



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

August 25, 2023

Indiana Ports Commission
Ports of Indiana
150 West Market Street, Suite 100
Indianapolis, IN 46204

We have reviewed the audit report of Ports of Indiana, which was opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Ports of Indiana, as of December 31, 2021, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

PORTS OF INDIANA
(A COMPONENT UNIT OF THE
STATE OF INDIANA)

FINANCIAL STATEMENTS
December 31, 2021 and 2020

PORTS OF INDIANA
(A COMPONENT UNIT OF THE STATE OF INDIANA)
Indianapolis, Indiana

FINANCIAL STATEMENTS
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

The Members of the Commission
Ports of Indiana
Indianapolis, Indiana

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of the Ports of Indiana (Ports), a component unit of the State of Indiana, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Ports of Indiana's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Ports, as of December 31, 2021 and 2020, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ports, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ports' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ports' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ports' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Ports' proportionate share of the net pension liability and the schedule of the Ports' contributions on pages 25 and 26 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ports' basic financial statements. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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, 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, on our consideration of the Ports' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ports' 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 Ports' internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
June 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

PORTS OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended December 31, 2021 and 2020

This section of the annual financial report presents a discussion and analysis of the Ports of Indiana's financial performance for the calendar year ended December 31, 2021. Please read it in conjunction with the Ports of Indiana's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Net position increased by \$14,198,531 for 2021. Operating income before depreciation was \$9,714,878. In addition to preparing operating budgets, the Ports of Indiana conducts a longer term capital planning and budgeting process that projects the on-going needs for maintenance of existing ports assets, strategic acquisition of adjacent port land, as well as future infrastructure requirements for developed and undeveloped port land. The capital plan typically projects out activities for 15 years and is updated annually. The long term capital plan projects approximately \$228,903,530 of capital expenditures will be incurred through 2036 to maintain and support the infrastructure at the three Ports locations. Capital budgets are funded by the operations of the Ports of Indiana.

For the year ended December 31, 2021, the Board of Commissioners has established a designated \$22,000,000 of unrestricted net position as strategic reserves for infrastructure improvements at its three Port locations which is reported as noncurrent asset.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements.

The Ports of Indiana's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Position. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Ports of Indiana are included in the Statements of Net Position.

The financial statements provide both long and short-term information about the Ports of Indiana's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detail.

(Continued)

PORTS OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended December 31, 2021 and 2020

FINANCIAL ANALYSIS

Net Position

The Ports of Indiana's total assets at December 31, 2021 reached \$175,461,010. This represents an increase in 2021 of \$11,068,042, or 6.73% percent from the prior year. The increase in total assets is a result of positive cash flows from operations and continued investment in capital assets around the ports. Total liabilities amounted to \$4,151,801, a decrease of \$3,523,163 or 45.90% percent from 2020. The decrease in total liabilities is mainly attributed to the accrual of outstanding capital invoices related to the TIGER and Fastlane Grants at December 31, 2020. Total net position amounted to \$168,819,525, an increase of \$14,198,531, or 9.30% percent (See Table 1).

Table 1 Net Position			
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Current assets	\$ 32,075,581	\$ 31,563,621	\$ 29,354,544
Non-current assets (**)	22,000,000	22,000,000	22,000,000
Capital	<u>121,385,429</u>	<u>110,829,347</u>	<u>97,945,885</u>
Total assets	<u>175,461,010</u>	<u>164,392,968</u>	<u>149,300,429</u>
Deferred outflow of resources	<u>643,271</u>	<u>349,539</u>	<u>294,772</u>
Liabilities:			
Current liabilities	3,508,545	6,351,729	2,600,484
Non-current liabilities	<u>643,256</u>	<u>1,323,235</u>	<u>1,534,541</u>
Total liabilities	<u>4,151,801</u>	<u>7,674,964</u>	<u>4,135,025</u>
Deferred inflow of resources	<u>5,132,955</u>	<u>4,446,549</u>	<u>4,318,338</u>
Net position:			
Invested in capital assets	120,047,080	105,950,996	97,573,689
Unrestricted (**)	<u>46,772,445</u>	<u>46,669,998</u>	<u>43,568,149</u>
Total net position	<u>\$ 166,819,525</u>	<u>\$ 152,620,994</u>	<u>\$ 141,141,838</u>

** - For the years ended December 31, 2021, 2020, and 2019, the Board of Commissioners has designated \$22,000,000 of unrestricted net position as strategic reserves for land acquisitions, special projects, required maintenance, and emergency infrastructure improvements at its three Port locations.

(Continued)

PORTS OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended December 31, 2021 and 2020

Changes in Net Position

The change in net position at December 31, 2021 was \$14,198,531 or 9.3%. The Ports of Indiana's total operating revenues increased by \$1,854,930, or 12.96%. Total operating expenses before depreciation increased by \$421,183, or 6.99%. The changes in net position are detailed in Table 2 and operating expenses are detailed in Table 3.

Table 2			
Changes in Net Position			
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenue:			
Maritime services	\$ 15,472,016	\$ 13,650,097	\$ 13,454,537
Other	<u>691,588</u>	<u>658,577</u>	<u>635,721</u>
Total operating revenues	<u>16,163,604</u>	<u>14,308,674</u>	<u>14,090,258</u>
Operating expenses:			
Operating expenses	6,448,726	6,027,543	5,851,384
Depreciation	<u>1,958,511</u>	<u>3,807,990</u>	<u>7,344,688</u>
Total operating expenses	<u>8,407,237</u>	<u>9,835,533</u>	<u>13,196,072</u>
Operating income	7,756,367	4,473,141	894,186
Non-operating revenues	43,052	15,952	1,095,226
Capital contributions	<u>6,399,112</u>	<u>6,990,063</u>	<u>-</u>
Change in net position	14,198,531	11,479,156	1,989,412
Net position, beginning of year	<u>152,620,994</u>	<u>141,141,838</u>	<u>139,152,426</u>
Total net position, end of year	<u>\$ 166,819,525</u>	<u>\$ 152,620,994</u>	<u>\$ 141,141,838</u>

Revenues: Operating revenues from maritime services increased by \$1,821,919 or 13.34% in 2021 from 2020. The increase resulted primarily from an increase in facility rental revenue as well as wharfage revenue. The increase in wharfage revenue was largely driven by project cargo in Burns Harbor.

In 2021, key non-operating activity included investment income of \$41,413. In 2020, key non-operating activities include investment income of \$458,116, proceeds from the settlement of the Lakes and Rivers lawsuit for \$849,999, and a write off of 4th Port activity for (\$1,366,555). In 2019, key non-operating activity included investment income of \$1,093,223.

Capital contributions decreased by \$590,951 in 2021 compared to 2020. In 2021, capital contributions include \$6,399,112 of federal grant reimbursements. In 2020, capital contributions include \$6,990,063 of federal grant reimbursements. In 2019, there were no capital contributions.

(Continued)

PORTS OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended December 31, 2021 and 2020

Expenses: Total operating expenses decreased by \$1,428,296, or 14.52%, in 2021. The decrease in operating expenses from 2020 to 2021 is primarily due to a decrease in depreciation expense resulting from a large number of capital assets being fully depreciated in 2020. Operating expenses, not including depreciation, increased by \$421,183, or 6.99% in 2021. Operating expenses are summarized as follows:

<u>Expense Category</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Labor and fringe benefits	\$ 3,444,546	\$ 3,401,998	\$ 3,391,782
Travel and training	56,136	52,575	93,213
Security services	316,080	273,096	298,816
Legal services	610,547	379,275	371,025
Accounting services	42,650	36,700	35,600
Computer services	164,026	161,256	150,447
Other professional services	738,952	501,422	172,180
Advertising and public relations	84,490	54,683	38,222
Insurance	361,268	333,018	320,485
Property rentals	106,975	107,355	102,446
Office expenses	69,559	71,927	66,819
Business association memberships	123,129	131,214	144,252
Utilities	153,513	137,152	252,492
Maintenance	163,935	373,166	406,432
Other	12,920	12,706	7,173
Operating expenses before depreciation	6,448,726	6,027,543	5,851,384
Depreciation	1,958,511	3,807,990	7,344,688
Total operating expenses	<u>\$ 8,407,237</u>	<u>\$ 9,835,533</u>	<u>\$ 13,196,072</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2021 and 2020, the Ports of Indiana had invested \$121,385,429 and \$110,829,347 in net capital assets and related assets, net of accumulated depreciation. As compared to the prior year, this amount represents an increase of \$10,556,082. Construction in process totals \$33,382,913 and \$23,516,874 as of December 31, 2021 and 2020. Key ongoing construction projects include the TIGER grant project at Jeffersonville and the Fastlane project at Burns Harbor. See Note 3 for capital asset activity.

There is no outstanding debt other than construction related payables of \$1,338,349 and \$4,878,351 at December 31, 2021 and 2020.

CURRENTLY KNOWN FACTS

Other than the uncertainty of general economic indicators on the Ports of Indiana and its customers, there are no significant facts, decisions or conditions that are expected that management believes will have a significant impact on the financial position or results of operations.

This financial report was designed to provide our stakeholders, patrons, and other interested parties with a general overview of the Ports of Indiana's finances and to demonstrate the Ports of Indiana's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Ports of Indiana at (317) 232-9200.

PORTS OF INDIANA
STATEMENTS OF NET POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 20,986,528	\$ 23,294,164
Investments (Note 2)	5,179,535	5,137,737
Trade accounts receivable, net	946,210	633,842
Grants receivable	4,488,614	2,062,063
Prepaid expenses	<u>474,694</u>	<u>435,815</u>
Total current assets	<u>32,075,581</u>	<u>31,563,621</u>
Noncurrent assets:		
Investments (Note 2)	22,000,000	22,000,000
Non-depreciable capital assets (Note 3)	63,567,784	53,701,745
Depreciable capital assets, net (Note 3)	<u>57,817,645</u>	<u>57,127,602</u>
Total noncurrent assets	<u>143,385,429</u>	<u>132,829,347</u>
Total assets	<u>175,461,010</u>	<u>164,392,968</u>
Deferred outflows of resources		
Pension (Note 8)	<u>643,271</u>	<u>349,539</u>
Total assets and deferred outflows of resources	<u>\$ 176,104,281</u>	<u>\$ 164,742,507</u>
Liabilities		
Current liabilities:		
Accounts payable and other accrued expenses	\$ 2,170,196	\$ 1,473,378
Contracts and retainage payable on capital projects	<u>1,338,349</u>	<u>4,878,351</u>
Total current liabilities	<u>3,508,545</u>	<u>6,351,729</u>
Non-current liabilities:		
Net pension liability (Note 8)	<u>643,256</u>	<u>1,323,235</u>
Total liabilities	<u>4,151,801</u>	<u>7,674,964</u>
Deferred inflows of resources		
Sale of future revenues (Note 1)	4,078,964	4,078,964
Pension (Note 8)	<u>1,053,991</u>	<u>367,585</u>
Total deferred inflows of resources	<u>5,132,955</u>	<u>4,446,549</u>
Net position		
Net investment in capital assets	120,047,080	105,950,996
Unrestricted	<u>46,772,445</u>	<u>46,669,998</u>
Total net position	<u>166,819,525</u>	<u>152,620,994</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 176,104,281</u>	<u>\$ 164,742,507</u>

See accompanying notes to financial statements.

PORTS OF INDIANA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Maritime services	\$ 4,333,055	\$ 3,508,897
Facility rentals and storage	9,606,260	9,212,907
User fees	1,432,784	871,293
Foreign trade zone fees	99,917	57,000
Other	<u>691,588</u>	<u>658,577</u>
Total operating revenues	16,163,604	14,308,674
Operating expenses before depreciation		
Labor and fringe benefits	3,444,547	3,401,998
Maintenance	163,935	373,166
Other	<u>2,840,244</u>	<u>2,252,379</u>
Total operating expenses before depreciation	<u>6,448,726</u>	<u>6,027,543</u>
Operating income before depreciation	9,714,878	8,281,131
Depreciation expense	<u>1,958,511</u>	<u>3,807,990</u>
Operating income	7,756,367	4,473,141
Non-operating revenues		
Net investment income	41,413	458,116
Loss on disposal of capital assets	-	(1,316,555)
Other income	<u>1,639</u>	<u>874,391</u>
Total non-operating revenues	<u>43,052</u>	<u>15,952</u>
Income before capital contributions	7,799,419	4,489,093
Capital contributions	<u>6,399,112</u>	<u>6,990,063</u>
Change in net position	14,198,531	11,479,156
Net position, at beginning of year	<u>152,620,994</u>	<u>141,141,838</u>
Net position, at end of year	<u>\$ 166,819,525</u>	<u>\$ 152,620,994</u>

See accompanying notes to financial statements.

PORTS OF INDIANA
STATEMENTS OF CASH FLOWS
Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 15,844,324	\$ 14,327,131
Payments to suppliers	(4,117,149)	(3,649,061)
Payments to employees	(2,854,433)	(2,695,390)
Payments of employee benefits	<u>(650,682)</u>	<u>(717,644)</u>
Net cash provided by operating activities	8,222,060	7,265,036
Cash flows from capital and related financing activities:		
Settlement of contract and receipt of option fees	158,632	874,391
Receipt of capital contributions from federal sources	3,842,713	4,928,000
Purchases for acquisitions and construction of capital assets	<u>(14,536,654)</u>	<u>(13,501,852)</u>
Net cash used in capital and related financing	(10,535,309)	(7,699,461)
Cash flows from investing activities:		
Investment income received	<u>5,613</u>	<u>45,213</u>
Net cash provided by investing activities	5,613	45,213
Net change in cash and cash equivalents	(2,307,636)	(389,212)
Cash and cash equivalents, beginning of year	<u>23,294,164</u>	<u>23,683,376</u>
Cash and cash equivalents, end of year	<u>\$ 20,986,528</u>	<u>\$ 23,294,164</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 7,756,367	\$ 4,473,141
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,958,511	3,807,990
Changes in assets and liabilities:		
Trade accounts receivable	(312,368)	18,457
Other receivables	(1,551,084)	-
Prepaid expenses	(38,879)	(141,780)
Deferred outflows – pension liability	(293,732)	(54,767)
Accounts payable	696,818	(754,910)
Net pension liability	(679,979)	(211,306)
Deferred inflows – pension liability	<u>686,406</u>	<u>128,211</u>
Net cash provided by operating activities	<u>\$ 8,222,060</u>	<u>\$ 7,265,036</u>

Noncash activities: The Ports of Indiana had contracts and retainage payable on related capital assets of \$1,338,349 and \$4,878,351 at December 31, 2021 and 2020, respectively.

See accompanying notes to financial statements.

PORTS OF INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Ports of Indiana (or “Ports”) is a body both Corporate and Politic created under Indiana Code Section 8-10-1-3 enacted by the General Assembly of the State of Indiana. The Ports of Indiana is authorized to construct, maintain and operate public ports with terminal facilities and traffic exchange points for all forms of transportation on Lake Michigan and the Ohio and Wabash Rivers. The Commission consists of seven members appointed by the Governor. Accordingly, it is a component unit of the State of Indiana. Operating and capital funds are derived from port activities; however, capital funds are periodically provided through state and federal grants.

The Ports of Indiana’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include all the accounts of the Ports of Indiana and its subsidiary, The Indiana Ports Railroad Holding Corporation (Railroad Holding Corporation). The Railroad Holding Corporation is a not-for-profit entity, which is the parent of the wholly owned subsidiaries of Clark Shortline Railroad Co., Burns Harbor Shortline Railroad Co., and Southwind Railroad Co. There is not a separate audit report issued for the entity.

Measurement Focus, Basis of Accounting and Financial Reporting: The accounting policies of the Ports of Indiana conform to accounting principles generally accepted in the United States of America as applicable to governments. The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The principle operating revenues of the Ports includes maritime fees, facility rental fees, and other user fees. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Ports of Indiana accounts are organized into a single proprietary fund. The Ports of Indiana’s operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing services on a continuing basis be financed and recovered primarily through user charges. Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services or leasing property. Operating expenses include the cost of providing services, administrative services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Capital contributions include revenue recognized from federal grants funding ongoing capital projects.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Ports of Indiana has adopted GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting.”

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflow of resources at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents: Cash equivalents consist of short-term, liquid investments which are readily convertible into cash or which have an original maturity of 30 days or less.

(Continued)

PORTS OF INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: The Ports accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of net investment income in the statements of revenues, expenses, and changes in net position.

Trade Accounts Receivable: Operating revenues include rental income derived from leasing port property and from maritime revenues. Amounts due from certain lease agreements are billed and recognized over the appropriate lease term. Trade receivables are reported at an amount that is net of advance billings.

Grants Receivable: Grants receivable represents federal grant expenditures incurred but not yet claimed or reimbursed from grantors as of December 31, 2021 and 2020, respectively. Revenue is reported as capital contributions.

Allowance for Uncollectible Accounts: The allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances and general economic conditions. Periodically, management reviews accounts receivable and records an allowance based on current circumstances, and charges off the receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with the collection policy. Management estimated that no material allowance was necessary at December 31, 2021 and 2020.

Capital Assets: Capital assets are stated at cost or acquisition value at date of gift, if donated. The Ports of Indiana capitalizes additions and improvements that have a value over \$500 and a useful life beyond one year. Depreciation is charged as an operating expense using the straight-line method over the estimated useful lives of the respective assets. Construction in progress consists of the costs of construction contracts and direct engineering costs incurred in the design and construction of port properties. Projects are capitalized when substantially complete. Land and harbor improvements consist of both depreciable and non-depreciable types of assets. Infrastructure assets are capitalized. Estimated useful lives used in computing depreciation on property and equipment are as follows:

	<u>Years</u>
Land improvements	5 - 50
Harbor improvements	25 - 40
Dock and mooring facilities	10 - 40
Buildings and structures	5 - 30
Machinery and equipment	5 - 20
Office furniture and equipment	5 - 10
Trucks and autos	5

Noncurrent Cash and Investments: At December 31, 2021 and 2020, the Board of Commissioners has designated \$22,000,000, respectively, of cash and investments as a strategic reserve for land acquisitions, special projects, required maintenance, and emergency infrastructure improvements, which are classified as noncurrent assets in the statement of net position because of their long-term nature.

Net Pension Liability: The Ports has recorded a net pension liability reflecting their proportionate share of the difference between the total pension liabilities and the fiduciary net positions of the Indiana Public Retirement System (INPRS) PERF Plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of INPRS PERF Plan and additions to/deductions from the INPRS PERF Plan fiduciary net position have been determined on the same basis as they are reported by the INPRS system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

PORTS OF INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources - Pension: Deferred outflows of resources represent a consumption of net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period. The Ports' activities are related to recognition of changes in its defined benefit plan's net pension liability that will be amortized in future periods.

Deferred Inflows of Resources - Sale of Future Revenues: During 2017, the Ports entered into an agreement with a third party to serve as the exclusive operator of the bulk load out terminal at the Port of Indiana – Jeffersonville. The agreement has an original term of ten years with the option to renew for an additional five years. The third party paid \$3,000,000 in consideration for the right to charge other parties for use of the bulk terminal over the lease term and must also pay annual operating fees, tonnage fees, and meet a guaranteed minimum tonnage threshold outlined in the agreement. The Ports and the third party have also agreed to share in the financial responsibility of “non-essential” items relating to the ongoing construction of the bulk terminal. The third party also paid \$1,078,964 for additional capital related costs not yet incurred by the Ports. In accordance with GASB Statement No. 48 and clarified by GASB Statement No. 65, the payment received in consideration for the right to future revenues as the exclusive operator of the bulk terminal has been recorded as a deferred inflow of resource. Revenue will be recognized straight line over the course of the ten-year lease term upon completion of the project. At December 31, 2021, the construction of the bulk load-out terminal is in progress and expected to be completed during 2022.

Net Position: Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the statements of net position. Net position is reported as:

- Unrestricted which may be designated for specific purposes at the option of the Board of Commissioners.
- Restricted when there are legal limitations imposed on their use by laws or regulations of other governments or external restrictions by creditors or grantors.
- Net Investment in Capital Assets which consists of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, notes or other borrowings, and payables that are attributable to the acquisition, construction or improvement of those assets.

Restricted Asset Spending Policy: Restricted assets are released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events. When expenditures are eligible to be paid from either restricted or unrestricted resources, it is the policy to apply restricted resources first, then unrestricted resources as needed.

Adoption of New Accounting Pronouncements: For the year ended December 31, 2021, the Ports adopted the following accounting pronouncements. There was no impact on the financial statements upon adoption of these pronouncements.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*

(Continued)

PORTS OF INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 2 - DEPOSITS AND INVESTMENTS

Pursuant to Indiana Code Section 5-13-4-21, the Ports of Indiana is not subject to Indiana code 5-13-10.5 (the Public Funds Statute). However, the Ports of Indiana voluntarily includes in its investment policy those investments that qualify under the Public Funds Statute. Investment objectives, in order of importance, are:

- Preserving capital
- Meeting liquidity needs
- Achieving a market rate of return on investments
- Long term growth in assets in excess of the capital requirements for the development of the ports

Portfolio assets shall be invested 100% in fixed income securities, including U.S. Treasuries, or securities guaranteed by the US and agencies, certificates of deposit, fully collateralized repurchase agreements, government money market funds, and corporate bonds meeting certain credit quality ratings. Investments in deposits or certificates of deposit can only be held to the extent of FDIC coverage.

Interest Rate Risk: A formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Individual securities purchased are to be limited to those with maturities of 5 years or less from the time of purchase with a maximum of 25% of the investments maturing in the 2- to 5-year time frame.

Credit Risk: The Ports' general investment policy is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. At December 31, 2021 and 2020, all funds were held at banks in accounts either insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000 or collateralized with securities of the U.S. Government or in municipal obligations with the appropriate credit rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Ports' will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Ports' investment policy requires that all amounts in excess of any insurance limits be collateralized by securities eligible for Ports' investment or any other high-quality, interest-bearing security rated at least A-1+ by Standard & Poor's or MIG-1 by Moody's. The Ports' is fully collateralized as of December 31, 2021 and 2020.

Concentration of Credit Risk: The Ports' places a 10 percent limit on the amount the Ports' may invest in any one issuer except securities that are backed by the full faith and credit of the United States Treasury, or fully guaranteed by the United States and issued by the U.S. Treasury, a federal agency, a federal instrumentality or federal government sponsored enterprise.

Operating Cash: The carrying amount of operating cash was \$20,986,528 and \$23,294,164 at December 31, 2021 and 2020, respectively, while the bank balance was \$20,936,041 and \$23,314,748, respectively. The difference relates to outstanding checks at December 31, 2021 and 2020. All account balances at banks were either insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000 or collateralized with securities of the U.S. Government held in the Ports' name by financial institutions acting as the Ports' agent.

(Continued)

PORTS OF INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments: Investments consist of money market funds and certificates of deposit. Certificates of deposit amounted to \$1,942,845 and \$12,313,171 at December 31, 2021 and 2020, respectively. In accordance with Ports' policy, certificates of deposit were fully collateralized with securities of the U.S. Government. All investment collateral is held in safekeeping in the Ports' name by financial institutions acting as the Ports' agent. Collateral is priced to market semi-monthly and monitored regularly with additional collateral requested as necessary.

Fair Values: The Ports' categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The Ports has money market funds (Level 1) of \$25,236,690 and \$14,824,566 and negotiable certificates of deposit (Level 2) of \$1,942,845 and \$12,313,171 at December 31, 2021 and 2020, respectively, which are valued at fair value.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the Ports' investments at December 31, 2021 and 2020.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less than One Year</u>	<u>One to Five Years</u>
<u>2021</u>			
Money market funds	\$ 25,236,690	\$ 25,236,690	\$ -
Certificates of deposit	<u>1,942,845</u>	<u>1,942,845</u>	<u>-</u>
Total	<u>\$ 27,179,535</u>	<u>\$ 27,179,535</u>	<u>\$ -</u>
<u>2020</u>			
Money market funds	\$ 14,824,566	\$ 14,824,566	\$ -
Certificates of deposit	<u>12,313,171</u>	<u>10,191,237</u>	<u>2,121,934</u>
Total	<u>\$ 27,137,737</u>	<u>\$ 25,015,803</u>	<u>\$ 2,121,934</u>

(Continued)

PORTS OF INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 3 - CAPITAL ASSETS

Capital assets consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Non-depreciable capital assets:		
Land	\$ 30,184,871	\$ 30,184,871
Construction in progress	<u>33,382,913</u>	<u>23,516,874</u>
	63,567,784	53,701,745
Depreciable capital assets:		
Land improvements	46,295,765	43,720,765
Harbor improvements	23,569,049	23,569,049
Docks and mooring facilities	50,428,417	50,428,417
Buildings and structures	26,196,834	26,173,901
Machinery and equipment	2,455,155	2,455,155
Office furniture and equipment	2,172,295	2,132,821
Trucks and automobiles	<u>842,842</u>	<u>921,930</u>
	<u>151,960,357</u>	<u>149,402,038</u>
Total capital assets	215,528,141	203,103,783
Less accumulated depreciation	<u>(94,142,712)</u>	<u>(92,274,436)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 121,385,429</u>	<u>\$ 110,829,347</u>

Land and construction in progress are not subject to depreciation.

Capital asset activity for 2021 and 2020 included:

	<u>Capital Assets</u>	<u>Construction in Progress</u>	<u>Total</u>	<u>Accumulated Depreciation</u>
<u>2021</u>				
Beginning balance	\$ 179,586,909	\$ 23,516,874	\$ 203,103,783	\$ (92,274,436)
Additions	-	12,515,761	12,515,761	-
Retirements	(91,403)	-	(91,403)	90,235
Transfers	2,649,722	(2,649,722)	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,958,511)</u>
Ending balance	<u>\$ 182,145,228</u>	<u>\$ 33,382,913</u>	<u>\$ 215,528,141</u>	<u>\$ (94,142,712)</u>
<u>2020</u>				
Beginning balance	\$ 177,523,701	\$ 8,917,350	\$ 186,441,051	\$ (88,495,166)
Additions	-	18,022,999	18,022,999	-
Retirements	(24,055)	(1,336,212)	(1,360,267)	28,720
Transfers	2,087,263	(2,087,263)	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,807,990)</u>
Ending balance	<u>\$ 179,586,909</u>	<u>\$ 23,516,874</u>	<u>\$ 203,103,783</u>	<u>\$ (92,274,436)</u>

(Continued)

PORTS OF INDIANA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021 and 2020

NOTE 4 - OPERATING LEASES

Operating Leases of a Lessor: The Ports of Indiana is engaged in leasing various properties to tenants under operating leases expiring over the next 1 - 25 years. The lease agreements may include property rental and annual minimums on cargo tonnage at a tariff rate per ton based on the type of cargo shipped in and out of the ports. A majority of the Ports of Indiana's capital assets are available for lease. The approximate future minimum lease payments to be received in each of the five succeeding years and thereafter under non-cancelable operating leases are as follows:

<u>Year Ending December 31,</u>		
2022	\$	11,316,762
2023		10,174,280
2024		6,909,504
2025		6,089,791
2026		5,625,446
2027 - 2031		16,251,129
2032 - 2036		5,647,426
2037 - 2041		3,991,406
2042 - 2046		<u>2,006,947</u>
		<u>\$ 68,012,691</u>

Operating Lease Obligations: The Ports of Indiana, as lessee, leases office space under an operating lease that expires on June 30, 2027. Rent expense was \$106,975 and \$107,355 for the years ended December 31, 2021 and 2020, respectively. Minimum lease commitments are as follows:

2022	\$	112,101
2023		113,980
2024		115,859
2025		117,738
2026		119,617
Thereafter		<u>60,278</u>
		<u>\$ 639,573</u>

NOTE 5 - CONDUIT DEBT OBLIGATIONS

From time to time, the Ports of Indiana has issued Port Revenue Bonds to provide assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are special obligations of the Ports of Indiana payable from and secured solely by a pledge of debt service rentals. Principal and interest is payable from certain amounts payable to the Ports of Indiana by the private-sector entity and the guarantor pursuant to the lease and guarantor agreement. Neither the Ports of Indiana, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds beyond the resources provided by the related lease agreements. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2020, the Ports of Indiana had issued an Industrial Development Revenue Bond Series 2014A and 2014B for the Mill Steel Project which had an outstanding balance of \$3,498,543. These bonds were repaid in September 2021. No conduit debt obligations as of December 31, 2021.

(Continued)

NOTE 6 - CONTINGENCIES

The Ports of Indiana is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. For the years ended December 31, 2021 and 2020, the Ports has purchased commercial insurance policies covering risks of loss related to the above-mentioned events. There were no significant reductions in insurance coverage during 2021 and 2020 and there were no settlements that exceeded insurance coverage during any of the past three fiscal years for those risks that the Ports purchased insurance.

NOTE 7 - DEFERRED COMPENSATION BENEFITS

The Ports of Indiana offers two deferred compensation plans to all its employees under plans administered by Nationwide Retirement Solutions, Inc. (Nationwide) and State of Indiana Public Employee Deferred Compensation Plan (Hoosier S.T.A.R.T) which is a multiple employer plan, and each is established in accordance with Internal Revenue Code Section 457. Employees are permitted to defer a portion of their salary until future years. Only upon terminations, retirement, death, or an unforeseen emergency is the deferred compensation available to an employee. Federal House Bill 3448 mandated that, effective January 1, 2000; all existing Internal Revenue Code Section 457 plan assets must be held in a qualified trust for the benefit of participants and their beneficiaries. There are no employer contributions to the plans.

Because these assets are held by a custodian for the specific benefit of participants and their beneficiaries, they are not reflected in the financial statements and are free from claims of Ports of Indiana creditors. The fair market value of Nationwide investments held in custodial funds for participants was \$3,116,887 and \$3,039,658 at December 31, 2021 and 2020, respectively. The fair market value of Hoosier S.T.A.R.T investments held in custodial funds for participants was \$403,137 and \$248,167 as of December 31, 2021 and 2020, respectively.

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF)

The Ports of Indiana contributes to the Public Employees' Retirement Fund (PERF), which is administered by the Indiana Public Retirement System (INPRS).

Public Employees' Retirement System - Defined Benefit Plan

Plan Description: PERF Defined Benefit (DB) is a cost-sharing, multiple-employer defined benefit fund providing retirement, disability, and survivor benefits to fulltime employees of the State of Indiana not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.3, and 35 IAC 1.2. and other Indiana pension law. PERF DB is a component of the Public Employees Hybrid plan (PERF Hybrid).

PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, along with the Public Employees' Hybrid Members Defined Contribution Account (see Defined Contribution Plans section), a member-funded account. First time new employees hired by the State or a participating political subdivision who offers a choice, have a one-time election to join either the PERF Hybrid or the PERF My Choice: Retirement Savings Plan for Public Employees (PERF MC DC) which is covered in the Defined Contribution Plans section. A new hire that is an existing member of PERF Hybrid and was not given the option for PERF MC DC is given the option to elect PERF MC DC or remain in PERF Hybrid.

(Continued)

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF) (Continued)

Members who have at least one year of service in both PERF DB and the Teachers Retirement Fund (TRF Pre-'96 DB or TRF '96 DB) have the option of choosing from which of these funds they would like to retire.

Retirement benefits provided:

Full Retirement Benefit -

- At age 65 with at least 10 years of creditable service (eight years for certain elected officials).
- At age 60 with at least 15 years of creditable service.
- At age 55 if age and creditable service total at least 85 ("Rule of 85").
- At age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position.
- At age 70 with 20 years of creditable service and still active in the PERF-covered position.

Early Retirement Benefit - Age 50 and minimum of 15 years of creditable service (44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59).

Disability Benefit - An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month).

Survivor Benefit - If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment Five Year Certain & Life, Joint with 100 percent Survivor Benefits, Joints with Two-Thirds Benefits, or Joint with One-Half Survivor Benefits.

The lifetime annual benefit equals years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1 percent (minimum of \$180 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance.

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS Board. Historically, eligible members receive a one-time check (13th check) with the dollar amount tied to years of service. For the year ended June 30, 2021, postretirement benefits of \$31.2 million were issued to members as a 13th check.

Contributions: Contributions are determined by the INPRS Board of Trustees based on an actuarial valuation. During fiscal year 2021, all participating employers were required to contribute 11.2 percent of covered payroll for Hybrid members, with 0.44 percent funding a supplemental reserve account for postretirement benefits. Contributions from employers with PERF MC DC plan members, who either currently offer or have offered PERF Hybrid, fund PERF DB's unfunded liability at 8.0 percent of covered payroll for the State and 7.2 percent for political subdivisions. No member contributions are required.

(Continued)

PORTS OF INDIANA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021 and 2020

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF) (Continued)

During fiscal year 2020, all participating employers were required to contribute 11.2 percent of covered payroll for Hybrid members. Contributions from employers with PERF MC DC plan members, who either currently offer or have offered PERF Hybrid, fund PERF DB's unfunded liability at 8.0 percent of covered payroll for the State and 7.3 percent for political subdivisions. No member contributions are required. The Ports made payments equal to their annual required contribution of 11.2% for the last three years as follows:

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2021	\$ 292,948	100%
2020	268,276	100%
2019	268,999	100%

Financial Report: INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Actuarial Assumptions: The total pension liability is determined by INPRS actuaries in accordance with GASB No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

- Measurement Date – June 30, 2021
- Asset valuation date – June 30, 2021
- Liability valuation date – June 30, 2020 – The TPL as of June 30, 2021 was determined based on an actuarial valuation prepared as of June 30, 2020 rolled forward one year to June 30, 2021, using the following key assumptions and other inputs, such as benefit accruals and actual benefits payments during that time period.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.25%, includes inflation and net of investment expenses
- COLA – Members in pay were granted a 1.0% COLA on January 1, 2022 and no COLA on January 1, 2023. Therefore, the COLA assumption will be 0.4% beginning on January 1, 2024, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.65% - 8.65% based on service
- Inflation – 2.00%
- Mortality assumptions – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

The most recent comprehensive experience study, based on member experience between June 30, 2014 and June 30, 2019 was completed in February 2020. The demographic assumptions were approved by the Board in June 2020 and were used beginning with the June 30, 2020 actuarial valuation. Economic assumptions were updated and approved by the Board in May 2021 following the completion of an Asset-Liability student and first used in the June 30, 2021 actuarial valuation.

(Continued)

PORTS OF INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF) (Continued)

Changes in Assumptions from the Prior Year:

The following economic assumptions were adopted for the June 30, 2021 actuarial valuation:

- The investment return assumption was lowered from 6.75% (as of June 30, 2020) to 6.25%.
- Price inflation was lowered from 2.25% (as of June 30, 2020) to 2.00%.
- General wage inflation was lowered from 2.75% (as of June 30, 2020) to 2.65%.

Legislation granted a 1.00% cost-of-living adjustment effective January 1, 2022 to paid from the Supplemental Reserve Account. No supplement benefits were granted for fiscal year 2023. This replaces the COLA assumption of 0.4% for Fiscal Years 2022 and 2023 but does not change the assumption for future years.

The long-term return expectation for the INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.25% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	<u>Target</u>		<u>Geometric Basis</u>	
	<u>Asset Allocation</u>		<u>Long-Term Expected</u> <u>Real Rate of Return</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Public Equity	20.0%	22.0%	3.6%	4.4%
Private Equity	15.0%	14.0%	7.3%	7.6%
Fixed Income – ExInflation-Linked	20.0%	20.0%	1.5%	1.9%
Fixed Income – Inflation-Linked	15.0%	7.0%	(0.3)%	0.5%
Commodities	10.0%	8.0%	0.8%	1.6%
Real Estate	10.0%	7.0%	4.2%	5.8%
Absolute Return	5.0%	10.0%	2.5%	2.9%
Risk Parity	20.0%	12.0%	4.4%	5.5%
Leverage Offset	(15.0)%	N/A	(1.4)%	N/A

(Continued)

PORTS OF INDIANA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021 and 2020

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF) (Continued)

Discount rate: Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.25 percent for 2021 and 6.75 percent for 2020. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.25 percent for 2021 and 6.75 percent for 2020). Based on these assumptions, the PERF defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for the plan.

Sensitivity: The following presents the Port's share of the net pension liability calculated using the discount rate of 6.25% for 2021 and 6.75% for 2020, as well as what the Port's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate:

	1% Decrease <u>(5.25%)</u>	Current Rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
<u>2021</u>			
Proportionate Share of the Collective Net Pension Liability	\$ 1,678,773	\$ 643,256	\$ (223,043)
	1% Decrease <u>(5.75%)</u>	Current Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
<u>2020</u>			
Proportionate Share of the Collective Net Pension Liability	\$ 2,157,323	\$ 1,323,235	\$ 624,618

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in a stand-alone financial report of INPRS that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2021 and 2020, the Ports reported a liability of \$643,256 and \$1,323,235, respectively, for its proportionate share of the net pension liability. The Ports' proportionate share of the net pension liability was based on the Ports' wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2021 measurement date was 0.0004878. This represents a slight increase from the prior measurement date. The proportionate share used at the June 30, 2020 measurement date was 0.0004381.

For the years ended December 31, 2021 and 2020, the Ports recognized pension expense) of \$3,655 and \$130,644, respectively, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$59,073 and \$24,078, respectively. At December 31, 2021, the Ports reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

(Continued)

PORTS OF INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF) (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2021</u>		
Differences between expected and actual experience	\$ 21,954	\$ 12,816
Net difference between projected and actual earnings on pension plan investments	-	833,410
Changes in assumptions	322,865	144,176
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>138,037</u>	<u>63,589</u>
Total that will be recognized in pension expense (income) based on table below	482,856	1,053,991
Pension contributions subsequent to measurement date	<u>160,415</u>	<u>-</u>
Total	<u>\$ 643,271</u>	<u>\$1,053,991</u>

Deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2021 and 2020 measurement dates are recognized as a reduction of net pension liability in the year ending December 31, 2022 and 2021, respectively. Deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5-year period. A change in an employer's proportionate share represents the change as of the current year measurement date versus the prior year measurement date and is amortized over the average expected remaining service lives of the plan. The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ (149,454)
2023	(127,366)
2024	(56,087)
2025	<u>(238,228)</u>
Total	<u>\$ (571,135)</u>

(Continued)

PORTS OF INDIANA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021 and 2020

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF) (Continued)

At December 31, 2020, the Ports reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2020</u>		
Differences between expected and actual experience	\$ 23,444	\$ 17,766
Net difference between projected and actual earnings on pension plan investments	113,248	-
Changes in assumptions	-	275,707
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>60,828</u>	<u>74,112</u>
Total that will be recognized in pension expense (income) based on table below	197,520	367,585
Pension contributions subsequent to measurement date	<u>152,019</u>	<u>-</u>
Total	<u>\$ 349,539</u>	<u>\$ 367,585</u>

Public Employees' Retirement Fund - Defined Contribution Plan

PERF DC is a multiple-employer defined contribution plan providing retirement benefits to full-time employees of the State of Indiana not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the account is in accordance with IC 5-10.2, IC 5-10.3, 35 IAC 1.2 and other Indiana pension law.

The plan provides supplemental defined contribution benefits under the PERF Hybrid plan.

The Public Employees' Hybrid Members Defined Contribution Account (PERF Hybrid DC) is the defined contribution component of the Public Employees' Hybrid Plan. The Public Employees' Defined Benefit Account (see Defined Benefit Plans section) is the other component of the Public Employees' Hybrid Plan. Member contributions are set by statute at three percent of compensation, and the employer may choose to make these contributions on behalf of the member. Members are 100 percent vested in their account balance, which includes all contributions and earnings. The Ports has elected to make the required member contributions on behalf of employees.

The Ports made payments on behalf of employees for the three percent of covered payroll member contributions for the last three years as follows:

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2021	\$ 82,658	100%
2020	73,259	100%
2019	73,572	100%

REQUIRED SUPPLEMENTARY INFORMATION

PORTS OF INDIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE PORTS' PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY - PERF
 December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Ports' proportion of the net pension liability	0.0004878	0.0004381	0.0004643	0.0004480	0.0004147	0.00040437	0.0003895
Ports' proportionate share of the net pension liability	\$ 643,256	\$ 1,323,235	\$ 1,534,541	\$ 1,521,876	\$ 1,850,202	\$ 1,834,893	\$ 1,586,395
Ports' covered payroll	\$ 2,689,375	\$ 2,365,363	\$ 2,419,146	\$ 2,285,974	\$ 2,057,231	\$ 1,937,656	\$ 1,865,849
Ports' proportionate share of the net pension Liability as a percentage of its covered payroll	23.92%	55.94%	63.43%	66.57%	89.94%	94.70%	85.18%
Plan fiduciary net position as a percentage of the total pension liability	92.50%	81.40%	80.10%	78.90%	76.60%	75.30%	77.30%

Notes: The amounts presented for each calendar year were determined as of the June 30 fiscal year-end that occurred within the calendar year.

- Asset valuation date – June 30, 2021
- Liability valuation date – June 30, 2020 – The TPL as of June 30, 2021 was determined based on an actuarial valuation prepared as of June 30, 2020 rolled forward one year to June 30, 2021, using the following key assumptions and other inputs, such as benefit accruals and actual benefits payments during that time period.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.25%
- COLA – Members in pay were granted a 1.0% COLA on January 1, 2022 and no COLA on January 1, 23. Therefore, the COLA assumption will be 0.4% beginning on January 1, 2024, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.65% - 8.65% based on service
- Inflation – 2.00%
- Mortality assumptions – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Ports is presenting information for those years for which information is available.

Measurement date: Actuarial valuation reports from the prior fiscal year.

PORTS OF INDIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PORTS' CONTRIBUTIONS - PERF
December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 292,948	\$ 268,276	\$ 268,999	\$ 282,028	\$ 239,203	\$ 220,601	\$ 212,888
Contributions in relation to the statutorily required contribution	<u>(292,948)</u>	<u>(268,276)</u>	<u>(268,999)</u>	<u>(282,028)</u>	<u>(239,203)</u>	<u>(220,601)</u>	<u>(212,888)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Ports' contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%	100%	100%
Port's covered payroll	\$ 2,615,600	\$ 2,395,300	\$ 2,401,800	\$ 2,518,100	\$ 2,135,700	\$ 1,969,700	\$ 1,900,800
Contributions as a percentage of covered payroll	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Ports is presenting information for those years for which information is available.

Valuation date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Actuarial cost method: Entry age normal (Level Percent of Payroll)

Amortization method: Level dollar

Remaining amortization period: 20 years, closed

Asset valuation method: 5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

Inflation: 2.0%

Salary increases: 2.65% - 8.65% based on service

Investment rate of return: 6.25%

Mortality: Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

Other information:

The INPRS Board sets, at its discretion, the State's employer contribution rate upon considering the results of the actuarial valuation and other analysis as appropriate. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/16 was 9.80%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/17 was 10.11%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/18 was 9.89%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/19 was 10.03%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/20 was 7.83%. In addition, SEA 373-2018 mandated that the cost of any expected postretirement benefit increases after 6/30/2018 be broken out into separate surcharges. The surcharges used in the fiscal year ended 6/30/20 are 0.43% for 7/1/19-12/31/19 and 0.44% for 1/1/20-6/30/20. However, the INPRS Board approved a State employer contribution rate of 11.2%, which includes both the base benefit and surcharge rates. The actual dollar amount of the State's contributions depends on the actual payroll for the fiscal year.

Member census data as of the prior year end was used in the valuation and adjusted, where appropriate, to reflect changes during the current fiscal year. Standard actuarial roll forward techniques were then used to project the liabilities computed as of prior year end to the current year measurement date.

SUPPLEMENTARY INFORMATION

PORTS OF INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2021

<u>Federal Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant or Identifying Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u>			
National Infrastructure Investments (TIGER)	20.933	DTMA91G1600001	\$ 6,360,451
Nationally Significant Freight and Highway Projects (Fastlane)	20.934	693JF7180002	<u>(68,453)</u>
Total Department of Transportation			<u>6,291,998</u>
<u>Department of Homeland Security</u>			
Port Security Grant Program	97.056	EMWU-PU-00126	<u>107,114</u>
Total Expenditures of Federal Awards			<u>\$ 6,399,112</u>

See Note to Schedule of Expenditures of Federal Awards.

PORTS OF INDIANA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
Year ended December 31, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Ports of Indiana (Ports) under programs of the federal government for the year ended December 31, 2021. 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, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Ports, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Ports.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, in the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Ports of Indiana has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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*

The Members of the Commission
Ports of Indiana
Indianapolis, Indiana

We have audited, in accordance with the 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 Ports of Indiana (Ports), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ports' internal control over financial reporting (internal control) as a basis for designing 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 the Ports' internal control. Accordingly, we do not express an opinion on the effectiveness of the Ports' 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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ports' financial statements are free from 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 financial statements. 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*.

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 entities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

Indianapolis, Indiana
June 30, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Members of the Commission
Ports of Indiana
Indianapolis, Indiana

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Ports of Indiana's (Ports) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Ports' major federal program for the year ended December 31, 2021. The Ports' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Ports complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Ports and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Ports' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ports' federal programs.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Ports' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Ports' compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Ports' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Ports' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Ports' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
June 30, 2022

PORTS OF INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.933	National Infrastructure Investments (TIGER)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.
