Corpus Christi Regional Transportation Authority
Corpus Christi, Texas

Comprehensive Annual Financial Report
For the Years Ended December 31, 2013 and 2012

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Mission Statement

The Corpus Christi Regional Transportation Authority was created by the people to provide quality transportation and enhance the regional economy in a responsible manner consistent with its financial resources and the diverse needs of our community.

Prepared by the Finance Department

2013
Introductory Section

Comprehensive Annual Financial Report

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY

5658 Bear Lane **Corpus Christi, Texas 78405** **(361) 289-2712**

June 27, 2014

Vangie Chapa, Board Chair
and Members of the Board of Directors of the
Corpus Christi Regional Transportation Authority

Dear Board Chair, Board Members, and Citizens:

Management is pleased to submit to you this Comprehensive Annual Financial Report (CAFR) of the Corpus Christi Regional Transportation Authority (Authority) for its fiscal year ended December 31, 2013. This CAFR is indicative of Authority management's continued commitment to provide high quality, complete, concise and reliable financial information about the Authority.

Management assumes full responsibility for the completeness and reliability of this information based on a comprehensive framework of internal controls established for this purpose. 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.

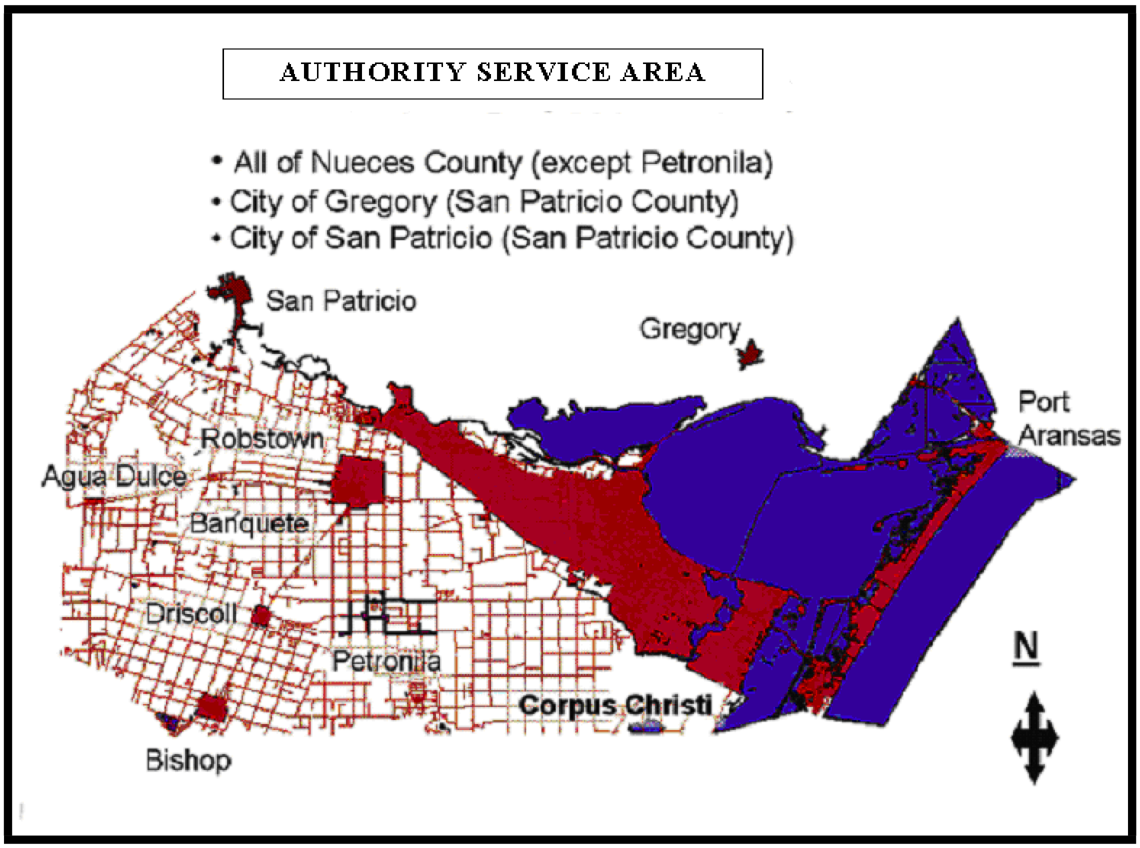
Pursuant to Section 451.451, Subchapter J, of the Texas Transportation Code, the financial statements contained herein are required to be independently audited. The Authority is also required by federal regulations to undergo an audit related to its federal grants. The independent firm of Collier, Johnson & Woods, P.C., Certified Public Accountants, has issued an unmodified (clean) opinion on the Authority's financial statements. Their opinion letters are presented first in the Financial and Single Audit sections of this CAFR.

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

PROFILE OF THE AUTHORITY

The Authority was created in 1985 by majority vote of the taxpayers and commenced operations on January 1, 1986. Note 1 in the Financial Section provides more details about the Authority as a legal entity.

Located in Corpus Christi, Texas on the coast of the Gulf of Mexico, the Authority is a *regional* provider of mass transportation services, primarily within Nueces County and also part of San Patricio County. Nueces County includes the cities of Agua Dulce, Bishop, Corpus Christi, Driscoll, Port Aransas, Robstown, and unincorporated areas. San Patricio County coverage includes the cities of Gregory and San Patricio. The total area is 838 square miles and has a population of 342,412 according to the 2010 Census. A schematic of the Authority's service area is presented below.



Services and Service Delivery

Either directly or through contractors, the Authority provides virtually all public transportation services in this area. These services include fixed route, paratransit, vanpool, specialized services, and ferryboat transportation. The Authority maintains 1,351 bus stops, four transfer stations, three park and ride lots and a fleet of 75 fixed route and 34 paratransit vehicles. Certain commuter, paratransit and ferry services are provided through contractors specializing in these services. Table 12 in the Statistical Section contains service delivery statistics for the past ten years.

Officials

An eleven-member Board of Directors (Board) governs the Authority. The City of Corpus Christi, Nueces County and Committee of Small City Mayors appoint members of the Board, excluding the Chair. The Board makes decisions, designates management, significantly influences operations and maintains primary fiscal accountability.

The Board establishes policy and sets direction for the Authority. The Board is made up of a chair and ten members. Five members are appointed by the City of Corpus Christi, three members are appointed by the Nueces County Commissioners and two members are appointed by participating small cities. The Chair is appointed by the sitting Board members. The Board members serve overlapping two-year terms. A listing of Authority Board members is included on page ix.

Executives

A Chief Executive Officer (CEO) is responsible for the daily operations of the Authority. The CEO supervises three major divisions including Administration, Capital Programs, and Operations. These broad divisions are organized into numerous departments for operational efficiency. The Authority has more than 225 employees in addition to about 100 staff employed by various contractors. An organizational chart is shown on page x.

Budget

The Board is required to adopt an annual operating budget before the beginning of each fiscal year. The budget serves as a policy document, an operations guide, a financial plan and a communication device. The process for developing the Authority's budgets typically begins with Board strategic planning in June or July and, through a series of meetings and analysis, results in an operating budget and a prioritized capital budget. The Authority may not spend more than the approved operating budget. The Board must approve increases to the budget. The CEO may permit movement of funds within the approved budget. If these reallocations are significant, Board approval is obtained.

LOCAL ECONOMY

The regional economy is diversified and includes naval air training, shipping, fishing, tourism, petrochemical refining, construction, agriculture, health care, government services and higher education. The region has a varied base that adds to the relative stability of employment. The estimated unemployment rate in Nueces County was 5.8% in 2013 compared to 6.1% in 2004. Per capita income rose from $28,220 in 2004 to an estimated $42,570 in 2013.

The Authority's ability to fund its operations is heavily dependent on a ½-cent sales and use tax generated from its regional economy. Sales tax revenues have grown at an annual average of 7.4% over the past ten years compared to average growth in operating expenses, including depreciation, of 4.4% over the same period. The Authority continues to operate with its original transit tax rate of .5%. The current overall sales and use tax rate for the Corpus Christi area is 8.25%, which is the maximum allowed by current law. Drilling activity in the Eagle Ford Shale area of South Texas continues to be a major contributor to the increase in sales tax revenue over the past three years.

In 2013, the average fuel prices for both diesel and unleaded fuel dropped $.06 and $.08, respectively from 2012 prices. However, over the past ten years diesel prices have increased by 348% while the price of unleaded gasoline has increased by 272%. Higher fuel prices at the pump tend to encourage higher utilization of public transportation by citizens. However, these same rising costs also dramatically impact the Authority's ability to afford fuel needed to provide services. Rising fuel costs also impact the cost of maintenance materials for the Authority's fleet and energy prices associated with the Authority's customer amenities. In response to these high costs, in 2012, the Authority began the conversion of its fleet to CNG, and continues replacement with CNG vehicles to maximize cost savings.

Consistent with its mission statement, the Authority remains steadfast in its commitment to provide excellent public transportation to its riders while responsibly managing resources.

Long-Range Financial Planning

Due to the significant capital investment in buses and bus facilities used for service delivery and the operating cost growth challenges experienced by transit systems across the country, the Authority maintains 20-year long-term financial projections. A primary goal of long term planning is to ensure that adequate resources are maintained for the replacement of capital assets and system expansion. Financial projections are maintained and updated when significant events occur that warrant changes to the underlying assumptions. In 2012 the Authority's long range financial plan was updated as part of a long range system plan update.

In 2012, the Authority completed the first phase of the conversion to CNG with the construction of a CNG fueling station, related modifications to the existing maintenance plant and the purchase of ten CNG powered motor buses. The Authority replaced twenty-three paratransit vehicles and seven non-revenue vehicles with CNG powered vehicles in 2013, and plans to continue the conversion of all fleet vehicles to CNG as they become eligible for replacement. The utilization of CNG should reduce the cost of fuel considerably, which has already been recognized in 2013.

Other major capital projects completed in 2013 included $2.3 million in bus stop improvements including those that increased accessibility to transit stops in accordance with ADA guidelines, and continued upgrades to information technology including a new radio system for the buses. In 2014, the Authority expects to complete another phase in the ADA bus stop accessibility plan and begin construction of a new customer service center in downtown Corpus Christi. The majority of the funding for the customer service center comes from a combination of taxable and non-taxable bonds issued in late 2013.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We express appreciation to the staff of the Finance Department for the significant investment of time and effort needed to prepare this report. Thank you to executive management for their various contributions to the information contained in this report. We also express deep appreciation for the innumerable efforts of our bus operators, street supervisors, dispatchers, trainers, security, safety personnel, mechanics, fleet service workers and facility maintenance staff who are directly involved with the daily provision of service to our customers.

Scott Neeley	Cindy O'Brien
Chief Executive Officer	**Cindy O'Brien, CPA**
	Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Corpus Christi

Regional Transportation Authority

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Jeffrey R. Emer

Executive Director/CEO

BOARD OF DIRECTORS AND ADMINISTRATION

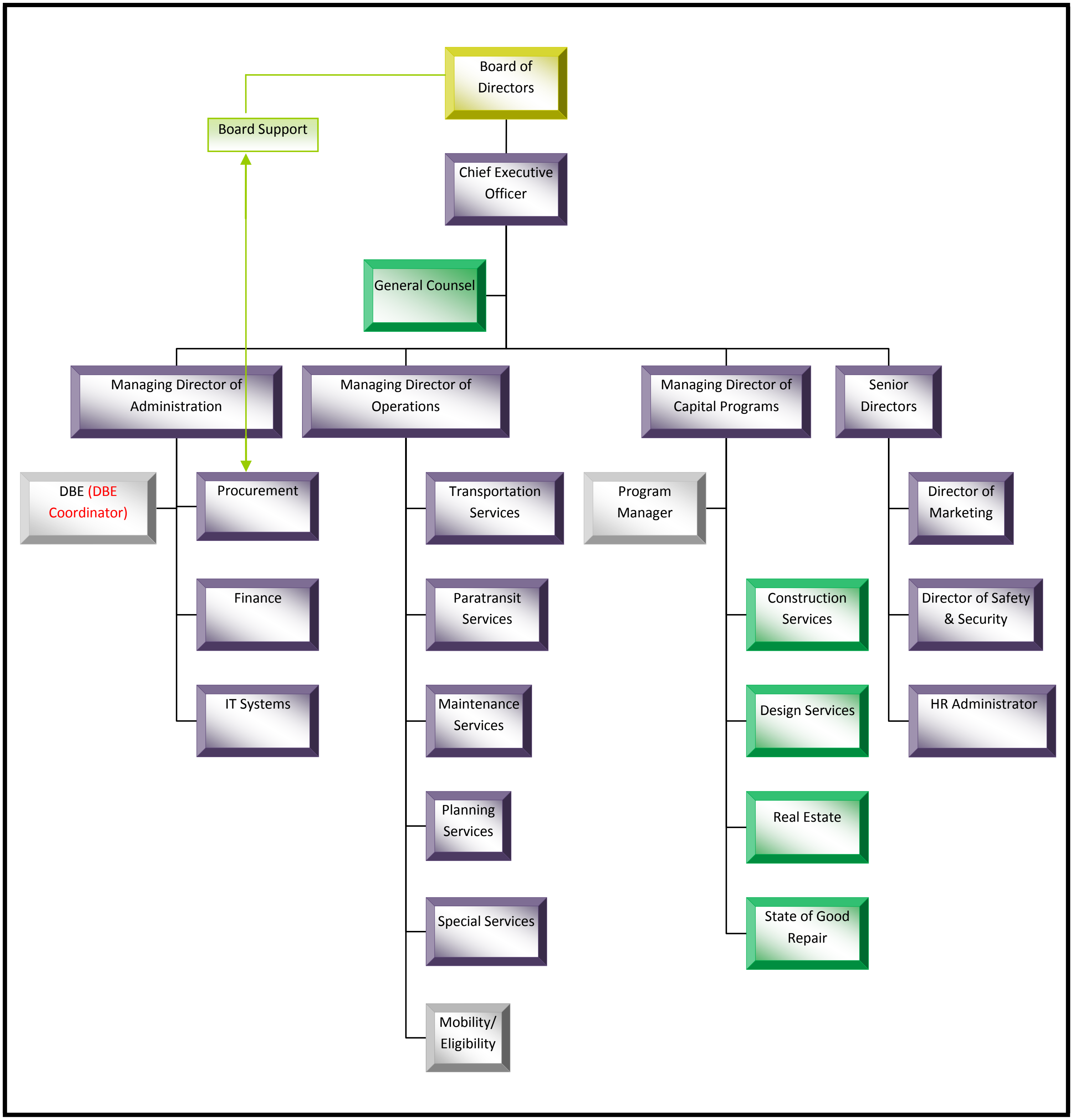
BOARD OF DIRECTORS

Board Chair	**Vangie Chapa**
Board Vice-Chair	**Lamont Taylor**
Board Secretary	**Mary Saenz**
Members	**George Clower** **Thomas Dreyer** **Tony Elizondo** **Robert Garcia** **Angie Flores-Granado** **Ray Hunt** **Jeffrey Pollack** **Curtis Rock**
Advisory Board Member	**John Valls**

ADMINISTRATION

Chief Executive Officer	**Scott Neeley**
Managing Director of Administration	**Jorge Cruz-Aedo**
Managing Director of Capital Programs	**Sharon Montez**
Managing Director of Operations	**Rosa Villarreal**

Director of Finance	**Cindy O'Brien**
Director of Maintenance	**Jose Tovar**
Director of Marketing	**Jane Haas**
Director of Planning	**Gordon Robinson**
Director of Procurement	**William Laridis**
Director of Special Services	**Terry Klinger**
Director of Transportation	**Robert Saldaña**


Board of Directors
Board Support
Chief Executive Officer
General Counsel
Managing Director of Administration
Managing Director of Operations
Managing Director of Capital Programs
Senior Directors
DBE (DBE Coordinator)
Procurement
Finance
IT Systems
Transportation Services
Paratransit Services
Maintenance Services
Planning Services
Special Services
Mobility/ Eligibility
Program Manager
Construction Services
Design Services
Real Estate
State of Good Repair
Director of Marketing
Director of Safety & Security
HR Administrator

2013
Financial Section

Comprehensive Annual Financial Report

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

555 N. Carancahua Suite 1000
Corpus Christi, Texas 78401-0839
361-884-9347 • Fax 361-884-9422
www.cjw-cpa.com

INDEPENDENT AUDITOR'S REPORT

June 27, 2014

Board of Directors of the
Corpus Christi Regional Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Corpus Christi Regional Transportation Authority as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corpus Christi Regional Transportation Authority as of December 31, 2013 and 2012, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18 and other required supplementary information on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corpus Christi Regional Transportation Authority's basic financial statements. The introductory section, supplemental schedules, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal financial awards, pages 82 and 83, is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Collier, Johnson & Woods

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Corpus Christi Regional Transportation Authority (Authority) offers to readers of its financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2013 and 2012. We encourage readers to consider this information in conjunction with the information provided in our transmittal letter found in the introductory section of this report and all other information presented in the notes to the financial statements and other sections.

FINANCIAL HIGHLIGHTS

- The Authority's net position at December 31, 2013 was $77,467,046. Of this amount, $27,852,253 (36.0%) may be used to meet the Authority's ongoing obligations to citizens and creditors in accordance with its mission statement.

- The Authority's net position increased by $4,183,485 (5.7%) during 2013 as a result of net income of $1,593,061 and capital grants of $2,590,424.

- As of December 31, 2013, the Authority had long term obligations of $22,028,257, composed of $21,450,000 in long-term debt, net of current maturities, $487,164 of other post-employment benefits and $91,093 in accrued compensated absences.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion serves to introduce the Authority's basic financial statements. These statements have two components: (1) government-wide financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The Authority is structured as a stand-alone proprietary fund and presents its financial information using the accrual basis of accounting similar to the way private sector businesses present their financial information. Revenues are 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 historical costs of capital assets are capitalized and depreciated over the estimated useful life of the assets.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities; with the difference between them being reported as net position. This is a measure of financial position, which can indicate improvement or deterioration from year to year. The presentation of net position also distinguishes between those invested in capital assets, restricted by bond covenant, and those that are unrestricted by external parties or legal requirements.

The *Statement of Revenues, Expenses and Changes in Net Position* accounts for the change in net position by showing the 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.

The *Statement of Cash Flows* provides details about the Authority's sources of, uses of and the change in cash over a fiscal year. This information is categorized into operating, non-capital financing, capital and related financing and investing activities.

The *Notes to the Financial Statements* and *Required Supplementary Information* 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.

The Authority also has fiduciary responsibility for two employee retirement funds and presents two financial statements related to them: (a) Fiduciary Funds - Statement of Net Position and (b) Fiduciary Funds - Statement of Changes in Net Position, which follow the government-wide financial statements. There is also information concerning these plans in Note 5 in the notes to the financial statements in this section.

The Authority's basic financial statements can be found beginning on page 19.

FINANCIAL ANALYSIS

Statement of Net Position:

Net Position: Increases in net position indicate an improved financial position while decreases indicate deterioration of financial position. The Statement of Net Position provides the necessary information on which to base this determination. The net position is presented in three components: (1) the net invested in capital assets, (2) the restricted by bond covenants, and (3) the unrestricted and available for operations. Nearly sixty-two percent of the Authority's total net position is invested in capital assets consisting of buses, bus stops, shelters, stations, operating facilities and related land. The Authority uses these assets for the purpose of achieving its mission. The Authority issued $22,025,000 in debt to fund a new customer service center along with the renovation of an adjacent transit station in November of 2013.

Table 1 provides summary multi-year comparative information about the Authority's net position. The change in net position can be explained by looking at the other components of the Statement of Net Position.

Table 1

CONDENSED SUMMARY OF NET POSITION

		At December 31			At December 31		
		2013	**2012**	**Change**	**2012**	**2011**	**Change**
Current Assets	$	33,411,532	35,104,552	(1,693,020)	35,104,552	32,369,128	2,735,424
Restricted Assets		23,611,392	-	23,611,392	-	-	-
Capital Assets		48,003,491	43,439,575	4,563,916	43,439,575	35,534,213	7,905,362
Total Assets		105,026,415	78,544,127	26,482,288	78,544,127	67,903,341	10,640,786
Current Liabilities		5,531,112	4,653,052	878,060	4,653,052	3,630,590	1,022,462
Long-Term Liabilities		22,028,257	607,514	21,420,743	607,514	565,915	41,599
Total Liabilities		27,559,369	5,260,566	22,298,803	5,260,566	4,196,505	1,064,061
Invested in Capital Assets		48,003,491	43,439,575	4,563,916	43,439,575	35,534,213	7,905,362
Restricted for Debt Service		1,611,302	-	1,611,302	-	-	-
Unrestricted		27,852,253	29,843,986	(1,991,733)	29,843,986	28,172,623	1,671,363
Total Net Position	$	77,467,046	73,283,561	4,183,485	73,283,561	63,706,836	9,576,725

The Authority's net position at December 31, 2013 was $77,467,046. Of this amount, $48,003,491 (61.9%) represents the Authority's investment in capital assets (land, buildings, vehicles and other equipment), $1,611,302 was restricted for debt service and the remaining $27,852,253 was unrestricted. Net position increased $4,183,485 in 2013 due to an overall increase in investments and capital assets (net of accumulated depreciation), offset by decreases in receivables and prepaid expenses and an increase in liabilities. It is the intent of the Board to assure that the Authority maintains adequate resources for operations and capital projects.

The Authority's net position at December 31, 2012 total $73,283,561. Of this amount, $43,439,575 (59.3%) represents the Authority's investment in capital assets. The remainder was unrestricted.

Current Assets: At the end of 2013, the Authority's current assets had decreased by $1,693,020 from the end of 2012. Investments were increased by a similar reduction in cash. Receivables and prepaid expenses were lower than in 2012 by $2,179,740 while the net pension asset and inventories increased by $282,954 and $147,346, respectively. The Authority continues a strategy to maintain adequate resources for replacement, enhancement and expansion of capital assets and withstanding economic uncertainty.

During 2012, the Authority's current assets increased by $2,735,424. Investments were increased by a reduction in cash. Receivables where significantly higher while prepaid expenses and net pension asset were lower than in 2011.

Restricted Assets: At the end of 2013, the Authority's restricted assets totaled $23,611,392, all of which were unspent proceeds from the issuance of bonds in late 2013.

Capital Assets: As of December 31, 2013, the Authority's overall investment in capital assets (net of accumulated depreciation) totaled $48,003,491, an increase of $4,563,916 from December 31, 2012. During the year, capital assets totaling $10,336,137 were added and depreciation totaling $5,772,221 decreased the carrying value. The Authority did not retire any capital assets for the Fiscal Year Ending December 31, 2013. Significant 2013 capital additions include:

- Purchase of 23 Arboc Spirit of Mobility Buses and 7 Supervisor Vans
- Sidewalk improvements, bus pads, turnouts and curb cuts at bus stops and shelters
- Accessibility enhancements per the Authority's ADA Transition Plan
- Continuing upgrades to the Authority's information systems including a new budget software and 12 new employee computers
- Replacement of the bus operator and supervisors radios

As of December 31, 2012, the Authority's overall investment in capital assets (net of accumulated depreciation) totaled $43,439,575, an increase of $7,905,361 from December 31, 2011. During the year, capital assets totaling $13,428,695 were added and depreciation totaling $5,523,334 decreased the carrying value. The Authority also retired capital assets with a historical cost of $9,532,773 that were fully depreciated. Significant 2012 capital additions included:

- Completion of $5 million project to construct a CNG fueling station and retrofit the Maintenance Building for CNG
- Purchase of 10 CNG buses as the first phase of conversion to a CNG fleet
- Sidewalk improvements, bus pads, turnouts and curb cuts at bus stops and shelters
- Accessibility enhancements per the Authority's ADA Transition Plan
- Acquisition of additional land for expansion of the Staples Street Station and a new customer service center
- Continuing upgrades to the Authority's information systems including a new telephone system

Additional details about the Authority's capital asset activities are presented in Note 3 of the notes to the financial statements. The primary funding source for capital projects is federal grants with a matching principle requiring that the Authority generally fund 20% of the total cost. The 23 Arboc Spirit of Mobility Buses and the 7 Supervisor Vans were funded with local funds. The Schedule of Expenditures of Federal Awards in the Single Audit Section provides more details on federal grant activity during the year. The following shows the investment in the Authority's assets by funding source as of December 31, 2013 and 2012:

Table 2

		Federal and Other Funding	Local Funding	Total
At December 31, 2013:				
Capital Assets At Cost	$	68,528,342	31,707,172	100,235,514
Less Accumulated Depreciation		41,897,132	10,334,891	52,232,023
Capital Assets, Net	$	26,631,210	21,372,281	48,003,491
At December 31, 2012:				
Capital Assets At Cost	$	65,937,918	23,961,459	89,899,377
Less Accumulated Depreciation		37,386,608	9,073,194	46,459,802
Capital Assets, Net	$	28,551,310	14,888,265	43,439,575

Liabilities: The Authority's total liabilities as of December 31, 2013 are $27,559,369, of which $5,531,112 is current and customary to the Authority's business and $22,028,257 are non-current liabilities. Current liabilities increased due to increased amounts due to other governmental entities for street improvements and increased accrued payables, offset somewhat by reduced trade payables. Additionally, both current and non-current liabilities increased $575,000 and $21,450,000, respectively, in 2013 due to the issuance of bonds to fund a new Customer Service Center. As of December 31, 2012 the Authority's total liabilities were $5,260,566, of which $4,653,052 was current and $607,514 was non-current. Current liabilities increased due to increased amounts due to other governmental entities for street improvements and increased trade payables.

Long-Term Debt: On November 20, 2013, the Authority issued revenue bonds, Series 2013 (AMT) in the amount of $11,525,000, with proceeds from the sale to be used for (1) renovation of the existing Staples Street bus transfer station; (2) construct and equip a portion of a new multi-use building adjacent to the Staples Street bus transfer station; (3) construct a new parking lot to serve the Staples Street bus transfer station and the multi-use building, and (4) pay the costs if issuing the Tax-Exempt Bonds. The Authority also issued revenue bonds, Taxable Series 2013 in the amount of $10,500,000 on November 20, 2013, with the proceeds from the sale to be used to (1) construct and equip a portion of a new multiuse building adjacent to the Staples Street bus transfer station and (2) pay the costs of issuing the Taxable Bonds. Additional information regarding the Authority's long-term debt can be found in Note 4 to the financial statements on page 34.

Statement of Revenues, Expenses and Changes in Net Position:

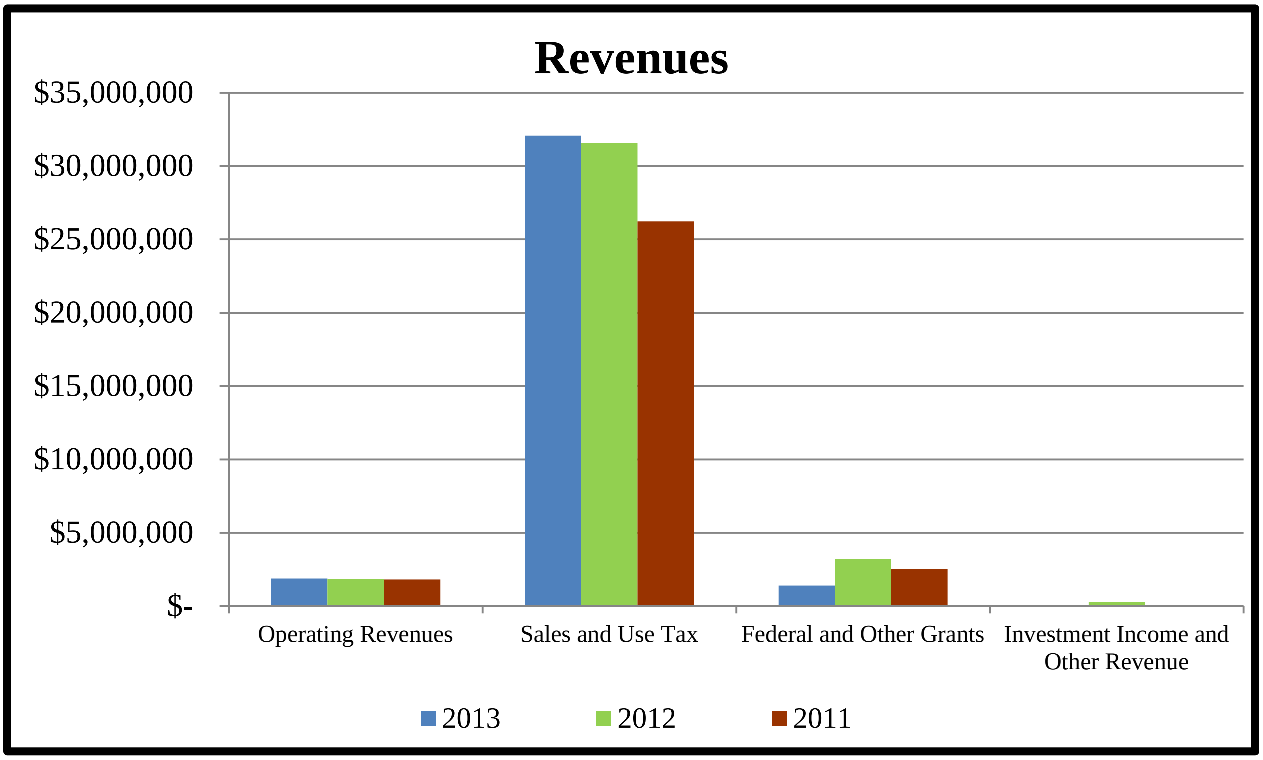
Change in Net position: While the Statement of Net Position focuses on financial position at a point in time, the Statement of Revenues, Expenses, and Changes in Net Position provides further details as to what specific activities took place during the year that led to the changes shown on the Statement of Net Position. The Authority's activities are presented in Table 3.

Table 3

CONDENSED SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

		Year Ended December 31			Year Ended December 31		
		2013	**2012**	**Change**	**2012**	**2011**	**Change**
Revenues:							
Operating Revenues	$	1,875,420	1,851,238	24,182	1,851,238	1,813,663	37,575
Non-Operating Revenues							
Sales and Use Tax		32,064,316	31,571,834	492,482	31,571,834	26,235,525	5,336,309
Federal and Other Grants		1,416,988	3,226,061	(1,809,073)	3,226,061	2,527,017	699,044
Investment Income		62,160	51,173	10,987	51,173	27,860	23,313
Gain on Property Disposed		225	1,086	(861)	1,086	1,733	(647)
Total Revenues		35,419,109	36,701,392	(1,282,283)	36,701,392	30,605,798	6,095,594
Expenses:							
Operating Expenses		24,840,389	25,239,860	(399,471)	25,239,860	23,801,087	1,438,773
Depreciation		5,772,221	5,523,334	248,887	5,523,334	5,878,720	(355,386)
Distribution to Regional Entities		2,593,634	2,154,150	439,484	2,154,150	1,918,020	236,130
Bond Issuance Expense		598,682	-	598,682	-	-	-
Interest Expense and Fiscal Charges		21,122	-	21,122	-	-	-
Total Expenses		33,826,048	32,917,344	908,704	32,917,344	31,597,827	1,319,517
Net Income(Loss) Before Capital Grants		1,593,061	3,784,048	(2,190,987)	3,784,048	(992,029)	4,776,077
Capital Grants		2,590,424	5,792,677	(3,202,253)	5,792,677	5,247,029	545,648
Increase In Net Position		4,183,485	9,576,725	(5,393,240)	9,576,725	4,255,000	5,321,725
Net Position, January 1		73,283,561	63,706,836	9,576,725	63,706,836	59,451,836	4,255,000
Net Position, December 31	$	77,467,046	73,283,561	4,183,485	73,283,561	63,706,836	9,576,725

Net position increased by $4,183,485 during 2013. The Authority's net position increased because of $2,590,424 in Federal capital grants and net income of $1,593,061. Net position increased by $9,576,725 during 2012 due to $5,792,677 in Federal capital grants and net income of $3,784,048. The discussion on the following pages provides details of the more significant aspects of the Authority's operating activities that changed net position.



Revenues: The Authority's revenues are from sources customary to the public mass transportation industry. Total revenues are made up primarily of sales and use taxes with the smaller share of overall revenues generated from user charges and other ancillary revenues, grants used for operating assistance, earnings from investing activities, and occasional gains from disposing of property owned by the Authority.

In 2013, the Authority's total revenues decreased $1,282,283 (3.5%) from 2012. Sales taxes, operating revenues and investment income increased from the prior year, 1.56%, 1.3%, and 21.5%, respectively, while grant revenues decreased 56.1% and gain on disposed property decreased minimally. In 2012, the Authority's total revenues increased $6,095,594 (19.9%) from 2011. Sales taxes, grant revenues and operating revenues and investment income all increased from the prior year while gain on disposed property decreased. Drilling activity in the Eagle Ford Shale Region was responsible for much of the economic growth in 2012, fueling the 20.3% increase in sales tax revenues. Details about the Authority's revenue activities are discussed in the following sections.

- Operating Revenues include user charges for transportation services, bus bench advertising, onboard advertising and other ancillary operating revenues. For 2013, operating revenues represent 5.3% of total revenues and are $24,182 more than in 2012. Overall rider-ship, however, was down by 0.6%. Ridership on fixed routes was down by 0.1% while paratransit ridership decreased by 4.2%. Ridership on the Harbor Ferry, however, was up 7.5% compared to 2012.

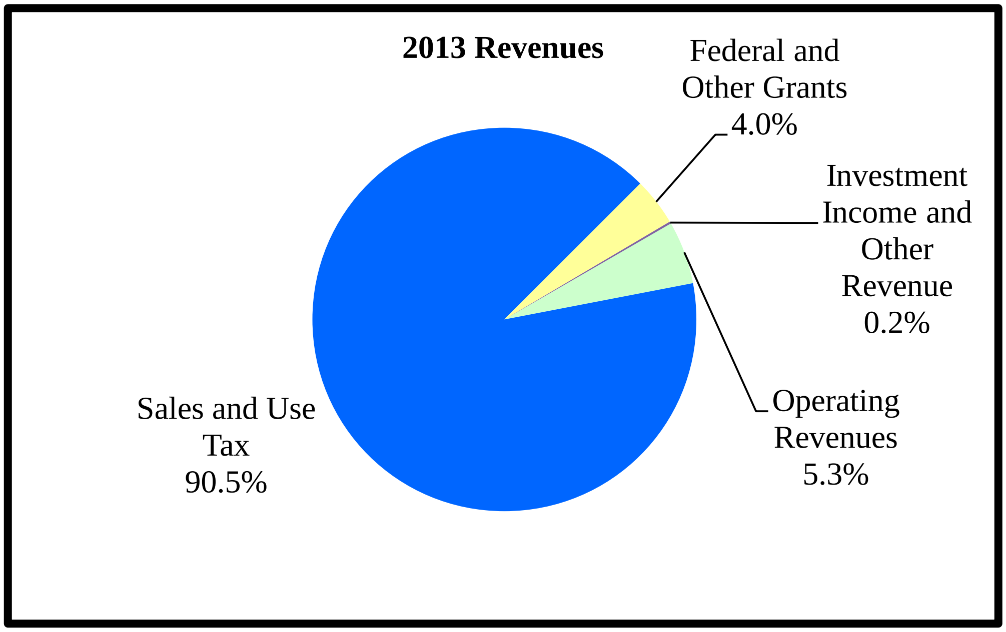
Passenger revenues were up 2.6%, or $44,096, compared to decreased ridership, mainly due to the contractual agreements the Authority has with the local university and college. In 2012, operating revenues represented 5.1% of total revenues and were $37,575 more than in 2011. Overall rider-ship was up by 0.9%. Ridership on fixed routes was up by 0.5% while paratransit ridership increases by about 1.6% due to increases in employment and improvement in the overall economy. Ridership on the Harbor Ferry was up 33,725 passengers, or 63.7% from 2011.

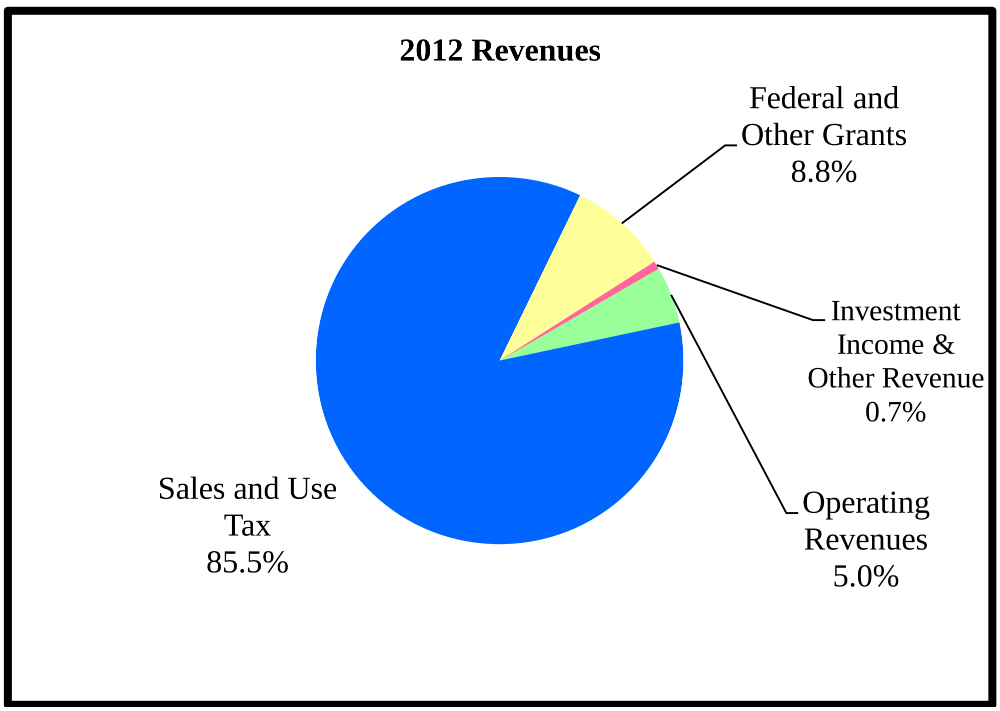
- Sales and Use Tax is a dedicated ½ cent sales and use tax levied on certain goods and services sold within the region which provides the primary funding for the Authority's operating budget. For 2013, sales taxes represent 90.5% of total revenues and increased 1.6% from 2012, reflecting a slight improvement in the overall economy. The Eagle Ford Shale will, however, continue to have a predominant effect on our economy for years to come. In 2012, sales taxes were 85.5% of total revenues and were 20.3% higher than 2011, as continued improvements in the overall economy and increased economic activity related to the Eagle Ford Shale directly impacted sales tax collections in the region.

- Operating Grant Assistance represents reimbursements to the Authority for preventative maintenance activities, the cost of certain work related routes and regional mobility coordination. The Authority has the option of utilizing its annual "Formula" grants provided by the Federal Transit Administration (FTA) for operating assistance or to fund capital asset acquisitions. In 2013, these grant revenues are made up primarily of reimbursements for preventive maintenance activities and operating assistance for ADA paratransit services. There are also revenues from FTA Job Access and Reverse Commute used to help pay for the cost of certain work related routes and regional mobility coordination, and a small amount from a New Freedom Grant for travel training. In 2013, these grants represent 4% of total revenues compared to 8.7% in 2012, and 8.3% in 2011 as the Authority made greater use of preventive maintenance reimbursements in 2012 and 2011. In 2012, these grant revenues were primarily made up of reimbursements for preventative maintenance activities and operating assistance for ADA paratransit services. There were also revenues from FTA Job Access and Reverse Commute used to help pay for the cost of certain work related routes and regional mobility coordination, and a small amount from a New Freedom Grant for travel training.

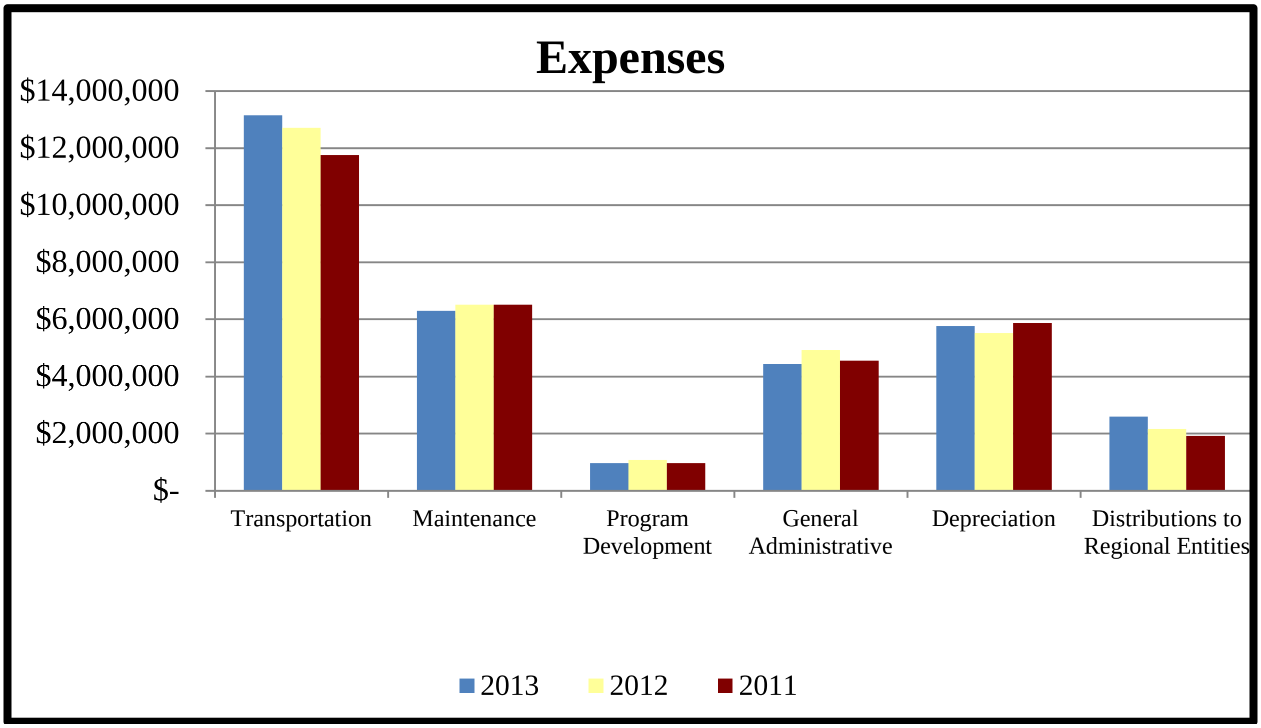
- Investment Income is income earned from the Authority's investing activities. Income generated from the Authority's portfolio increased $10,987 from 2012. This moderate increase was primarily due to increased sales tax revenue available for investing, though at a lower yield. In 2013, the average portfolio was $28,624,121 and yielded 0.16% compared to the 2012 average portfolio of $25,614,230 which yielded .20%. In 2012, these revenues increased $23,313 from 2011 due to slightly higher yields applied to higher balances which resulted from increased sales tax revenue. The average portfolio increased to $25,614,230 from $21,335,935 in 2011 and the yield increased to .20% from .13% in 2011.

Other Revenues include gains on disposal of assets. In 2013 these items resulted in revenues of $225 compared to $1,086 in 2012, and $1,733 in 2011. Other revenues have been included with interest income on the revenue charts below.





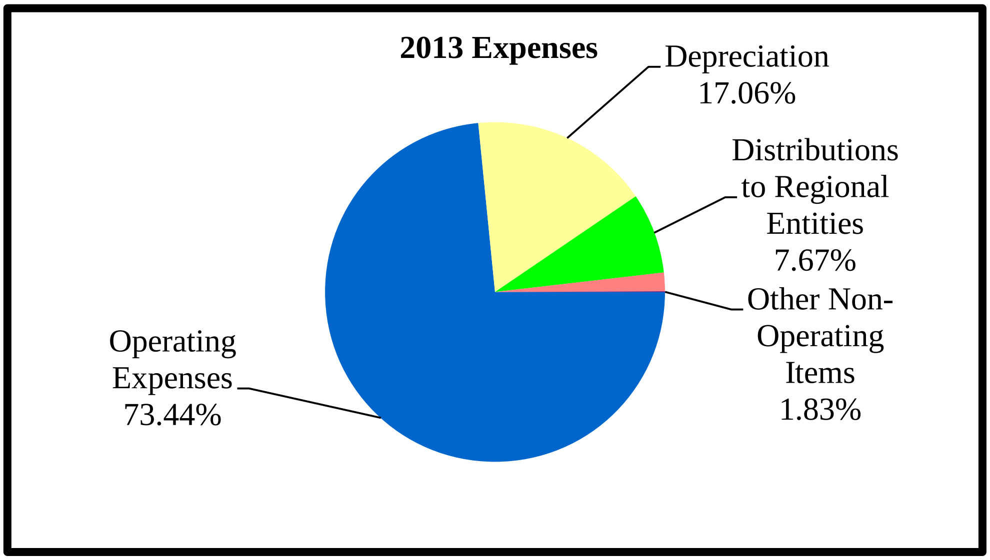
Expenses: The Authority's expenses consist of operating expenses (directly operated and purchased transportation services, maintenance, planning and program development, and general administrative costs), depreciation of capital assets, and distributions to regional entities for the Authority's street improvement program. In 2013, total expenses increased by $908,704 (2.8%) over 2012. Of the 2013 increase, $619,804 is bond issue costs, and for comparative purposes, is not included in the chart below. In 2012, total expenses increased by $1,319,517 (4.2%) over 2011.

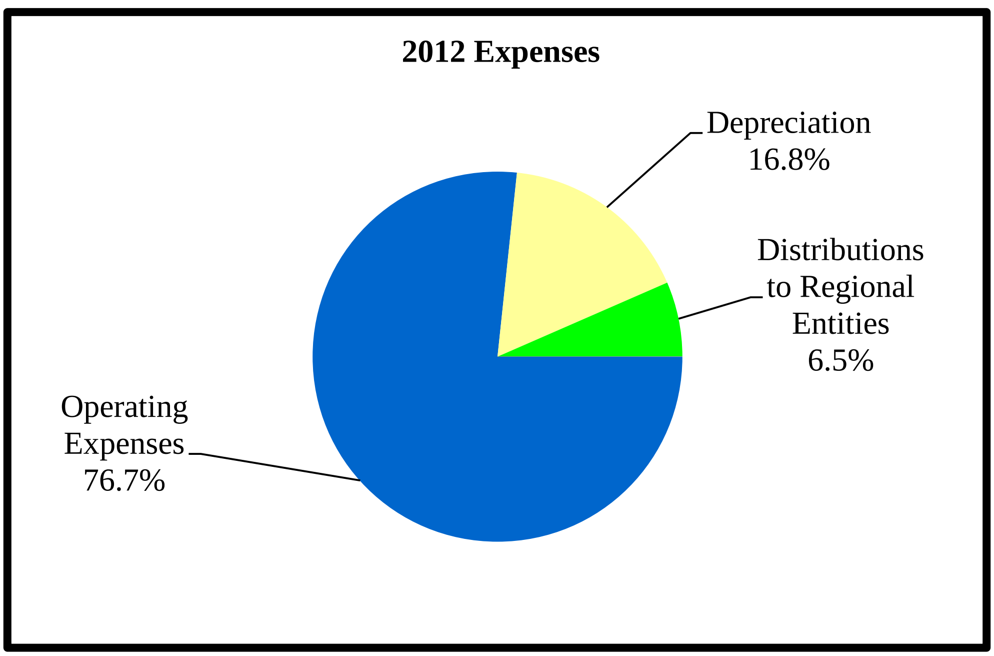


- **Operating Expenses:** The largest component of the Authority's total expenses is operating expenses. These expenses account for 73.4% and 76.7% of total expenses in 2013 and 2012, respectively.

  As shown in Table 3 on page 10, operating expenses decreased by $399,471 (1.6%) in 2013. Transportation costs which include both directly operated services and purchased transportation services increased $427,912 (3.4%). A 3% COLA, an additional amount for merit and additional funding for Security, along with increased paratransit and Water Taxi services were the primary causes of increased transportation costs. Maintenance costs for facilities and for directly operated revenue and support vehicles decreased by $220,550 (3.4%) in 2013, mainly due to lower fuel costs with the implementation of the new CNG fueling facility. Costs for program development (including service development, customer service, and marketing) decreased by $112,135 (10.4%) with much of the cost decrease related to the development of a new long range system plan in 2012. Administrative costs decreased $494,698 (10.0%) from 2012 as a result of deductions in several areas including health care and pension costs, temporary services and reclassification of staffing to different departments.

For 2012, operating expenses were 6.0% more than 2011. Transportation costs increased by $954,141 (8.1%), attributable to a 3% COLA and an additional pay increase for drivers along with increased paratransit and Harbor Ferry service. Maintenance costs remained stable with an increase of only $3,995 (0.1%) in 2012. Costs for program development (service development, customer services, and marketing) increased by $312,239 (32.7%) with much of the cost increase related to the development of a new long range system plan. Administrative costs increased $361,249 (7.9%) from 2011, primarily from the cost of funding the Authority's pension due to a lower than anticipated year end market valuation.





Depreciation: Depreciation is $248,887 (4.5%) higher than 2012 due to an increase in newly added capital assets. In 2012, depreciation was $355,386 (5.7%) lower than 2011 due to an increase in fully depreciated capital assets.

Distributions to Regional Entities: The Authority, through collaborative efforts with the regional member government entities, maintains a street improvement program for the purpose of constructing, rebuilding and rehabilitating streets within its service region. These projects represent a major investment in enhancing mobility, reducing congestion and improving the overall service area. 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. The level of funding is determined annually based on budgeted sales tax revenues and other factors. In 2013, these costs increased $439,484 (20.4%) from 2012 due to an increase in sales tax. Likewise, in 2012, the costs of the program increased $236,130 (12.3%) from 2011 due to an increase in sales tax.

Fiduciary Funds:

Following the government-wide basic financial statements are similar financial statements for the Authority's two fiduciary funds. These statements provide financial information about the Authority's defined benefit pension and defined contribution retirement plans. During 2013, steady performance in the fixed income markets resulted in a $3,803,288 (11.2%) increase in value of the plans' assets since the end of 2012. During 2012, a rally in the stock market and steady performance in the fixed income markets resulted in a $4,655,676 (15.8%) increase in value of the plans' assets since the end of 2011. Note 5 in the notes section provides a discussion of the administration of the plans and there are further details contained in required supplementary information and supplemental schedules contained in the financial section of this CAFR.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For 2014 operating expenses including depreciation are budgeted at $36,104,612. This represents a 9.5% increase over the final 2013 budget. Sales tax, the Authority's largest revenue source, was budgeted at $34,885,754, an increase of 10.8% over what was budgeted in 2013. Sales tax is expected to equal 96.6% of operating expenses in 2014 as opposed to 95.1% in the 2013 budget.

Similarly to the 2013 budget, the 2014 budget is formulated in the expectation that the Eagle Ford Shale will continue expansion of operations resulting in an increase in sales tax revenue that will cover inflationary pressures on expenses. The Eagle Ford Shale is a 20,000 square mile formation that produces natural gas, oil, and related condensate and liquids located in South Central Texas. The Eagle Ford Shale has a significant impact on 20 Texas counties: fourteen producing counties, and six others including Nueces and San Patricio that provide major support to the producing counties such as transportation, refining and pipe laying and manufacturing. A 2013 study released by the Center for Community and Business Research at the University of Texas at San Antonio Economic Institute for Economic Development estimates that in 2012, Eagle Ford related activity in Nueces County resulted in $8.5 billion in output, supported 6,699 jobs, with payrolls in excess of $350 million, and over $2 billion in gross county product. By 2022, Eagle Ford Shale related output is expected to be $19.9 billion, with employment of 11,563, and payrolls in excess of $650 million, and gross county product exceeding $4 billion.

Sales tax revenue growth is expected to remain robust but at a slower rate than in 2012 and 2013. Sales tax revenue in the first quarter of 2014 increased 5% from 2013, compared to first quarter growth in 2013 of 10% compared to the same period in 2012.

Other assumptions in the 2014 budget include the implementation of major service enhancements which will provide more direct service, elimination of transfers, and more frequent and faster service. These system enhancements will require the addition of 15 bus operators and 4 supervisors/trainers. Additionally for 2014, the current fare structures will be maintained and continued growth of fuel and health care costs will be expected. A 3.0 % COLA will be provided to all employees, and a 2% Merit Pay Program will be included for 2014. The budget also assumes continued reliance on preventive maintenance funding available on federal capital grants.

Passenger fare revenues were 2.3% higher for the first quarter of 2014, than for the same period in 2013. Expenses for the first quarter of 2014 are 9% under budget and 16% under expenses for the first quarter of 2013. Some of these variances are due to timing differences in posting in addition to lower than anticipated costs for fuel, health care and wages.

Several significant capital projects are planned for 2014. The cost will be funded with a combination of FTA and other federal grants and local funds. The projects include:

- Construction of a new Customer Service Center adjoining the Staples Street Transfer Station in downtown Corpus Christi, with completion date of late 2015.
- Replacement of 12 revenue vehicles with CNG fueled vehicles
- ADA Improvements, Shelters & Facilities throughout the system
- Improvements to Bus Stops, and Bus Parking Lot
- Continued improvements to information technology

During 2014, the Authority is continuing to carefully assess factors in the local economy and ways to increase revenues or decrease costs in order to live within the means available. The Authority also continues to look for ways to partner with others to enhance the local economy and transportation options.

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, Attn.: Beth Vidaurri, Corpus Christi Regional Transportation Authority, 5658 Bear Lane, Corpus Christi, Texas 78405, (361) 289-2712. In addition this Comprehensive Annual Financial Report will be posted on the Authority's website: www.ccrta.org.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Net Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	$ 7,825,910	$ 14,941,878
Investments (Note 2)	17,627,606	10,455,218
Receivables:		
Sales and Use Taxes	6,001,051	6,841,088
Accrued Interest	67,240	44,438
Federal Government	574,468	1,936,569
Other	67,954	54,623
Inventories	658,214	510,868
Prepaid Expenses	136,624	150,359
Total Current Assets	32,959,067	34,935,041
Non-Current Assets:		
Restricted Cash and Cash Equivalents (Note 2)	23,611,392	-
Net Pension Asset (Note 5)	452,465	169,511
Capital Assets (Note 3):		
Land	3,658,054	3,658,054
Buildings	17,777,762	17,777,762
Transit Stations, Stops and Pads	24,462,906	22,191,353
Other Improvements	3,957,438	3,756,651
Vehicles and Equipment	47,063,619	41,790,299
Construction in Progress	3,315,735	725,258
Total Capital Assets	100,235,514	89,899,377
Less: Accumulated Depreciation	(52,232,023)	(46,459,802)
Net Capital Assets	48,003,491	43,439,575
Total Non-Current Assets	72,067,348	43,609,086
TOTAL ASSETS	**105,026,415**	**78,544,127**
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable	1,016,851	1,332,816
Current Portion of Long-Term Liabilities (Note 4):		
Long-Term Debt	575,000	-
Compensated Absences	225,748	258,394
Distributions to Regional Entities Payable	3,222,897	2,632,121
Other Accrued Liabilities	490,616	429,721
Total Current Liabilities	5,531,112	4,653,052
Non-Current Liabilities:		
Long-Term Liabilities, Net of Current Portion (Note 4):		
Long-Term Debt	21,450,000	-
Compensated Absences	91,093	76,467
Net OPEB Obligation (Note 6)	487,164	531,047
Total Non-Current Liabilities	22,028,257	607,514
TOTAL LIABLILITES	**27,559,369**	**5,260,566**
Net Position:		
Net Invested in Capital Assets	48,003,491	43,439,575
Restricted for debt service	1,611,302	-
Unrestricted	27,852,253	29,843,986
TOTAL NET POSITION	$ **77,467,046**	$ **73,283,561**

See Notes to Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2013 and 2012

	2013	2012
Operating Revenues:		
Passenger Service	$ 1,750,624	$ 1,706,528
Bus Advertising	48,762	71,004
Charter Service	158	-
Other Operating Revenues	75,876	73,706
Total Operating Revenues	1,875,420	1,851,238
Operating Expenses:		
Transportation	5,544,329	5,423,661
Customer Programs	177,716	216,369
Purchased Transportation	7,601,783	7,294,539
Service Development	239,623	550,325
MIS	341,939	331,765
Vehicle Maintenance	5,065,704	5,399,571
Facilities Maintenance	1,108,574	980,410
Materials Management	128,234	143,081
Administrative and General	4,285,467	4,591,389
Marketing & Communications	347,020	308,750
Depreciation	5,772,221	5,523,334
Total Operating Expenses	30,612,610	30,763,194
Operating Loss	**(28,737,190)**	**(28,911,956)**
Non-Operating Revenues (Expenses):		
Sales and Use Tax Revenue	32,064,316	31,571,834
Federal and Other Grant Assistance	1,416,988	3,226,061
Investment Income	62,160	51,173
Gain on Disposition of Property	225	1,086
Bond Issuance Cost	(598,682)	-
Interest Expense and Fiscal Charges	(21,122)	-
Distributions to Regional Entities	(2,593,634)	(2,154,150)
Net Income Before Capital Grants	1,593,061	3,784,048
Capital Grants	2,590,424	5,792,677
Change in Net Position	4,183,485	9,576,725
Net Position, January 1	73,283,561	63,706,836
Net Position, December 31	$ **77,467,046**	$ **73,283,561**

See Notes to Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities:		
Cash Received from Customers	$ 1,770,415	$ $1,697,768
Cash Received from Bus Advertising and Other Ancillary	111,465	$186,280
Cash Payments to Suppliers for Goods and Services	(14,261,687)	(13,626,410)
Cash Payments to Employees for Services	(8,373,194)	(8,347,048)
Cash Payments for Employee Benefits	(2,952,829)	(3,003,122)
Net Cash Used for Operating Activities	(23,705,830)	(23,092,532)
Cash Flows from Non-Capital Financing Activities:		
Sales and Use Taxes Received	32,904,353	29,932,566
Grants and Other Reimbursements	1,416,988	3,226,061
Distributions to Region Entities	(2,002,858)	(877,744)
Net Cash Provided by Non-Capital Financing Activities	32,318,483	32,280,883
Cash Flows from Capital and Related Financing Activities:		
Federal and Other Grant Assistance	3,952,525	5,027,822
Proceeds from Sale of Capital Assets	225	1,086
Proceeds from Bonds	21,426,318	-
Purchase and Construction of Capital Assets	(10,363,267)	(13,262,345)
Net Cash Provided (Used) by Capital and Related Financing Activities	15,015,801	(8,233,437)
Cash Flows from Investing Activities:		
Investment Income	232,445	96,412
Purchases of Investments	(21,797,815)	(16,644,879)
Maturities and Redemptions of Investments	14,432,340	6,200,000
Net Cash Used for Non-Capital Financing Activities	(7,133,030)	(10,348,467)
Net Increase (Decrease) in Cash and Cash Equivalents	16,495,424	(9,393,553)
Cash and Cash Equivalents, January 1	14,941,878	24,335,431
Cash and Cash Equivalents, December 31	$ **31,437,302**	$ **14,941,878**

(Continued)

		2013		2012
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:				
Operating Loss	$	(28,737,190)	$	(28,911,956)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation		5,772,221		5,523,334
Changes in Assets and Liabilities:				
Other Receivables		(13,331)		41,571
Inventories		(147,346)		60,538
Prepaid Expenses		13,735		351,310
Accounts Payable and Accrued Liabilities		(593,919)		(157,329)
Net Cash Used for Operating Activities	$	(23,705,830)	$	(23,092,532)
Non-Cash Investing, Capital and Financing Activities:				
Amortization of Premiums on Investments	$	193,087	$	89,480
Change in:				
Fair Value of Investments		-		(180)
Interest Receivable		22,802		44,422
Sales and Use Tax Receivable		(840,037)		1,639,268
Receivable from Federal Government		(1,362,101)		764,855
Payable to Federal Government		-		(213,317)
Retainage Payable		(27,130)		166,351
Accrued Interest Payable		21,122		-
Distribution to Regional Entities Payable		590,776		1,276,406
Bond Cost Withheld from Bond Proceeds		598,682		-

See Notes to Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Statement of Net Position
December 31, 2013 and 2012

		2013		2012
ASSETS				
Investments (Note 2)				
Money Market Funds	$	971,056	$	2,002,588
Debt Mutual Funds		11,330,129		10,767,835
Equity Mutual Funds		25,554,585		21,282,059
TOTAL ASSETS		37,855,770		34,052,482
LIABILITIES		-		-
NET POSITION				
Restricted For Pension Benefits	$	37,855,770	$	34,052,482

See Notes to Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Statement of Changes in Net Position
Years Ended December 31, 2013 and 2012

	2013	2012
Additions:		
Investment Income	$ 5,376,808	$ 4,290,190
Employee Contributions	729,165	673,604
Employer Contributions (Note 5)	1,280,330	1,125,651
Total Additions	7,386,303	6,089,445
Deductions:		
Benefits Paid	3,472,247	1,346,803
Administrative Expenses	110,768	86,966
Total Deductions	3,583,015	1,433,769
Increase in Net Position	3,803,288	4,655,676
Net Position, January 1	34,052,482	29,396,806
Net Position, December 31	$ 37,855,770	$ 34,052,482

See Notes to Financial Statements

(1) Summary of Significant Accounting Policies

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 Governmental Accounting Standards Board (GASB) and other authoritative sources.

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. The Authority commenced operations on January 1, 1986.

Under state law, the Authority is authorized to levy ½-cent sales and use tax for transit purposes, including both capital improvement and operating expenses. The Authority is not authorized to levy property taxes. The Authority may issue bonds backed by operating revenues. Subject to referendum, the Authority may also issue bonds backed by sales taxes. The Authority is not subject to federal income taxes.

Reporting Entity: "The Financial Reporting Entity," as defined by GASB Statement No. 14, 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. Component units are legally separate organizations that are fiscally dependent on the Authority or for which the Authority is financially accountable. An organization is fiscally dependent if it must receive the Authority's approval for its budget, the levying of taxes or the issuance of debt. The Authority is financially responsible for an organization if it appoints a majority of the organization's board and either (a) has the ability to impose its will on the organization or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the Authority. The reporting entity of the Authority consists only of the primary government. There are no component units. The Authority is not included as part of another governmental reporting entity.

Measurement Focus, Basis of Accounting and Financial Statements: The accounts of the Authority are organized as a proprietary fund. Proprietary funds account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent is that costs of providing services to the general public on a continuing basis are financed or recovered through user charges. The Authority's accounts are used for all Authority assets, liabilities, equities, revenues and expenses and are maintained on the accrual basis of accounting. Revenues from operations, investments and other sources are recorded when earned and expenses, including depreciation and amortization, of providing services to the public are accrued when incurred.

Operating revenues include charges for transportation services and related ancillary revenues. Operating expenses include costs of operating the Authority, including fixed route, purchased services, service planning, customer service, vehicle and facilities maintenance and administrative functions. All revenues and expenses that do not meet these definitions are classified as non-operating.

Non-operating revenues are non-exchange transactions, in which the Authority receives value without directly giving something of equal value in return, including sales taxes and grants. Sales tax is recognized when the taxable sales occur. Grants are recognized on a reimbursement basis when all grant requirements have been satisfied.

Budget: 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. Monthly budget reports are prepared for budgetary control purposes.

Fiduciary funds: Fiduciary funds are used to account for pension activities for which the Authority is financially accountable. Since these assets are being held for the benefit of other parties and cannot be used to finance the activities of the Authority, they are separately presented funds.

Cash and Cash Equivalents: The Authority considers all cash on hand, demand deposits and short-term investments with original maturities of less than 90 days to be cash and cash equivalents.

Investments: The Authority's investments are stated at fair value, except for money market funds and investments with a remaining maturity of one year or less when purchased and non-participating interest earning investment contracts, which are carried at cost. Fair value fluctuates with interest rates and increasing rates may cause the fair value to decline below cost. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Net change in the fair value of investments is recognized and reported as investment income in the financial statements. The Authority's investment policy focuses on strategies that attain preservation of principal primarily and maximizing earnings secondarily.

Receivables: Receivables generally consist of amounts due from customers, grantor agencies, cost-sharing agreements, employees, warranties and similar activities.

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 regardless of whether the inventory will be utilized within one year.

Capital Assets: Beginning in January 2013 the Authority changed the definition of a capital asset from an initial cost of at least $750 ($500 for IT equipment) and an estimated useful life in excess of one year to a threshold to $5,000 for all items and an estimated life of at least two years. 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. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Standard useful life estimates by asset types are as follows:

Asset Type	Years
Buildings	20-30
Transit Stations and Bus Pads	2-15
Improvements other than buildings	2-5
Building Equipment	2-12
Vehicles	3-12
Furniture & Equipment	2-12
Systems	2-5
Leasehold improvements	2-5

Upon disposal, the costs of assets, including accumulated depreciation, are removed with the resulting gain or loss being reflected as a non-operating expense in the statement of revenues, expenses, and changes in net position. A portion of the proceeds from sale of property and equipment acquired with federal grants must be remitted to the granting federal agency under certain circumstances.

Compensated Absences: Employees of the Authority are compensated for personal, holiday, and health leave and other qualifying absences. The number of days compensated for these absences is based generally on length of service. It is the Authority's policy to permit employees to accumulate earned but unused personal leave. The amount of unused time that can be carried over to the next year is limited to 80 hours. Sick leave can be carried over indefinitely and up to 240 hours paid out if the employee retires from the Authority. Compensated absences are reflected in the financial statements when earned and available to the employee.

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.

Recent Accounting Pronouncements: GASB 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34* modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation), and certain disclosure requirements. GASB 61 was implemented in the year ending December 31, 2013 and had no impact on the Authority.

GASB 65, *Items Previously Reported as Assets and Liabilities* specified the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. GASB 65 was implemented in the year ended December 31, 2013 and had no impact on the Authority.

GASB 66, *Technical Correction-2012; an amendment of GASB Statements No.* 10 *and No.* 62 was implemented in the year ended December 31, 2013 and had no impact on the Authority.

Future Accounting Pronouncements: GASB 67, *Financial Reporting for Pension Plans; an amendment of GASB Statement No.* 25 – revises and establishes new financial reporting requirements for pension plans of most state and local governments that are administered through trusts or equivalent arrangements that meet certain criteria. This statement is effective for financial statements for fiscal years beginning after June 15, 2013. The Authority anticipates implementation of this statement in fiscal year 2014.

GASB 68, *Accounting and Financial Reporting for Pensions; an amendment for GASB Statement No.* 27 – revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits. Statement 68 will require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement is effective for financial statements for fiscal years beginning after June 15, 2014. The Authority anticipates implementation of this statement in fiscal year 2015.

(2) Deposits and Investments

As of December 31, 2013 and 2012, the Authority had the following cash and investments

	2013			2012		
Deposits & Investments by Type	**Enterprise Fund Fair Value**	**Fiduciary Funds Fair Value**	**Weighted Average Maturity**	**Enterprise Fund Fair Value**	**Fiduciary Funds Fair Value**	**Weighted Average Maturity**
Demand Deposits	$ 3,438,326	-	1	$ 2,975,868	-	1
Government Agencies	7,761,498	-	308	2,999,820	-	694
Municipal Obligations	8,369,805	-	189	6,966,630	-	130
Certificates of Deposit	1,495,235	-	154	490,000	-	22
Money Market Funds	27,998,975	971,056	1	11,964,859	2,002,588	1
Debt Mutual Funds	-	11,330,129	1	-	10,767,835	1
Equity Mutual Funds	-	25,554,585	1	-	21,282,059	1
Total	49,063,839	37,855,770		25,397,177	34,052,482	
Included In Cash and Cash Equivalents	(31,437,302)	(971,056)		(14,940,727)	(2,002,588)	
Equity in Investments	$ 17,626,537	$ 36,884,714		$ 10,456,450	$ 32,049,894	

The carrying value of the Enterprise Fund Equity in Investments was $17,627,606 and $10,455,218 at December 31, 2013 and 2012, respectively.

The Authority's deposits and investments are subject to various types of risks. The following disclosures are for the purpose of assessing the types of risks involved.

Interest Rate Risk: This is the risk that changes in the interest rates will negatively impact the fair value of the Authority's investments. As market interest rates rise, the fair value of an investment held decreases. By policy, the Authority's strategy for managing this risk is to limit the weighted average maturity for the portfolio to one year. The maximum maturity for any one investment is three years.

For the Enterprise Fund as of December 31, 2013,

- no holding in the portfolio had a stated maturity date beyond 308 days,
- holdings maturing beyond six months represented 43.19% of the total portfolio,
- the dollar weighted average maturity of the portfolio was 159 days.

For the Enterprise Fund as of December 31, 2012,

- no holding in the portfolio had a stated maturity date beyond 694 days,
- holdings maturing beyond six months represented 21.29% of the total portfolio,
- the dollar weighted average maturity of the portfolio was 121 days.

Credit Risk - Investments: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. The primary stated objective of the Authority's adopted Investment Policy is the safety of principal and the avoidance of principal loss. Credit risk within the Authority's portfolio among the authorized investments in the Policy is represented in time and demand deposits, repurchase agreements, state and local government obligations, banker's acceptances, commercial paper and non-rated SEC registered money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating organization (NRSRO).

Certificates of deposit are limited to a stated maturity of two years and FDIC insurance is required. Brokered certificates of deposit must be FDIC insured and delivered versus payment to the Authority's depository. Maximum maturity is two years with 102% collateralization required. FDIC insurance must be verified before purchase and monitored thereafter. All investments requiring a rating must be monitored on an ongoing basis.

Concentration of Credit Risk: This is the risk of investing predominantly in any one type of investment or entity. The Authority recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The Authority's adopted investment policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on a monthly basis. As of December 31, 2013 the limits on the various types of authorized investments as a percent of the portfolio were:

Investment Type	Allowable	Actual as of 12/31/2013	Actual as of 12/31/2012
US Treasury Obligations	80.00%	0.00%	0.00%
US Agencies/Instrumentalities	80.00%	29.74%	11.73%
State Government Obligations	45.00%	0.00%	0.00%
Local Government Obligations	45.00%	32.07%	27.24%
Certificates of Deposit (Depository)	50.00%	5.73%	1.92%
Brokered Certificates of Deposit	30.00%	0.00%	0.00%
Repurchase Agreements	50.00%	0.00%	0.00%
Flex in CIP Funds	100.00%	0.00%	0.00%
Local Government Investment Pools	80.00%	0.00%	0.00%
Money Market Funds / Demand Deposits	100.00%	32.45%	59.11%
Commercial Paper	25.00%	0.00%	0.00%
Bankers Acceptances	20.00%	0.00%	0.00%

Custodial Credit Risk – Deposits and Investments: For deposits, this is the risk that if a bank fails, the Authority may not recover its deposits. The Authority contractually requires that all demand deposits held in the bank overnight and repurchase agreements be fully insured or collateralized at 102% under a written agreement. Collateral is held in safekeeping by an independent third party. At December 31, 2013 and 2012 bank funds on deposit in excess of FDIC insurance were collateralized at more than 102%.

For investments, this is the risk that if counterparty fails, the Authority may not recover the value of its investments held by an outside party. The Authority requires that all securities must be cleared on a delivery versus payment (DVP) basis and Authority ownership documented by original clearing confirmations and safekeeping receipts. At December 31, 2013 and 2012, all Authority's securities were handled in this manner.

Fiduciary Funds: Funds in the Authority's Defined Benefit and Defined Contribution plans are invested through trust plans managed by Wells Fargo. These funds are invested under separate investment policies which allow for investments in money market accounts, mutual funds, stocks and bonds. Through adherence to the plans' investment policies, management attempts to limit or mitigate certain risks. The Authority is responsible for the Plans' assets.

Defined Benefit Plan: The primary investment objective is to earn a rate of return sufficient to match or exceed the long-term growth of the Plan's liabilities through a combination of income and capital appreciation in a manner consistent with the fiduciary standards of ERISA and with sound investment practices. Assets are invested to minimize the chance of suffering market value losses. Assets are diversified into different styles with a prudent number of individual issues within each style to mitigate concentration risk.

Defined Contribution Plan: The overall objective is to enable eligible employees to save for retirement by providing a tax-deferred savings plan and offering enough funds from distinct asset classes to accommodate a broad range of individual investment goals. The Plan provides multiple investment alternatives, each with different risk and return characteristics, so that each participant can choose the potential return and risk levels as well as attain diversification among the alternatives. The Authority employs certain qualitative and quantitative measures to evaluate potential investment alternatives.

(3) Capital Assets

The Authority's capital assets represent investments in land, buildings, transit stations, infrastructure improvements, bus stops, street pads, bus turn-ins, motor coaches, trolleys, paratransit vehicles, sedans, vans, cars and trucks, garage equipment, facilities maintenance equipment, office equipment and information technology needed to conduct the Authority's operations.

Capital asset activities for the year ended December 31, 2013 is as follows:

		Balance at 12/31/2012	Additions / Transfers	Retirements	Balance at 12/31/2013
Assets Not Being Depreciated:					
Land	$	3,658,054	-	-	3,658,054
Construction in Progress		725,258	2,590,477	-	3,315,735
		4,383,312	2,590,477	-	6,973,789
Assets Being Depreciated:					
Buildings		17,777,762	-	-	17,777,762
Transit Stations, Bus Stops, Street Pads & Other Improvements		22,191,353	2,271,553	-	24,462,906
Improvements other than Buildings		3,756,651	200,787	-	3,957,438
Vehicles, Furniture and Equipment		41,790,299	5,273,320	-	47,063,619
		85,516,065	7,745,660	-	93,261,725
Total Capital Assets		**89,899,377**	**10,336,137**	**-**	**100,235,514**
Less: Accumulated Depreciation:					
Buildings		8,962,515	561,107	-	9,523,622
Transit Stations, Bus Stops, Street Pads & Other Improvements		14,921,765	1,538,041	-	16,459,806
Improvements other than Buildings		1,598,058	246,453	-	1,844,511
Vehicles, Furniture and Equipment		20,977,464	3,426,620	-	24,404,084
Total Accumulated Depreciation		**46,459,802**	**5.772,221**	**-**	**52,232,023**
Total Capital Assets, Net	$	**43,439,575**	**4,563,916**	**-**	**48,003,491**

Capital asset activities for the year ended December 31, 2012 is as follows:

		Balance at 12/31/2011	Additions / Transfers	Retirements	Balance at 12/31/2012
Assets Not Being Depreciated:					
Land	$	2,166,370	1,491,684	-	3,658,054
Construction in Progress		2,060,131	(1,334,873)	-	725,258
		4,226,501	156,811	-	4,383,312
Assets Being Depreciated:					
Buildings		16,741,830	1,043,727	(7,795)	17,777,762
Transit Stations, Bus Stops, Street Pads & Other Improvements		19,665,478	2,621,514	(95,639)	22,191,353
Improvements other than Buildings		1,715,273	2,125,576	(84,198)	3,756,651
Vehicles, Furniture and Equipment		43,654,372	7,481,068	(9,345,141)	41,790,299
		81,776,953	13,271,885	(9,532,773)	85,516,065
Total Capital Assets		**86,003,454**	**13,428,696**	**(9,532,773)**	**89,899,377**
Less: Accumulated Depreciation:					
Buildings		8,409,203	561,108	(7,796)	8,962,515
Transit Stations, Bus Stops, Street Pads & Other Improvements		13,581,341	1,436,063	(95,639)	14,921,765
Improvements other than Buildings		1,549,887	132,369	(84,198)	1,598,058
Vehicles, Furniture and Equipment		26,928,810	3,393,794	(9,345,140)	20,977,464
Total Accumulated Depreciation		**50,469,241**	**5,523,334**	**(9,532,773)**	**46,459,802**
Total Capital Assets, Net	$	**35,534,213**	**7,905,362**	**-**	**43,439,575**

(4) Long – Term Liabilities

Changes in Long Term Liabilities

2013		1/1/2013	Additions	Retirements	12/31/2013	Due Within One Year
Revenue Bonds	$	-	22,025,000	-	22,025,000	575,000
Net OPEB Obligations		531,047	36,810	(80,693)	487,164	-
Compensated Absences		334,861	375,180	(393,200)	316,841	225,748
Total Long Term Liabilities	$	865,908	22,436,990	(473,893)	22,829,005	800,748

2012		1/1/2012	Additions	Retirements	12/31/2012	Due Within One Year
Net OPEB Obligations	$	490,898	37,436	2,713	531,047	-
Compensated Absences		282,191	431,116	(378,446)	334,861	258,394
Total Long Term Liabilities	$	773,089	468,552	(375,733)	865,908	258,394

Long-Term Debt:

On November 20, 2013, the Authority issued revenue bonds, Series 2013 (AMT) in the amount of $11,525,000, with proceeds from the sale to be used for (1) renovation of the existing Staples Street bus transfer station; (2) construct and equip a portion of a new multi-use building adjacent to the Staples Street bus transfer station; (3) construct a new parking lot to serve the Staples Street bus transfer station and the multi-use building, and (4) pay the costs if issuing the Tax-Exempt Bonds. The Authority also issued revenue bonds, Taxable Series 2013 in the amount of $10,500,000 on November 20, 2013, with the proceeds from the sale to be used to (1) construct and equip a portion of a new multiuse building adjacent to the Staples Street bus transfer station and (2) pay the costs of issuing the Taxable Bonds.

These bonds are first lien revenue bonds, and will be repaid from the pledged revenues of the Authority. Pledged revenues, as defined by the bond resolution include the net operating revenues, plus any additional revenues, income, receipts, or other revenues which are pledged by the Issuer.

Total interest cost for period ending December 31, 2013 was $42,068 of which $20,946 was capitalized.

Total debt service requirements as of December 31, 2013 are as follows:

$11,525,000 Series 2013 (AMT Bonds)

Years Ending December 31,	Principal	Interest	Total Requirements
2014	$ 300,000	$ 515,830	$ 815,830
2015	280,000	533,823	813,823
2016	285,000	528,223	813,223
2017	295,000	516,823	811,823
2018	310,000	505,023	815,023
2019-2023	1,725,000	2,345,605	4,070,605
2024-2028	2,135,000	1,938,502	4,073,502
2029-2033	2,705,000	1,365,255	4,070,255
2034-2038	3,490,000	582,919	4,072,919
	$ 11,525,000	$ 8,832,003	$ 20,357,003

$10,500,000 Series 2013, Taxable Bonds

Years Ending December 31,	Principal	Interest	Total Requirements
2014	$ 275,000	$ 517,848	$ 792,848
2015	255,000	539,542	794,542
2016	255,000	536,023	791,023
2017	260,000	531,203	791,203
2018	265,000	524,885	789,885
2019-2023	1,485,000	2,474,553	3,959,553
2024-2028	1,885,000	2,078,828	3,963,828
2029-2033	2,490,000	1,468,731	3,958,731
2034-2038	3,330,000	633,180	3,963,180
	$ 10,500,000	$ 9,304,793	$ 19,804,793

OPEB and Compensated Absences:

Authority employees are allowed to carry a maximum of 80 hours of accrued but unused personal leave as of December 31 into the next year. Unused personal leave in excess of 80 hours is forfeited. Sick leave can be carried over indefinitely and up to 240 hours can be paid to an employee retiring from the RTA.

(5) Retirement Plans

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 and established upon the applicable sections of the Internal Revenue Code. The Authority Board may periodically amend the DB Plan document. The current plan provisions were established by a plan and trust agreement adopted by the Board of Directors in July 1986, and amended in July 1994, February 2002, November 2010, December 2011, and December 2012.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The DB Plan assets are maintained under a trust agreement with Wells Fargo Bank (Trustee). The trustee carries out an investment policy established by the Authority Board consistent with purposes of the plan and all applicable laws. Administration costs are paid by the plan.

All full time employees are included in the plan. Vesting begins at three years of service with full vesting at seven years. Employees who retire on or after age 62 are entitled to an annual retirement benefit equal to 2% of average compensation for the final three consecutive years of employment times their number of years of service for the Authority. Reduced retirement benefits are available at age 55 with ten years of service. In December 2012, the plan was amended to allow those eligible for early retirement during a specified window without incurring the normal reduction in benefits. The plan is not indexed for inflation. As of January 1, 2013 there were 451 participants in this plan as follows:

Retirees and beneficiaries currently receiving benefits	90
Terminated and entitled to, but not yet receiving benefits	156
Active employees	205

Funding Policy: The Authority is the only source of contributions which are determined annually based on actuarial studies as of the valuation date. The contributions consist of a normal annual pension cost and amortization of any unfunded actuarial accrued liability (UAAL). Significant actuarial assumptions used in the valuations are as follows:

Valuation Date	*01/01/13*	*01/01/12*
Cost Method	*Entry Age Normal Cost*	*Entry Age Normal Cost*
Inflation Rate	*0.0%*	*0.0%*
Investment Rate of Return – Pre Retire	*7.50%*	*7.50%*
Investment Rate of Return – Post Retire	*7.50%*	*7.50%*
Projected Salary Increases	*3.50%*	*3.50%*
Amortization Method	*Level dollar amount over 15 years from 01/01/09*	*Level dollar amount over 15 years from 01/01/09*
Remaining Amortization Period	*11 Years*	*12 Years*
Asset Valuation Method	*Market Value*	*Market Value*

Normal Cost as a percent of covered payroll	*9.6%*	*9.2%*
Annual Required Contribution	$ 988,534	$1,125,651
Contribution Made	$1,280,330	$1,125,651

Annual Pension Cost and Net Pension Obligation: The following represents the components of the Annual Pension Cost (APC), contributions, interest and changes in the Net Pension Obligation (NPO) for the years ended December 31, 2013 and 2012:

	2013	**2012**
Annual Required Contribution (ARC)	$ 988,534	$ 1,125,651
Adjustment to ARC	21,555	21,351
Interest on Net Pension Asset	(12,713)	(13,316)
APC	997,376	1,133,686
Contribution Paid	(1,280,330)	(1,125,651)
Change in Net Pension Asset	282,954	(8,035)
Net Pension Asset – Beginning of Year	169,511	177,546
Net Pension Asset – End of Year	$ 452,465	$ 169,511

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 years (actuarial valuation date) is as follows:

Year	**Annual Pension Cost (APC)**	**Employer Contribution**	**Percentage of APC Contributed**	**Net Pension Asset**
2013	$ 997,376	$ 1,280,330	128%	$ 452,465
2012	$1,133,686	$ 1,125,651	99%	$ 169,511
2011	$ 886,742	$ 1,064,288	120%	$ 177,546

Funded Status and Funding Progress: The funded status of the plan as of the most recent valuation date is as follows:

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**
2013	$25,566,845	$27,944,142	$2,377,297	91.50%	$7,474,445	31.80%
2012	$21,791,159	$25,576,425	$3,785,266	85.20%	$7,221,526	52.42%
2011	$21,547,899	$23,682,639	$2,134,740	91.00%	$7,073,120	30.18%

A schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, is intended to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

The Plan's assets are exposed to various risks such as interest rate, market, and credit risks. To meet the primary investment goal of a rate of return that will match or exceed the growth of the plan's liabilities, while limiting risk, the plan's assets are in high quality investments such as debt and equity mutual funds. The targeted mix to meet these objectives is 40% fixed income (debt) funds and 60% equity funds. At December 31, 2013, the Plan's net position was $29,617,120, an increase of 15.8% since December 31, 2012. As a result, the annual required contribution for 2014 is estimated to be $695,517 in comparison to the $988,534 required contribution for 2013.

Financial Statements: The DB Plan does not issue a separate stand-alone financial report. Financial statements for the years ended 2013 and 2012 are as follows:

Statement of Fiduciary Net Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Money Market Funds	$ 231,228	$ 516,351
Mutual Funds - Debt	10,699,414	9,668,138
Mutual Funds - Equity	18,686,478	15,382,356
TOTAL ASSETS	29,617,120	25,566,845
LIABILITIES	-	-
NET POSITION		
Restricted For Pension Benefits	$ 29,617,120	$ 25,566,845

Statement of Changes in Fiduciary Net Position
Years Ended December 31, 2013 and 2012

		2013		2012
Additions:				
Investment Income	$	4,019,847	$	3,399,160
Employer Contributions		1,280,330		1,125,651
Total Additions		5,300,177		4,524,811
Deductions:				
Benefits Paid		1,160,885		682,463
Administrative Expenses		89,017		66,662
Total Deductions		1,249,902		749,125
Increase in Net Position		4,050,275		3,775,686
Net Position, January 1		25,566,845		21,791,159
Net Position, December 31	$	29,617,120	$	25,566,845

Defined Contribution Plan

Plan Description: The *RTA Employees' Defined Contribution Plan* (DC Plan) covers all employees. This defined contribution plan has a plan document in compliance with the Internal Revenue Code and adopted by the Board, who may amend it.

Benefits depend on amounts contributed to the plan plus investment earnings. Employees are fully vested in their contributions. Employees direct their investments.

Funding Policy: Employees are required to contribute 7.51% of gross remuneration and may make additional contributions of up to 10%. The Authority may make contributions, but has made none to date. Total covered payrolls were $8,339,381 in 2013 and $8,379,258 in 2012. Employee contributions were $729,165 in 2013 and $673,604 in 2012. Employees may make selections from money market, debt and equity mutual funds approved by the investment committee.

Financial Statements: The DC Plan does not issue a separate stand-alone financial report. Financial statements for the years ended 2013 and 2012 are as follows:

Statement of Fiduciary Net Position
December 31, 2013 and 2012

		2013	2012
ASSETS			
Money Market Funds	$	739,828	1,486,237
Mutual Funds - Debt		630,715	1,099,697
Mutual Funds - Equity		6,868,107	5,899,703
Total Assets		8,238,650	8,485,367
LIABILITIES		-	-
NET POSITION			
Restricted For Pension Benefits	$	8,238,650	8,485,367

Statement of Changes in Fiduciary Net Position
Years Ended December 31, 2013 and 2012

		2013	2012
Additions:			
Investment Income	$	1,356,961	891,030
Employee Contributions		729,165	673,604
Total Additions		2,086,126	1,564,634
Deductions:			
Benefits Paid		2,311,362	664,340
Administrative Expenses		21,751	20,304
Total Deductions		2,333,113	684,644
Increase/ (Decrease) in Net Position		(246,987)	879,990
Net Position, January 1		8,485,637	7,605,647
Net Position, December 31	$	8,238,650	8,485,637

(6) Other Post Employment Benefits (OPEB) Plan

GASB Statement No. 45 established accounting standards for postretirement benefits other than pensions. This standard does not require funding of OPEB, but does require that any difference between the annual required contribution (ARC) and the amount funded during the year be recorded in the employer’s financial statements as an increase (or decrease) to the OPEB. The most recent actuarial valuation performed in accordance with the standard was dated January 1, 2012.

The 2012 valuation included changes in actuarial assumptions that reduced the annual required contribution. The changes resulting in a decrease to the annual required contribution:

- Only employees actually participating in the plan were included in the valuation; the previous valuation included all employees eligible to participate
- The estimate of the employees who would elect continued coverage upon retirement was reduced from 50% to 33% based on historical experience
- An updated actuarial table was used to predict retirement and turnover rates.

Other changes resulted in increases to the annual required contribution partially offsetting the overall decrease.

- The discount rate was lowered from 4.5% to 4%
- The medical cost trend rate remains at 9% decreasing to 5% over time, but at a rate of .25% per year rather than .5% per year
- The mortality tables were updated

Plan Description: The Authority administers a single-employer defined benefit healthcare plan that allows access to medical benefits by eligible retirees and their families until the retiree reaches age 65. The Authority Board establishes benefit provisions. The plan is not accounted for as a fiduciary fund as an irrevocable trust has not been established to fund the plan. The plan does not issue a financial report.

Funding Policy: The Authority requires retirees to pay a portion of the monthly "blended" rates that apply to the group as a whole. Since retiree health care costs are generally higher than active employee healthcare costs, there is an implicit subsidy higher than the stated subsidy of the Authority. For 2013, $627.99 was the required monthly contribution for retiree family coverage and $246.44 for retiree single coverage. The Authority's contributions are on a pay-as-you-go basis. As of the most recent valuation membership is as follows:

Retirees	14
Active	182
Total	196

Annual OPEB Cost and Net OPEB Obligation: The Authority's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Authority's annual OPEB cost, the amounts actually contributed toward the plan and changes in the net OPEB obligation are as follows:

	2013	2012
Annual Required Contribution	$ 45,097	$ 45,097
Interest on OPEB Liability	21,242	19,636
Adjustment to the ARC	(29,529)	(27,297)
Annual OPEB Cost	36,809	37,436
Employer Contributions	(89,693)	2,713
Net Change in OPEB Liability	(52,884)	40,149
OPEB Liability at January 1	531,047	490,898
OPEB Liability at December 31	$ 478,163	$ 531,047

Trend Information: The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year-End
2013	$36,809	219.2%	$478,163
2012	$37,436	(7.2)%	$531,047
2011	$166,482	35.6%	$490,898

Funded Status and Funding Progress: The funded status of the plan as of the most recent valuation dates is as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unit Cost	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL As Percentage of Payroll
01/01/12	$ -	$ 377,934	$ 377,934	$ 6,436,310	6%
01/01/10	$ -	$ 1,016,925	$ 1,016,925	$ 7,246,956	14%

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

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

Valuation Date	*01/01/12*	*01/01/10*
Cost Method	*Projected Unit Credit*	*Projected Unit Credit*
Asset Valuation Method	*Unfunded, Pay-as-you-go basis*	*Unfunded, Pay-as-you-go basis*
*Investment Rate of Return ***	*4.00%*	*4.50%*
Annual Healthcare Cost Trend	*9% initially, graded down to 5% in year 17*	*9% initially, graded down to 5% in year 9*
Inflation Rate	*2.50%*	*2.50%*
Utilization	*33% of eligible actives*	*50% of eligible actives*
Amortization Period	*30 Years*	*30 Years*
Amortization Method	*Level Dollar, Open*	*Level Dollar, Open*

*** Expected long term returns on Authority investments that will fund the benefits.*

(7) Risk Management and 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 an inter-local agreement with the Texas Municipal League for the purpose of providing 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 2004, at which point the Authority became fully insured through the Texas Municipal League. There are no outstanding claims from self-insurance.

The Authority is self-funded for employee dental and healthcare benefits, which include medical, drug and vision. These benefits are provided through a contract with a third party administrator, Entrust, Inc. The coverage in force during 2013 includes specific deductibles for up to $65,000 per individual claim and an annual aggregate estimated at $1,600,000. Claims are normally paid within ninety days and considered current liabilities.

Claims or settlements have not exceeded coverage for each of the last three years.

Changes in liabilities for self-funded workers' compensation and health insurance liabilities for the years ended December 31, 2011, 2012 and 2013 are as follows:

		Workers' Compensation		Health and Dental Benefits
Balance at 12/31/10	$	18,355	$	192,048
Incurred Claims		-		1,269,900
Changes in Estimate		24,592		-
Claims Paid		(21,695)		(1,181,257)
Balance at 12/31/11		21,252		280,691
Incurred Claims		-		1,119,460
Changes in Estimate		(6,133)		-
Claims Paid		(7,105)		(1,299,591)
Balance at 12/31/12		8,014		100,560
Incurred Claims		-		1,089,312
Changes in Estimate		(8,014)		-
Claims Paid		-		(1,076,821)
Balance at 12/31/13	$	-	$	113,051

(8) 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.

As of December 31, 2013 Robstown Transfer station was under construction. The project was 70 % completed with $122,000 worth of expenses left to be completed.

Site work began in 2013 for a $22 million Customer Service Center, with construction scheduled to being in mid-2014.

As of December 31, 2012 there was no major construction in progress.

9) Concentrations

During 2013, the Authority received $2,590,424 for capital assistance and $1,416,988 for other projects from the Federal Transportation Administration.

During 2012, the Authority received $5,579,360 for capital assistance and $3,226,061 for other projects from the Federal Transportation Administration.

Changes in the Authority's relationship with the FTA could ultimately affect the operating results of the Authority. The Single Audit Section provides further details on FTA and other federal grant funding received.

(10) Purchased Transportation Services

The Authority has a contract with MV Transportation, Inc. to provide paratransit services for elderly and persons with disability and certain fixed route services. A contract executed December 1, 2008 established a term for these services from January 1, 2009 through December 31, 2011 with an option for the Authority to extend the contract for two additional one year periods. The Authority exercised the first one year extension which extended through December 31, 2012 and the second one year extension which extended through December 31, 2013. A new contract was executed January 6, 2014 establishing a term for these services from January 6, 2014 through December 31, 2018 with an option for the Authority to extend the contract for an additional two years. Expenses under the contract amounted to $5,191,088 in 2013 and $4,645,917 in 2012. All passenger fares related to these transit services are recorded by the Authority as operating revenue.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for Defined Benefit Pension Plan:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
January 1, 2013	$ 25,566,845	$ 27,944,142	$ 2,377,297	91.5%	$ 7,474,445	31.8%
January 1, 2012	$ 21,791,159	$ 25,576,425	$ 3,785,266	85.2%	$ 7,221,526	52.4%
January 1, 2011	$ 21,547,899	$ 23,682,639	$ 2,134,740	91.0%	$ 7,073,120	30.2%
January 1, 2010	$ 17,913,932	$ 22,390,777	$ 4,476,845	80.0%	$ 7,246,596	61.8%
January 1, 2009	$ 13,297,998	$ 20,416,886	$ 7,118,888	65.10%	$ 6,634,041	107.3%
January 1, 2008	$ 18,514,359	$ 18,587,028	$ 72,669	99.60%	$ 6,394,664	1.14%

Schedule of Employer Contributions for Defined Benefit Pension Plan:

Year	Annual Required Contribution	Percentage Contributed
2013	$ 988,534	100%
2012	$ 1,125,651	100 %
2011	$ 886,742	120 %
2010	$ 1,168,423	100 %
2009	$ 1,355,811	100%
2008	$ 576,140	100%

Schedule of Funding Progress for Other Post-Employment Benefits (as of the most recent valuation dates)**:**

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unit Cost	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL As Percentage of Payroll
January 1, 2012	$ -	$ 377,934	$ 377,934	$ 6,436,310	6%
January 1, 2010	$ -	$ 1,016,925	$1,016,952	$ 7,246,956	14%
January 1, 2008	$ -	$ 766,655	$ 766,655	$ 6,394,664	12%

SUPPLEMENTAL SCHEDULES

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Schedule of Revenues and Expenses- Actual and Budget By Function
Year Ended December 31, 2013

		Original Budget	Final Budget	Actual	Variance Final Budget Versus Actual
Operating Revenues:					
Passenger Service	$	1,733,970	1,733,970	1,750,624	16,654
Bus Advertising		52,000	52,000	48,762	(3,238)
Charter Service		-	-	158	158
Other Operating Revenues		81,547	81,547	75,876	(5,671)
Total Operating Revenues		1,867,517	1,867,517	1,875,420	7,903
Operating Expenses:					
Transportation		5,752,507	5,752,507	5,544,329	208,178
Customer Programs		248,782	248,782	177,716	71,066
Purchased Transportation		7,902,852	7,902,852	7,601,783	301,069
Service Development		278,848	278,848	239,623	39,225
MIS		345,764	345,764	341,939	3,825
Vehicle Maintenance		5,441,721	5,441,721	5,065,704	376,017
Facilities Maintenance		1,063,846	1,063,846	1,108,574	(44,728)
Materials Management		147,668	147,668	128,234	19,434
Administrative and General		5,489,185	5,489,185	4,285,467	1,203,718
Marketing & Communications		470,945	470,945	347,020	123,925
Depreciation		5,945,255	5,945,255	5,772,221	173,034
Total Operating Expenses		33,087,373	33,087,373	30,612,610	2,474,763
Operating Loss		**(31,219,856)**	**(31,219,856)**	**(28,737,190)**	**2,482,666**
Non-Operating Revenues (Expenses):					
Sales and Use Tax Revenue		31,482,000	31,482,000	32,064,316	582,316
Federal and Other Grant Assistance		3,232,067	3,232,067	1,416,988	(1,815,079)
Investment Income		56,000	56,000	62,160	6,160
Gain on Property Dispositions		-	-	225	225
Bond Issuance Costs		-	-	(598,682)	(598,682)
Interest Expense and Fiscal Charges		-	-	(21,122)	(21,122)
Distributions to Region Entities		(2,593,634)	(2,593,634)	(2,593,634)	-
Net Income Before Capital Grant Contributions	$	956,577	956,577	1,593,061	636,484

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Combining Statement of Net Position
December 31, 2013 With Comparative Totals for December 31, 2012

		2013			2012
		Defined Benefit Pension Plan	**Defined Contribution Pension Plan**	**Total**	**Total**
ASSETS					
Money Market Funds/Cash Sweeps	$	231,228	739,828	971,056	2,002,588
Mutual Funds - Debt		10,699,414	630,715	11,330,129	10,767,835
Investments		18,686,478	6,868,107	25,554,585	21,282,059
TOTAL ASSETS		29,617,120	8,238,650	37,855,770	34,052,482
LIABILITIES		-	-	-	-
NET POSITION					
Restricted For Pension Benefits	$	29,617,120	8,238,650	37,855,770	34,052,482

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Combining Statement of Changes in Net Position
Year Ended December 31, 2013 With Comparative Totals for December 31, 2012

		2013			2012
		Defined Benefit Pension Plan	Defined Contribution Pension Plan	Total	Total
Additions:					
Investment Income	$	4,019,847	1,356,961	5,376,808	4,290,190
Employee Contributions		-	729,165	729,165	673,604
Employer Contributions		1,280,330	-	1,280,330	1,125,651
Total Additions		5,300,177	2,086,126	7,386,303	6,089,445
Deductions:					
Benefits Paid		1,160,885	2,311,362	3,472,247	1,346,803
Administrative Expenses		89,017	21,751	110,768	86,966
Total Deductions		1,249,902	2,333,113	3,583,015	1,433,769
Increase (Decrease) in Net Position		4,050,275	(246,987)	3,803,288	4,655,676
Net Position, January 1		25,566,845	8,485,637	34,052,482	29,396,806
Net Position, December 31	$	29,617,120	8,238,650	37,855,770	34,052,482

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Schedule of Long-Term Debt Amortization
Year Ended December 31, 2013

$11,525,000 Series 2013 (AMT Bonds)

Years Ending December 31,	Principal	Interest	Total Requirements
2014	$ 300,000	$ 515,830	$ 815,830
2015	280,000	533,823	813,823
2016	285,000	528,223	813,223
2017	295,000	516,823	811,823
2018	310,000	505,023	815,023
2019-2023	1,725,000	2,345,605	4,070,605
2024-2028	2,135,000	1,938,502	4,073,502
2029-2033	2,705,000	1,365,255	4,070,255
2034-2038	3,490,000	582,919	4,072,919
	$ 11,525,000	$ 8,832,003	$ 20,357,003

$10,500,000 Series 2013, Taxable Bonds

Years Ending December 31,	Principal	Interest	Total Requirements
2014	$ 275,000	$ 517,848	$ 792,848
2015	255,000	539,542	794,542
2016	255,000	536,023	791,023
2017	260,000	531,203	791,203
2018	265,000	524,885	789,885
2019-2023	1,485,000	2,474,553	3,959,553
2024-2028	1,885,000	2,078,828	3,963,828
2029-2033	2,490,000	1,468,731	3,958,731
2034-2038	3,330,000	633,180	3,963,180
	$ 10,500,000	$ 9,304,793	$ 19,804,793

2013
Statistical Section

Comprehensive Annual Financial Report

ABOUT THE AUTHORITY'S STATISTICAL TABLES

This section of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial situation.

Contents **Page**

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Change in Net Position
Last Ten Fiscal Years
(Unaudited)

		2004	2005	2006	2007
Net Investment in Capital Assets	$	31,705,996	27,995,330	25,040,740	23,923,319
Restricted		-	-	-	-
Unrestricted		16,617,052	19,925,305	22,205,341	24,467,194
Total	$	48,323,048	47,920,635	47,246,081	48,390,513

2008	2009	2010	2011	2012	2013
27,431,699	37,044,364	35,551,031	35,534,213	43,439,575	48,003,491
-	-	-	-	-	1,611,302
26,063,981	22,398,741	23,900,805	28,172,623	29,843,986	27,852,253
53,495,680	59,443,105	59,451,836	63,706,836	73,283,561	77,467,046

Table 2

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Changes in Net Position
Last Ten Years
(Unaudited)

		2004	2005	2006	2007
Operating Revenues:					
Passenger Service	$	1,088,331	1,197,195	1,380,241	1,602,328
Other Operating		54,618	44,061	78,147	105,656
Total Operating Revenues		1,142,949	1,241,256	1,458,388	1,707,984
Operating Expenses:					
Transportation		8,667,813	9,029,595	9,521,582	10,130,199
Vehicle/Facilities Maintenance		4,454,404	4,821,933	5,084,954	5,686,273
Program Development		790,347	894,035	873,695	937,440
General And Administrative		3,529,146	3,444,749	3,401,302	3,571,073
Depreciation		4,553,847	4,394,500	3,969,403	3,748,996
Total Operating Expenses		21,995,557	22,584,812	22,850,936	24,073,981
Operating Loss		(20,852,608)	(21,343,556)	(21,392,548)	(22,365,997)
Non Operating Revenues (Expenses):					
Sales and Use Tax		17,621,532	18,939,617	20,115,282	21,328,966
Grant Assistance		2,394,066	1,951,794	213,829	276,340
Investment Income		192,654	529,327	959,788	1,121,785
Other Non-Operating Items		(473,590)	12,648	(499,721)	-
Distributions to Region Entities		(1,168,404)	(1,255,302)	(1,274,132)	(1,342,549)
Net Income/ (Loss) before Capital Grants		(2,286,350)	(1,165,472)	(1,877,502)	(981,455)
Capital Grants		6,715,810	763,059	1,202,948	2,125,887
Prior Period Adjustment		184,531	-	-	-
Total Change in Net Position	$	4,613,991	(402,413)	(674,554)	1,144,432

2008	2009	2010	2011	2012	2013
1,707,930	1,577,232	1,537,772	1,660,782	1,706,528	1,750,624
111,106	81,443	88,525	152,881	144,710	124,796
1,819,036	1,658,675	1,626,297	1,813,663	1,851,238	1,875,420
10,989,280	10,743,234	10,619,566	11,764,029	12,718,200	13,146,112
6,201,002	5,137,764	5,886,849	6,519,067	6,523,062	6,302,512
936,894	702,690	701,064	1,073,506	1,075,444	764,359
4,284,956	4,711,623	4,983,114	4,444,485	4,923,154	4,627,406
3,958,931	4,514,063	5,203,248	5,878,720	5,523,334	5,772,221
26,371,063	25,809,374	27,393,841	29,679,807	30,763,194	30,612,610
(24,552,027)	(24,150,699)	(25,767,544)	(27,866,144)	(28,911,956)	(28,737,190)
24,254,132	20,821,573	22,891,712	26,235,525	31,571,834	32,064,316
496,631	805,664	995,526	2,527,017	3,226,061	1,416,988
723,930	81,807	100,071	27,860	51,173	62,160
-	(433,539)	8,012	1,733	1,086	(619,579)
(1,258,613)	(1,458,952)	(1,325,648)	(1,918,020)	(2,154,150)	(2,593,634)
(335,947)	(4,334,146)	(3,097,871)	(992,029)	3,784,048	1,593,061
5,441,114	10,281,571	3,106,602	5,247,029	5,792,677	2,590,424
-	-	-	-	-	-
5,105,167	5,947,425	8,731	4,255,000	9,576,725	4,183,485

Table 3

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Revenues By Source
Last Ten Years
(Unaudited)

Year		Operating Revenues (1)	Sales And Use Tax	Federal Operating Grants And Reimbursements	Investment Income	Other (2)	Total
2004	$	1,142,949	17,621,532	2,394,066	192,654	-	21,351,201
2005	$	1,241,256	18,939,617	1,951,794	529,327	12,648	22,674,642
2006	$	1,458,388	20,115,282	213,829	959,788	-	22,747,287
2007	$	1,707,984	21,328,966	276,340	1,121,785	-	24,435,075
2008	$	1,819,036	24,254,132	496,631	723,930	-	27,293,729
2009	$	1,658,675	20,821,573	805,664	81,807		23,367,719
2010	$	1,626,297	22,891,712	995,526	100,071	8,012	25,621,618
2011	$	1,813,663	26,235,525	2,527,017	27,860	1,733	30,605,798
2012	$	1,851,238	31,571,834	3,226,061	51,173	1,086	36,701,392
2013	$	1,875,420	32,064,315	1,416,988	62,160	225	35,419,108

(1) 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 gain on sales of buses and other property.

Table 4

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Revenues And Operating Assistance - Comparison To Industry Trend Data

Last Ten Years

(Unaudited)

Year	Operating And Other Miscellaneous	Sales And Use Tax	Operating Grants And Reimbursements	Operating And Other Miscellaneous	Directly Generated Tax	Other Grants And Assistance
	Corpus Christi RTA			Transportation Industry (1)		
2004	6.3%	82.5%	11.2%	40.9%	8.7%	50.4%
2005	7.9%	83.5%	8.6%	39.6%	8.5%	51.9%
2006	10.7%	88.4%	0.9%	40.2%	8.3%	51.5%
2007	11.6%	87.3%	1.1%	37.9%	7.6%	54.5%
2008	9.3%	88.9%	1.8%	37.7%	6.4%	55.9%
2009	7.5%	89.1%	3.4%	37.4%	6.5%	56.1%
2010	6.7%	89.3%	4.0%	37.5%	6.5%	56.0%
2011	6.0%	85.7%	8.3%	37.8%	6.2%	56.0%
2012	5.2%	86.0%	8.8%	37.1%	6.5%	56.4%
2013	5.5%	90.5%	4.0%	*	*	*

(1) Source: The American Public Transportation Association, 2014 Public Transportation Fact Book, Appendix A: Historical Tables, Table 85.

* Not Available

Table 5

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Passenger Fee Capacity

Last Ten Years

(Unaudited)

Year	Total Unlinked Trips	Passenger Revenues
2004	5,570,887	1,088,331
2005	5,880,493	1,197,195
2006	5,536,958	1,380,241
2007	5,175,983	1,602,328
2008	5,491,376	1,707,930
2009	5,283,174	1,577,232
2010	5,434,286	1,537,772
2011	6,011,114	1,660,782
2012	6,065,174	1,706,528
2013	6,016,379	1,750,624

Table 6

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Miscellaneous Revenue Information
(Unaudited)

Sales Tax:

The Authority's Sales and Use Tax rate has remained the same since it began in 1985. The overall local sales and use tax rate is limited to 8.25%. The local rate is currently at the maximum.

0.50% Corpus Christi MTA 3178998 (Rate 1/2%) Eff: 01/01/86

Aqua Dulce
Bishop
Corpus Christi
Driscoll
Gregory
Unincorporated Nueces County (Excluding Petronila)
Port Aransas
Robstown
San Patricio

Source: Texas Comptroller of Public Accounts

Farebox Recovery Ratio:

Definition: Ratio of passenger service revenues to transit operating costs, excluding depreciation.

Significance: Indicates how much of cost of service provision is supported by user fees.

2004	…………………	6.55%
2005	…………………	6.58%
2006	…………………	7.31%
2007	…………………	7.88%
2008	…………………	7.62%
2009	…………………	7.41%
2010	…………………	6.93%
2011	…………………	6.98%
2012	…………………	6.76%
2013	…………………	6.93%

Table 7

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Ratio of Outstanding Debt
Last Ten Years
(Unaudited)

Year		Revenue Bonds	Per Capita Income		Percent of Personal Income
2004	$	-	-		-
2005	$	-	-		-
2006	$	-	-		-
2007	$	-	-		-
2008	$	-	-		-
2009	$	-	-		-
2010	$	-	-		-
2011	$	-	-		-
2012	$	-	-		-
2013	$	22,025,000	42,570	*	0.19%

* Estimated based on prior years

Table 8

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Revenue Bond Coverage
Last Ten Years
(Unaudited)

Year		Pledged Revenues (1)	Debt Service Requirements (2) Principal	Interest	Total	Coverage
2004	$	-	-	-	-	-
2005	$	-	-	-	-	-
2006	$	-	-	-	-	-
2007	$	-	-	-	-	-
2008	$	-	-	-	-	-
2009	$	-	-	-	-	-
2010	$	-	-	-	-	-
2011	$	-	-	-	-	-
2012	$	-	-	-	-	-
2013	$	-	-	-	-	-

(1) Pledged revenues (effective starting in 2014) represent all system revenues, which include passenger service, bus advertising, charter service, and other operating revenues.

(2) Bonds were issued in November 2013, therefore no debt payment is required for 2013.

Table 9

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Demographic Statistics
Last 10 Ten Years
(Unaudited)

Year	Population (1)		Personal Income (in thousands) (1)		Mean Per Capita Income (1)		Public School Enrollment (2)	Unemployment Rate (3)
2004	321,879		$9,083,456		$28,220		60,944	6.10%
2005	325,515		$9,711,696		$29,835		60,666	5.40%
2006	329,113		$10,424,076		$31,673		60,429	4.90%
2007	330,512		$11,170,436		$33,797		60,807	4.30%
2008	333,526		$12,237,536		$36,691		61,184	4.60%
2009	338,220		$11,647,857		$34,439		61,260	6.70%
2010	340,373		$12,438,913		$36,545		61,415	7.60%
2011	343,281		$13,196,232		$38,441		62,011	7.70%
2012	347,691		$14,226,934		$40,918		62,596	6.20%
2013	350,503	*	$14,920,952	*	$42,570	*	62,992	5.80%

(1) Nueces County - Source: US Dept of Commerce Bureau of Economic Analysis
(2) Nueces County - Source: Nueces County/Texas Education Agency/PEIMS
- 2008 and 2009 Enrollment figures include charter schools
(3) Nueces County - Source: U.S. Department of Labor-Bureau of Labor Statistics

* Estimated based on prior years.

Table 10

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Major Employers
By Size of Employment
(Unaudited)

Rank	Business	Type of Product - Service	Employment 2013	% of Total Employment 2013	Employment 2004
1	Corpus Christi Army Depot	Helicopter Repair	5,800	2.74%	N/A
2	Corpus Christi ISD	School District	5,178	2.45%	N/A
3	CHRISTUS Spohn Health Systems	Hospital	5,144	2.43%	N/A
4	H.E.B.	Grocery Company	5,000	2.36%	N/A
5	City of Corpus Christi	City Government	3,171	2.50%	N/A
6	Corpus Christi Naval Air Station	Flight Training	2,822	1.33%	N/A
7	Bay, Ltd.	Heavy Fabrication	2,100	0.99%	N/A
8	Driscoll Children’s Hospital.	Children’s Hospital	1,800	0.85%	N/A
9	Del Mar College	Junior College	1,542	0.73%	N/A
10	Corpus Christ Medical Center	Hospital	1,300	0.61%	N/A

Source: Corpus Christi Regional Economic Development Corp.

N/A - information not available for 2004

Table 11

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Budgeted Full-Time Equivalent Positions
(Unaudited)

	2004	2005	2006	2007
Transportation				
Transportation - Directly Operated	120.50	119.50	114.50	116.50
Purchased Transportation*	1.00	1.00	1.00	2.00
	121.50	120.50	115.50	118.50
Maintenance				
Vehicle Maintenance	33.00	35.00	33.00	35.00
Facilities Maintenance	9.00	10.00	13.00	14.00
Materials Management	4.00	4.00	4.00	5.00
	46.00	49.00	50.00	54.00
Program Development				
Customer Programs	8.00	9.00	8.00	9.00
Service Development	4.00	3.00	4.00	4.00
Program Management	2.50	1.50	2.50	2.00
Marketing & Communications	-	-	-	-
	14.50	13.50	14.50	15.00
General Administrative:				
MIS	4.00	4.00	4.00	3.00
Contracts and Grants	3.00	2.00	3.00	2.00
CEO's Office	2.00	2.00	2.00	2.00
Finance and Accounting	5.50	5.50	5.50	5.75
Human Resources	4.00	6.00	5.00	3.00
General Administration	2.00	2.00	2.00	2.00
Safety and Security	-	-	-	-
TCN - Regional Coordinator	-	-	-	-
	20.50	21.50	21.50	17.75
Totals	202.50	204.50	201.50	205.25

* In addition the Authority's has contracted staff of about 100 under various purchased transportation contracts

2008	2009	2010	2011	2012	2013
117.00	117.00	117.00	122.00	131.00	131.00
2.00	1.00	1.00	1.00	1.00	3.00
119.00	118.00	118.00	123.00	132.00	134.00
35.00	38.00	38.00	38.00	36.00	36.00
14.00	14.00	14.00	14.00	14.00	15.00
5.00	4.00	4.00	4.00	4.00	4.00
54.00	56.00	56.00	56.00	54.00	55.00
9.00	7.00	7.00	6.00	8.00	4.00
4.00	3.00	3.00	4.00	4.00	4.00
2.00	2.00	2.00	2.00	2.00	2.00
-	2.00	2.00	2.00	2.00	3.00
15.00	14.00	14.00	14.00	16.00	13.00
3.00	2.00	2.00	1.00	1.00	2.00
2.00	3.00	3.00	2.00	3.00	3.00
2.00	5.00	5.00	3.00	3.00	1.00
5.75	5.80	5.80	5.80	5.80	5.55
3.00	3.00	3.00	2.00	2.00	3.00
2.00	2.00	2.00	2.00	3.00	8.00
-	-	-	-	-	1.00
-	-	1.00	1.00	-	-
17.75	20.80	21.80	16.80	17.80	23.55
205.75	208.80	209.80	209.80	219.80	225.55

Table 12

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Operating Statistics and Assets Utilized
Last Ten Years
(Unaudited)

			2004	2005	2006	2007
System Ridership						
Motor Bus	a		5,368,866	5,664,053	5,315,568	4,976,009
Demand Response / Paratransit	b		172,248	185,415	192,775	190,774
Ferry Boat	b		29,773	31,025	21,477	-
Vanpool	c/f		-	-	7,138	9,200
System Hours						
Motor Bus	a		209,768	206,098	198,456	198,524
Demand Response / Paratransit	b		61,461	64,967	67,798	67,422
Ferry Boat	b		783	679	688	-
Vanpool	c/f		-	-	647	652
System Miles						
Motor Bus	a		2,989,787	2,931,365	2,750,228	2,787,318
Demand Response / Paratransit	b		1,256,950	1,160,493	1,277,414	1,253,448
Ferry Boat	b		1,989	1,725	1,719	-
Vanpool	c/f		-	-	19,021	16,898
Vehicles In Service						
Motor Bus	a		65	63	58	58
Demand Response / Paratransit	b		31	30	30	30
Ferry Boat	b		1	1	1	-
Vanpool	c/f		-	-	2	3
Uses of Capital Funds	e					
Vehicles		$	6,143,077	-	320	1,863,855
Communications & Information		$	1,087,300	176,480	605,551	63,707
Facilities and Stations		$	1,250,337	502,846	624,952	669,006
Other		$	-	61,101	283,709	697,679
Operating Expenses by Mode	e					
Motor Bus	a	$	14,295,509	14,018,276	14,116,321	15,504,328
Demand Response / Paratransit	b	$	2,883,097	3,836,669	4,376,009	4,630,521
Ferry Boat	b	$	178,060	230,761	209,129	-
Vanpool	c/f	$	-	-	65,075	67,501

a - Directly Operated (Transportation Department) and Purchased Transportation (oversees contractors)
b - Purchased Transportation (contractors overseen by the Purchased Transportation Department)
c - Directly Operated - Customer Programs Department oversees operation of vanpools (through 2011)
d - Excludes miles not spent in active transportation service (i.e. deadhead, maintenance miles driven, etc.)
e - May not agree with GAAP-basis financial statements due to differences in NTD accounting methodologies
f - Van Pool operations do not meet FTA guidelines as of 2012 and are not reported on the NTD report and are not reported here after 2012

Source: National Transit Database

2008	2009	2010	2011	2012	2013
5,251,514	5,064,696	5,238,131	5,749,312	5,764,790	5,728,793
196,991	196,617	190,745	199,368	202,974	194,394
21,705	11,683	-	52,951	86,676	93,192
21,166	10,178	5,410	-	-	-
194,647	207,551	225,073	226,999	237,320	225,151
68,733	68,680	71,558	74,728	79,413	70,328
694	545	-	881	1,135	1,185
1,344	961	965	-	-	-
2,778,104	2,785,415	3,232,691	3,256,971	3,387,397	3,021,215
1,320,766	1,348,943	1,599,595	1,556,289	1,425,691	1,225,323
2,529	1,860	-	2,179	2,660	2,625
34,785	25,525	29,710	-	-	-
59	63	58	56	59	60
30	30	26	26	26	26
1	1	-	1	2	2
2	2	4	-	-	6
2,492,718	8,397,094	526,506	2,707,772	4,864,974	5,142,277
103,658	738,184	562,545	425,524	439,364	66,065
3,433,780	3,844,189	471,546	1,022,722	7,228,414	2,729,941
1,437,155	1,417,030	2,189,577	1,708,706	1,061,601	2,270,946
17,099,983	16,519,155	17,410,873	18,262,737	19,150,089	18,984,978
4,913,357	4,425,076	4,568,425	4,976,669	5,351,413	5,585,657
219,212	182,925	-	435,411	617,831	607,748
65,878	69,857	78,084	-	-	-

Source: National Transit Database

Table 13
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, CEO
Board of Directors	11
Service Area Square Miles	838
Population In Service Area	346,631
Type of Tax Support	Sales and Use Tax
Sales Tax Rate	.50%
Base Fare	$.75
Number of Routes *	42
Number of Transfer Stations *	4
Number of Bus Stops *	1,351

* Historical trend information is not available. See Table 10 for utilization and level of capital investment trends.

2013
Single Audit Section
Comprehensive Annual Financial Report

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

555 N. Carancahua Suite 1000
Corpus Christi, Texas 78401-0839
361-884-9347 • Fax 361-884-9422
www.cjw-cpa.com

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

June 27, 2014

The Board of Directors of the
Corpus Christi Regional Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Corpus Christi Regional Transportation Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 27, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Collier, Johnson & Woods

COLLIER, JOHNSON & WOODS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
555 N. Carancahua Suite 1000
Corpus Christi, Texas 78401-0839
361-884-9347 · Fax 361-884-9422
www.cjw-cpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

June 27, 2014

The Board of Directors of the
Corpus Christi Regional Transportation Authority

Report on Compliance for Each Major Federal Program

We have audited the Corpus Christi Regional Transportation Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Collier, Johnson & Woods

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2013

I. Summary of Audit Results:

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Corpus Christi Regional Transportation Authority.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."

3. No instances of noncompliance material to the financial statements of the Corpus Christi Regional Transportation Authority which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

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

5. The auditor's report on compliance for major Federal award programs for the Corpus Christi Regional Transportation Authority expresses an unmodified opinion on all major programs.

6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

7. The programs tested as major programs included:

   U.S. Department of Transportation, Federal Transportation Administration:
   Federal Transit Cluster

   1. Federal Transit – Capital Investment Grants (CFDA – 20.500)
   2. Federal Transit – Formula Grants (CFDA – 20.507)

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

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

II. Findings related to the financial statements – None

III. Findings and questioned costs for Federal awards – None

IV. Prior year audit findings requiring corrective action – None

Corpus Christi Regional Transportation Authority
Schedule of Expenditures of Federal Financial Awards
Year Ended December 31, 2013

GRANTOR	Federal CFDA Number	Grant Number		Expenditures, Indirect Costs, And Refunds	
DEPARTMENT OF TRANSPORTATION					
Federal Transportation Administration (FTA):					
Federal Transit Cluster					
Capital Investment Grant	20.500	TX04-0098	$	118,188	
Capital Investment Grant	20.500	TX03-0265			
				118,188	*
Transit Formula Funds	20.507	TX90-0857		2,074,474	
Transit Formula Funds	20.507	TX90-0931		217,133	
Transit Formula Funds	20.507	TX90-0978		1,280,409	
Transit Formula Funds - American Recovery & Reinvestment Act	20.507	TX96-X019		180,629	
				3,752,645	*
Total Federal Transit Cluster				3,870,833	
Job Access and Reverse Commute	20.516	TX37-4038		134,308	
New Freedoms	20.521	TX57-4007		2,271	
Total Department of Transportation			**$**	**4,007,412**	

* Major Program

See Notes to Federal Financial Awards

Corpus Christi Regional Transportation Authority
Notes to Schedule of Expenditures of Federal Financial Awards
For the Year Ended December 31, 2013

(1) General

The accompanying Schedule of Expenditures of Federal Financial Awards presents the activity of all Federal financial assistance programs of the 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 Financial 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:

Federal Operating Grants	$	1,416,988
Federal Capital Grants		2,590,424
Total Federal Grants	$	4,007,412

(4) Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Financial 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.

β

5658 Bear Lane Corpus
Christi, Texas 78405
www.ccrta.org