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May 12, 2021

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

We have reviewed the audit report of Ports of Indiana, which was opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Ports of Indiana, as of December 31, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

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

**FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

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

FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

The Members of the Commission  
Ports of Indiana  
Indianapolis, Indiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Ports of Indiana (Ports), a component unit of the State of Indiana, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Ports of Indiana's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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(Continued)

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ports of Indiana as of December 31, 2020 and 2019, and the respective changes in its net position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, the schedule of the Ports' proportionate share of the net pension liability on page 25 and the schedule of the Ports' contributions on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2021, on our consideration of the Ports' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ports' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ports' internal control over financial reporting and compliance.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
April 29, 2021

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

PORTS OF INDIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years ended December 31, 2020 and 2019

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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, 2020. Please read it in conjunction with the Ports of Indiana's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

Net position increased by \$11,479,156 for 2020. Operating income before depreciation was \$8,281,131. In addition to preparing operating budgets, the Ports of Indiana conducts a longer term capital planning and budgeting process that projects the on-going needs for maintenance of existing ports assets, strategic acquisition of adjacent port land, as well as future infrastructure requirements for developed and undeveloped port land. The capital plan typically projects out activities for 15 years and is updated annually. The long term capital plan projects approximately \$228,903,530 of capital expenditures will be incurred through 2036 to maintain and support the infrastructure at the three Ports locations. Capital budgets are funded by the operations of the Ports of Indiana. For the year ended December 31, 2020, the Board of Commissioners has established a designated \$22,000,000 of unrestricted net position as strategic reserves for infrastructure improvements at its three Port locations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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(Continued)

PORTS OF INDIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years ended December 31, 2020 and 2019

**FINANCIAL ANALYSIS**

**Net Position**

The Ports of Indiana's total assets at December 31, 2020 reached \$164,392,968. This represents an increase in 2020 of \$15,092,539, or 10.11% percent from the prior year. The increase in total assets is a result of positive cash flows from operations and continued investment in capital assets around the ports of approximately \$13,500,000. Total liabilities amounted to \$7,674,964, an increase of \$3,539,939 or 85.61% percent from 2019. The increase in total liabilities is mainly attributed to the accrual of outstanding capital invoices related to the TIGER and Fastlane Grants at year-end. Total net position amounted to \$152,620,994, an increase of \$11,479,156, or 8.13% percent (See Table 1).

<b>Table 1</b>			
<b>Net Position</b>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Assets:</b>			
Current assets	\$ 31,563,621	\$ 29,354,544	\$ 22,455,442
Non-current assets (**)	22,000,000	22,000,000	22,000,000
Capital	<u>110,829,347</u>	<u>97,945,885</u>	<u>101,528,401</u>
Total assets	<u>164,392,968</u>	<u>149,300,429</u>	<u>145,983,843</u>
<b>Deferred outflow of resources</b>	<u>349,539</u>	<u>294,772</u>	<u>324,159</u>
<b>Liabilities:</b>			
Current liabilities	6,351,729	2,600,484	1,733,241
Non-current liabilities	<u>1,323,235</u>	<u>1,534,541</u>	<u>1,521,876</u>
Total liabilities	<u>7,674,964</u>	<u>4,135,225</u>	<u>3,255,117</u>
<b>Deferred inflow of resources</b>	<u>4,446,549</u>	<u>4,318,338</u>	<u>3,900,459</u>
<b>Net position:</b>			
Invested in capital assets	105,950,996	97,573,689	101,346,760
Unrestricted (**)	<u>46,669,998</u>	<u>43,568,149</u>	<u>37,805,666</u>
Total net position	<u>\$ 152,620,994</u>	<u>\$ 141,141,838</u>	<u>\$ 139,152,426</u>

\*\* - For the years ended December 31, 2020, 2019 and 2018, the Board of Commissioners has designated \$22,000,000 of unrestricted net position as strategic reserves for land acquisitions, special projects, required maintenance, and emergency infrastructure improvements at its three Port locations.

(Continued)

PORTS OF INDIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years ended December 31, 2020 and 2019

**Changes in Net Position**

The change in net position at December 31, 2020 was \$11,479,156, or 8.13% percent. The Ports of Indiana's total operating revenues increased by \$218,416, or 1.55% percent. Total operating expenses before depreciation increased by \$176,159, or 3.01% percent. The changes in net position are detailed in Table 2 and operating expenses are detailed in Table 3.

<b>Table 2</b>			
<b>Changes in Net Position</b>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Operating revenue:</b>			
Maritime services	\$ 13,650,097	\$ 13,454,537	\$ 13,148,482
Other	<u>658,577</u>	<u>635,721</u>	<u>349,435</u>
Total operating revenues	<u>14,308,674</u>	<u>14,090,258</u>	<u>13,497,917</u>
<b>Operating expenses:</b>			
Operating expenses	6,027,543	5,851,384	6,160,723
Depreciation	<u>3,807,990</u>	<u>7,344,688</u>	<u>3,770,995</u>
Total operating expenses	<u>9,835,533</u>	<u>13,196,072</u>	<u>9,931,718</u>
<b>Operating income</b>	4,473,141	894,186	3,566,199
<b>Non-operating revenues</b>	15,952	1,095,226	899,984
<b>Capital contributions</b>	<u>6,990,063</u>	-	<u>881,865</u>
Change in net position	11,479,156	1,989,412	5,348,048
Net position, beginning of year	<u>141,141,838</u>	<u>139,152,426</u>	<u>133,804,378</u>
<b>Total net position, end of year</b>	<u>\$ 152,620,994</u>	<u>\$ 141,141,838</u>	<u>\$ 139,152,426</u>

**Revenues:** Operating revenues from maritime services increased by \$195,560 or 1.45 percent in 2020 from 2019. The increase resulted primarily from an increase in Property Lease Revenue as well as wharfage revenue. The increase in wharfage revenue was largely driven by project cargo in Burns Harbor.

In 2020, key non-operating activities include investment income of \$458,116, proceeds from the settlement of the Lakes and Rivers lawsuit for \$849,999, and a write off of 4<sup>th</sup> Port activity for (\$1,366,555). In 2019, key non-operating activity included investment income of \$1,093,223. In 2018, key non-operating activities included investment income of \$677,740.

Capital contributions increased by \$6,990,063 in 2020 compared to 2019. In 2020, capital contributions include \$6,990,063 of federal grant reimbursements. In 2019, there were no capital contributions. In 2018, capital contributions totaled \$881,865 which included \$548,105 from federal grant programs and \$333,760 from a lessee for capital improvements.

(Continued)

PORTS OF INDIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years ended December 31, 2020 and 2019

**Expenses:** Total operating expenses decreased by \$3,360,539, or 25.47% percent, in 2020. The decrease in operating expenses from 2019 to 2020 is primarily due to an increase in depreciation expense resulting from a change in useful life estimates for certain capital assets. Operating expenses, not including depreciation, increased by \$176,159, or 3.01% percent in 2020. Operating expenses are summarized as follows:

<b>Table 3</b>			
<b>Operating Expenses</b>			
<b>Expense Category</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Labor and fringe benefits	\$ 3,401,998	\$ 3,391,782	\$ 3,905,908
Travel and training	52,575	93,213	120,034
Security services	273,096	298,816	297,814
Legal services	379,275	371,025	240,097
Accounting services	36,700	35,600	35,600
Computer services	161,256	150,447	105,048
Other professional services	501,422	172,180	241,222
Advertising and public relations	54,683	38,222	157,840
Insurance	333,018	320,485	262,550
Property rentals	107,355	102,446	101,690
Office expenses	71,927	66,819	79,355
Business association memberships	131,214	144,252	102,748
Utilities	137,152	252,492	49,701
Maintenance	373,166	406,432	453,826
Other	12,706	7,018	7,290
Operating expenses before depreciation	6,027,543	5,851,384	6,160,723
Depreciation	3,807,990	7,344,688	3,770,995
Total operating expenses	<u>\$ 9,835,533</u>	<u>\$ 13,196,072</u>	<u>\$ 9,931,718</u>

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of December 31, 2020, and 2019, the Ports of Indiana had invested \$110,829,347 and \$97,945,885 in net capital assets and related assets, net of accumulated depreciation. As compared to the prior year, this amount represents an increase of \$12,883,462. Construction in process totals \$23,516,874 and \$8,917,350 as of December 31, 2020 and 2019. Key ongoing construction projects include the TIGER grant project at Jeffersonville and the Fastlane project at Burns Harbor. See Note 3 for capital asset activity.

There is no outstanding debt other than construction related payables of \$4,878,351 and \$372,196 at December 31, 2020 and 2019.

### CURRENTLY KNOWN FACTS

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

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

PORTS OF INDIANA  
STATEMENTS OF NET POSITION  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 23,294,164	\$ 23,683,376
Investments (Note 2)	5,137,737	4,724,834
Trade accounts receivable, net	633,842	652,299
Grants receivable	2,062,063	-
Prepaid expenses	<u>435,815</u>	<u>294,035</u>
Total current assets	<u>31,563,621</u>	<u>29,354,544</u>
Noncurrent assets:		
Investments (Note 2)	22,000,000	22,000,000
Non-depreciable capital assets (Note 3)	53,701,745	39,102,221
Depreciable capital assets, net (Note 3)	<u>57,127,602</u>	<u>58,843,664</u>
Total noncurrent assets	<u>132,829,347</u>	<u>119,945,885</u>
Total assets	<u>164,392,968</u>	<u>149,300,429</u>
<b>Deferred outflows of resources</b>		
Pension (Note 8)	<u>349,539</u>	<u>294,772</u>
Total assets and deferred outflows of resources	<u>\$ 164,742,507</u>	<u>\$ 149,595,201</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and other accrued expenses	\$ 1,473,378	\$ 2,228,288
Contracts and retainage payable on capital projects	<u>4,878,351</u>	<u>372,196</u>
Total current liabilities	<u>6,351,729</u>	<u>2,600,484</u>
Non-current liabilities:		
Net pension liability (Note 8)	<u>1,323,235</u>	<u>1,534,541</u>
Total liabilities	<u>7,674,964</u>	<u>4,135,025</u>
<b>Deferred inflows of resources</b>		
Sale of future revenues (Note 1)	4,078,964	4,078,964
Pension (Note 8)	<u>367,585</u>	<u>239,374</u>
Total deferred inflows of resources	4,446,549	4,318,338
<b>Net position</b>		
Net investment in capital assets	105,950,996	97,573,689
Unrestricted	<u>46,669,998</u>	<u>43,568,149</u>
Total net position	<u>152,620,994</u>	<u>141,141,838</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 164,742,507</u>	<u>\$ 149,595,201</u>

See accompanying notes to financial statements.

PORTS OF INDIANA  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Operating revenues</b>		
Maritime services	\$ 3,508,897	\$ 3,337,577
Facility rentals and storage	9,212,907	9,134,693
User fees	871,293	843,267
Foreign trade zone fees	57,000	139,000
Other	<u>658,577</u>	<u>635,721</u>
Total operating revenues	14,308,674	14,090,258
<b>Operating expenses before depreciation</b>		
Labor and fringe benefits	3,401,998	3,391,786
Maintenance	373,166	406,432
Other	<u>2,252,379</u>	<u>2,053,166</u>
Total operating expenses before depreciation	<u>6,027,543</u>	<u>5,851,384</u>
<b>Operating income before depreciation</b>	8,281,131	8,238,874
Depreciation expense	<u>3,807,990</u>	<u>7,344,688</u>
<b>Operating income</b>	4,473,141	894,186
<b>Non-operating revenues</b>		
Net investment income	458,116	1,093,223
Loss on disposal of capital assets	(1,316,555)	-
Other income	<u>874,391</u>	<u>2,003</u>
Total non-operating revenues	<u>15,952</u>	<u>1,095,226</u>
<b>Income before capital contributions</b>	4,489,093	1,989,412
Capital contributions	<u>6,990,063</u>	<u>-</u>
<b>Change in net position</b>	11,479,156	1,989,412
Net position, at beginning of year	<u>141,141,838</u>	<u>139,152,426</u>
<b>Net position, at end of year</b>	<u>\$ 152,620,994</u>	<u>\$ 141,141,838</u>

See accompanying notes to financial statements.

PORTS OF INDIANA  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 14,327,131	\$ 13,828,535
Payments to suppliers	(3,649,061)	(1,637,227)
Payments to employees	(2,695,390)	(2,483,456)
Payments of employee benefits	<u>(717,644)</u>	<u>(994,979)</u>
Net cash provided by operating activities	7,265,036	8,712,873
<b>Cash flows from capital and related financing activities:</b>		
Settlement of contract and receipt of option fees	874,391	2,003
Receipt of capital contributions from federal sources	4,928,000	-
Proceeds from sale of future revenues	-	424,714
Purchases for acquisitions and construction of capital assets	<u>(13,501,852)</u>	<u>(3,571,617)</u>
Net cash used in capital and related financing	(7,699,461)	(3,144,900)
<b>Cash flows from investing activities:</b>		
Investment income received	<u>45,213</u>	<u>364,227</u>
Net cash provided by investing activities	<u>45,213</u>	<u>364,227</u>
<b>Net change in cash and cash equivalents</b>	(389,212)	5,932,200
Cash and cash equivalents, beginning of year	<u>23,683,376</u>	<u>17,751,176</u>
<b>Cash and cash equivalents, end of year:</b>	<u>\$ 23,294,164</u>	<u>\$ 23,683,376</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 4,473,141	\$ 894,186
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,807,990	7,344,688
Changes in assets and liabilities:		
Trade accounts receivable	18,457	(286,774)
Other receivables	-	25,051
Prepaid expenses	(141,780)	23,817
Deferred outflows – pension liability	(54,767)	29,387
Accounts payable	(754,910)	676,688
Net pension liability	(211,306)	12,665
Deferred inflows – pension liability	<u>128,211</u>	<u>(6,835)</u>
<b>Net cash provided by operating activities</b>	<u>\$ 7,265,036</u>	<u>\$ 8,712,873</u>

Noncash activities: The Ports of Indiana had contracts and retainage payable on related capital assets of \$4,878,351 and \$372,196 at December 31, 2020 and 2019, respectively.

See accompanying notes to financial statements.

PORTS OF INDIANA  
NOTES TO FINANCIAL STATEMENTS  
Years ended December 31, 2020 and 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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PORTS OF INDIANA  
NOTES TO FINANCIAL STATEMENTS  
Years ended December 31, 2020 and 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Grants Receivable: Grants receivable represents federal grant expenditures incurred but not yet claimed or reimbursed from grantors as of December 31, 2020 and 2019, respectively.

Allowance for Uncollectible Accounts: The allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances and general economic conditions. Periodically, management reviews accounts receivable and records an allowance based on current circumstances, and charges off the receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with the collection policy. Management estimated that no material allowance was necessary at December 31, 2020 and 2019.

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

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

Noncurrent Cash and Investments: At December 31, 2020 and 2019, the Board of Commissioners has designated \$22,000,000, respectively, of cash and investments as a strategic reserve for land acquisitions, special projects, required maintenance, and emergency infrastructure improvements, which are classified as noncurrent assets in the statement of net position because of their long-term nature.

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

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(Continued)

PORTS OF INDIANA  
NOTES TO FINANCIAL STATEMENTS  
Years ended December 31, 2020 and 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Deferred Inflows of Resources - Sale of Future Revenues: During 2017, the Ports entered into an agreement with a third party to serve as the exclusive operator of the bulk load out terminal at the Port of Indiana – Jeffersonville. The agreement has an original term of ten years with the option to renew for an additional five years. The third party paid \$3,000,000 in consideration for the right to charge other parties for use of the bulk terminal over the lease term and must also pay annual operating fees, tonnage fees, and meet a guaranteed minimum tonnage threshold outlined in the agreement. The Ports and the third party have also agreed to share in the financial responsibility of “non-essential” items relating to the ongoing construction of the bulk terminal. The third party also paid \$1,078,964 for additional capital related costs not yet incurred by the Ports. In accordance with GASB Statement No. 48 and clarified by GASB Statement No. 65, the payment received in consideration for the right to future revenues as the exclusive operator of the bulk terminal has been recorded as a deferred inflow of resource. Revenue will be recognized straight line over the course of the ten-year lease term upon completion of the project. At December 31, 2020, the construction of the bulk load-out terminal is in progress and expected to be completed during 2021.

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

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

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

Reclassifications: Certain amounts from the prior year have been reclassified to conform to the current year presentation. The reclassifications had no effect on net position or change in net position.

Adoption of New Accounting Pronouncements: For the year ended December 31, 2020, the Ports adopted the following accounting pronouncements. There was no impact on the financial statements upon adoption of these pronouncements

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- GASB Statement No. 90, *Majority Equity Interests*
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (paragraphs 4-5).*

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(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Business Disruption: In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 has impacted economic activity and financial markets globally. The operations and business results of the Ports could be materially adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Credit Risk: The Ports' general investment policy is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. At December 31, 2020 and 2019, all funds were held at banks in accounts either insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000 or collateralized with securities of the U.S. Government or in municipal obligations with the appropriate credit rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Ports' will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Ports' investment policy requires that all amounts in excess of any insurance limits be collateralized by securities eligible for Ports' investment or any other high-quality, interest bearing security rated at least A-1+ by Standard & Poor's or MIG-1 by Moody's. The Ports' is fully collateralized as of December 31, 2020 and 2019.

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

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(Continued)

PORTS OF INDIANA  
NOTES TO FINANCIAL STATEMENTS  
Years ended December 31, 2020 and 2019

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**NOTE 2 - DEPOSITS AND INVESTMENTS** (Continued)

Operating Cash: The carrying amount of operating cash was \$23,294,164 and \$23,683,376 at December 31, 2020 and 2019, respectively, while the bank balance was \$23,314,748 and \$24,360,088, respectively. The difference relates to outstanding checks at December 31, 2020 and 2019. All account balances at banks were either insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000 or collateralized with securities of the U.S. Government held in the Ports' name by financial institutions acting as the Ports' agent.

Investments: Investments consist of money market funds and certificates of deposit. Certificates of deposit amounted to \$12,313,171 and \$18,945,056 at December 31, 2020 and 2019, respectively. In accordance with Ports' policy, certificates of deposit were fully collateralized with securities of the U.S. Government. All investment collateral is held in safekeeping in the Ports' name by financial institutions acting as the Ports' agent. Collateral is priced to market semi-monthly and monitored regularly with additional collateral requested as necessary.

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

The Ports has money market funds (Level 1) of \$14,824,566 and \$7,779,778 and negotiable certificates of deposit (Level 2) of \$12,313,171 and \$18,945,056 at December 31, 2020 and 2019, respectively, which are valued at fair value.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the Ports' investments at December 31, 2020 and 2019.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less than One Year</u>	<u>One to Five Years</u>
<u>2020</u>			
Money market funds	\$ 14,824,566	\$ 14,824,566	\$ -
Certificates of deposit	<u>12,313,171</u>	<u>10,191,237</u>	<u>2,121,934</u>
Total	<u>\$ 27,137,737</u>	<u>\$ 25,015,803</u>	<u>\$ 2,121,934</u>
<u>2019</u>			
Money market funds	\$ 7,779,778	\$ 7,779,778	\$ -
Certificates of deposit	<u>18,945,056</u>	<u>6,702,291</u>	<u>12,242,765</u>
Total	<u>\$ 26,724,834</u>	<u>\$ 14,482,069</u>	<u>\$ 12,242,765</u>

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(Continued)

PORTS OF INDIANA  
NOTES TO FINANCIAL STATEMENTS  
Years ended December 31, 2020 and 2019

**NOTE 3 - CAPITAL ASSETS**

Capital assets consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Non-depreciable capital assets:		
Land	\$ 30,184,871	\$ 30,184,871
Construction in progress	<u>23,516,874</u>	<u>8,917,350</u>
	53,701,745	39,102,221
Depreciable capital assets:		
Land improvements	43,720,765	43,727,764
Harbor improvements	23,569,049	23,569,049
Docks and mooring facilities	50,428,417	50,428,417
Buildings and structures	26,173,901	26,173,901
Machinery and equipment	2,455,155	807,547
Office furniture and equipment	2,132,821	1,710,222
Trucks and automobiles	<u>921,930</u>	<u>921,930</u>
	<u>149,402,038</u>	<u>147,338,830</u>
 Total capital assets	 203,103,783	 186,441,051
Less accumulated depreciation	<u>(92,274,436)</u>	<u>(88,495,166)</u>
 Total capital assets, net of accumulated depreciation	 <u>\$ 110,829,347</u>	 <u>\$ 97,945,885</u>

Land and construction in progress are not subject to depreciation.

Capital asset activity for 2020 and 2019 included:

	<u>Capital Assets</u>	<u>Construction in Progress</u>	<u>Total</u>	<u>Accumulated Depreciation</u>
<u>2020</u>				
Beginning balance	\$ 177,523,701	\$ 8,917,350	\$ 186,441,051	\$ (88,495,166)
Additions	-	18,022,999	18,022,999	-
Retirements	(24,055)	(1,336,212)	(1,360,267)	28,720
Transfers	2,087,263	(2,087,263)	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,807,990)</u>
Ending balance	<u>\$ 179,586,909</u>	<u>\$ 23,516,874</u>	<u>\$ 203,103,783</u>	<u>\$ (92,274,436)</u>
 <u>2019</u>				
Beginning balance	\$ 174,681,301	\$ 7,997,579	\$ 182,678,880	\$ (81,150,479)
Additions	-	3,762,177	3,762,177	-
Retirements	-	-	-	-
Transfers	2,842,399	(2,842,399)	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,344,687)</u>
Ending balance	<u>\$ 177,523,701</u>	<u>\$ 8,917,350</u>	<u>\$ 186,441,051</u>	<u>\$ (88,495,166)</u>

(Continued)

PORTS OF INDIANA  
NOTES TO FINANCIAL STATEMENTS  
Years ended December 31, 2020 and 2019

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**NOTE 4 - OPERATING LEASES**

Operating Leases of a Lessor: The Ports of Indiana is engaged in leasing various properties to tenants under operating leases expiring over the next 1-30 years. The lease agreements may include property rental and annual minimums on cargo tonnage at a tariff rate per ton based on the type of cargo shipped in and out of the ports. A majority of the Ports of Indiana's capital assets are available for lease. The approximate future minimum lease payments to be received in each of the five succeeding years and thereafter under non-cancelable operating leases are as follows:

Year Ending December 31,

2021	\$ 10,405,393
2022	8,246,713
2023	6,668,335
2024	4,373,730
2025	3,919,568
2026 - 2030	15,304,406
2031 - 2035	10,270,675
2036 - 2040	9,442,068
2041 - 2045	4,634,705
2046 - 2049	<u>344,386</u>
	<u>\$ 73,609,979</u>

Operating Lease Obligations: The Ports of Indiana, as lessee, leases office space under an operating lease that expires on June 30, 2027. Rent expense was \$107,355 and \$102,446 for the years ended December 31, 2020 and 2019, respectively. Minimum lease commitments are as follows:

2021	\$ 110,222
2022	112,101
2023	113,980
2024	115,859
2025	117,738
Thereafter	<u>179,896</u>
	<u>\$ 749,796</u>

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(Continued)

PORTS OF INDIANA  
NOTES TO FINANCIAL STATEMENTS  
Years ended December 31, 2020 and 2019

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**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.

<u>Project and Series</u>	<u>Maturity</u>	<u>Outstanding Principal</u>
Ports of Indiana Industrial Development Revenue Bond Series 2014A (Mill Steel Project)	May 1, 2029	\$ 2,862,532
Ports of Indiana Industrial Development Revenue Bond Series 2014B (Mill Steel Project)	May 1, 2022	\$ 636,011

**NOTE 6 - CONTINGENCIES**

The Ports of Indiana is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. For the years ended December 31, 2020 and 2019, the Ports has purchased commercial insurance policies covering risks of loss related to the above-mentioned events. There were no significant reductions in insurance coverage during 2020 and 2019 and there were no settlements that exceeded insurance coverage during any of the past three fiscal years for those risks that the Ports purchased insurance.

**NOTE 7 - DEFERRED COMPENSATION BENEFITS**

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

Because these assets are held by a custodian for the specific benefit of participants and their beneficiaries, they are not reflected in the financial statements and are free from claims of Ports of Indiana creditors. The fair market value of Nationwide investments held in custodial funds for participants was \$3,039,658 and \$2,742,673 at December 31, 2020 and 2019, respectively. The fair market value of Hoosier S.T.A.R.T investments held in custodial funds for participants was \$248,167 and \$217,512 at December 31, 2020 and 2019, respectively.

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(Continued)

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

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

*Public Employees' Retirement System - Defined Benefit Plan*

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

PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, along with the Public Employees' Hybrid Members Defined Contribution Account (see Defined Contribution Plans section), a member-funded account.

Retirement benefits provided: A member is entitled to a full retirement benefit 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position. A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is reduced to 44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59.

Disability and survivor benefits provided: An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month). If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment Five Year Certain & Life, Joint with 100 percent Survivor Benefits, Joints with Two-Thirds Benefits, or Joint with One-Half Survivor Benefits.

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

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS Board. Historically, eligible members receive a one-time check (13<sup>th</sup> check) with the dollar amount tied to years of service.

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(Continued)

PORTS OF INDIANA  
 NOTES TO FINANCIAL STATEMENTS  
 Years ended December 31, 2020 and 2019

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

Contributions: Contributions are determined by the INPRS Board of Trustees based on an actuarial valuation. During fiscal year 2020, all participating employers were required to contribute 11.2 percent of covered payroll for Hybrid members, with 0.44 percent funding a supplemental reserve account for postretirement benefits. No member contributions are required for the defined benefit plan.

During fiscal year 2019, all participating employers were required to contribute 11.2 percent of covered payroll for Hybrid members. No member contributions are required for the defined benefit plan.

The Ports made payments equal to their annual required contribution of 11.2% for the last three years as follows:

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2020	\$ 268,276	100%
2019	268,999	100%
2018	282,028	100%

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

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

- Measurement Date – June 30, 2020
- Asset valuation date – June 30, 2020
- Liability valuation date – June 30, 2019 – Member census data as of June 30, 2019 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2019 and June 30, 2020. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2019 to the June 30, 2020 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.75%, includes inflation and net of investment expenses
- COLA – In lieu of a 1% COLA occurring beginning on January 1, 2020, the COLA was replaced by a 13<sup>th</sup> check for 2020 and 2021. The COLA assumption thereafter will be 0.4% beginning on January 1, 2022, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.75% - 8.75%
- Inflation – 2.25%
- Mortality assumptions – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

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(Continued)

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

Mortality rates for healthy members were based on the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report. Mortality rates for disabled members were based on the RP-2014 (with MP-2014 improvement removed) Disability Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.

The most recent comprehensive experience study, based on member experience between June 30, 2014 and June 30, 2019 was completed in February 2020. The demographic assumptions were approved by the Board in June 2020 and updated as appropriate based on the results of the study for the June 30, 2020 actuarial valuation.

Changes in Assumptions from the Prior Year:

- The future salary increase assumption changed from an age-based table ranging from 2.50% - 4.25% to a service-based table ranging from 2.75% to 8.75%.
- The mortality assumption changed from RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report to the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.
- The retirement assumption was updated based on a recent experience and was updated for an age and service-based table to an age-based table dependent on eligibility for early retirement (reduced benefit), 30 percent are now assumed to commence benefits immediately and 70 percent are assumed to commence benefits at unreduced retirement eligibility. Previously 33 percent of actives were assumed to commence benefits with early retirement while 67 percent were assumed to wait for unreduced retirement eligibility.
- The termination assumption was updated based on recent experience. For state members the tables were combined from being split by salary and sex to being one unisex service-based table. For members in political subdivision earning more than \$20,000, the sex-distinct tables were combined to one unisex service-based table. For members in political subdivisions earning less than \$20,000, the sex distinct age-based table was maintained, and the rates were updated based on experience.
- The disability assumption was updated based on recent experience.
- The material assumption was updated based on recent experience. 80 percent of male members and 65 percent of female members are assumed to be married or to have a depended beneficiary. Previously, 75 percent of male members and 60 percent of female members were assumed to be married or to have a dependent beneficiary.
- The load placed on the final average earnings to account for additional wages received upon termination, such as severance pay or unused sick leave, decreased from \$400 to \$200.

The long-term return expectation for the INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the Board as the discount rate.

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(Continued)

PORTS OF INDIANA  
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**NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF) (Continued)**

The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change.

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

	<u>Target</u>		<u>Geometric Basis</u>	
	<u>Asset Allocation</u>		<u>Long-Term Expected</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Public Equity	22.0%	22.0%	4.4%	4.9%
Private Equity	14.0%	14.0%	7.6%	7.0%
Fixed Income – ExInflation-Linked	20.0%	20.0%	1.9%	2.5%
Fixed Income – Inflation-Linked	7.0%	7.0%	0.5%	1.3%
Commodities	8.0%	8.0%	1.6%	2.0%
Real Estate	7.0%	7.0%	5.8%	6.7%
Absolute Return	10.0%	10.0%	2.9%	2.9%
Risk Parity	12.0%	12.0%	5.5%	5.3%

Discount rate: Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent for both 2020 and 2019. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on these assumptions, the PERF defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for the plan.

Sensitivity: The following presents the Port's share of the net pension liability calculated using the discount rate of 6.75% percent for 2020 and 2019, as well as what the Port's net pension liability would be if it were calculated using a discount rate that is one percentage point lower(5.75%), or one percentage point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
<u>2020</u>			
Proportionate Share of the Collective Net Pension Liability	\$ 2,157,323	\$ 1,323,235	\$ 624,618
<u>2019</u>			
Proportionate Share of the Collective Net Pension Liability	\$ 2,464,493	\$ 1,534,541	\$ 758,890

(Continued)

PORTS OF INDIANA  
NOTES TO FINANCIAL STATEMENTS  
Years ended December 31, 2020 and 2019

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2020 and 2019, the Ports reported a liability of \$1,323,235 and \$1,534,541, respectively, for its proportionate share of the net pension liability. The Ports' proportionate share of the net pension liability was based on the Ports' wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2020 measurement date was 0.0004381. This represents a slight decrease from the prior measurement date. The proportionate share used at the June 30, 2019 measurement date was 0.0004643. This represents a slight decrease from the prior measurement date.

For the years ended December 31, 2020 and 2019, the Ports recognized pension expense of \$130,644 and \$304,215, respectively, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$24,078 and \$61,345, respectively. At December 31, 2020 and 2019, the Ports reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

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

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(Continued)

PORTS OF INDIANA  
 NOTES TO FINANCIAL STATEMENTS  
 Years ended December 31, 2020 and 2019

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2019</u>		
Differences between expected and actual experience	\$ 40,634	\$ -
Net difference between projected and actual earnings on pension plan investments	-	72,534
Changes in assumptions	342	166,816
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>111,026</u>	<u>24</u>
Total that will be recognized in pension expense (income) based on table below	152,002	239,374
Pension contributions subsequent to measurement date	<u>142,770</u>	<u>-</u>
Total	<u>\$ 294,772</u>	<u>\$ 239,374</u>

Deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2020 and 2019 measurement dates are recognized as a reduction of net pension liability in the year ending December 31, 2021 and 2020, respectively. Deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5 year period. A change in an employer's proportionate share: represents the change as of the current year measurement date versus the prior year measurement date, and is amortized over the average expected remaining service lives of the plan. The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ (112,348)
2022	(62,324)
2023	(43,497)
2024	<u>48,104</u>
Total	<u>\$ (170,065)</u>

Public Employees' Retirement Fund - Defined Contribution Plan

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

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

PORTS OF INDIANA  
NOTES TO FINANCIAL STATEMENTS  
Years ended December 31, 2020 and 2019

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

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

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

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2020	\$ 73,259	100%
2019	73,572	100%
2018	71,114	100%

**REQUIRED SUPPLEMENTARY INFORMATION**

PORTS OF INDIANA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE PORTS' PROPORTIONATE SHARE OF THE  
 NET PENSION LIABILITY - PERF  
 December 31, 2020

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Ports' proportion of the net pension liability	0.0004381	0.0004643	0.0004480	0.0004147	0.00040437	0.003895
Ports' proportionate share of the net pension liability	\$ 1,323,235	\$ 1,534,541	\$ 1,521,876	\$ 1,850,202	\$ 1,834,893	\$ 1,586,395
Ports' covered payroll	\$ 2,365,363	\$ 2,419,146	\$ 2,285,974	\$ 2,057,231	\$ 1,937,656	\$ 1,865,849
Ports' proportionate share of the net pension liability as a percentage of its covered payroll	55.94%	63.43%	66.57%	89.94%	94.70%	85.18%
Plan fiduciary net position as a percentage of the total pension liability	81.40%	80.10%	78.90%	76.60%	75.30%	77.30%

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

- Asset valuation date – June 30, 2020
- Liability valuation date – June 30, 2019 – Member census data as of June 30, 2019 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2019 and June 30, 2020. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2019 and June 30, 2020 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.75%
- COLA – In lieu of a 1% COLA occurring beginning on January 1, 2020, the COLA was replaced by a 13<sup>th</sup> check for 2020 and 2021. The COLA assumption thereafter will be 0.4% beginning on January 1, 2022, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.75% - 8.75%
- Inflation – 2.25%
- Mortality assumptions – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

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

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

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PORTS OF INDIANA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE PORTS' CONTRIBUTIONS - PERF  
December 31, 2020

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

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

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

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

*Amortization method:* Level dollar

*Remaining amortization period:* 20 years, closed

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

*Inflation:* 2.25%

*Salary increases:* 2.50% - 4.25% based on service

*Investment rate of return:* 6.75%

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

*Other information:*

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

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

**SUPPLEMENTARY INFORMATION**

PORTS OF INDIANA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year ended December 31, 2020

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<u>Federal Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant or Identifying Number</u>	<u>Expenditures</u>
<b><u>Department of Transportation</u></b>			
National Infrastructure Investments (TIGER)	20.933	DTMA91G1600001	\$ 3,323,697
Nationally Significant Freight and Highway Projects (Fastlane)	20.934	693JF7180002	<u>3,469,977</u>
Total Department of Transportation			<u>6,793,674</u>
<b><u>Department of Homeland Security</u></b>			
Port Security Grant Program	97.056	EMWU-PU-00126	<u>196,389</u>
Total Expenditures of Federal Awards			<u>\$ 6,990,063</u>

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See Note to Schedule of Expenditures of Federal Awards.

PORTS OF INDIANA  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD  
Year ended December 31, 2020

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Ports of Indiana (Ports) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Ports, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Ports.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, in the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Ports of Indiana has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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

The Members of the Commission  
Ports of Indiana  
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ports of Indiana (Ports), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Ports' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ports' internal control. Accordingly, we do not express an opinion on the effectiveness of the Ports' internal control.

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

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

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(Continued)

## Compliance and Other Matters

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

## Purpose of this Report

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

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
April 29, 2021



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

The Members of the Commission  
Ports of Indiana  
Indianapolis, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Ports of Indiana (Ports) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Ports' major federal programs for the year ended December 31, 2020. The Ports' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Ports' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Ports' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the Ports complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2020.

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(Continued)

## Report on Internal Control Over Compliance

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

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

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

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

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
April 29, 2021

PORTS OF INDIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2020

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

***Federal Awards***

Internal Control over major programs:

Material weakness(es) identified?  Yes  No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.933	National Infrastructure Investments (TIGER)
20.934	Nationally Significant Freight and Highway Projects (Fastlane)

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

Auditee qualified as low-risk auditee?  Yes  No

**Section II – Financial Statement Findings**

None noted.

**Section III – Federal Award Findings and Questioned Costs**

None noted.

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