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June 28, 2011

Rich Cooper, Chief Executive Officer
Ports of Indiana
150 W. Market Street, Suite 100
Indianapolis, IN 46204

Dear Mr. Cooper:

We have received the audit reports prepared by Crowe Horwath, LLP, Independent Public Accountants, for the periods January 1, 2009 to December 31, 2009 and January 1, 2010 to December 31, 2010. Per the auditors' opinions, the audits were conducted in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States. The financial statements included in the reports present fairly the financial condition of the Ports of Indiana as of December 31, 2009 and December 31, 2010, respectively, and the results of its operations for the periods then ended, on the basis of accounting described in the reports.

The Independent Public Accountants' reports are filed with this letter in our office as a public record.

STATE BOARD OF ACCOUNTS

PORTS OF INDIANA

FINANCIAL STATEMENTS
December 31, 2009 and 2008

PORTS OF INDIANA
Indianapolis, Indiana

FINANCIAL STATEMENTS
December 31, 2009 and 2008

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Crowe Horwath

Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

The Members of the Commission
Ports of Indiana
Indianapolis, Indiana

We have audited the accompanying statements of net assets of the Ports of Indiana as of December 31, 2009 and 2008, and the related statements of revenues and expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Ports of Indiana's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Audits of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ports of Indiana as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2010 on our consideration of the Ports of Indiana's 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Ports of Indiana taken as a whole. The accompanying Schedule of Port Income from Operations, and Schedule of Operating Expenses Compared to Budget for the year ended December 31, 2009 including 2008 comparative information, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
April 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

PORTS OF INDIANA
INDIANAPOLIS, INDIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009

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, 2009. Please read it in conjunction with the Ports of Indiana's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Net assets increased by $2,489,055. Operating income before depreciation was $3,859,670. The Board of Commissioners has designated $11,250,000 of unrestricted net assets as strategic reserves for land acquisitions, special projects, and emergency infrastructure at its three Port locations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and reports on compliance and internal control over financial reporting.

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 Assets. All assets and liabilities associated with the operation of the Ports of Indiana are included in the Statement of Net Assets.

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 detailed data.

FINANCIAL ANALYSIS

Net Assets

The Ports of Indiana's total assets at December 31, 2009, reached $103,365,356. This represents an increase of $2,596,426 or 2.6 percent from the prior year. Total liabilities amounted to $6,142,433; an increase of $107,371 or 1.8 percent. Total net assets amounted to $97,222,923 an increase of $2,489,055 or 2.6 percent (See Table 1).

Table 1
Net Assets

	2009	2008	2007
Assets:			
Current assets	$ 27,805,004	$ 28,274,523	$ 18,408,103
Capital	74,932,035	71,669,200	73,000,842
Other assets	628,317	825,207	966,937
Total assets	$ 103,365,356	$ 100,768,930	$ 92,375,882
Liabilities:			
Current liabilities	$ 1,185,232	$ 1,035,062	$ 661,428
Non-current liabilities	4,957,201	5,000,000	-
Total liabilities	6,142,433	6,035,062	661,428
Net assets:			
Invested in capital assets	74,514,295	71,324,240	73,000,842
Unrestricted (**)	22,708,628	23,409,628	18,713,613
Total net assets	97,222,923	94,733,868	91,714,454
Total liabilities and net assets	$ 103,365,356	$ 100,768,930	$ 92,375,882

** - The Board of Commissioners has designated $11,250,000 of unrestricted net assets as strategic reserves for land acquisitions, special projects, and emergency infrastructure at its three Port locations.

Changes in Net Assets

The change in net assets at December 31, 2009, was an increase of $2,489,055 or 2.6 percent. The Ports of Indiana's total operating revenues increased by approximately $239,140 or 3.0 percent. Total operating expenses before depreciation increased $309,952 or 7.4 percent. The changes in net assets are detailed in Table 2 and operating expenses are detailed in Table 3.

Table 2
Changes in Net Assets

	2009	2008	2007
Operating revenue:			
Maritime services	$ 7,790,096	$ 7,442,063	$ 7,108,495
Other	545,432	654,325	500,466
Total operating revenues	8,335,528	8,096,388	7,608,961
Operating expenses:			
Operating expenses	4,475,858	4,165,906	3,994,416
Depreciation	2,796,329	2,766,519	2,639,473
Total operating expenses	7,272,329	6,932,425	6,633,889
Operating income (loss)	1,063,199	1,163,963	975,072
Non-operating revenues (expenses):	1,383,057	1,855,451	866,413)
Capital revenues from state and private programs	42,799	-	162,810
Change in net assets	2,489,055	3,019,414	2,004,295
Total net assets, beginning of year	94,733,868	91,714,454	89,710,159
Total net assets, end of year	$ 97,222,923	$ 94,733,868	$ 91,714,454

Revenues: Operating revenues from maritime services increased by $348,033 or 4.7 percent. The increase resulted primarily from an increase in bulk cargo and land rental; despite a reduction in building rental and rail user fees. Operating revenues from wharfage, dockage and facility rentals increased by $171,904 or 10% and $195,189 or 3.9%, respectively. The Ports exceeded last year's tonnage by 6.7% mainly due to the increased coke tonnage moving across the docks at Mt. Vernon. The facility rental increase resulted from new tenants and an increase in renewal rates for current tenants.

Non-operating and capital revenues have decreased approximately $468,108 or 25.2 percent. In 2008, this category included a one-time payment for past due rent from a Burns Harbor tenant in the amount of $315,000 and insurance proceeds of $957,360. In 2009, this category includes $486,730 in option fees and insurance proceeds. In addition, interest income from investments decreased approximately $88,225 or 15.3% percent. Although the Ports may receive appropriations for specific capital projects from the state of Indiana's legislature, no capital appropriations were made to the Ports in 2009 or 2008.

Expenses: Total operating expenses increased $339,904 or 4.9 percent. Operating expenses, not including depreciation, increased by 309,952, or 7.4 percent; primarily due to the increase in legal services surrounding the dock wall and access road at Burns Harbor, professional services for implementation of mandated software, maintenance at Burns Harbor and property insurance. The increase in depreciation expense corresponds with the amounts of projects completed and capitalized within the last few years.

Operating expenses are summarized as follows:

Table 3
Operating Expenses

	2009	2008	2007
Labor and fringe benefits	$ 2,511,149	$ 2,488,743	$ 2,400,760
Travel and training	97,176	85,361	83,167
Security services	247,181	246,656	224,851
Legal services	246,271	150,342	61,546
Accounting services	32,459	31,590	33,859
Computer services	40,869	34,300	35,131
Other professional services	166,843	117,234	25,024
Advertising and public relations	139,284	129,664	116,856
Insurance	277,224	235,104	214,788
Property rentals	263,661	98,862	102,912
Office expenses	57,185	82,353	114,631
Business Association memberships	108,485	101,868	87,450
Utilities	110,829	116,360	110,349
Maintenance	134,390	209,776	376,319
Bad Debt Expense	-	9,060	-
Other	42,852	28,633	6,773
Depreciation	2,796,471	2,766,519	2,639,473
Total operating expenses	$ 7,272,329	$ 6,932,425	$ 6,633,889

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2009, the Ports of Indiana had invested $74,932,035 in capital assets and related assets, net of accumulated depreciation. As compared to the prior year, this amount represents an increase of $3,262,835.

There is no outstanding debt other than construction related payables of $417,740 and $344,960 at December 31, 2009 and 2008.

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 ASSETS
December 31, 2009 and 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 8,386,038	$ 14,664,813
Investments (Note 2)	17,252,270	11,621,368
Accrued interest receivable	14,766	90,376
Trade accounts receivable, net	750,140	522,807
Notes receivable with accrued interest	-	-
Other receivables	996,273	1,094,130
Net investment in direct financing leases (Note 4)	153,773	142,971
Prepaid expenses	251,744	281,029
Total current assets	27,805,004	28,417,494
Noncurrent assets:		
Net investment in direct financing lease (Note 4)	628,317	682,236
Capital assets, net of accumulated depreciation (Note 3)	74,932,035	71,669,200
Total noncurrent assets	75,560,352	72,351,436
Total assets	$ 103,365,356	$ 100,768,930
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued expenses	$ 767,492	$ 642,490
Contracts and retainage payable	417,740	344,960
Deferred revenue (Note 1)	-	25,000
Accrued litigation expense	-	22,612
Total current liabilities	1,185,232	1,035,062
Noncurrent liabilities:		
Long-term deferred revenue (Note 1)	4,957,201	5,000,000
Total liabilities	6,142,433	6,035,062
Net assets:		
Invested in capital assets, net of related debt	74,514,295	71,669,200
Unrestricted	22,708,628	23,064,668
	97,222,923	94,733,868
Total liabilities and net assets	$ 103,365,356	$ 100,768,930

See accompanying notes to financial statements.

PORTS OF INDIANA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years ended December 31, 2009 and 2008

	2009	2008
Operating revenues		
Maritime services	$ 2,098,533	$ 1,938,655
Facility rentals and storage	5,257,403	5,027,345
User fees	353,577	407,271
Foreign trade zone fees	80,583	68,792
Other	545,432	654,325
Total operating revenues	8,335,528	8,096,388
Operating expenses before depreciation	4,475,858	4,165,906
Operating income before depreciation	3,859,670	3,930,482
Depreciation expense	2,796,471	2,766,519
Operating income	1,063,199	1,163,963
Non-operating revenues (expenses)		
Net interest income	420,900	575,356
Insurance recovery proceeds	406,000	957,360
Gain (loss) on capital asset dispositions	(8,559)	7,700
Other income (expense)	607,515	315,035
Total non-operating revenues (expenses)	1,383,057	1,855,451
Income before capital contributions	2,446,256	3,019,414
Capital contributions	42,799	-
Change in net assets	2,489,055	3,019,414
Net assets, at beginning of year	94,733,868	91,714,454
Net assets, at end of year	$ 97,222,923	$ 94,733,868

See accompanying notes to financial statements.

PORTS OF INDIANA
STATEMENTS OF CASH FLOWS
Years ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Receipts from customers and users	$ 8,108,195	$ 8,187,470
Payments to suppliers	(1,737,952)	(1,731,684)
Payments to employees	(1,954,683)	(1,860,800)
Payments of benefits on behalf of employees	(628,936)	(290,537)
Net cash provided by operating activities	3,786,624	4,304,449
Cash flows from capital and related financing activities:		
Advances and other income	-	5,340,035
Proceeds from insurance recoveries	406,000	957,360
Proceeds from option fees and other revenue	603,003	
Proceeds from direct financing leases	43,117	141,730
Proceeds on notes and other receivables	97,857	68,043
Payments on litigation settlement	22,612	-
Expenditures for acquisitions and construction of capital assets	(6,062,884)	(1,477,493)
Net cash provided by (used in) capital and related financing	(4,935,519)	5,029,675
Cash flows from investing activities:		
Purchase of investments	(11,735,783)	(11,621,368)
Proceeds from sales and maturities of investments	6,104,881	7,577,761
Investment income received	501,022	707,664
Net cash (used in) investing activities	(5,129,880)	(3,335,943)
Net increase (decrease) in cash and cash equivalents	(6,278,775)	5,998,181
Cash and cash equivalents, beginning of year	14,664,813	8,666,632
Cash and cash equivalents, end of year	$ 8,386,038	$ 14,664,813
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	$ 1,063,199	$ 1,163,963
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,796,471	2,766,519
Changes in assets and liabilities:		
Trade accounts receivable	(227,333)	91,082
Accounts payable	125,002	398,949
Prepaid expenses	29,285	(116,064)
Net cash provided by operating activities	$ 3,786,624	$ 4,304,449

2009 and 2008 noncash activities: The Ports of Indiana had contracts and retainage payable on capital assets of $417,740 and $344,960 at December 31, 2009 and 2008.

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Under Public Law 98-2009, SECTION 11, the name of the Indiana Port Commission was changed to the Ports of Indiana, effective July 1, 2008. Furthermore, Resolution R-08-01 approving the name change was adopted and signed by the Ports of Indiana Commission. 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 funds are derived from port activities, however, the majority of capital funds are provided by the state and the federal government.

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. The Railroad Holding Corporation is currently inactive.

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. 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. 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."

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Ports of Indiana has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

New Pronouncements: In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* It defines an intangible asset's required characteristics, and generally requires that they be treated as capital assets. The Ports of Indiana has evaluated the impact of adopting Statement No. 51 and no adjustments were required.

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 and liabilities 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.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications had no impact on net assets.

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

Trade Accounts Receivable and Deferred Income: Operating revenues include rental income derived from leasing port property. Amounts due from certain lease agreements are billed in advance and recognition of related revenue is deferred and recognized over the appropriate lease term service period. Trade receivables are reported at an amount that is net of advance billings.

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 collection policy. Management estimated that no allowance was necessary at December 31, 2009 and 2008.

Notes and Other Receivables: Notes receivables include amounts due from the City of Jeffersonville related to Vogt Valve and Beth Nova facilities. Other receivables relate to the Consolidated Grain and Barge letter of credit to be used for infrastructure at Mt. Vernon. Management expects that the letter of credit will be used in 2010.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are stated at cost, or fair market 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:

	Years
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

The Ports of Indiana had paid an option fee to purchase land at one of the Port locations of approximately $4 million dollars at December 31, 2008. The land was purchased in May 2009.

Appropriations from the State of Indiana: Appropriations are made by the legislature of the State of Indiana on a biennial basis. The Ports of Indiana typically has four years in which to obtain the State Budget Agency's approval and allotment. Once funds are allotted, the Ports of Indiana must submit claims for the State Budget Agency's payment. The Ports of Indiana records as a receivable in the financial statements only those claims that have been approved for the State Budget Agency's payment, but have not been paid to the Ports of Indiana. A summary of appropriations follows:

Biennium	Funds Approved	Funds Allotted	Allotted Funds Drawn	Allotted Funds Remaining
97-98	$ 6,800,000	$ 6,800,000	$ 6,800,000	$ -
99-00	8,540,000	7,960,000	7,210,000	750,000
	$ 15,340,000	$ 14,760,000	$ 14,010,000	$ 750,000

Deferred Revenue: Deferred revenue consists of advance payments received by the Ports of Indiana from a tenant to build an access road over the course of two years beginning in 2009.

Net Assets: As of December 31, 2009 and 2008, the Board of Commissioners has designated $11,250,000 of unrestricted net assets as strategic reserves for land acquisitions, special projects, and emergency infrastructure at its three Port locations.

(Continued)

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
- Maximizing income
- Meeting liquidity needs
- Long term growth in assets in excess of the capital requirements for the development of the ports

Portfolio assets shall be investment 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 be held with a designated depository approved under the Public Funds Statute, but only 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 2 years or less from the time of purchase and must be issued by domestic issuers and denominated in U.S. dollars.

Credit Risk: The Port's 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. Credit ratings for investments in fixed income securities as described by Standard & Poor's and Moody's at December 31, 2009 (excluding investments in U.S. Treasuries which are not considered to have credit risk) are as follows:

Investment Type	Credit Ratings	% of Investment Type	% of Total Investments
U.S. Agencies	Aaa	100%	17%
Corporarate Obligations	Aaa	100%	20%

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port's will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port's investment policy requires that all amounts in excess of any insurance limits be collateralized by securities eligible for Port's investment or any other high-quality, interest bearing security rated at least AA/Aaa by one or more standard rating service to include Standard & Poor's, Moody's or Fitch. The market value of the pledge securities shall equal or exceed the portion of the deposit requiring collateralization. The Port's is fully collateralized as of December 31, 2009 and 2008.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The Port's places a 10 percent limit on the amount the Port's 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.

Cash: The carrying amount of cash was $8,386,038 and $14,664,813 at December 31, 2009 and 2008, while the bank balances were $8,681,119 and 14,881,000. 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 or with letters of credit issued by the Federal Home Loan Bank held in the Port's name by financial institutions acting as the Port's agent.

Certificates of Deposit: Certificates of deposit amounted to $2,500,000 and 6,615,618 at December 31, 2009 and 2008. In accordance with Port's policy, certificates of deposit were collateralized with securities of the U.S. Government in an amount equal to 110% of the funds on deposit. All investment collateral is held in safekeeping in the Port's name by financial institutions acting as the Port's agent. Collateral is priced to market semi-monthly and monitored regularly with additional collateral requested as necessary.

Fair Values: The following schedule reports the fair values and maturities (using the segmented time distribution method) for the Port's investments at December 31, 2009 and 2008.

2009		Investment Maturities			
Investment Type	Fair Value	Less than One Year	One to Five Years	Six to Ten years	Greater than Ten Years
Cash Equivalents	$ 4,664,888	$ 4,664,888	$ -	$ -	$ -
Certificates of Deposit	2,500,000	2,500,000	-	-	-
Corporate Obligations	3,484,323		3,484,323		
U.S. Treasury Securities	1,512,549	1,512,549			
U.S. Agencies	5,090,510	2,072,263	3,018,247		
Total	$ 17,252,270	$ 10,749,700	$ 6,502,570	$ -	$ -

2008		Investment Maturities			
Investment Type	Fair Value	Less than One Year	One to Five Years	Six to Ten years	Greater than Ten Years
Cash Equivalents	$ 5,005,750	$ 5,005,750	$ -	$ -	$ -
Certificates of Deposit	6,615,618	6,615,618	-	-	-
Total	$ 11,621,368	$ 11,621,368	$ -	$ -	$ -

(Continued)

NOTE 3 – CAPITAL ASSETS

Capital assets consisted of the following at December 31, 2009 and 2008:

	2009	2008
Land	$ 17,288,064	$ 13,168,970
Land improvements	39,076,087	37,711,214
Harbor improvements	19,529,984	20,056,872
Docks and mooring facilities	32,984,534	32,386,817
Buildings and structures	17,025,426	17,244,621
Machinery and equipment	617,484	612,973
Office furniture and equipment	636,528	580,651
Trucks and automobiles	1,060,474	1,056,822
Construction in progress	1,301,121	643,672
	129,519,702	123,462,612
Accumulated depreciation	(54,587,667)	(51,793,412)
	$ 74,932,035	$ 71,669,200

Capital asset activity for 2008 and 2009 included:

2009	Capital Assets	Construction in Progress	Total	Accumulated Depreciation
Beginning balance	$ 122,818,940	$ 643,672	$ 123,462,612	$ (51,793,412)
Additions	5,399,641	5,893,574	11,293,215	-
Transfers	-	(5,236,125)	(5,236,125)	-
Depreciation	-	-	-	(2,794,255)
Ending balance	$ 128,218,581	$ 1,301,121	$ 129,519,702	$ (54,587,667)

2008	Capital Assets	Construction in Progress	Total	Accumulated Depreciation
Beginning balance	$ 121,522,485	$ 548,991	$ 122,071,476	$ (49,070,634)
Additions	1,342,415	2,447,917	3,790,332	-
Transfers	-	(2,353,236)	(2,353,236)	-
Retirements	(45,960)	-	(45,960)	43,741
Depreciation	-	-	-	(2,766,519)
Ending balance	$ 122,818,940	$ 643,672	$ 123,462,612	$ (51,793,412)

(Continued)

NOTE 4 - CAPITAL AND OPERATING LEASES

Direct Financing Lease Receivable: During 1994, the Ports of Indiana, as lessor, entered into a 20 year direct financing lease with a tenant for a building originally constructed by the Ports of Indiana. Security agreements were obtained as collateral for the lease receivable. The Ports of Indiana can repossess the structure if the customer defaults on the lease agreement. The components of the Ports of Indiana's investment in the lease at December 31, 2009 and 2008 are as follows:

	2009	2008
Future minimum lease payments receivable	$ 930,958	$ 1,141,740
Unearned interest income	(148,868)	(316,533)
Long-term net investment in direct financing lease	$ 782,090	$ 825,207

The future minimum lease payments to be received for this lease in each of the five succeeding years and thereafter are as follows:

Year Ending December 31,	
2010	$ 210,783
2011	210,783
2012	210,783
2013	210,783
2014	87,826
	$ 930,958

Operating Leases of a Lessor: The Ports of Indiana is engaged in leasing various properties to tenants under operating leases expiring over the next 1-30 years. The lease agreements 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 noncancelable operating leases are as follows:

Year Ending December 31,	
2010	$ 6,948,285
2011	6,226,963
2012	4,448,386
2013	4,068,334
2014	3,058,481
2015 - 2018	9,095,488
2019 - 2023	8,427,300
2024 – 2028	5,954,354
2029 - 2033	2,235,974
2034 -2038	2,235,974
	$ 52,699,539

(Continued)

NOTE 4 - CAPITAL AND OPERATING LEASES (Continued)

Operating Lease Obligations: The Ports of Indiana, as lessee, leases office space under an operating lease that expires on December 31, 2012. Rent expense was $102,912 and $98,862 for 2009 and 2008. The minimum annual future lease payments for the office space are:

Year Ending December 31,	
2010	$ 100,848
2011	100,848
2012	100,848
	$ 302,544

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.

Project and Series	Maturity	Outstanding Principal
Ports of Indiana, Port Refunding Revenue Bonds, Series of 1992 (Cargill Project)	Term bond payment in 2012	$ 21,950,000
Ports of Indiana Port Revenue Bonds, Series 2002 (Kosmos Cement Company Project)	Term bond payment in 2020	5,500,000
Ports of Indiana Port Revenue Bonds, Series 1994 (American Commercial Marine)	Serial payments through 2009 and term bond payments through 2014	1,125,000
		$ 28,575,000

(Continued)

NOTE 6 – CONTINGENCIES

On June 20, 2008, a building owned by the Ports of Indiana and occupied by Frick Services, Inc. caught fire and was a total loss. As of December 31, 2009, discussions continue between the Ports of Indiana, the insurance carrier, and Frick Services, Inc. to determine the loss value. Frick will continue making land and building lease payments until a final determination is made regarding valuation and re-construction.

On December 31, 2007, a significant depression was noted in the asphalt on the dock of the west harbor arm at Burns Harbor. On or about January 2, 2008, a full collapse and failure of the dock wall was noted. Throughout 2008 the Ports of Indiana incurred both legal and engineering costs related to the dock wall and negotiations continue with the insurance carrier, Lexington Insurance Co. A resolution, or the possibility of litigation, is uncertain at this time and the insurance coverage has a total loss limit of up to $10,000,000. An insurance recovery payment of $956,000 was received and recorded in nonoperating revenue during 2008.

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, 2009 and 2008, the Ports has purchased commercial insurance policies covering risks of loss related to the above mentioned events.

NOTE 7 - DEFERRED COMPENSATION BENEFITS

The Ports of Indiana offers two deferred compensation plans to all its employees under plans administered by the Public Employees Benefit Services Corporation (PEBSCO) and Indiana Deferred Compensation (IDC), 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.

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 PEBSCO investments held in custodial funds for participants was $658,060 and $525,114 at December 31, 2009 and 2008. The fair market value of IDC investments held in custodial funds for participants was $203,060 and $204,394 at December 31, 2009 and 2008.

(Continued)

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

The Ports of Indiana contributes to PERF, an agent multiple employee public employee retirement system, which acts as a common investment and administrative agent for state employees and employees of the various subdivisions of the State of Indiana.

All full-time employees are eligible to participate in this defined benefit plan. State statutes (Indiana Code 5-10.2 and 5-10.3) give the Ports of Indiana the right to contribute and govern most requirements of the system, including the benefits, which vest after 10 years of service. Employees who have reached fifty years of age may receive retirement benefits with 15 years of service. An employee may receive benefits at age sixty-five with 10 years of service.

Employees are required to contribute 3% of their annual compensation to an annuity savings account. Effective July 1, 1986, legislation permits a PERF employer to make the employee contributions on behalf of the employee. The Ports of Indiana elected to make, on behalf of covered employees, the employees' contribution that may be financed by the employer. These accumulated employee contributions and allocated interest income are maintained by PERF in a separate system wide fund for all members. Upon retirement, members may elect a lump sum distribution of all or part of the savings account. Employees who leave employment before qualifying for benefits receive a refund of this savings account.

All assets of the plans are held by and invested by PERF. Investments are mainly in obligations of the U.S. Government, federal agencies and in equity securities.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of PERF on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employees. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the plan. However, PERF performed an actuarial valuation of the Ports of Indiana's plan as of June 30, 1998 which is included in the Annual Report of the Indiana Public Employees' Retirement Fund for state employees and employees of the various subdivisions of the State of Indiana.

Funding Policy: PERF's funding policy provides for actuarially determined periodic contributions at rates that for individual employers increase gradually over time so that sufficient assets will be available to pay benefits when due. The entry age normal cost method is used to determine the contribution requirements and the actuarial accrued liability.

(Continued)

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

The annual contribution to PERF is determined as part of the July 1, 2009 actuarial valuation and consists of the amortization of the unfunded actuarial accrued liability (expressed as a level dollar amount), plus the entry age normal cost (expressed as a percentage of total payroll).

Summary of Major Actuarial Assumptions: Actuarial assumptions include:

- Interest - 7.25% (net of administrative and investment expenses)
- Future Salary Increases - Based on PERF experience 2000-2005
- Cost of Living Increases - An increase of 1.5% (compounded annually) is assumed to be applied to the pension benefit each year following retirement. No increase is assumed to be applied to the PERF annuity benefit.
- Mortality - UP-1994. Pre-retirement mortality based on PERF experience 1995-2000. No change made based on PERF experience 2000-2005.
- Disability - Based on PERF experience 1995-2000. No change made based on PERF experience 2000-2005.
- Termination - Select and ultimate tables based on PERF experience 2000-2005. Separate tables are used for state employees and political subdivision employees.
- Retirement - Based on PERF experience 2000-2005. Revised effective July 1, 2008.
- Spouse's Benefit - 90% of participants are assumed either to be married or to have a dependent beneficiary. Males are assumed to be 3 years older than their spouses.

Summary of Major Plan Provisions: Plan provisions include:

- Participation - All full time employees of the State of Indiana and all full time employees of political subdivisions which have adopted the plan must become members of PERF upon date of hire.
- Eligibility for annuity benefits:
  - Normal Retirement Earliest of:
    - Age 65 with 10 years of creditable service;
    - Age 60 with 15 years of creditable service;
    - Sum of age and creditable service equal to 85 (but not earlier than age 55).
  - Early Retirement - Age 50 with 15 years of creditable service
  - Late Retirement - Subject to continued employment after normal retirement
  - Disability Retirement - 5 years of creditable service and qualified for Social Security disability benefits or federal Civil Service disability benefits.
  - Termination - 10 years of creditable service and election not to take lump sum payment of employee account balance with interest.
  - Pre-Retirement Death - If death occurs in service, 15 years of creditable service. If death occurs after separating from service, age 50 with 15 years of creditable service.

(Continued)

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

Amount of Benefits: Benefit amounts include:

- Normal Retirement - The normal retirement benefit is an annuity payable for life with 60 months guaranteed and is equal to 1.1% of average monthly earnings times years of creditable service earned.

- Early Retirement - The early retirement benefit is the accrued retirement benefit determined as of the early retirement date and payable commencing at the normal retirement date. A participant may elect to have the benefit commence prior to normal retirement provided the benefit is reduced by 1/10% for each of the first 60 months and by 5/12% for each of the next 120 months that the benefit commencement date precedes the normal retirement date.

- Late Retirement - The late retirement benefit is calculated in the same manner as the normal retirement benefit. Creditable service and earnings earned after normal retirement is included in the computation.

- Disability Retirement - The disability retirement benefit is the accrued retirement benefit determined as of the disability date and payable commencing the month following disability date without reduction for early commencement.

- Termination - The termination benefit is the accrued retirement benefit determined as of the termination date and payable commencing at 65. If the participant has 15 or more years of creditable service, then the participant may elect to receive a reduced early retirement benefit.

- Pre-Retirement Death - The spouse or dependent beneficiary is entitled to receive the monthly life annuity under the assumption that the participant retired on the later of age 50 or the day before the date of death and elected the joint and full survivor option.

- Employee Contributions - Each participant is required to contribute to an employee annuity at the rate of 3% of pay (unless the employer has opted to make the contribution for the employee). These contributions are kept on deposit and credited with interest until such time as they are refunded or used to provide the annuity benefit at retirement. The benefits provided by employee contributions are in addition to the benefits provided by employer contributions. The monthly annuity provided at a normal retirement age of 65 is equal to $1.00 for each $108.79 of accumulated employee contributions plus interest.

(Continued)

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

Schedule of Employer Contributions

Valuation Date	Annual Required Contributions	Actual Employer Contributions	Net Pension Obligation	Net Percentage Contributed
7/1/09	$ 58,751	$ 78,569	$ (56,845)	134%
7/1/08	$ 27,650	$ 88,887	$ (37,027)	321%
7/1/07	$ 61,366	$ 73,687	$ 24,210	120%
7/1/06	$ 98,913	$ 71,032	$ 36,531	72%
7/1/05	$ 84,240	$ 65,707	$ 8,650	78%

The contributions to PERF were in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2009.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical funding information of the system may be found in the Annual Report of the Indiana Public Employees' Retirement Fund.

Schedule of Funding Progress of Ports of Indiana's Participation in the Public Employees Retirement Fund (PERF) (In thousands of dollars)

Actuarial Valuation Date	Non retired Valuation Assets	Actuarial Accrued Liability AAL	Excess of Assets Over (Unfunded) AAL	Funded Ratio	Covered Payroll	Excess/ (Unfunded) liability as a Percentage of Payroll
7/1/09	$ 1,807,165	$ 1,668,416	$ 138,749	108%	$ 1,662,343	9%
7/1/08	$ 2,216,203	$ 1,816,774	$ 399,429	122%	$ 1,563,155	37%
7/1/07	$ 2,338,862	$ 1,695,900	$ 642,962	138%	$ 1,267,949	51%
7/1/06	$ 2,216,203	$ 1,816,774	$ 399,429	122%	$ 1,563,155	26%
7/1/05	$ 1,653,807	$ 1,824,282	$ (170,475)	91%	$ 1,662,992	(10)%

Note: The Ports of Indiana is considered as part of the State of Indiana. The above assets are an allocation based on the Ports of Indiana's percentage of the Accrued Liability. Payroll for employees covered by the plan for the years ended December 31, 2009 and 2008 was approximately $1,646,000 and $1,544,000. The total payroll for the same period was $1,856,000 and $1,814,000.

(Continued)

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

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and assets in excess of the pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provide one indication of the funding status on a going-concern basis. Analysis of this percentage over time indicates whether Ports of Indiana's participation in PERF is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in assets in excess of the pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the assets in excess of the pension benefit obligation as a percentage of annual covered payroll approximately adjusts for effects of inflation and aids analysis of the Port's progress made in accumulating sufficient assets to pay benefits when due. Generally, the larger this percentage the stronger the plan.

Certain ten-year historical trend information relative to the defined benefit plan as required by Governmental Accounting Standards Board Statement No. 5 is available for the multi-employer plan in the PERF report.

SUPPLEMENTAL SCHEDULES

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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 Ports of Indiana
Indianapolis, Indiana

We have audited the financial statements of the Ports of Indiana (Ports) as of and for the year ended December 31, 2009, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ports of Indiana's internal control over financial reporting as a basis for designing our auditing procedures 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 of Indiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ports of Indiana's internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ports of Indiana'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.*

This report is intended for the information and use of the Members of the Ports of Indiana, management and the Indiana State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
April 22, 2010

PORTS OF INDIANA
SCHEDULE OF PORT OPERATING INCOME
BEFORE DEPRECIATION
Year ended December 31, 2009 with comparative totals for 2008

	2009					2008
	Burns Harbor Portage	Mt. Vernon Maritime Center	Jeffersonville Maritime Center	Central Support Services	Total	Total
Operating revenues						
Maritime services	$ 780,303	$ 907,421	$ 410,809	$ -	$ 2,098,533	$ 1,938,655
Facility rentals	3,348,739	1,045,009	863,655	-	5,257,403	5,027,345
Other user fees	99,467	37,433	216,677	-	353,577	407,271
FTZ operator fees	55,583	25,000	-	-	80,583	68,792
Other operating fees	343,665	27,815	10,000	163,952	545,432	654,325
Total operating revenues	4,627,757	2,042,678	1,501,141	163,952	8,335,528	8,096,388
Operating expenses						
Salaries and wages	390,551	252,017	260,848	992,429	1,895,845	1,864,500
Employee benefits, taxes and insurance	168,447	100,994	110,390	235,473	615,304	624,243
Employee travel	10,228	6,731	6,055	74,162	97,176	85,361
Temporarily hired services	-	-	-	-	-	17,492
Security services	245,937	299	945	-	247,181	246,656
Legal services	-	-	-	246,271	246,271	150,339
Accounting services	-	-	-	32,459	32,459	31,590
Computer services	-	-	213	40,656	40,869	34,300
Advertising and public relations	11,065	4,263	3,327	120,629	139,284	140,428
Association membership	40,996	3,601	1,236	62,652	108,485	91,103
Other professional services	12,120	4,329	4,518	145,876	166,843	117,234
Maintenance	188,124	50,023	51,109	(154,866)	134,390	209,775
Insurance	165,078	50,574	60,328	1,244	277,224	235,104
Utilities	65,870	37,605	7,004	350	110,829	116,360
Office supplies	19,599	6,400	8,001	23,185	57,185	82,361
Property rentals	1,168	159,581	-	102,912	263,661	98,862
Bad Debt Expense	-	-	-	-	-	9,060
Miscellaneous	36,303	-	-	6,549	42,852	11,138
Total operating expenses	1,355,486	676,417	513,974	1,929,981	4,475,858	4,165,906
Operating income before depreciation	$ 3,272,271	$1,366,261	$ 987,167	$ (1,766,029)	$ 3,859,670	$3,930,482

PORTS OF INDIANA
SCHEDULE OF PORT OPERATING INCOME
BEFORE DEPRECIATION
Year ended December 31, 2008

	Burns Harbor Portage	Mt. Vernon Maritime Center	Jeffersonville Maritime Center	Central Support Services	2008 Total
Operating revenues					
Maritime services	$ 881,392	$ 671,599	$ 385,664	$ -	$ 1,938,655
Facility rentals	3,260,568	1,029,869	736,910	-	5,027,345
Other user fees	134,963	41,058	231,250	-	407,271
FTZ operator fees	40,792	23,000	5,000	-	68,792
Other operating fees	317,835	209,550	11,400	115,540	654,325
Total operating revenues	4,635,548	1,975,076	1,370,224	115,540	8,096,388
Operating expenses					
Salaries and wages	385,619	262,230	264,360	952,291	1,864,500
Employee benefits, taxes and insurance	180,297	109,480	110,657	223,809	624,243
Employee travel	12,454	7,437	4,569	60,901	85,361
Temporarily hired services	15,948	-	1,544	-	17,492
Security services	245,028	332	1,296	-	246,656
Legal services	-	55	13	150,271	150,339
Accounting services	-	-	-	31,590	31,590
Computer services	-	-	-	34,300	34,300
Advertising and public relations	12,069	2,140	5,435	120,784	140,428
Association membership	46,970	5,219	3,754	35,160	91,103
Other professional services	65	-	442	116,727	117,234
Maintenance	90,927	75,190	42,821	837	209,775
Insurance	132,702	43,345	55,504	3,553	235,104
Utilities	73,743	34,000	8,265	352	116,360
Office supplies	23,822	11,579	14,443	32,517	82,361
Property rentals	-	-	-	98,862	98,862
Bad Debt Expense	560	8,500	-	-	9,060
Miscellaneous	4,220	10	-	6,908	11,138
Total operating expenses	1,224,424	559,517	513,103	1,868,862	4,165,906
Operating income before depreciation	$3,411,124	$1,415,559	$ 857,121	$(1,753,322)	$3,930,482

PORTS OF INDIANA
SCHEDULE OF ACTUAL OPERATING EXPENSES COMPARED TO BUDGET
Year ended December 31, 2009

	Actual Expenses	Budgeted Expenses	Variance (Over) Under
Salaries and benefits	$ 2,608,325	$ 2,633,890	$ 25,565
Professional services	733,623	767,181	33,558
Marketing and advertising	247,769	150,500	(97,629)
Insurance	277,224	280,776	3,552
Facility Rental	263,661	100,850	(162,811)
Maintenance and utilities	245,219	675,560	430,341
Other office and administrative expenses	100,037	273,242	173,205
Total operating expenses	$ 4,475,858	$ 4,881,999	$ 406,141

PORTS OF INDIANA

FINANCIAL STATEMENTS
December 31, 2010 and 2009

PORTS OF INDIANA
Indianapolis, Indiana

FINANCIAL STATEMENTS
December 31, 2010 and 2009

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REPORT OF INDEPENDENT AUDITORS

The Members of the Commission
Ports of Indiana
Indianapolis, Indiana

We have audited the accompanying statements of net assets of the Ports of Indiana as of December 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Ports of Indiana's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Audits of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ports of Indiana as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2011 on our consideration of the Ports of Indiana's 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Ports of Indiana taken as a whole. The accompanying Schedule of Port Operating Income before Depreciation, and Schedule of Actual Operating Expenses Compared to Budget for the year ended December 31, 2010 including 2009 comparative information, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
April 21, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

PORTS OF INDIANA
INDIANAPOLIS, INDIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010

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, 2010. Please read it in conjunction with the Ports of Indiana's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Net assets increased by $4,587,379 for 2010. Operating income before depreciation was $4,053,280. The Board of Commissioners has designated $11,250,000 of unrestricted net assets as strategic reserves for land acquisitions, special projects, and emergency infrastructure at its three Port locations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and reports on compliance and internal control over financial reporting.

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 Assets. All assets and liabilities associated with the operation of the Ports of Indiana are included in the Statement of Net Assets.

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 detailed data.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEAR ENDED DECEMBER 31, 2010

FINANCIAL ANALYSIS

Net Assets

The Ports of Indiana's total assets at December 31, 2010, reached $104,201,545. This represents an increase of $836,189 or .8 percent from the prior year. Total liabilities amounted to $2,391,243; a decrease of $3,751,190 or 61 percent. Total net assets amounted to $101,810,302 an increase of $4,587,379 or 4.7 percent (See Table 1).

Table 1
Net Assets

	2010	2009	2008
Assets:			
Current assets	$ 17,297,799	$ 27,805,004	$ 28,274,523
Capital	86,441,965	74,932,035	71,669,200
Other assets	461,781	628,317	825,207
Total assets	$ 104,201,545	$ 103,365,356	$ 100,768,930
Liabilities:			
Current liabilities	$ 2,391,243	$ 1,185,232	$ 1,035,062
Non-current liabilities	-	4,957,201	5,000,000
Total liabilities	2,391,243	6,142,433	6,035,062
Net assets:			
Invested in capital assets	84,968,471	74,514,295	71,324,240
Unrestricted (**)	16,841,831	22,708,628	23,409,628
Total net assets	101,810,302	97,222,923	94,733,868
Total liabilities and net assets	$ 104,201,545	$ 103,365,356	$ 100,768,930

** - The Board of Commissioners has designated $11,250,000 of unrestricted net assets as strategic reserves for land acquisitions, special projects, and emergency infrastructure at its three Port locations.

Changes in Net Assets

The change in net assets at December 31, 2010, was an increase of $4,587,379, or 4.7 percent. The Ports of Indiana's total operating revenues increased by approximately $800,853, or 9.6 percent. Total operating expenses before depreciation increased $607,243, or 13.6 percent. The changes in net assets are detailed in Table 2 and operating expenses are detailed in Table 3.

Table 2
Changes in Net Assets

	2010	2009	2008
Operating revenue:			
Maritime services	$ 8,626,995	$ 7,790,096	$ 7,442,063
Other	509,386	545,432	654,325
Total operating revenues	9,136,381	8,335,528	8,096,388
Operating expenses:			
Operating expenses	5,083,101	4,475,858	4,165,906
Depreciation	2,739,503	2,796,471	2,766,519
Total operating expenses	7,822,604	7,272,329	6,932,425
Operating income (loss)	1,313,777	1,063,199	1,163,963
Non-operating revenues (expenses):	326,401	1,383,057	1,855,451
Capital revenues from state and private programs	2,947,201	42,799	-
Change in net assets	4,587,379	2,489,055	3,019,414
Total net assets, beginning of year	97,222,923	94,733,868	91,714,454
Total net assets, end of year	$ 101,810,302	$ 97,222,923	$ 94,733,868

Revenues: Operating revenues from maritime services increased by $836,899, or 10.7 percent. The increase resulted primarily from an increase in bulk cargo and land rental. Operating revenues from wharfage/dockage and facility rentals increased by $523,483, or 28.1%, and $323,466, or 6.2%, respectively. The Ports exceeded last year's tonnage by 7.7% mainly due to large specialty project cargoes moving across the docks at Burns Harbor. The facility rental increase resulted from new tenants and an increase in renewal rates for current tenants and storage of project cargo.

Non-operating and capital revenues have increased approximately $1,848,746, or 130 percent. In 2010, this category includes $326,204 in insurance proceeds and $2,947,201 in capital revenue from private programs. In 2009, this category included of $406,000 and $52,799 in capital revenue from private programs. In addition, interest income from investments decreased $269,799, or 64.1% percent. Although the Ports may receive appropriations for specific capital projects from the state of Indiana's legislature, no capital appropriations were made to the Ports in 2010 or 2009.

Expenses: Total operating expenses increased $550,275, or 7.6 percent. Operating expenses, not including depreciation, increased by $607,243, or 13.6 percent; primarily due to the increase in legal services surrounding the dock wall and scheduled maintenance of port infrastructure. The decrease in depreciation expense corresponds with the amounts of projects completed and capitalized within the last few years.

Operating expenses are summarized as follows:

Table 3
Operating Expenses

	2010	2009	2008
Labor and fringe benefits	$ 2,649,857	$ 2,511,149	$ 2,488,743
Travel and training	90,638	97,176	85,361
Security services	245,509	247,181	246,656
Legal services	602,311	246,271	150,342
Accounting services	51,000	32,459	31,590
Computer services	44,221	40,869	34,300
Other professional services	202,431	166,843	117,234
Advertising and public relations	238,981	162,833	129,664
Insurance	271,922	277,224	235,104
Property rentals	94,163	263,661	98,862
Office expenses	58,516	57,185	82,353
Business Association memberships	89,186	84,936	101,868
Utilities	116,175	110,829	116,360
Maintenance	317,265	134,390	209,776
Bad Debt Expense	432	-	9,060
Other	10,494	42,852	28,633
Depreciation	2,739,503	2,796,471	2,766,519
Total operating expenses	$ 7,822,604	$ 7,272,329	$ 6,932,425

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2010, the Ports of Indiana had invested $86,441,965 in capital assets and related assets, net of accumulated depreciation. As compared to the prior year, this amount represents an increase of $11,509,930.

There is no outstanding debt other than construction related payables of $1,473,494 and $417,740 at December 31, 2010 and 2009.

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.

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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 ASSETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 5,679,987	$ 8,386,038
Investments (Note 2)	10,304,722	17,252,270
Accrued interest receivable	1,174	14,766
Trade accounts receivable, net	885,707	750,140
Other receivables	2,100	996,273
Net investment in direct financing leases (Note 4)	166,536	153,773
Prepaid expenses	257,573	251,744
Total current assets	17,297,799	27,805,004
Noncurrent assets:		
Net investment in direct financing lease (Note 4)	461,781	628,317
Capital assets, net of accumulated depreciation (Note 3)	86,441,965	74,932,035
Total noncurrent assets	86,903,746	75,560,352
Total assets	$ 104,201,545	$ 103,365,356
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued expenses	$ 911,049	$ 767,492
Contracts and retainage payable	1,473,494	417,740
Deferred revenue (Note 1)	6,700	-
Total current liabilities	2,391,243	1,185,232
Noncurrent liabilities:		
Long-term deferred revenue (Note 1)	-	4,957,201
Total liabilities	2,391,243	6,142,433
Net assets:		
Invested in capital assets, net of related debt	84,968,471	74,514,295
Unrestricted	16,841,831	22,708,628
	101,810,302	97,222,923
Total liabilities and net assets	$ 104,201,545	$ 103,365,356

See accompanying notes to financial statements.

PORTS OF INDIANA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years ended December 31, 2010 and 2009

	2010	2009
Operating revenues		
Maritime services	$ 2,490,911	$ 2,098,533
Facility rentals and storage	5,580,869	5,257,403
User fees	491,798	353,577
Foreign trade zone fees	63,417	80,583
Other	509,386	545,432
Total operating revenues	9,136,381	8,335,528
Operating expenses before depreciation	5,083,101	4,475,858
Operating income before depreciation	4,053,280	3,859,670
Depreciation expense	2,739,503	2,796,471
Operating income	1,313,777	1,063,199
Non-operating revenues (expenses)		
Net interest income	151,101	420,900
Insurance recovery proceeds	326,204	406,000
Loss on capital asset dispositions	(19,107)	(8,559)
Other income (expense)	(131,797)	564,716
Total non-operating revenues (expenses)	326,401	1,383,057
Income before capital contributions	1,640,178	2,446,256
Capital contributions	2,947,201	42,799
Change in net assets	4,587,379	2,489,055
Net assets, at beginning of year	97,222,923	94,733,868
Net assets, at end of year	$ 101,810,302	$ 97,222,923

See accompanying notes to financial statements.

PORTS OF INDIANA
STATEMENTS OF CASH FLOWS
Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Receipts from customers and users	$ 9,000,814	$ 8,108,195
Payments to suppliers	(2,391,066)	(1,737,952)
Payments to employees	(1,974,624)	(1,954,683)
Payments of benefits on behalf of employees	(579,683)	(628,936)
Net cash provided by operating activities	4,055,441	3,786,624
Cash flows from capital and related financing activities:		
Proceeds from insurance recoveries	326,204	406,000
Settlement of contract and (payment)/receipt of option fees	(2,135,097)	557,779
Proceeds from direct financing leases	153,773	43,117
Proceeds on notes and other receivables	-	97,857
Payments on litigation settlement	-	22,612
Loss on disposal of property	19,107	-
Change in retainage and contracts payable	1,055,754	-
Expenditures for acquisitions and construction of capital assets	(13,274,367)	(6,062,884)
Net cash provided by (used in) capital and related financing	(13,854,626)	(4,935,519)
Cash flows from investing activities:		
Purchase of investments	(1,947,201)	(11,735,783)
Proceeds from sales and maturities of investments	8,921,043	6,104,881
Realized and unrealized loss on investments	50,827	-
Investment income received	68,465	501,022
Net cash provided by (used in) investing activities	7,093,134	(5,129,880)
Net increase (decrease) in cash and cash equivalents	(2,706,051)	(6,278,775)
Cash and cash equivalents, beginning of year	8,386,038	14,664,813
Cash and cash equivalents, end of year	$ 5,679,987	$ 8,386,038
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	$ 1,313,777	$ 1,063,199
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,739,503	2,796,471
Changes in assets and liabilities:		
Trade accounts receivable	(135,567)	(227,333)
Accounts payable	143,557	125,002
Prepaid expenses	(5,829)	29,285
Net cash provided by operating activities	$ 4,055,441	$ 3,786,624

<u>**2010 and 2009 noncash activities**</u>: The Ports of Indiana had contracts and retainage payable on capital assets of $1,473,494 and $417,740 at December 31, 2010 and 2009.

Property received in settlement of other accounts receivable was $937,800 during 2010.

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Under Public Law 98-2010, SECTION 11, the name of the Indiana Port Commission was changed to the Ports of Indiana, effective July 1, 2009. Furthermore, Resolution R-08-01 approving the name change was adopted and signed by the Ports of Indiana Commission. 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 funds are derived from port activities, however, the majority of capital funds are provided by the state and the federal government.

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. The Railroad Holding Corporation is currently inactive.

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. 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. 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."

The Ports of Indiana has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and liabilities 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.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications had no impact on total net assets, or change in net assets.

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

Trade Accounts Receivable and Deferred Income: Operating revenues include rental income derived from leasing port property. Amounts due from certain lease agreements are billed in advance and recognition of related revenue is deferred and recognized over the appropriate lease term service period. Trade receivables are reported at an amount that is net of advance billings.

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 collection policy. Management estimated that no allowance was necessary at December 31, 2010 and 2009.

Other Receivables: At the end of 2009, other receivables relate to the Consolidated Grain and Barge letter of credit to be used for infrastructure at Mt. Vernon. The letter of credit was used in 2010 and the infrastructure added was recognized as a capital asset addition.

Capital Assets: Capital assets are stated at cost or fair market 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:

	Years
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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Ports of Indiana had paid an option fee to purchase land at one of the Port locations of approximately $4 million dollars at December 31, 2008. The land was purchased in May 2009.

Appropriations from the State of Indiana: Appropriations are made by the legislature of the State of Indiana on a biennial basis. The Ports of Indiana typically has four years in which to obtain the State Budget Agency's approval and allotment. Once funds are allotted, the Ports of Indiana must submit claims for the State Budget Agency's payment. The Ports of Indiana records as a receivable in the financial statements only those claims that have been approved for the State Budget Agency's payment, but have not been paid to the Ports of Indiana. A summary of appropriations follows:

Biennium	Funds Approved	Funds Allotted	Allotted Funds Drawn	Allotted Funds Remaining
97-98	$ 6,800,000	$ 6,800,000	$ 6,800,000	$ -
99-00	8,540,000	7,960,000	7,210,000	750,000
	$ 15,340,000	$ 14,760,000	$ 14,010,000	$ 750,000

Deferred Revenue: Deferred revenue consists of advance payments received by the Ports of Indiana from a tenant to build an access road over the course of two years beginning in 2010. Construction of the road was completed in 2010 and the associated non-operating revenue was recognized. During 2010, the Ports entered into a termination agreement with the counterparty. This agreement returned $2,000,000 of the deferred amount from 2009, with both sides releasing the other from any further obligations.

Net Assets: Net assets present the difference between assets and liabilities in the statements of net assets. Net assets are reported as restricted when there are legal limitations imposed on their use by laws or regulations of other governments or external restrictions by creditors or grantors. Unrestricted net assets may be designated for specific purposes as the option of the Board of Commissioners.

Invested in Capital Assets: This consists of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

As of December 31, 2010 and 2009, the Board of Commissioners has designated $11,250,000 of unrestricted net assets as strategic reserves for land acquisitions, special projects, and emergency infrastructure at its three Port locations.

(Continued)

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
- Maximizing income
- Meeting liquidity needs
- Long term growth in assets in excess of the capital requirements for the development of the ports

Portfolio assets shall be investment 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 be held with a designated depository approved under the Public Funds Statute, but only 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 2 years or less from the time of purchase and must be issued by domestic issuers and denominated in U.S. dollars.

Credit Risk: The Port's 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. Credit ratings for investments in fixed income securities as described by Standard & Poor's and Moody's at December 31, 2010 (excluding investments in U.S. Treasuries which are not considered to have credit risk) are as follows:

Investment Type	Credit Ratings	% of Investment Type	% of Total Investments
U.S. Agencies	Aaa	100%	22%
Corporate Obligations	Aaa	100%	34%

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port's will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port's investment policy requires that all amounts in excess of any insurance limits be collateralized by securities eligible for Port's investment or any other high-quality, interest bearing security rated at least AA/Aaa by one or more standard rating service to include Standard & Poor's, Moody's or Fitch. The market value of the pledge securities shall equal or exceed the portion of the deposit requiring collateralization. The Port's is fully collateralized as of December 31, 2010 and 2009.

Concentration of Credit Risk: The Port's places a 10 percent limit on the amount the Port's 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.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Cash: The carrying amount of cash was $5,679,038 and $8,386,038 at December 31, 2010 and 2009, while the bank balances were $5,680,354 and $8,681,119. 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 or with letters of credit issued by the Federal Home Loan Bank held in the Port's name by financial institutions acting as the Port's agent.

Certificates of Deposit: Certificates of deposit amounted to $250,000 and $2,500,000 at December 31, 2010 and 2009. In accordance with Port's policy, certificates of deposit were collateralized with securities of the U.S. Government in an amount equal to 110% of the funds on deposit. All investment collateral is held in safekeeping in the Port's name by financial institutions acting as the Port's agent. Collateral is priced to market semi-monthly and monitored regularly with additional collateral requested as necessary.

Fair Values: The following schedule reports the fair values and maturities (using the segmented time distribution method) for the Port's investments at December 31, 2010 and 2009.

		Investment Maturities			
2010 Investment Type	Fair value	Less than one year	One to five years	Six to ten years	Greater than ten years
Cash equivalents	$ 4,311,298	4,311,298	-	-	-
Certificates of deposit	250,000	250,000	-	-	-
Corporate obligations	3,476,254	3,476,254	-	-	-
US Treasury securities	-	-	-	-	-
US Agencies	2,267,170	2,237,170	-	-	-
Total	$ 10,304,722	10,304,722	-	-	-

		Investment Maturities			
2009 Investment Type	Fair value	Less than one year	One to five years	Six to ten years	Greater than ten years
Cash equivalents	$ 4,664,888	$ 4,664,888	$ -	$ -	$ -
Certificates of deposit	2,500,000	2,500,000	-	-	-
Corporate obligations	3,484,323	-	3,484,323	-	-
US Treasury securities	1,512,549	1,512,549	-	-	-
US Agencies	5,090,510	2,072,263	3,018,247	-	-
Total	$ 17,252,270	$ 10,749,700	$ 6,502,570	$ -	$ -

(Continued)

NOTE 3 – CAPITAL ASSETS

Capital assets consisted of the following at December 31, 2010 and 2009:

	2010	2009
Land	$ 17,297,310	$ 17,288,064
Land improvements	39,700,628	38,161,092
Harbor improvements	19,433,522	19,348,532
Docks and mooring facilities	31,562,035	32,398,821
Buildings and structures	19,108,803	19,089,787
Machinery and equipment	648,825	668,174
Office furniture and equipment	654,525	648,518
Trucks and automobiles	647,049	615,593
Construction in progress	13,926,776	1,301,121
	142,979,473	129,519,702
Accumulated depreciation	(56,537,508)	(54,587,667)
	$ 86,441,965	$ 74,932,035

Land and construction in progress are not subject to depreciation.

Capital asset activity for 2009 and 2010 included:

2010	Capital Assets	Construction in Progress	Total	Accumulated Depreciation
Beginning balance	$ 128,218,581	$ 1,301,121	$ 129,519,702	$ (54,587,667)
Additions	1,642,885	14,197,203	15,840,088	
Retirements	(808,769)	-	(808,769)	789,662
Transfers	-	(1,571,548)	(1,571,548)	
Depreciation	-	-	-	(2,739,503)
Ending balance	$ 129,052,697	13,926,776	142,979,473	(56,537,508)

2009	Capital Assets	Construction in Progress	Total	Accumulated Depreciation
Beginning balance	$122,818,940	$ 643,672	$123,462,612	$(51,793,412)
Additions	5,399,641	5,893,574	11,293,215	-
Transfers	-	(5,236,125)	(5,236,125)	-
Depreciation	-	-	-	(2,794,255)
Ending balance	$128,218,581	$1,301,121	$129,519,702	$(54,587,667)

Construction in progress includes two major projects at the Burns Harbor location. Construction of a new road was substantially completed at the end of December 2010. Reconstruction of a collapsed dock wall continues and is expected to be completed in mid to late 2011. The amount of contracts awarded to complete this project is approximately $2,420,000.

(Continued)

NOTE 4 - CAPITAL AND OPERATING LEASES

Direct Financing Lease Receivable: During 1994, the Ports of Indiana, as lessor, entered into a 20 year direct financing lease with a tenant for a building originally constructed by the Ports of Indiana. Security agreements were obtained as collateral for the lease receivable. The Ports of Indiana can repossess the structure if the customer defaults on the lease agreement. The components of the Ports of Indiana's investment in the lease at December 31, 2010 and 2009 are as follows:

	2010	2009
Future minimum lease payments receivable	$ 720,175	$ 930,958
Unearned interest income	(91,858)	(148,868)
Long-term net investment in direct financing lease	$ 628,317	$ 782,090

The future minimum lease payments to be received for this are as follows:

Year Ending December 31,	
2011	$ 210,783
2012	210,783
2013	210,783
2014	87,826
	$ 720,175

Operating Leases of a Lessor: The Ports of Indiana is engaged in leasing various properties to tenants under operating leases expiring over the next 1-30 years. The lease agreements 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 noncancelable operating leases are as follows:

Year Ending December 31,	
2011	$ 7,459,907
2012	5,437,685
2013	4,674,180
2014	3,649,088
2015	3,062,004
2016 - 2020	11,024,496
2021 - 2025	8,659,948
2026 - 2030	4,371,650
2031 - 2035	2,668,466
2036 - 2040	2,668,466
	$ 53,675,890

(Continued)

NOTE 4 - CAPITAL AND OPERATING LEASES (Continued)

Operating Lease Obligations: The Ports of Indiana, as lessee, leases office space under an operating lease that expires on December 31, 2012. Rent expense was $102,912 and $98,862 for 2010 and 2009. The minimum annual future lease payments for the office space are:

Year Ending December 31,	
2011	$ 100,837
2012	100,837
	$ 201,674

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.

Project and Series	Maturity	Outstanding Principal
Ports of Indiana, Port Refunding Revenue Bonds, Series of 1992 (Cargill Project)	Term bond payment in 2012	$ 21,950,000
Ports of Indiana Port Revenue Bonds, Series 1994 (American Commercial Marine)	Serial payments through 2010 and term bond payments through 2014	930,000
		$ 22,880,000

NOTE 6 – CONTINGENCIES

On June 20, 2008, a building owned by the Ports of Indiana and occupied by Frick Services, Inc. caught fire and was a total loss. As of December 31, 2010, the Ports of Indiana has determined that no additional insurance recovery can be expected. Discussions have begun between the Ports of Indiana, and Frick Services, Inc. to determine the most effective method to return the land to a leasable condition. Frick continued making land and building lease payments until August 2010, when the leases terminated.

(Continued)

NOTE 6 – CONTINGENCIES (Continued)

On December 31, 2007, a significant depression was noted in the asphalt on the dock of the west harbor arm at Burns Harbor. On or about January 2, 2008, a full collapse and failure of a portion of the dock wall was noted. Throughout 2008 and 2009, the Ports of Indiana incurred both legal and engineering costs related to the dock wall. In 2010, those costs continued and reconstruction of the dock wall started. Litigation against the insurance carrier, Lexington Insurance Co. commenced in 2010 however, a resolution is uncertain at this time and the insurance coverage has a total loss limit of up to $10,000,000. Insurance recovery payments of $406,000 and $326,204 were received in 2009 and 2010 respectively. Both amounts were recorded in nonoperating revenue.

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, 2009 and 2010, the Ports has purchased commercial insurance policies covering risks of loss related to the above mentioned events.

NOTE 7 - DEFERRED COMPENSATION BENEFITS

The Ports of Indiana offers two deferred compensation plans to all its employees under plans administered by the Public Employees Benefit Services Corporation (PEBSCO) and Indiana Deferred Compensation (IDC), 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.

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 PEBSCO investments held in custodial funds for participants was $797,840 and $658,060 at December 31, 2010 and 2009. The fair market value of IDC investments held in custodial funds for participants was $214,365 and $203,060 at December 31, 2010 and 2009.

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

The Ports of Indiana contributes to PERF, an agent multiple employer public employee retirement system, which acts as a common investment and administrative agent for state employees and employees of the various subdivisions of the State of Indiana.

All full-time employees are eligible to participate in this defined benefit plan. State statutes (Indiana Code 5-10.2 and 5-10.3) give the Ports of Indiana the right to contribute and govern most requirements of the system, including the benefits, which vest after 10 years of service. Employees who have reached fifty years of age may receive retirement benefits with 15 years of service. An employee may receive benefits at age sixty-five with 10 years of service.

(Continued)

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

Employees are required to contribute 3% of their annual compensation to an annuity savings account. Effective July 1, 1986, legislation permits a PERF employer to make the employee contributions on behalf of the employee. The Ports of Indiana elected to make, on behalf of covered employees, the employees' contribution that may be financed by the employer. These accumulated employee contributions and allocated interest income are maintained by PERF in a separate system wide fund for all members. Upon retirement, members may elect a lump sum distribution of all or part of the savings account. Employees who leave employment before qualifying for benefits receive a refund of this savings account.

All assets of the plans are held by and invested by PERF. Investments are mainly in obligations of the U.S. Government, federal agencies and in equity securities.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of PERF on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employees. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the plan. However, PERF performed an actuarial valuation of the Ports of Indiana's plan as of June 30, 1998 which is included in the Annual Report of the Indiana Public Employees' Retirement Fund for state employees and employees of the various subdivisions of the State of Indiana.

Funding Policy: PERF's funding policy provides for actuarially determined periodic contributions at rates that for individual employers increase gradually over time so that sufficient assets will be available to pay benefits when due. The entry age normal cost method is used to determine the contribution requirements and the actuarial accrued liability.

The annual contribution to PERF is determined as part of the July 1, 2010 actuarial valuation and consists of the amortization of the unfunded actuarial accrued liability (expressed as a level dollar amount), plus the entry age normal cost (expressed as a percentage of total payroll).

Summary of Major Actuarial Assumptions: Actuarial assumptions include:

- Interest - 7.00% (net of administrative and investment expenses)
- Future Salary Increases – 4.00% per year, based on PERF experience 2000-2005
- Cost of Living Increases - An increase of 1.0% (compounded annually) is assumed to be applied to the pension benefit each year following retirement. No increase is assumed to be applied to the PERF annuity benefit.
- Mortality – 2008 IRS Static Mortality projected with scale AA.
- Disability - Based on PERF experience 1995-2000. No change made based on PERF experience 2000-2005.
- Termination - Select and ultimate tables based on PERF experience 2000-2005. Separate tables are used for state employees and political subdivision employees.
- Retirement - Based on PERF experience 2000-2005. Revised effective July 1, 2007.
- Spouse's Benefit - 90% of participants are assumed either to be married or to have a dependent beneficiary. Males are assumed to be 3 years older than their spouses.

(Continued)

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

Summary of Major Plan Provisions: Plan provisions include:

- Participation - All full time employees of the State of Indiana and all full time employees of political subdivisions which have adopted the plan must become members of PERF upon date of hire.
- Eligibility for annuity benefits:
  - Normal Retirement Earliest of:
    - Age 65 with 10 years of creditable service;
    - Age 60 with 15 years of creditable service;
    - Sum of age and creditable service equal to 85 (but not earlier than age 55).
  - Early Retirement - Age 50 with 15 years of creditable service
  - Late Retirement - Subject to continued employment after normal retirement
  - Disability Retirement - 5 years of creditable service and qualified for Social Security disability benefits or federal Civil Service disability benefits.
  - Termination - 10 years of creditable service and election not to take lump sum payment of employee account balance with interest.
  - Pre-Retirement Death - If death occurs in service, 15 years of creditable service. If death occurs after separating from service, age 50 with 15 years of creditable service.

Amount of Benefits: Benefit amounts include:

- Normal Retirement - The normal retirement benefit is an annuity payable for life with 60 months guaranteed and is equal to 1.1% of average monthly earnings times years of creditable service earned.

- Early Retirement - The early retirement benefit is the accrued retirement benefit determined as of the early retirement date and payable commencing at the normal retirement date. A participant may elect to have the benefit commence prior to normal retirement provided the benefit is reduced by 1/10% for each of the first 60 months and by 5/12% for each of the next 120 months that the benefit commencement date precedes the normal retirement date.

- Late Retirement - The late retirement benefit is calculated in the same manner as the normal retirement benefit. Creditable service and earnings earned after normal retirement is included in the computation.

- Disability Retirement - The disability retirement benefit is the accrued retirement benefit determined as of the disability date and payable commencing the month following disability date without reduction for early commencement.

- Termination - The termination benefit is the accrued retirement benefit determined as of the termination date and payable commencing at 65. If the participant has 15 or more years of creditable service, then the participant may elect to receive a reduced early retirement benefit.

- Pre-Retirement Death - The spouse or dependent beneficiary is entitled to receive the monthly life annuity under the assumption that the participant retired on the later of age 50 or the day before the date of death and elected the joint and full survivor option.

(Continued)

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

- Employee Contributions - Each participant is required to contribute to an employee annuity at the rate of 3% of pay (unless the employer has opted to make the contribution for the employee). These contributions are kept on deposit and credited with interest until such time as they are refunded or used to provide the annuity benefit at retirement. The benefits provided by employee contributions are in addition to the benefits provided by employer contributions. The monthly annuity provided at a normal retirement age of 65 is equal to $1.00 for each $108.79 of accumulated employee contributions plus interest.

Schedule of Employer Contributions

Valuation Date	Annual Required Contributions	Actual Employer Contributions	Net Pension Obligation	Net Percentage Contributed
7/1/10	$ 88,116	$ 70,331	$ (39,060)	80%
7/1/09	$ 58,751	$ 78,569	$ (56,845)	134%
7/1/08	$ 27,650	$ 88,887	$ (37,027)	321%
7/1/07	$ 61,366	$ 73,687	$ 24,210	120%
7/1/06	$ 98,913	$ 71,032	$ 36,531	72%

The contributions to PERF were in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2010.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical funding information of the system may be found in the Annual Report of the Indiana Public Employees' Retirement Fund.

Schedule of Funding Progress of Ports of Indiana's Participation in the Public Employees Retirement Fund (PERF) (In thousands of dollars)

Actuarial Valuation Date	Non retired Valuation Assets	Actuarial Accrued Liability AAL	Excess of Assets Over (Unfunded) AAL	Funded Ratio	Covered Payroll	Excess/ (Unfunded) liability as a Percentage of Payroll
7/1/10	$ 1,664,537	$ 1,904,096	$ (239,559)	87%	$1,578,950	(15%)
7/1/09	$ 1,807,165	$ 1,668,416	$ 138,749	108%	$1,662,343	9%
7/1/08	$ 2,216,203	$ 1,816,774	$ 399,429	122%	$1,563,155	37%
7/1/07	$ 2,338,862	$ 1,695,900	$ 642,962	138%	$1,267,949	51%
7/1/06	$ 2,216,203	$ 1,816,774	$ 399,429	122%	$1,563,155	26%

Note: The Ports of Indiana is considered as part of the State of Indiana. The above assets are an allocation based on the Ports of Indiana's percentage of the Accrued Liability. Payroll for employees covered by the plan for the years ended December 31, 2010 and 2009 was approximately $1,627,000 and $1,646,000. The total payroll for the same period was $1,838,000 and $1,856,000.

(Continued)

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

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and assets in excess of the pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provide one indication of the funding status on a going concern basis. Analysis of this percentage over time indicates whether Ports of Indiana's participation in PERF is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in assets in excess of the pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the assets in excess of the pension benefit obligation as a percentage of annual covered payroll approximately adjusts for effects of inflation and aids analysis of the Port's progress made in accumulating sufficient assets to pay benefits when due. Generally, the larger this percentage the stronger the plan.

Certain ten-year historical trend information relative to the defined benefit plan as required by Governmental Accounting Standards Board Statement No. 5 is available for the multi-employer plan in the PERF report.

SUPPLEMENTAL SCHEDULES

PORTS OF INDIANA
SCHEDULE OF PORT OPERATING INCOME
BEFORE DEPRECIATION
Year ended December 31, 2010 with comparative totals for 2009

	2010					2009
	Burns Harbor Portage	Mt. Vernon Maritime Center	Jeffersonville Maritime Center	Central Support Services	Total	Total
Operating revenues						
Maritime services	$ 1,141,322	$ 928,731	$ 420,858	$ -	$ 2,490,911	$ 2,098,533
Facility rentals	3,481,990	1,182,442	916,437	-	5,580,869	5,257,403
Other user fees	134,953	48,060	308,785	-	491,798	353,577
FTZ operator fees	36,417	-	25,000	2,000	63,417	80,583
Other operating fees	344,300	5,375	1,717	157,994	509,386	545,432
Total operating revenues	5,138,982	2,164,608	1,672,797	159,994	9,136,381	8,335,528
Operating expenses						
Salaries and wages	411,071	277,831	300,640	991,401	1,980,943	1,895,845
Employee benefits, taxes and insurance	182,958	115,317	117,249	253,390	668,914	615,304
Employee travel	10,308	7,037	7,925	65,368	90,638	97,176
Temporarily hired services	-	-	-	-	-	-
Security services	244,272	481	756	-	245,509	247,181
Legal services	-	-	-	602,311	602,311	246,271
Accounting services	-	-	-	51,000	51,000	32,459
Computer services	180	890	-	43,151	44,221	40,869
Advertising and public relations	11,915	1,934	4,889	220,243	238,981	162,833
Association membership	41,495	5,388	3,639	38,664	89,186	84,936
Other professional services	13,418	4,683	4,713	179,617	202,431	166,843
Maintenance	134,338	115,840	61,868	5,219	317,265	134,390
Insurance	161,748	53,123	55,357	1,694	271,922	277,224
Utilities	67,248	40,723	7,851	353	116,175	110,829
Office supplies	20,532	8,447	7,719	21,818	58,516	57,185
Property rentals	-	-	-	94,163	94,163	263,661
Bad Debt Expense	-	-	-	432	432	-
Miscellaneous	3	3,568	-	6,923	10,494	42,852
Total operating expenses	1,299,486	635,262	572,606	2,575,747	5,083,101	4,475,858
Operating income before depreciation	$ 3,839,496	$ 1,529,346	$ 1,100,191	$ (2,415,753)	$ 4,053,280	$ 3,859,670

PORTS OF INDIANA
SCHEDULE OF PORT OPERATING INCOME
BEFORE DEPRECIATION
Year ended December 31, 2009

	Burns Harbor Portage	Mt. Vernon Maritime Center	Jeffersonville Maritime Center	Central Support Services	Total
Operating revenues					
Maritime services	$ 780,303	$ 907,421	$ 410,809	$ -	$ 2,098,533
Facility rentals	3,348,739	1,045,009	863,655	-	5,257,403
Other user fees	99,467	37,433	216,677	-	353,577
FTZ operator fees	55,583	25,000	-	-	80,583
Other operating fees	343,665	27,815	10,000	163,952	545,432
Total operating revenues	4,627,757	2,042,678	1,501,141	163,952	8,335,528
Operating expenses					
Salaries and wages	390,551	252,017	260,848	992,429	1,895,845
Employee benefits, taxes and insurance	168,447	100,994	110,390	235,473	615,304
Employee travel	10,228	6,731	6,055	74,162	97,176
Temporarily hired services	-	-	-	-	-
Security services	245,937	299	945	-	247,181
Legal services	-	-	-	246,271	246,271
Accounting services	-	-	-	32,459	32,459
Computer services	-	-	213	40,656	40,869
Advertising and public relations	11,065	4,263	3,327	144,178	162,833
Association membership	40,996	3,601	1,236	39,103	84,936
Other professional services	12,120	4,329	4,518	145,876	166,843
Maintenance	188,124	50,023	51,109	(154,866)	134,390
Insurance	165,078	50,574	60,328	1,244	277,224
Utilities	65,870	37,605	7,004	350	110,829
Office supplies	19,599	6,400	8,001	23,185	57,185
Property rentals	1,168	159,581	-	102,912	263,661
Bad Debt Expense	-	-	-	-	-
Miscellaneous	36,303	-	-	6,549	42,852
Total operating expenses	1,355,486	676,417	513,974	1,929,981	4,475,858
Operating income before depreciation	$ 3,272,271	$ 1,366,261	$ 987,167	$ (1,766,029)	$ 3,859,670

PORTS OF INDIANA
SCHEDULE OF ACTUAL OPERATING EXPENSES COMPARED TO BUDGET
Year ended December 31, 2010

	Actual Expenses	Budgeted Expenses	Variance (Over) Under
Salaries, benefits, and travel	$ 2,740,495	$ 2,672,934	$ (67,561)
Professional services	1,145,472	971,925	(173,547)
Marketing and advertising	328,167	244,932	(83,235)
Insurance	271,922	266,889	(5,033)
Facility Rental	94,163	100,850	6,687
Maintenance and utilities	433,440	627,315	193,875
Other office and administrative expenses	69,442	416,450	347,008
Total operating expenses	$ 5,083,101	$ 5,301,295	$ 218,194

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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 Ports of Indiana
Indianapolis, Indiana

We have audited the financial statements of the Ports of Indiana (Ports) as of and for the year ended December 31, 2010, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with *Guidelines for Audits of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts and auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ports of Indiana's internal control over financial reporting as a basis for designing our auditing procedures 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 of Indiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ports of Indiana's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ports of Indiana'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*.

This report is intended solely for the information and use of the Members of the Ports of Indiana, management and the Indiana State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
April 21, 2011