus, the expenditures are reported as non-operating expenses in the Authority’s financial statements. These street projects are a major investment in enhancing mobility, reducing congestion, and improving the overall service area. The level of funding is determined annually based on estimated sales tax revenues. The level of funding allocated to this program decreased in 2004 since the Authority planned for lower sales tax revenues in its annual budget, on which the funding is based.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

For the fiscal 2005 budget, the Authority conservatively estimated sales tax increases at 2% over 2004. Passenger services and related revenues were budgeted consistent with 2004 levels. Expenses were increased to account for anticipated increases in fuel and insurance costs. There are also several key projects to be undertaken for the potential long-term benefit of the Authority. These projects include a compensation classification study for all Authority jobs, implementation of a safety and security program, FTA-required random surveys to riders, service performance surveys, and relocation of the “B” Customer Service center.

The unemployment rate in Corpus Christi is currently 6.6% compared to 6.7% at the end of 2003. The unemployment rate is 6.1% for the state of Texas and 5.8% for the country. The economic boost shown in the 2004 sales tax numbers has continued into January of 2005, which indicates favorable local economic growth.

The significant new capital project initiatives planned for next fiscal include:

- Buses and Automobiles - \$7.1 million
- Construction/Renovation/Shelter Amenities/Other improvements - \$.8 million
- Replace radio equipment that is over 20 years old - \$.5 million

In 2005, interest rates are anticipated to rise over 2004 levels. This should help boost earnings on the Authority's investments and pension plan.

The Authority is carefully monitoring fuel prices, which continued to increase after 2004 over the already record-high levels seen during that year.

During 2005, management is carefully assessing these factors in the local market and plans to continue to live within the means available.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or requests for additional information should be addressed to Open Records Request, General Manager's office, Corpus Christi Regional Transportation Authority, 5658 Bear Lane, Corpus Christi, Texas 78405, (361) 289-2712.



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Net Assets
December 31, 2004

ASSETS

Current Assets:

Cash and Cash Equivalents (Note 2)	\$	2,691,394
Investments (Note 2)		12,868,028
Receivables:		
Sales and Use Tax		3,066,573
Accrued Interest		74,593
Federal Government		384,510
Other		59,234
Inventory		378,411
Prepaid Expenses		<u>285,440</u>
Total current assets		<u>19,808,183</u>

Capital Assets (Note 3):

Land		1,400,102
Buildings		9,972,500
Transit Stations, Stops and Pads		12,929,398
Other Improvements		989,152
Vehicles and Equipment		41,356,141
Construction in Progress		<u>2,974,876</u>
Total Capital Assets		69,622,169
Less: Accumulated Depreciation		<u>(37,916,173)</u>
Capital Assets, Net		<u>31,705,996</u>

TOTAL ASSETS

51,514,179

(Continued)

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$	897,865
Accrued Compensated Absences		184,377
Distributions to Region Entities Payable		896,897
Other Accrued Liabilities		<u>336,747</u>
<i>Total Current Liabilities</i>		<u>2,315,886</u>

Non-Current Liabilities:

Net Pension Obligation (Note 4)		<u>875,245</u>
<i>Total Non-Current Liabilities</i>		<u>875,245</u>

TOTAL LIABILITIES **3,191,131**

Net Assets:

Invested In Capital Assets		31,705,996
Unrestricted		<u>16,617,052</u>

TOTAL NET ASSETS \$ **48,323,048**

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended December 31, 2004

Operating Revenues:	
Passenger Service	\$ 1,088,331
Bus Advertising	8,200
Charter Service	13,199
Other Operating Revenues	<u>33,219</u>
Total Operating Revenues	<u>1,142,949</u>
Operating Expenses:	
Transportation	4,411,779
Customer Programs	462,843
Purchased Transportation	4,256,034
Service Development	175,064
MIS	247,997
Vehicle Maintenance	3,720,091
Facilities Maintenance	734,313
Materials Management	152,440
Administrative and General	3,183,906
Special Projects	97,243
Depreciation	<u>4,553,847</u>
Total Operating Expenses	<u>21,995,557</u>
Operating Loss	(20,852,608)
Non-Operating Revenues (Expenses)	
Sales and Use Tax Revenue	17,621,532
Federal and Other Grant Assistance	2,394,066
Investment Income	192,654
Loss on Disposition of Property	(473,590)
Distributions to Region Entities	<u>(1,168,404)</u>
Net Loss Before Capital Grant Revenue	(2,286,350)
Capital Grant Revenue	<u>6,715,810</u>
Change in Net Assets	<u>4,429,460</u>
Net Assets, January 1 , As Previously Reported	43,709,057
Prior Period Adjustment (Note 9)	<u>184,531</u>
Net Assets, January 1, As Restated	<u>43,893,588</u>
Net Assets, December 31	\$ <u>48,323,048</u>

See Notes to Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Combined Statements of Cash Flows
Year Ended December 31, 2004

Cash Flows From Operating Activities:

Cash Received from Customers	\$ 1,090,531
Cash Received from Bus Advertising and Other Ancillary	95,397
Cash Payments to Suppliers for Goods and Services	(9,355,637)
Cash Payments to Employees for Services	(6,896,312)
Cash Payments for Employee Benefits	<u>(2,006,782)</u>
Net Cash Used for Operating Activities	<u>(17,072,803)</u>

Cash Flows from Non-Capital Financing Activities:

Sales and Use Taxes Received	17,698,242
Grants and Other Reimbursements	2,394,066
Distributions to Region Entities	<u>(1,803,986)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>18,288,322</u>

Cash Flows from Capital and Related Financing Activities:

Federal and Other Grant Assistance	6,954,897
Purchase and Construction of Capital Assets	<u>(8,480,714)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,525,817)</u>

Cash Flows from Investing Activities:

Investment Income	359,159
Purchases of Investments	(14,938,091)
Maturities and Redemptions of Investments	<u>14,400,000</u>
Net Cash Used by Non-Capital Financing Activities	<u>(178,932)</u>

Net Decrease in Cash and Cash Equivalents (489,230)

Cash and Cash Equivalents, January 1 3,180,624

Cash and Cash Equivalents, December 31 \$ 2,691,394

(Continued)

**Reconciliation of Operating Loss to Net Cash
Provided by Operating Activities:**

Operating Loss	\$	(20,852,608)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense		4,553,847
Changes in Assets and Liabilities:		
Accounts Receivable		40,779
Inventories		(39,470)
Prepaid Expenses		(115,307)
Accounts Payable and Accrued Liabilities		(686,698)
Deferred Revenues		2,200
Net Pension Obligation		<u>24,454</u>
Net Cash Used for Operating Activities	\$	<u>(17,072,803)</u>
Non-Cash Investing, Capital, and Financing Activities:		
Loss on Disposal Of Assets	\$	(473,590)
Unrealized Loss on Investments	\$	(46,807)
Premium Amortization, Net of Discount Accretion	\$	(68,156)

See Notes to Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Statement of Net Assets
December 31, 2004

ASSETS

Investments (Note 2)	\$ <u>19,500,535</u>
Total Assets	<u>19,500,535</u>

LIABILITIES

-

NET ASSETS

Held in Trust for pension benefits	\$ <u>19,500,535</u>
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See Notes to Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Statement of Changes in Net Assets
Year Ended December 31, 2004

Additions:

Investment Income	\$ 1,441,338
Employee Contributions	809,084
Employer Contributions	<u>677,500</u>
Total Additions	<u>2,927,922</u>

Deductions:

Benefits Paid	356,529
Administrative Expenses	<u>32,289</u>
Total Deductions	<u>388,818</u>

Increase in net assets	2,539,104
Net Assets, January 1	<u>16,961,431</u>
Net Assets, December 31	<u>\$ 19,500,535</u>

See Notes to Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

(1) Summary of Significant Accounting Practices

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to the accounting principles generally accepted in the United States of America (“GAAP”) for local governmental units as prescribed in the statements issued by the GASB and other recognized authoritative sources.

The Authority

The Corpus Christi Regional Transportation Authority (“Authority”) was established by referendum on August 10, 1985, as a political subdivision of the State of Texas, to develop, maintain and operate a public mass transportation system, principally within Nueces County, Texas and certain neighboring communities. As a political subdivision, it is distinct from, and is not an agency of the State, the County, the City or any other local governmental unit. Authority commenced operations on January 1, 1986.

Under state law, the Authority is authorized to levy a sales and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .5%. Such sales tax is in addition to sales and use tax is in addition to the levied by the State and County. The Authority is not authorized to levy property taxes. Authority may issue bonds backed by operating revenues. Subject to referendum, Authority may also issue bonds backed by sales taxes. To date, neither of these options has been exercised.

The Authority is not subject to federal income taxes.

“The Financial Reporting Entity,” as defined by Statement 14 of the Governmental Accounting Standards Board (“GASB”) is comprised of the primary government and its component units. The primary government includes all departments and operations of the Authority that are not legally separate organizations. An 11 member Board of Directors manages the Authority. Component units are legally separate organizations that are fiscally dependent on the Authority or for which the Authority is financially accountable. The reporting entity of the Authority consists only of the primary government. There are no component units.

The City of Corpus Christi, Nueces County, and Committee of Mayors appoint members of the Board. Such appointments do not provide these entities with oversight responsibility and Authority’s operations are excluded from their reports.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

Basis of Accounting

The accounts of the Authority, which are organized as an enterprise fund, are used to account for the Authority's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the Authority maintains its records on the accrual basis of accounting.

Revenues from operations, investments and other sources are recorded when earned. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Revenue from the ½ percent sales tax is recognized when the taxable sales transactions occur within the Authority's service area. The Comptroller of the State of Texas is responsible for collecting and distributing these amounts to the appropriate governmental organization with funding normally occurring within approximately 60 days from the date of the sale. Revenue from grants is recognized in the fiscal year in which all grant requirements for allowability have been satisfied. Allowability requirements include timing requirements, which specify the year when resources are required to be used or fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed to the extent that those standards do not conflict with or contradict guidance of the GASB. The Authority has elected not to follow subsequent private-sector guidance as it relates to its operations.

Budgets

State law requires that an annual operating budget be adopted prior to the commencement of a fiscal year. Before the budget is adopted, the Authority's Board of Directors is required to conduct a public hearing and the proposed budget must be made available to the public at least 14 days prior to the hearing. The Authority may not incur operating expenses in excess of the total budgeted operating expenses unless the Board amends the budget by order after public notice and hearing. The Authority adopts both operating and capital budgets on the accrual basis of accounting.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

Cash and Cash Equivalents

For purposes of presenting cash flows, the Authority considers all highly liquid investments with maturity dates of three months or less when purchased to be cash and cash equivalents. These include cash on hand, cash held on deposit with financial institutions in demand deposit accounts, and amounts included in pooled investment funds.

Investments

Investments are stated at fair value, except for money market investments with a remaining maturity of one year or less when purchased and nonparticipating interest earning investment contracts, which are carried at cost. Net change in the fair value of investments is recognized and reported as investment income in the financial statements.

Investments in the Employees' Defined Benefit Pension Plan are governed by a separate investment policy. Investments in the Employees' Defined Contribution Plan are self-directed by employees, who select from various investments available.

Inventories

Parts inventories are stated at average cost. Fuel inventories are carried at cost using the first-in, first-out method. In accordance with industry practice, all inventories are classified as current assets even though a portion of the inventories are not expected to be utilized within one year.

Capital Assets

The Authority defines capital assets as assets with an initial cost of at least \$250 and an estimated useful life in excess of one year. Capital assets, which include property, facilities, and equipment, are stated at historical cost. Donated assets are recorded at estimated market value as of the date of donation. Leasehold improvements are amortized over the shorter of the lease term or lives of related improvements. All costs of normal maintenance and repairs are expensed to operations as incurred.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

Dispositions are removed at cost less accumulated depreciation with the resulting gain or loss being reflected in the statement of activities and changes in net assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	20 years
Transit Stations and Bus Pads	15 years
Improvements other than buildings	5 years
Vehicles, furniture and equipment	3-12 years
Leasehold improvements	3-5 years

A portion of the proceeds from sale of property and equipment acquired with Federal grants must be remitted to the Federal government under certain circumstances.

Compensated Absences

Substantially all employees are compensated for personal, holiday, health, and certain other qualifying absences. The number of days compensated for the absences is based generally on length of service. It is the Authority's policy to permit employees to accumulate earned but unused compensated absence benefits. All compensated absences are reflected when incurred in the financial statements. Expenditures related to personal leave paid benefits are recorded in the activities statement as employees resign or retire.

Classification of Revenues

The Authority has classified its revenue as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares, charter services, and advertising. Non-operating revenues includes activities that have the characteristics of non-exchange transactions, such as sales tax proceeds and federal grants for preventive maintenance reimbursement of certain qualifying expenses.

Passenger Fares

Passenger fares are recorded as revenue at the time services are performed.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

Operating Expenses

The costs of operating the transit system are classified as operating expenses and grouped by the various major functions involved for financial statement presentation. This classification includes depreciation on the Authority's assets.

Pension Plans

It is the Authority's policy to fund pension costs annually. Pension costs are composed of normal service cost and amortization of unfunded actuarial accrued liability and prior service costs.

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.

(2) Cash, Cash Equivalents and Investments

The Authority's banking and investment policies are governed by and based upon the requirements of the Texas Government Code Section 2256 "Public Funds Investment Act" ("PFIA"). The Authority may invest its funds in the obligations of United States Treasury, its agencies and instrumentalities; direct obligations of the state of Texas; obligations of states, agencies, counties, cities and other political subdivisions of any state having a rating of not less than A; certificates of deposit; prime domestic banker's acceptances; certain commercial paper; certain mutual funds; fully collateralized repurchase agreements; and public investment pools. The Authority has complied with the provisions of the Act.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

Banking institutions in which Authority maintains time and demand deposits are considered designated depositories and, as such, must provide collateral for funds in excess of available federal deposit insurance (“FDIC”) coverage. All Authority demand deposits and repurchase agreements must be fully insured or collateralized under a written depository agreement at the rate of 102%. All collateral and must be safekept by an independent third party. All banking agreements define the types of collateral and Authority rights to the collateral in case of default, bankruptcy, or closing and establish a perfected security interest in compliance with federal and state regulations. The bank is contractually liable for the continuous monitoring and maintaining of collateral and the required margin requirements.

The Authority has all of its accounts swept to a zero balance at the end of each banking day. The funds sweep into an approved SEC registered government money market fund. The Authority utilizes the money market account for interest earnings on idle balances dependent upon interest rate opportunities and decides on the use of the account as interest rates vary. The Authority may also choose to establish a compensating balance and require the bank to provide adequate collateral.

Deposits – At December 31, 2004, the total carrying value of the Authority’s cash was \$2,691,394 and the bank balances were \$2,755,673. This amount includes \$4,325 in various petty cash funds throughout the Authority. All of these funds were covered by either FDIC insurance or were secured by collateral held in the Authority’s name.

Investments – The Authority’s investments are detailed below and categorized to give an indication of the level of risk assumed by the Authority as of December 31, 2004. The risk categories are:

- Category 1 (lowest level of risk) - investments that are insured, registered, or held by the Authority or its agent and in the Authority’s name.
- Category 2 – investments that are uninsured, unregistered, and held by the counter-party’s trust department or agent in the Authority’s name.
- Category 3 – investments that are uninsured or unregistered investments that are that are held by the counter-party’s trust department or agent but not in the Authority’s name.

Pooled investments are not categorized because they are not evidenced by certificates that exist in physical or book form. As of December 31, 2004, the Authority held the following investments:

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

	<u>Category</u>	<u>Carrying Value</u>	<u>Fair Value</u>
U.S. Agency Securities	1	\$ 12,468,028	12,451,650
Certificates of Deposit	1	400,000	400,000
Repurchase Agreements	1	219,364	219,364
Government Money Market			
Mutual Fund Pooled		<u>2,467,705</u>	<u>2,467,705</u>
Total		15,555,097	15,538,719
Short-term investments included in			
Cash and Cash Equivalents		<u>(2,687,069)</u>	<u>(2,687,069)</u>
Equity in Investments		\$ <u>12,868,028</u>	<u>12,851,650</u>

The Authority reports investments with a holding period of greater than one year from the date of purchase at fair value based on quoted market prices in the balance sheet and recognizes any changes in fair value in the year in which the change occurred. Fair value fluctuates with interest rates and increasing rates may cause the fair value to decline below cost. Authority management believes that the liquidity of the portfolio is adequate to meet the cash flow requirements and it is unlikely that an investment would have to be sold prior to its maturity and below original cost.

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. The realized gains and losses on investments that are held for more than one fiscal year and sold in the current year are included as a change in the fair value of investments reported in the prior year and the current year.

The Government Money Market Mutual Fund is an open-end mutual fund that invests only in money markets. The fund is registered with the Securities and Exchange Commission ("SEC"). The underlying portfolio is made up of U.S. Government obligations, including repurchase agreements collateralized by U.S. Government obligations.

Investments held by the Defined Benefits Pension Plan

The Authority's pension plan investments are held in trust by Wells Fargo Bank, which acts as trustee. The plans are governed by plan documents and are allowed to invest in cash, stocks, government and corporate bonds, and mutual funds. As of December 31, 2004, all investments are in mutual funds and have a fair value of \$19,500,535. These investments are not subject to credit risk classifications.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

(3) **Capital Assets**

Capital asset activities for the year ended December 31, 2004, is as follows:

	<u>Balance at 12/31/2003</u>	<u>Additions / Transfers</u>	<u>Retirements</u>	<u>Balance at 12/31/2004</u>
Non-Depreciable:				
Land	1,400,102	-	-	1,400,102
Construction in Progress	<u>7,550,372</u>	<u>(4,575,496)</u>	-	<u>2,974,876</u>
	<u>8,950,474</u>	<u>(4,575,496)</u>	-	<u>4,374,978</u>
Depreciable:				
Building	\$ 11,107,776	140,076	(1,275,352)	9,972,500
Transit Stations, Bus Stops, Street Pads & Other Improvements	11,964,725	964,673	-	12,929,398
Improvements other than Buildings	846,776	142,376	-	989,152
Vehicles, Furniture and Equipment	<u>30,050,587</u>	<u>11,684,808</u>	<u>(379,254)</u>	<u>41,356,141</u>
	<u>53,969,864</u>	<u>12,931,933</u>	<u>(1,654,606)</u>	<u>65,247,191</u>
Total Capital Assets	62,920,338	8,356,437	(1,654,606)	69,622,169
Accumulated Depreciation	<u>34,543,342</u>	<u>4,553,847</u>	<u>(1,181,016)</u>	<u>37,916,173</u>
Total Capital Assets, Net	<u>\$ 28,376,996</u>	<u>3,802,590</u>	<u>(473,590)</u>	<u>31,705,996</u>

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

(4) **Retirement Plans**

The Authority has two pension plans that provide retirement benefits to the Authority's employees.

Defined Benefit Plan

Plan Description

The "RTA Employees Defined Benefit Plan and Trust" ("DB Plan") is a single-employer defined benefit pension plan administered by the Authority. The DB Plan is governed by a plan document that complies with applicable sections of the Internal Revenue Code for qualifying retirement plans. The RTA Board may periodically amend the DB Plan document. The current plan provisions and all other requirements are established by the plan and trust agreement adopted by the RTA Board of Directors in July 1986, as amended in July 1994 and February 2002.

Vesting of benefits for all full-time employees begins at the end of the third year of service, with full vesting occurring at the end of the seventh year of service. Authority employees who retire on or after age 62 are entitled to an annual retirement benefit equal to 2% of the average annual compensation over the last three years of service, times number of years of service at the RTA. Reduced early retirement benefits are also available upon attainment of age 55 and ten years of service. The plan does not issue a separate stand-alone financial report.

In accordance with GASB Statement No. 27, "*Accounting for Pensions by State and Local Governmental Employers*," the net obligation is the cumulative difference, including interest, between the employer's required contributions in accordance with the DB Plan's actuarially required contribution funding requirements and the actual contributions made by the Authority.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

Significant actuarial assumptions used in the Authority's plan valuation are as follows:

<i>Evaluation Date</i>	<i>01/01/04</i>
<i>Cost Method</i>	<i>Entry Age Normal Cost</i>
<i>Investment Rate of Return</i>	<i>8.50%</i>
<i>Projected Salary Increases</i>	<i>4.50%</i>
<i>Amortization Method</i>	<i>Level percent of pay</i>
<i>Remaining Amortization Period</i>	<i>8.7918 Years</i>
<i>Asset Valuation Method</i>	<i>Market Value</i>

Although key assumptions did not change, the most recent actuarial report included a change in methodology to 'smooth out' the effects of a 27th biweekly payroll that occurs approximately once every twelve years at the Authority.

The following represents the significant components of the Annual Pension Cost ("APC") and changes in Net Pension Obligation ("NPO") for the year ended December 31, 2004:

Annual Required Contribution (ARC)	\$ 677,500
Adjustment to ARC	(47,863)
Interest On NPO	<u>72,317</u>
APC	701,954
Contributions	<u>(677,500)</u>
Net Change in NPO	24,454
NPO – Beginning of Year	<u>850,791</u>
NPO – End of Year	<u>\$ 875,245</u>

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Such trend information as of January 1 for the end of the preceding fiscal year (actuarial valuation date) is as follows.

Year	Annual Pension Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 701,954	\$ 677,500	97%	\$ 875,245
2003	\$ 868,798	\$ 500,000	58%	\$ 850,791
2002	\$ 561,191	\$ 225,000	40%	\$ 481,994

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

Defined Contribution Plan

The Authority also administers the “RTA Employees’ Defined Contribution Plan” (“DC Plan”) covering all employees. The DC Plan is governed by a plan document in compliance with the Internal Revenue Code and adopted by the Authority’s Board of Directors, who may amend the plan provisions.

Under the plan document of this defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment and are required to contribute 7.51% of gross remuneration. Employees may make voluntary contributions of up to an additional 10% of gross wages. Any contributions by RTA are discretionary. Employees are fully vested in their contributions. There have been no discretionary contributions by RTA.

Total covered payrolls were \$7,174,344 for the year ended December 31, 2004. Employee contributions for the year ended December 31, 2004 was \$ 537,960.

Employees direct the investing of their funds by choosing from a series of investment options.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

(5) **Insurance**

The Authority is exposed to various risks of loss related to third party liability claims; theft of, damage to, and destruction of assets; errors and omissions and injuries to employees. The Authority has a contract with an outside insurance company to provide all-risk property coverage with various limits on property and equipment of the Authority.

As a governmental unit, Authority's general and automobile liability are limited by the Texas Tort Claims Act to \$100,000 for each person and \$300,000 for each occurrence for bodily injury or death and \$100,000 for each occurrence for injury to or destruction of property.

The Authority operated a self-insurance program for workers' compensation claims until November 30, 2004. After that, the Authority was fully insured through the Texas Municipal League.

The Authority provides employees healthcare benefits, which include medical, drug, dental, and vision. These benefits are provided through a self-funded insurance arrangement through a third party administrator. The coverage includes specific deductibles for up to \$50,000 per individual claim and an annual aggregate estimated at \$1,139,285.

Settlements have not exceeded coverage for each of the past three fiscal years.

Changes in liabilities for workers compensation and health insurance for the year ended December 31, 2004 were:

	<u>Workers Compensation</u>	<u>Health Benefits</u>
Balance at 12/31/03	\$ 83,665	\$ 119,095
Incurred Claims	7,800	1,046,639
Claims Paid	<u>65,087</u>	<u>1,027,268</u>
Balance at 12/31/04	<u>\$ 26,378</u>	<u>\$ 138,466</u>

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Notes to Financial Statements
December 31, 2004

(6) **Commitments and Contingencies**

Expenditures financed by Federal grants are subject to audit by the granting agencies. In the event of any such audits, management is of the opinion that no significant liability will arise.

(7) **Concentrations**

During 2004, the Authority received \$6,635,811 for capital assistance, \$2,089,175 for preventative maintenance assistance and \$84,799 for other projects from the Federal Transit Administration. Changes in the Authority's relationship with the Federal agency could ultimately affect the operating results of the Authority.

(8) **Purchased Transportation Services**

The Authority has a contract with MV Transportation, Inc. to provide para-transit services for elderly and persons with disability and certain fixed route services. The term of the contract is for a period of four and one half years and began July 1, 2004. Expenses under this contract amounted to \$3,304,332 during 2004. All passenger fares related to these transit services is recorded by the Authority as operating revenue.

(9) **Prior Period Adjustment**

The prior period adjustment shown in the statement of activities represents the cumulative effect of correcting an accounting error. Prior years' pension liability amounts were restated to reflect compliance with the requirements of GASB Statement 27 "Accounting for Pensions by State and Local Governments." The Authority previously presented in its financial statements the actuarially determined unfunded liability as of the balance sheet date. GASB requires the Authority to reflect the cumulative effect of the difference between actuarially determined levels of funding and the amounts actually contributed to the plan by the Authority. The cumulative effect of the adjustment is an increase to the Authority's net assets of \$184,531 as of the beginning of 2004.



REQUIRED SUPPLEMENTARY INFORMATION



**Corpus Christi Regional Transportation Authority
Schedule of Funding Progress for Defined Benefit Pension Plan**

January 1	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
2005	\$ 12,996,121	\$ 14,027,843	\$ 1,031,722	92.6%	6,566,065	15.7%
2004	\$ 11,467,229	\$ 12,488,748	\$ 1,021,519	91.8%	6,223,960	16.4%
2003	\$ 9,495,065	\$ 11,978,973	\$ 2,483,908	79.3%	6,020,540	41.3%



SUPPLEMENTAL SCHEDULES



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Supplemental Schedule – Actual and Budget By Function

For the Year Ended December 31, 2004

	Original	Amended	(Un)favorable	
	Budget	Budget	Actual	Variance
Operating Revenues:				
Passenger service	\$ 1,094,850	1,094,850	1,088,331	(6,519)
Bus advertising	-	-	8,200	8,200
Charter service	14,267	14,267	13,199	(1,068)
Other operating revenues	<u>30,488</u>	<u>30,488</u>	<u>33,219</u>	<u>2,731</u>
Total Operating Revenues	<u>1,139,605</u>	<u>1,139,605</u>	<u>1,142,949</u>	<u>3,344</u>
Operating Expenses:				
Transportation	4,476,538	4,476,538	4,411,779	64,759
Customer Programs	507,902	507,902	462,843	45,059
Purchased Transportation	4,319,226	4,319,226	4,256,034	63,192
Service Development	173,550	173,550	175,064	(1,514)
MIS	216,988	249,862	247,997	1,865
Vehicle Maintenance	3,167,099	3,554,536	3,720,091	(165,555)
Facilities Maintenance	770,201	771,068	734,313	36,755
Materials Management	157,825	157,825	152,440	5,385
Administrative and General	3,271,042	3,537,391	3,183,906	353,485
Special Projects	117,200	117,200	97,243	19,957
Depreciation	<u>4,778,000</u>	<u>4,778,000</u>	<u>4,553,847</u>	<u>224,153</u>
Total Operating Expenses	<u>21,955,571</u>	<u>22,643,098</u>	<u>21,995,557</u>	<u>647,541</u>
Operating Loss	(20,815,966)	(21,503,493)	(20,852,608)	650,885
Non-Operating Revenues (Expenses):				
Sales and Use Tax Revenue	15,981,861	16,669,388	17,621,532	952,144
Federal and Other grant assistance	2,477,343	2,477,343	2,394,066	(83,277)
Investment Income	230,665	230,665	192,654	(38,011)
Loss on Disposition of Property	-	-	(473,590)	(473,590)
Distributions to Region Entities	<u>(1,168,404)</u>	<u>(1,168,404)</u>	<u>(1,168,404)</u>	<u>-</u>
Net Loss Before Capital Grants	\$ <u>(3,294,501)</u>	<u>(3,294,501)</u>	<u>(2,286,350)</u>	<u>1,008,151</u>

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Schedule of Revenues and Expenses – Actual and Budget By Object
For the Year Ended December 31, 2004

	Amended		(Un)favorable
	Budget	Actual	Variance
Operating Revenues:			
Passenger service	\$ 1,094,850	1,088,331	(6,519)
Bus advertising	-	8,200	8,200
Charter service	14,267	13,199	(1,068)
Other operating revenues	<u>30,488</u>	<u>33,219</u>	<u>2,731</u>
Total Operating Revenues	<u>1,139,605</u>	<u>1,142,949</u>	<u>3,344</u>
Operating Expenses:			
Salaries	6,773,852	6,678,682	95,170
Fringe Benefits	1,192,482	1,156,448	36,034
Services	1,497,725	1,403,084	94,641
Materials and Supplies	2,225,150	2,319,241	(94,091)
Utilities	257,475	267,835	(10,360)
Insurance - Health	1,104,828	889,156	215,672
Insurance - Other	194,619	177,926	16,693
Purchased Transportation	4,279,822	4,274,364	5,458
Miscellaneous	246,283	189,929	56,354
Leases	92,862	85,045	7,817
Depreciation	<u>4,778,000</u>	<u>4,553,847</u>	<u>224,153</u>
Total Operating Expenses	<u>22,643,098</u>	<u>21,995,557</u>	<u>647,541</u>
Operating Loss	(21,503,493)	(20,852,608)	650,885
Non-Operating Revenues (Expenses)			
Sales and Use Tax Revenue	16,669,388	17,621,532	952,144
Federal and Other grant assistance	2,477,343	2,394,066	(83,277)
Investment Income	230,665	192,654	(38,011)
Loss on Disposition of Property	-	(473,590)	(473,590)
Distributions to Region Entities	<u>(1,168,404)</u>	<u>(1,168,404)</u>	<u>-</u>
Net Loss Before Capital Grants	\$ <u>(3,294,501)</u>	\$ <u>(2,286,350)</u>	1,008,151

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Combining Statement of Net Assets
December 31, 2004

	Defined Benefit <u>Pension Plan</u>	Defined Contribution <u>Pension Plan</u>	<u>Total</u>
ASSETS			
Investments	\$ 12,996,123	6,504,412	19,500,535
Total Assets	<u>12,996,123</u>	<u>6,504,412</u>	<u>19,500,535</u>
LIABILITIES			
	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Held in Trust for pension benefits	<u>\$ 12,996,123</u>	<u>6,504,412</u>	<u>19,500,535</u>

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Combining Statements of Changes in Net Assets
December 31, 2004

	Defined Benefit <u>Pension Plan</u>	Defined Contribution <u>Pension Plan</u>	<u>Total</u>
Additions:			
Investment Income	\$ 1,026,864	414,474	1,441,338
Employee Contributions	-	809,084	809,084
Employer Contributions	<u>677,500</u>	<u>-</u>	<u>677,500</u>
Total Additions	<u>1,704,364</u>	<u>1,223,558</u>	<u>2,927,922</u>
Deductions			
Benefits Paid	167,381	189,148	356,529
Administrative Expenses	<u>8,089</u>	<u>24,200</u>	<u>32,289</u>
Total Deductions	<u>175,470</u>	<u>213,348</u>	<u>388,818</u>
Increase in net assets	1,528,894	1,010,210	2,539,104
Net Assets, January 1	<u>11,467,229</u>	<u>5,494,202</u>	<u>16,961,431</u>
Net Assets, December 31	<u>\$ 12,996,123</u>	<u>6,504,412</u>	<u>19,500,535</u>

2004

Statistical Section

Comprehensive Annual Financial Report



TABLE 1

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Revenues by Source
Last Ten Years
(Unaudited)

Year	Operating Revenues (1)	Sales And Use		Federal Operating Grants and Reimbursements		Investment Income	Other (2)	Total
		Tax						
1995	\$ 1,098,788	\$ 13,531,024	\$ -	\$ -	\$ 406,934	\$ 17,125	\$ 15,053,871	
1996	\$ 1,145,928	\$ 14,582,054	\$ -	\$ -	\$ 340,858	\$ 17,400	\$ 16,086,240	
1997	\$ 1,181,585	\$ 14,692,940	\$ -	\$ -	\$ 366,162	\$ 17,400	\$ 16,258,087	
1998	\$ 1,148,760	\$ 15,135,818	\$ -	\$ -	\$ 455,993	\$ 18,860	\$ 16,759,431	
1999	\$ 1,162,449	\$ 15,549,401	\$ -	\$ -	\$ 465,868	\$ 424,615	\$ 17,602,333	
2000	\$ 1,172,539	\$ 15,890,396	\$ -	\$ -	\$ 732,838	\$ -	\$ 17,795,773	
2001	\$ 1,118,333	\$ 16,482,198	\$ 1,182,050	\$ -	\$ 625,575	\$ 900	\$ 19,409,056	
2002	\$ 1,104,036	\$ 16,617,511	\$ 1,260,868	\$ -	\$ 387,206	\$ -	\$ 19,369,621	
2003	\$ 1,139,654	\$ 15,963,016	\$ 2,481,224	\$ -	\$ 213,804	\$ -	\$ 19,797,698	
2004	\$ 1,142,949	\$ 17,621,532	\$ 2,394,066	\$ -	\$ 192,654	\$ -	\$ 21,351,201	

(1) Includes fares, bus bench advertising, on-board advertising, and other ancillary revenues.

(2) Includes rental income from leasing office space at the former Six Points location and proceeds received on sales of buses and other property.

TABLE 2

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Revenues and Operating Assistance - Comparison to Industry Trend Data
Last Ten Years
(Unaudited)

Year	Corpus Christi RTA			Transportation Industry (1)		
	Operating and Other Miscellaneous	Sales and Use Tax	Operating Grants and Reimbursements	Operating and Other Miscellaneous	Sales and Use Tax	Operating Grants and Reimbursements
1995	10.1%	89.9%	0.0%	52.7%	42.8%	4.5%
1996	9.4%	90.6%	0.0%	53.1%	44.0%	2.9%
1997	9.6%	90.4%	0.0%	55.7%	41.3%	3.0%
1998	9.7%	90.3%	0.0%	56.0%	40.1%	3.9%
1999	11.7%	88.3%	0.0%	53.5%	42.4%	3.9%
2000	10.7%	89.3%	0.0%	53.5%	42.4%	4.1%
2001	9.0%	84.9%	6.1%	49.3%	46.2%	4.5%
2002	7.7%	85.8%	6.5%	49.8%	45.3%	4.9%
2003	6.8%	80.6%	12.5%	***	***	***
2004	6.3%	82.5%	11.2%	***	***	***

(1) Source: The American Public Transit Association, APTA 2004 Transit Fact Book, Table 64.

*** Not Available.

TABLE 3

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Operating Expenses by Function
Last Ten Years
(Unaudited)

Year	Vehicle and Facilities				Other		Total
	Transportation (1)	Maintenance	Mission-Direct Functions (2)	General and Administrative	Depreciation		
1995	\$ 7,879,223	\$ 2,306,132	\$ 776,469	\$ 1,645,141	\$ 2,659,253	\$ 15,266,218	
1996	\$ 8,376,409	\$ 2,445,482	\$ 887,743	\$ 1,500,332	\$ 3,201,317	\$ 16,411,283	
1997	\$ 8,314,316	\$ 2,512,132	\$ 782,778	\$ 1,205,691	\$ 3,362,610	\$ 16,177,527	
1998	\$ 8,160,447	\$ 2,770,202	\$ 824,387	\$ 1,322,834	\$ 3,617,508	\$ 16,695,378	
1999	\$ 8,561,215	\$ 2,793,132	\$ 733,571	\$ 1,608,296	\$ 3,344,463	\$ 17,040,677	
2000	\$ 7,684,192	\$ 3,695,969	\$ 858,253	\$ 1,783,601	\$ 3,360,665	\$ 17,382,680	
2001	\$ 7,742,871	\$ 3,883,526	\$ 853,147	\$ 2,471,752	\$ 4,200,958	\$ 19,152,254	
2002	\$ 8,329,369	\$ 3,968,553	\$ 805,627	\$ 3,011,894	\$ 4,010,875	\$ 20,126,318	
2003	\$ 8,715,881	\$ 4,019,948	\$ 874,254	\$ 3,165,532	\$ 3,983,236	\$ 20,758,851	
2004	\$ 8,667,813	\$ 4,454,404	\$ 790,347	\$ 3,529,146	\$ 4,553,847	\$ 21,995,557	
<i>Average percent of total</i>	<i>45.5%</i>	<i>18.1%</i>	<i>4.5%</i>	<i>11.7%</i>	<i>20.1%</i>	<i>100.0%</i>	

(1) Includes directly operated and purchased transportation services.

(2) Includes customer programs, service development, and materials management / parts.

TABLE 4

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Operating Expenses - Comparison to Industry Trend Data
Last Ten Years
(Unaudited)

Year	All Transportation Services		Vehicle and Facilities Maintenance		All Other		All Transportation Services		Vehicle and Facilities Maintenance		All Other	
	Transportation Services	Vehicle and Facilities Maintenance	Depreciation	All Other	Transportation Services	Vehicle and Facilities Maintenance	Depreciation	All Other	Transportation Services	Vehicle and Facilities Maintenance	Depreciation	All Other
Corpus Christi RTA												
1995	51.61%	15.11%	17.42%	15.86%	47.41%	23.43%	12.07%	17.09%				
1996	51.04%	14.90%	19.51%	14.55%	47.17%	22.90%	12.96%	16.98%				
1997	51.39%	15.53%	20.79%	12.29%	46.66%	22.50%	13.41%	17.43%				
1998	48.88%	16.59%	21.67%	12.86%	46.51%	22.05%	14.12%	17.31%				
1999	50.24%	16.39%	19.63%	13.74%	45.81%	22.12%	14.46%	17.61%				
2000	44.21%	21.26%	19.33%	15.20%	45.66%	22.86%	14.46%	17.03%				
2001	40.43%	20.28%	21.93%	17.36%	45.82%	22.67%	14.46%	17.05%				
2002	41.39%	19.72%	19.93%	18.97%	45.37%	22.64%	14.46%	17.54%				
2003	41.99%	19.36%	19.19%	19.46%	***	***	***	***				
2004	39.41%	20.25%	20.70%	19.64%	***	***	***	***				
Transportation Industry (1)												

(1) Source: The American Public Transit Association, APTA 2004 Transit Fact Book, Table 59.
*** Not Available.

TABLE 5

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Farebox Recovery Percentage and Fare Structure
Last Ten Years
(Unaudited)

Year	Percentage	Fare Structure
		<i>As of December 31, 2004</i>
1995	8.72%	Fixed Route (Sunday through Friday):
1996	8.67%	Base \$ 0.50
1997	9.22%	Seniors/Disabled/Medicare \$ 0.25
1998	8.78%	Students ages 6+ & College ID \$ 0.10
1999	8.49%	Childred 5 and under \$ -
2000	8.36%	
2001	7.48%	Fixed Route (Saturday):
2002	6.85%	Base \$ 0.50
2003	6.79%	Children 5 and under \$ -
2004	6.55%	
		Transfers (with cash payment of fare) \$ -
		Park & Ride Services:
		Calallen, Robstown & Gregory \$ 1.00
		Staples Street Station \$ 0.75
		Mission Shopping Center \$ 0.75
		Tourist Services:
		Corpus Christi Beach Tram \$ -
		Harbor Ferry \$ 3.00
		Rural Services:
		Route 67 - Bishop, Driscoll, weekdays \$ 1.00
		Route 67 - Bishop, Driscoll, Saturday \$ 0.25
		Other Special Services:
		Downtown Shuttle \$ -
		Port Aransas Shuttle \$ -
		Ozone Action Days:
		Base \$ 0.25
		Seniors/Disabled/Medicare/Students \$ 0.10
		Park & Ride \$ 0.50

Definition: Operating Revenues divided by operating expenses before depreciation.

TABLE 6

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Operating Statistics
Last Ten Years
(Unaudited)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
SYSTEM RIDERSHIP										
Fixed Route	5,201,287	5,291,626	5,522,927	5,701,804	5,714,097	5,629,391	5,638,181	5,459,063	5,201,692	5,358,362
Paratransit	209,246	216,257	202,508	197,890	190,597	179,492	167,112	163,934	166,318	165,347
Specialized Routes	6,050	6,322	6,230	6,350	8,658	7,770	8,396	12,840	15,611	17,405
Vanpool	-	-	-	-	-	7,507	11,086	-	-	-
Ferry	-	-	-	-	-	37,685	33,572	47,195	33,777	29,773
VEHICLE HOURS										
Fixed Route	199,545	206,306	200,283	200,495	201,164	209,730	213,786	217,119	216,566	218,200
Paratransit	77,773	80,334	77,919	76,687	72,877	67,622	69,669	61,369	65,773	63,857
Specialized Routes	2,909	2,945	2,881	2,884	3,862	4,040	4,961	7,510	7,583	7,441
Vanpool	-	-	-	-	-	N/A	N/A	-	-	-
Ferry	-	-	-	-	800	778	811	775	788	820
VEHICLE MILES										
Fixed Route	3,096,200	3,268,869	3,137,738	3,107,758	3,008,536	3,113,527	3,146,191	3,224,418	3,211,709	3,233,654
Paratransit	1,545,707	1,585,690	1,549,467	1,573,495	1,491,902	1,384,259	1,319,704	1,260,881	1,444,892	1,355,684
Specialized Routes	57,984	62,561	57,494	57,117	91,785	96,940	120,985	197,783	195,968	198,854
Vanpool	-	-	-	-	-	39,254	75,693	-	-	-
Ferry	-	-	-	-	1,209	1,209	1,938	1,938	1,986	2,082

TABLE 7**CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY****Demographic Statistics - Authority Service Area
Last Ten Years
(Unaudited)**

Year	Population (1)	Per Capita Income (1)	Public School Enrollment (2)	Unemployment Rate (3)
1995	322,103	\$ 12,194	55,964	* 8.4%
1996	322,125	\$ 12,194	56,038	* 8.6%
1997	320,790	\$ 13,500	55,191	* 7.6%
1998	317,827	\$ 17,350	55,088	* 6.1%
1999	321,690	\$ 20,673	51,566	* 6.6%
2000	316,198	\$ 22,275	62,349	6.2%
2001	322,214	\$ 22,864	61,572	5.6%
2002	322,446	\$ 19,829	61,798	6.1%
2003	324,896	\$ 18,843	61,436	6.6%
2004	323,854	**	61,564	6.9%

(1) Source: Corpus Christi Regional Economic Development Corporation**(2) Source: Texas Education Agency/PEIMS****(3) Source: U.S. Department of Labor-Bureau of Labor Statistics***** Corpus Christi only.****** Not Available.**

TABLE 8**CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY****Miscellaneous Statistics
(Unaudited)**

Date Authority Created	August 10, 1985
Date Authority Began Operations	January 1, 1986
Form of Government	Board of Directors with General Manager
Board of Directors	11
Service Area Square Miles	838
Population in Service Area	317,015
Type of Tax Support	Sales and Use Tax
Sales Tax Rate	0.50%
Number of Routes	42
Number of Transfer Stations	7
Number of Bus Stops	1,450
Number of Buses in Peak Service	92
Average Speed in Miles Per Hour	12

2004
Single Audit Section

Comprehensive Annual Financial Report



**Collier, Johnson
& Woods**
A Professional
Corporation

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**INDEPENDENT AUDITOR'S REPORT 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**

May 10, 2005

The Board of Directors of the
Corpus Christi Regional Transit Authority

We have audited the financial statements of the business type activities and each major fund of the Corpus Christi Regional Transit Authority, as of and for the year ended December 31, 2004, and have issued our report thereon dated May 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Authority in a separate letter dated May 10, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance with regulations that we have reported to management of the Authority in a separate letter dated May 10, 2005.

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

Collins, Johnson & Woods

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

May 10, 2005

The Board of Directors of the
Corpus Christi Regional Transit Authority

Compliance

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

We conducted our audit of compliance in accordance with auditing 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. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

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

Internal Control Over Compliance

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

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

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

Colleen Johnson & Woods

**Corpus Christi Regional Transportation Authority
 Schedule of Findings and Questions Costs
 For The Year Ended December 31, 2004**

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Type of Report on Financial Statements	Unqualified
Reportable Conditions	None
Material Weaknesses Involving Reportable Conditions	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards as defined in Section 501(a), OMB Circular A-133	None
Dollar Threshold Considered Between Type A Program and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	Authority classified as a low-risk Auditee in the context of OMB Circular A-133
Major Federal Programs	20.500 FTA Capital Investment Grants 20.507 FTA Transit Formula Grants 20.514 FTA Planning and Research
Pass-Through Entities	None

**Corpus Christi Regional Transportation Authority
Schedule of Status of Prior Year Findings and Questioned Costs
For The Year Ended December 31, 2004**

PROGRAM

DESCRIPTION

None

**Corpus Christi Regional Transportation Authority
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2004**

<u>GRANTOR</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Transportation Administration (FTA):			
FTA Capital Investment Grants	20.500	TX03-0182	\$ 24,672
FTA Capital Investment Grants	20.500	TX03-0189	<u>3,370</u>
			<u>28,042</u> *
RTA Transit Formula Funds	20.507	TX90-0367	37,795
RTA Transit Formula Funds	20.507	TX90-0407	9,608
RTA Transit Formula Funds	20.507	TX90-0441	397,584
RTA Transit Formula Funds	20.507	TX90-0507	967,227
RTA Transit Formula Funds	20.507	TX90-0581	2,103,725
RTA Transit Formula Funds	20.507	TX90-0541	129,028
RTA Transit Formula Funds	20.507	TX90-0620	1,531,324
RTA Transit Formula Funds	20.507	TX90-0649	<u>2,686,131</u>
			<u>7,862,422</u> *
FTA Planning & Research	20.514	TX26-7006	13,047
FTA Planning & Research	20.514	TX26-7010	506,768
FTA Planning & Research	20.514	TX26-7015	<u>399,506</u>
			<u>919,321</u> *
FTA Job Access and Reverse Commute	20.516	TX37-4015	<u>183,004</u>
Total Federal Awards			\$ <u><u>8,992,789</u></u>

* Major Program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Corpus Christi Regional Transportation Authority
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2004**

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the Corpus Christi Regional Transportation Authority (“Authority”). The Authority’s organization is defined in Note 1 to the Authority’s Basic Financial Statements.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority’s Basic Financial Statements.

(3) Relationship to Basic Financial Statements

Federal financial capital and operating assistance is reported in the Authority’s basic financial statements as follows:

Capital Contributions	\$ 6,635,811
Preventive Maintenance Assistance	2,089,175
Other Operating Reimbursements	84,799
Job Access and Reverse Commute funding	<u>183,004</u>
Total	<u>\$ 8,992,789</u>

(4) Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards may not agree with amounts reported in the related Federal financial reports filed with the grantor agency because of accruals which would be included in the next reports filed with the agencies.



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