Schedule of Expenditures of Federal Awards and Report of Independent Certified Public Accountants

Port of Houston Authority of Harris County, Texas

Year ended December 31, 2016
Contents

Part I - Financial


Schedule of Expenditures of Federal Awards 4

Notes to Schedule of Expenditures of Federal Awards 5

Part II - Internal Controls and Compliance Reports

Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards 7

Report of Independent Certified Public Accountants on Compliance for each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance 9

Part III - Schedule of Findings and Questioned Costs

Section I – Summary of Auditor’s Results 13
Section II – Financial Statement Findings 13
Section III – Federal Award Findings and Questioned Costs 13
Part I - Financial
To the Port Commission
Port of Houston Authority of Harris County, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Port of Houston Authority of Harris County, Texas (the Authority) as of and for the years ended December 31, 2016 and 2015 and our report thereon dated April 18, 2017 expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on these basic financial statements as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Houston, Texas
April 18, 2017
Port of Houston Authority of Harris County, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended December 31, 2016

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/Program Title</th>
<th>Federal CFDA number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Homeland Security</td>
<td>97.056</td>
<td>$185,670</td>
</tr>
<tr>
<td>Port Security Grant Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total U.S. Department of Homeland Security</td>
<td></td>
<td>185,670</td>
</tr>
<tr>
<td>U.S. Department of Justice</td>
<td>16.607</td>
<td>875</td>
</tr>
<tr>
<td>Direct Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bullet Proof Vest Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total U.S. Department of Justice</td>
<td></td>
<td>875</td>
</tr>
<tr>
<td>U.S. Department of Transportation</td>
<td>20.933</td>
<td>1,351,935</td>
</tr>
<tr>
<td>Direct Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TIGER Discretionary Grant Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total U.S. Department of Transportation</td>
<td></td>
<td>1,351,935</td>
</tr>
<tr>
<td>U.S. Department of Defense</td>
<td>12.XXX</td>
<td>19,132</td>
</tr>
<tr>
<td>Direct Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Cooperation Agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total U.S. Department of Defense</td>
<td></td>
<td>19,132</td>
</tr>
<tr>
<td>Total</td>
<td>$1,557,612</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this schedule.
Port of Houston Authority of Harris County, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2016

Basis of Accounting
The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Summary of Significant Accounting Policies
The expenditures of federal awards reported for the Project Cooperation Agreement (PCA), CFDA 12.XXX, reflect design and engineering costs incurred by the Authority which will be submitted to the U.S. Army Corps of Engineers for credit under the PCA. The Corps of Engineers has preapproved the projects for which such costs can be incurred, but retains the right to deny credit for costs submitted.

Indirect Cost Rate
The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
Part II - Internal Controls and Compliance Reports
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

To the Port Commission
Port of Houston Authority of Harris County, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Port of Houston Authority of Harris County, Texas (the “Authority”) as of and for the year ended December 31, 2016 and 2015, and the related notes to the financial statements, which comprises the statements of net position and related statements of revenues, expenses and changes in net position and cash flows, and have issued our report thereon dated April 18, 2017.

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 design audit 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority’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 the Authority’s 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 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 or other matters that are required to be reported under Government Auditing Standards.

Intended purpose

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 report is not suitable for any other purpose.

Houston, Texas
April 18, 2017

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
UNIFORM GUIDANCE

To the Port Commission
Port of Houston Authority of Harris County, Texas

Report on compliance for each major federal program
We have audited the compliance of the Port of Houston Authority of Harris County, Texas (the
“Authority”) with the types of compliance requirements described in the U.S. Office of
Management and Budget’s Compliance Supplement that could have a direct and material effect on
its major federal program for the year ended December 31, 2016. The Authority’s major federal
program is 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 federal statutes, regulations and the terms and
conditions of its federal awards applicable to the Authority’s 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 the
audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative
Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those
standards and the Uniform Guidance 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 of the Authority's compliance.

**Opinion on each major federal program**

In our opinion, the Authority complied, in all material respects, with the types of compliance 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, 2016.

**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 compliance requirements that could have a direct and material effect on each major federal program to design audit 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 the Uniform Guidance, 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 a 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. Given these limitations, during our audit we did not identify any deficiencies in the Authority’s 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP
Houston, Texas
April 18, 2017
Part III - Schedule of Findings and Questioned Costs
SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements
Type of auditor’s report issued: \text{Unmodified}
Internal control over financial reporting:
- Material weakness identified? \text{No}
- Significant deficiencies identified that are not considered to be material weaknesses? \text{None Reported}
Noncompliance material to financial statements noted? \text{No}

Federal Awards
Internal control over major programs:
- Material weakness identified? \text{No}
- Significant deficiencies identified that are not considered to be material weaknesses? \text{None Reported}
Type of auditor’s report issued on compliance for major programs: \text{Unmodified}
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.515(a)? \text{No}
Identification of major federal program:
\begin{tabular}{lc}
\text{CFDA Number} & \text{Name of Federal Program} \\
20.933 & TIGER Discretionary Grant Program \\
\end{tabular}
Dollar threshold used to distinguish between Type A and Type B federal programs: \$750,000
Auditee qualified as a low-risk auditee? \text{No}

SECTION II – FINANCIAL STATEMENT FINDINGS
The audit disclosed no findings required to be reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
The audit disclosed no findings required to be reported.