

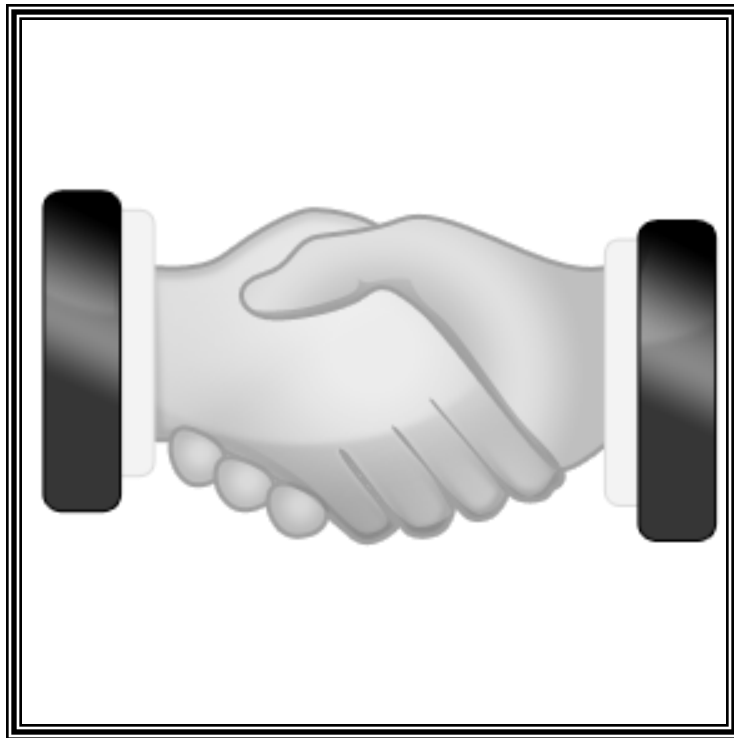
**PORT OF SUNNYSIDE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended December 31, 2015

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# INTRODUCTION



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June 28, 2016

To the Commissioners and Citizens of the Port of Sunnyside:

The Comprehensive Annual Financial Report (CAFR) of the Port of Sunnyside for the fiscal year ended December 31, 2015, is hereby submitted. This report includes an introduction to the Port, basic financial statements as presented in our year-end audited financial statements and statistical data related to the Port of Sunnyside.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, management of the Port has established a comprehensive internal control framework. This framework has been established, both to protect the Port from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Port's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Port's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Washington State Auditors have audited the Port's financial statements. The goal of the audit was to provide reasonable assurance that the financial statements of the Port, for the fiscal year ended December 31, 2015, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditors concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended December 31, 2015 are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port of Sunnyside for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2014. This was the 17th consecutive year that the Port of Sunnyside has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

The remainder of this letter provides an overview of the Port's operations, the local economic conditions, and provides a report on some of the Port's current and future initiatives.

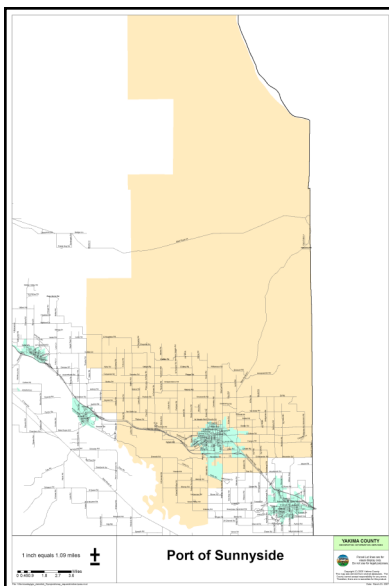
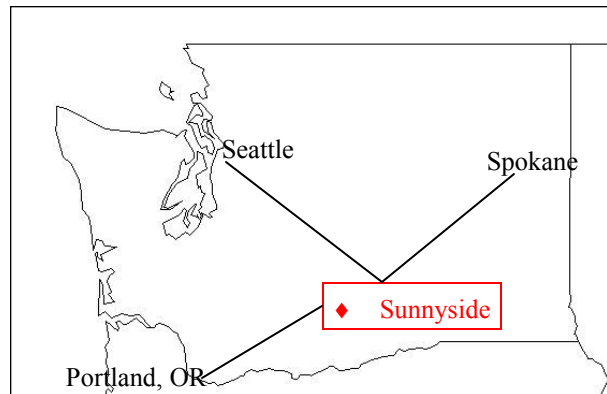
## **PROFILE OF THE PORT OF SUNNYSIDE-**

The mission of the Port of Sunnyside is to “develop, diversify, broaden and strengthen an economic base throughout the District in an environmentally prudent manner”. The primary objective of the Port is to enhance the economic development within the boundaries of the Port of Sunnyside. The Port is organized to aggressively enhance the local economy by providing access to industrial land, industrial infrastructure and assistance with funding sources for new and expanding businesses and industries.

The Port of Sunnyside is a municipal corporation of the State of Washington incorporated in 1964, under the provisions of the Revised Code of Washington Chapter 53.01.010 et seq. The Port is authorized by Washington law to provide and charge fees for industrial waste water discharge. The Port may acquire lands for sale or lease for industrial or commercial purposes and may create industrial development districts. The Port is empowered to levy a property tax on property located within its boundaries. Yakima County levies and collects taxes on the Port’s behalf.

The Port is governed by a 3 person Board of Commissioners (Commission) who represent the three geographic sub-districts within the Port district. The Commission delegates administrative authority to the Executive Director to conduct daily operations.

The Port of Sunnyside is located in Yakima County in the heart of Central Washington, 180 miles equidistant to Portland, Oregon, Spokane and Seattle Washington. Strategically located in the midst of the Pacific Northwest, the Yakima Valley offers a first class urban business environment coupled with the allure of relaxed living.



Yakima County covers 4,296 square miles, the second largest land area and seventh largest population area in Washington state. On most days, you can enjoy the beautiful view of both Mt. Rainier and Mt. Adams. The land area comprising the Port district is approximately 335,500 acres or 13 percent of Yakima County. It extends from the Columbia River on the north to the Yakima River on the south.

## Port of Sunnyside

The Port's operation is accounted for under a single enterprise fund which uses the same accrual method of accounting as private sectors. Under this method, revenues are recognized when earned and expenses are recorded when incurred. The Port is a primary government and does not have component units.

### **Industrial Waste Water Treatment Facility**

The Port of Sunnyside operates a state-of-the-art, ecologically sound, Industrial Waste Water Treatment Facility (IWWTF) permitted by the Washington State Department of Ecology. The Port serves eleven food or food related industries and a pipe manufacturing plant. The Facility is located on approximately 550 acres which includes two Sequencing Batch Reactors (SBR), 4 treatment lagoons, dewatering facility, an anaerobic digester and 400 acres of sprayfields.

The waste water from all of the food processing facilities in the City of Sunnyside have been removed from the City's domestic treatment system because the high BOD (bio-chemical oxygen demand) loads disrupted the treatment that is critical for the prevention of human disease. The waste water discharged from these food processing facilities is treated by the Port of Sunnyside's Industrial Waste Water Treatment Facility instead.

In 2005, the Port added sequencing batch reactors (SBRs) to the Port's treatment system which has allowed advanced wastewater treatment. The nitrification/denitrification afforded by this enhanced treatment has significantly reduced nitrogen loadings to the sprayfields which receives some of the end product water. Nitrification is the biologically mediated process of converting ammonia to nitrate. Denitrification, also biologically mediated, converts nitrate into nitrogen, which is released to the atmosphere. This is environmentally benign, since the atmosphere is approximately 80% nitrogen.

Effluent (outgoing) water from the SBR is discharged to surface water in accordance with our Department of Ecology permits. During 2014, we added an Anaerobic Digester to the treatment process which doubled the capacity of the SBR's.

Along with operating the IWWTF, the Port operates a fully accredited lab, providing on-site testing and monitoring of the treatment system and the constituents in the waste water received.

### **Industrial Users**

The twelve industries the Port serves contribute an estimated \$30 million dollars in direct payroll to the local economy and several millions more in indirect dollars through purchases of raw goods, materials and services. The Port has been very successful in attracting industries to the area. In fact, three of the top 10 taxpayers within the Port district are industries directly discharging to the port waste water system. The port appreciates the strong relationships it shares with its industries and vows to continue to support them in the vital role they play within our community to secure steady family-wage jobs.

In 2015, the Port received 56.9 million cubic feet of water discharged from the Users as compared to 47.2 million cubic feet in 2014. The Users of the IWWTF system work diligently toward reusing their water and therefore reducing the amount of water discharged to the system.

## Port of Sunnyside

The Port encourages this type of progressive technology and assists the Industries in any way possible. In 2015, the discharge volume percentage was as follows:

- Darigold (cheese and whey plant)	61%
- Valley Processing (fruit and juice plant)	19%
- Seneca Foods (fruit and juice plant)	9%

The remaining 11% of volume discharged is comprised of various fruit or vegetable processors, food grade shipping companies, steel building manufacturer and a pipe manufacturer.

Other than Darigold, whose monthly discharge is consistent year round, the discharge from the industries fluctuates greatly from month to month, peaking during harvest, from mid August through mid November.

## Industry Highlights

Dairy farmers are a critical component of Washington community and economy. Most of the dairy farmers in the Yakima Valley region belong to the Northwest Dairy Association and collectively own the Darigold cheese plant located in Sunnyside.

On behalf of its 540 dairy farmer families, **Darigold** produces a full line of dairy-based products for wholesale, retail, grocery and food service customers. They also produce butter, cheese, milk powder and whey products for institutions, food brokers and food processing companies. With facilities located in Washington, Oregon, Idaho and Montana, the company serves western, national, and international markets.

Darigold is one of Washington's largest privately held organizations and has been in business since 1918.

Darigold contributes significantly to the Sunnyside's economy and is a "top taxpayer" in the area. Darigold has a direct impact to our community with annual wages and benefits of over \$11.4 million in addition to the purchase of local agricultural based services and supplies. In turn, Darigold exports the equivalent of approximately 4 billion pounds of milk per year.

The plant at Sunnyside, Washington, is a major cheese production facility. It takes in approx. 5 million pounds of milk every day—most of it gathered within a 30 mile radius of the plant. The Sunnyside facility manufactured 200 million pounds of cheese in 2015, along with 107 million pounds of whey powder. This is the equivalent of twenty 40-foot trailer loads of cheese and powder being shipped out every day of the year, with nearly 40% of this shipped to international destinations.

**Valley Processing** is one of the most successful fruit juice and concentrate processors in the state of Washington. Valley Processing is ideally located in the heart of Central Washington's world famous fruit growing area and processes approximately 75,000 tons of fruit annually. Although apple and grape juice are their major products, they also produce a wide variety of other juices, concentrates, purees and essences. Their products are all 100% pure with no additives plus they offer organic and kosher products.

When Valley Processing first started operations 34 years ago, their first product was concentrated apple & grape juices and continues to be one of their specialties. They have state-of-the-art equipment which takes the single strength juice and concentrates it using heat under pressure. The end product is a heavy syrup shipped by tanker trucks in 52 gallon drums or 5 gallon pails to their customers.



## Port of Sunnyside

**Seneca Foods LLC** (formerly Independent Foods—1973 to January 2013) is a food processing facility in Sunnyside that processes Northwest pears, apples and cherries. In 1974, Independent Foods became the first industry to utilize the Port of Sunnyside's Industrial Waste Water Treatment Facility, discharging 83,649 cubic feet. In 2015, they discharged 5.2 million cubic feet of waste water making them the 3rd largest user of our treatment plant.

**Yakima Chief** is one of the world's leading hop merchants providing products and services to brewery customers around the globe. The locally-owned company's production facilities are located at its headquarters, here in Sunnyside, including a state-of-the-art CO<sub>2</sub> extract plant, two hop pellet mills, and cold storage warehousing capacity for almost 20 million lbs. of leaf hops. Yakima Chief has sales offices located in Europe and Asia providing sales and services to their international customers.

**Other Industries** that discharge waste water to the Port of Sunnyside are categorized as follows:

Fruit Processors: Andrus & Roberts, DRR Fruit, Johnson Cannery, Johnson Fruit, US Grape  
Food Grade Shipping companies: Centennial Tank & Milky Way/LTI  
Plastic Pipe Manufacturer: J M Eagle

## Major Initiatives

The Port personnel, in compliance with specific directives from the Commission and Executive Director, moved forward on important projects for the citizens in the community in 2015. The projects demonstrate the Port's continued commitment to the mission statement written in 1964. The statement reads as follows:

1) The primary objective of the Port is to enhance the economic development within the boundaries of the Sunnyside Port District. The Port is organized to aggressively enhance the local economy by providing new and expanding businesses and industries access to industrial land, industrial infrastructure and assistance with funding sources.

2) The mission of the Sunnyside Port Authority is to develop, diversify, broaden, and strengthen an economic base throughout the District in an environmentally prudent manner.

## 2015 Project Summary

### Economic Development

The Port started several projects during 2015 that will add jobs and aesthetic value to the Sunnyside community. These projects were not completed in 2015, but when completed will bring a new flavor to downtown Sunnyside and remove an eyesore from the entrance to the community. An outdated building was donated to the Port from the City of Sunnyside. This building will be repurposed for an incubator winery. The old Carnation building will be demolished in 2016 which will provide a prime parcel for development.

### Electrical Upgrades and other improvements

Maintaining and improving our equipment and facilities is an important aspect of the Port. We value our assets and strive to keep them in the best condition. The Headworks Electrical Upgrade was one of those projects. We also added a pivot to our sprayfields in order to get better coverage as well as to automate more of the water distribution.

## **Environmental Stewardship**

The Port continues as a conscientious steward in carefully balancing land use issues and environmental concerns, while pursuing our corporate mission of economic development. We continue to work closely with local, state, and federal agencies to fully address the need and concern of both our industries and community. We recognize the importance of a clean environment. The end product of our Industrial Waste Water Treatment Facility meets stringent federal standards. Much of the end water product is used to irrigate our sprayfields on which we produce alfalfa and other rotational crops. We feel that the process of receiving industrial waste water, treating it to the required level, and ultimately using the water to grow crops is very environmentally friendly and we are proud of this process.

## **Risk Management**

The Port utilizes a private insurance company for its liability and hazard insurance needs—with modest deductibles. Argus Insurance is our agent and Glatfelter Insurance Group is the carrier. The policy is renewed on an annual basis. The Port participates in a number of insurance pools including the State of Washington's Unemployment Insurance and Workers' Compensation programs.

## **ECONOMIC OUTLOOK-**

### **Yakima County**

The prosperity of Yakima County stems from agriculture. It is a premier site as a producer of food for the nation and the world. The future of this county's fortunes will undoubtedly be intertwined with the farmer's. Growth in other sectors, particularly manufacturing, is desirable to counter-balance the seasonality and lower wages associated with agriculture.

The Port of Sunnyside has excellent infrastructure and site ready property available to enhance and support growth; three industrial parks, a good rail system, a convenient highway system linking to 3 major interstates, and water access to the Pacific Ocean through ports on the Columbia River in Benton & Franklin Counties. These advantages make the Port competitive with other areas vying to attract growth and development.

Contrary to the rumor that Washington State is "wet and rainy"; the Yakima Valley is sheltered from Western Washington's typically heavy rainfall by the Cascade Mountains. The Yakima Valley, being a high desert, boasts an annual average of 300 days of sunshine and just 8 inches of precipitation, about half of which is measurable snowfall. The average length of the growing season is 195 days! From lush, irrigated farmland on the floor of the Yakima River Valley to the rolling sagebrush hills to the forested Cascade Mountains dominated by majestic Mt. Rainier (14,411') and Mt. Adams (12,307') to the west, Yakima County is a land of diverse natural beauty. Clear, blue waters of 71 lakes, 14 rivers and numerous streams accent the landscape of the area. The average temperature in the winter is 37°, spring is 63°, summer is 88°, and fall is 64°. The perfect weather makes Yakima a leader in agricultural products (including wine), outdoor recreation and tourism.

Yakima County is the state's leading agricultural county with sales estimated at \$1.65 billion per year. Yakima County has a large and varied farm base, complemented by diverse non-agricultural interests. Yakima County ranks first in the nation in the number of fruit trees. It produces more apples, mint, winter pears, grapes, and hops than any other county. Additional agricultural products include peaches, apricots, sweet cherries, beef, wheat, and award winning wines. Yakima County is also the leading county for dairy production and number of cows.

## Port of Sunnyside

A key ingredient in the quality of life enjoyed in Yakima County is the high quality of health care. Recognized for its excellent medical facilities and services, Yakima County is the major medical center for a large area of the state. Modern, state-of-the-art equipment and facilities at the county's five hospitals provide a full range of treatment including cardiac care and open heart surgery, specialized cancer therapy and dialysis treatment for a seven county area.

The pleasure of visiting the Yakima Valley has been one of the Northwest's best-kept secrets, but the word is getting out. The travel and tourism industry has become one of the largest and most rapidly growing segments of the area's economy. Recreation, sports and entertainment are enjoyed year round due to Yakima County's favorable climate and terrain. Excellent downhill and cross-country skiing are within an hours drive. Stream and lake fishing, upland bird and big game hunting, backpacking, hiking, bicycling, boating, swimming, windsurfing and water skiing are all available in season. Golf, tennis, soccer and softball are avidly pursued sports throughout the Valley. Parks and Recreation departments offer varied year round programs for children & adults. Entertainment events include the annual nine-day Central Washington State Fair, auto racing, rodeos, art fairs and colorful community celebrations and festivals. Sunnyside boasts the largest Cinco de Mayo celebration in the State of Washington. Authentic Mexican music fills the air while vendors line the streets of downtown Sunnyside selling delicious Mexican food and handcrafted items. The community grows three times its normal size over the course of the 3 day event.

The Sunnyside's Lighted Farm Implement Parade, which is held the first Saturday in December, celebrated its 27th anniversary in 2015. Designed to capture the spirit of rural Christmas and the heart of the Valley's outstanding agricultural heritage, Washington's premiere Lighted Farm Implement Parade continues to grow and has become a most spectacular annual event. The Sunnyside Lighted Farm Implement Parade featured approx. 60 entries with some of the most unique lighted parade entries imaginable. Entries include beautifully lighted farm implements: combines, harrow beds, swathers, grape pickers, and all types of tractors. Other parade entries include antique cars, trucks, animal drawn entries and Christmas floats. This parade is an experience that the entire family will enjoy.

Yakima County offers an abundance of affordable housing options. Prices vary depending upon location, size, and similar factors. Whether it is rural homes with acreage or apartments in the city, whether buying or renting is preferred, Yakima County offers excellent housing to fit any need.

### *Current Housing Availability Year Ended 2015*

Description	Number of Listings	Average List Price
4+ Bedrooms	49	\$ 237,261
3 Bedrooms	55	\$ 183,846
1-2 Bedrooms—all areas	27	\$ 93,751
Condo/Townhouse	5	\$ 160,250

*Data gathered from Yakima County Development Association*

## Port of Sunnyside

### *Average Homes Sold Prices*

Year	Average Price
2015	\$ 171,000
2014	\$ 163,869
2013	\$ 150,000

*Data gathered from Yakima County Development Association*

## Washington's Agriculture

Think about crisp apples, creamy dairy products, fine wine, and mouth watering vegetables. Washington food products are known worldwide for their quality and variety. Combined with state-of-the-art processing, world class transportation and port facilities, Washington State is an agricultural powerhouse.

Agriculture has played a critical role in Washington's economy since the first pioneers settled over 200 years ago. Today, the agri-food industry employs approximately 160,000 people which is more than any other sector in the state.

The geography of Washington is very diverse, ranging from rain forests in the extreme western part of the state to semi-arid regions in the interior. The Cascade Mountains divide the state into two distinct regions. The western side of the state contains the majority of the population, located in urban areas, while the central and eastern regions are more sparsely populated. Farms in the west tend to be small, and dairy products, poultry and berries are the primary commodities produced. The eastern side of the Cascade Range has larger farms, and small grains such as wheat and barley, potatoes, fruit, and vegetables are the primary commodities produced. Over 230 food, feed and seed crops are grown each year, more than any other state except California.

The state's proximity to world markets has made Washington the third largest exporter of food and agricultural products in the nation. According to the U.S. Department of Commerce, Washington's exports topped \$86.3 billion in 2015. The large amount of exports is a result of the strong yields by Washington growers, high prices producers are getting for their commodities, the low dollar which makes the state's products more attractive to international buyers, weather events in other parts of the world and trade missions opening up new markets.

With 37,249 farms operating on nearly 15 million acres, Washington is a major agricultural state with agriculture accounting for 13% of the state's annual gross product.

Washington ranks first in the nation for production of 11 separate commodities including apples, sweet cherries, pears, hops, grapes and red raspberries. Washington ranks second in the nation for an additional 10 commodities including potatoes, apricots and asparagus. The state's diverse agricultural economy includes aquaculture, farm forest products, wheat, cranberries, spearmint oil, peppermint oil and mint extracts.

Washington is also the second largest producer of wine in the U.S. Vineyards on the east side of the Cascades grow 99% of Washington's wine grapes. Washington wine regions produce more wine grapes than any other state in the U.S., except California.

## Economy

Based on Bureau of Labor Statistics and the Employment Security Department estimates, Washington state gained 68,000 jobs in 2015. The private sector added an estimated 58,600 jobs over the year, and the public sector gained an estimated 9,400 jobs. Private sector employment rose 2.3 percent and the public sector employment increased by 1.7 percent.

Washington State is projected to add 278,700 nonfarm jobs between 2008 and 2018, with an average annual growth rate of 0.9 percent. By 2018, significant increases in employment are expected in education and health services, and professional and business services. The largest decreases in employment are projected for manufacturing.

The average unemployment rate for Yakima County for 2015 was 7.2% with the year end rate at 10.3%. By comparison, the unemployment rate across Washington was 5.5% at year end. Yakima County jobs by category remained stable during 2015.

An available, hardworking labor force is an invaluable asset for businesses that are expanding in the Yakima Valley area. Companies expanding into Yakima County may be able to take advantage of a variety of tax, financing and employee training incentives. Some of these possible incentives are: Industrial Revenue bonds, sales tax exemptions, B & O tax credits, site development assistance, fast track permitting and training programs.

Yakima County offers a range of educational resources which includes a private technical college, a community college and a major university plus a number of specialized vocational training centers.

Getting goods to and from markets is paramount to any manufacturer. Our central location makes the Yakima Valley a great place to locate. We have rail access, an interstate highway system and nearby river ports. Goods can be transported to and from all areas of the world.

The cost of doing business in the Yakima Valley is lower than many other parts of the country. Our utility rates are some of the best in the nation. We offer a knowledgeable workforce. Yakima Valley workers are highly skilled, abundant and trainable. All in all, the Yakima Valley has a lot to offer a new business or one wishing to relocate.

Sunnyside is an outstanding community which offers the ideal blend of quality living and business opportunities. Sunnyside is bordered by larger metropolitan markets to the west (Yakima, 35 miles) and to the east (Tri-Cities, 40 miles). Sunnyside finds itself situated as the retail hub of the Lower Yakima Valley which has gained substantial growth in recent years. There are city parks, a golf course, a museum, and a library. There are parades, fairs, tours, cultural festivals, wineries, wine tasting and breweries. Outdoor activities include hunting, fishing and much more.



## Port of Sunnyside

Following is a chart comparing the employment changes in Yakima County from 2014 to 2015.

Comparison of 2014-2015 Annual Average Employment Changes in Yakima County		
MAJOR EMPLOYMENT GROUP OR INDUSTRY	YAKIMA COUNTY 2014	YAKIMA COUNTY 2015
TOTAL NON-FARM	81,200	81,300
TOTAL PRIVATE	64,200	64,000
GOODS PRODUCING	11,100	11,700
NATURAL RESOURCES, MINING & CONSTRUCTION	3,300	3,700
MANUFACTURING	7,800	8,000
NON DURABLE GOODS	5,300	5,000
SERVICES PROVIDING (incl. Goods)	70,100	69,600
WHOLESALE TRADE	4,500	4,500
RETAIL TRADE	10,500	10,300
TRANSPORTATION, WAREHOUSING & UTILITIES	3,400	3,400
PROFESSIONAL AND BUSINESS SERVICES	3,900	3,700
EDUCATION AND HEALTH SERVICES	16,900	16,300
HEALTH SERVICES	15,800	15,700
LEISURE AND HOSPITALITY	6,700	7,300
GOVERNMENT	17,000	17,300
FEDERAL GOVERNMENT	1,200	1,200
TOTAL STATE & LOCAL GOVERNMENT	15,800	16,100

From Wash. State Employment Security Dept year end report.

## Financial Information

### *Accounting System and Budgetary Control:*

In developing and evaluating the accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the Port's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The annual budget is prepared by staff for adoption and certification by the Commission, which is an essential element of the financial planning, control and evaluation process. The nature of operation, financed and accounted for, is such that the demand for the services provided largely determines the appropriate level of revenues and expenses (i.e. increased demand for services causes a higher level of expenses to be incurred, but also results in a higher level of revenues). The expense estimates are not viewed as appropriations, but as an approved plan. Budgetary controls are maintained at the departmental level. Management compares the budget to actual results monthly.

### **Financial Policies**

It has been, and will continue to be, the Port's policy to invest public funds in a manner which will provide maximum security with the highest investment return while meeting the daily cash flow demands of the Port and conforming to all state statutes governing the investment of public funds. Maximizing interest earnings has been a challenge in the current economic environment. The long-term financial plan for the Port is to sell property in our various industrial parks in order to pay down the amount of long term debt.

### **AWARDS & ACKNOWLEDGEMENTS-**

#### **GFOA Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port of Sunnyside for its Comprehensive Annual Financial Report (CAFR) for the December 31, years 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, and 2014.

#### **Independent Audit**

Pursuant to Article 3, Section 20, of the Washington State Constitution and further prescribed by the Revised Code of Washington 43.09.230, the Port is legally required to annually have its financial statements audited by an independent accountant. The Port Commission has engaged the State of Washington's Auditors' Office to provide both financial and compliance audits on an annual basis. The opinion of the auditors is included in the financial section of this report. The statistical section of this report is not covered by the Auditor's opinion. Since the inception of the Port, the State Auditor has issued a report of compliance to state statute without exception.

#### **Acknowledgments**

As Finance Officer/Treasurer, I take this opportunity to recognize the contributions and assistance made by Jay Hester, Executive Director, in striving to maintain the highest standards established for public relations, accountability, internal control, cooperation and the continued effort to improve accounting procedures. A thank you also goes out to the Commission who have co-operated so diligently with my department to make the Port of Sunnyside an efficient government entity.

Respectfully Submitted,

Jay Hester  
Port of Sunnyside, Executive Director

Nicole Jech  
Port of Sunnyside, Finance Officer/Treasurer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Port of Sunnyside  
Washington**

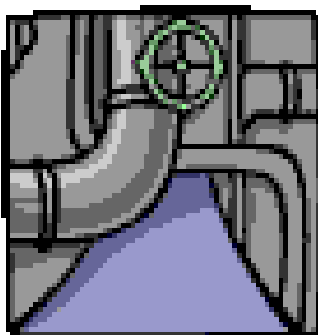
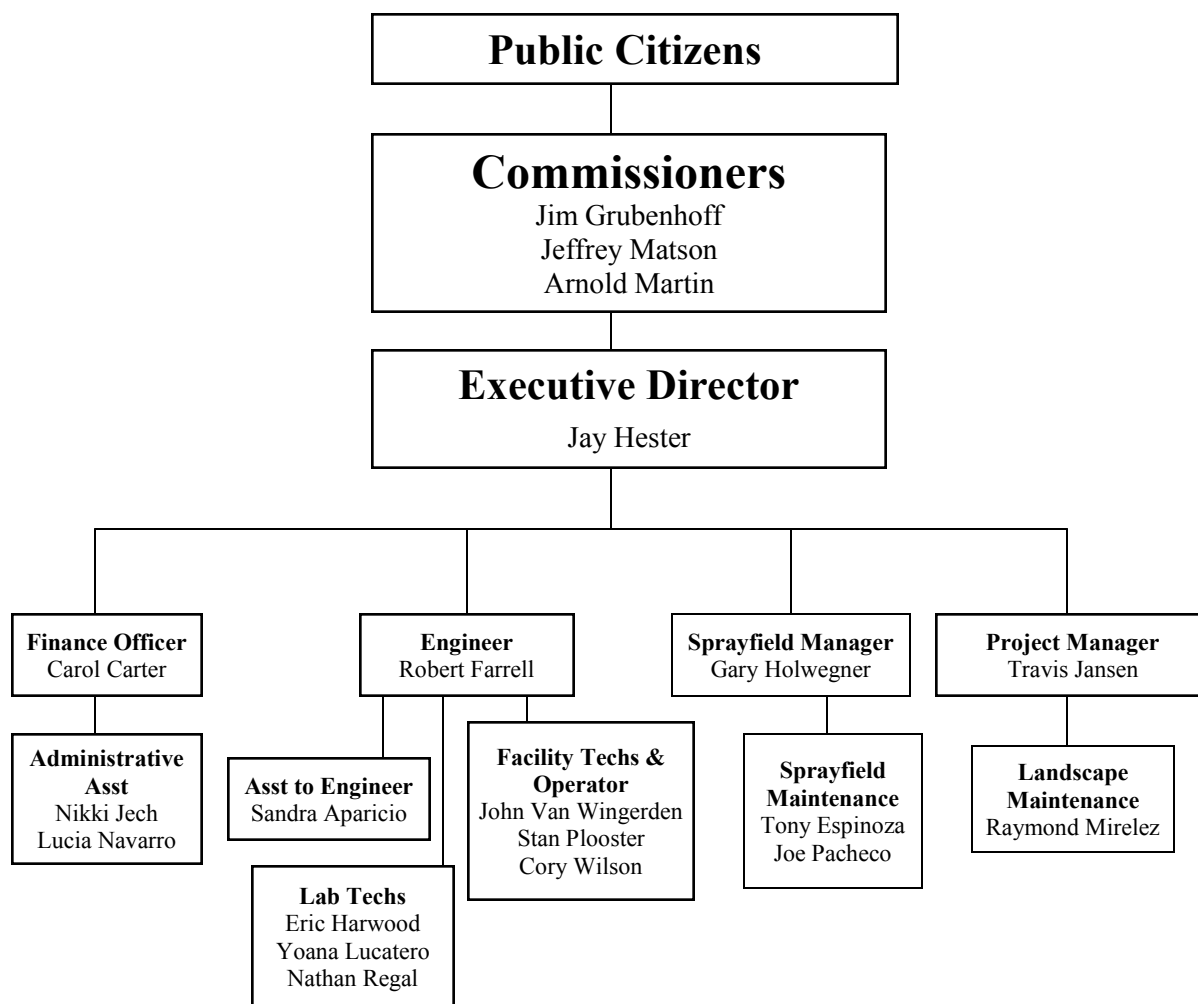
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO



# PORT OF SUNNYSIDE 2015 ORGANIZATIONAL CHART



## PORT OF SUNNYSIDE BOARD OF COMMISSIONERS - 2015

The Port of Sunnyside has a three member Board of Commissioners (Commission) that set policy and approve all expenditures. The Commission has appointed the executive administrative staff, which includes the Executive Director/Auditor and the Port's attorney.

A commissioner is elected to a six-year term of office by the voters in the district. The Commission meetings are open to the public and are held on the first and third Monday, at the Administration Office of the Port, located at 2640 E. Edison Ave., Suite 1, Sunnyside, WA 98944.

### *Meet the Commissioners*

#### **Jeff Matson**

Mr. Matson was appointed to the Commission in 1995 and went on to be elected to the Commission in 1996. In November 2011, Jeff was re-elected to another 6 year term which will expire December 31, 2017. He served as Vice President to the Commission in 2015. He graduated cum Laude in 1978 from Washington State University with a B. A. in Business Administration. He brings to the Commission 37 years of experience as a C.P.A. Since April of 1994, he has been owner/manager of Jeffrey Matson, C.P.A., located in Sunnyside, Washington. He is a member of the American Institute of Certified Public Accountants and the Washington Society of Certified Public Accountants. Mr. Matson is active in community affairs including Kiwanis (where he served as Treasurer, Vice President and President for 3 terms) along with serving for three years as Treasurer of the Sunnyside Christian School Association Board. In October 2012, he completed a 2 year term on the Board of Directors of the Patriot Guard Riders (a nationwide not-for-profit which provides services to veterans and first responders) where he served as corporate Secretary. Mr. Matson takes an active role in local education matters. In January of 1998, Governor Locke appointed Mr. Matson to serve as the Port Industry Representative to the Community Economic Revitalization Board (CERB) for an unexpired term. He served on the CERB Board until September 2007.



## Arnold Martin



Mr. Martin has served on the Commission since 1989 and served as Secretary in 2015. Mr. Martin was re-elected for a six year term in 2013 which expires December 31, 2019. He was born and raised in the Lower Yakima Valley. He graduated from Washington State University in 1967 with a Bachelor of Science in Agriculture and a Minor in Business. He owns and operates his own farm, where he grows mint, wheat, corn, grapes, and hay. Mr. Martin has served as Chairman of the Washington Mint Commission for four years, Washington Mint Growers Association, Board of Federal Spearmint Marketing Order and was a member of Sunnyside Noon Rotary. He received the Washington State Mint Grower of the Year award in 1980. Mr. Martin received the Agri-Business Person of the Year award in 1993. The Washington Mint Growers Association named Mr. Martin "Friend of the Industry" in 2007. Mr. Martin has also served as the Chairman and the Treasurer of the Far West Spearmint Marketing Order committee. He was honored with a Lifetime Achievement Award from the Washington Mint Growers in December 2014.

## Jim Grubenhoff

Mr. Grubenhoff was elected to the Commission in November 2009 and began serving in January 2010. He was re-elected in 2015 and his term expires the end of December 2021. He was the 2015 Commission President. He has lived in the Yakima Valley his entire life. He graduated from Sunnyside High School in 1974. Jim owns and operates an outdoor power equipment and homeowner rental store in Sunnyside. The business has been in Sunnyside since 1959. Mr. Grubenhoff has been very active in the Sunnyside community. He was a former board member of Sunnyside, Inc., an organization that strived to promote and revitalize the Sunnyside business community. He served as a board member of Lower Valley Credit Union for 12 years, serving 3 years as chairman and was a member of the Sunnyside Community Hospital Board of Trustees. He served on the board of the Lower Valley Crisis and Support Services for 10 years and was chairman 3 times. Mr. Grubenhoff has been a member of the Sunnyside Airport advisory board for 5 years. He has also been a member of the Sunnyside Noon Rotary Club for 19 years. In 2013, Mr. Grubenhoff was honored as the Outstanding Public Official by the Sunnyside Chamber of Commerce. Mr. Grubenhoff and his wife, Kathy, reside in Sunnyside and have 5 children plus 6 grandchildren.



# Port of Sunnyside

## List of Principal Officials—December 31, 2015



<u>Title</u>	<u>Name</u>
Executive Director/Auditor	Mr. Jay Hester
Finance Officer/Treasurer	Ms. Carol Carter
Port Engineer	Mr. Robert Farrell
Property & Project Manager	Mr. Travis Jansen
Sprayfield Manager	Mr. Gary Holwegner

# FINANCIAL





## Washington State Auditor's Office

### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 28, 2016

Board of Commissioners  
Port of Sunnyside  
Sunnyside, Washington

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Sunnyside, Yakima County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Port'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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port'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 Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Sunnyside, Yakima County, Washington, as of December 31, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Matters of Emphasis**

As described in Note 1, during the year ended December 31, 2015, the Port has implemented the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

### **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 25 through 28, pension plan information on pages 54 through 55 and information on postemployment benefits other than pensions on page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Port. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated June 28, 2016, on our consideration of the Port'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 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 Port's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Troy X Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA



## MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Port of Sunnyside, we offer readers of the Port of Sunnyside's financial statements this narrative overview and analysis of the financial activities of the Port of Sunnyside for the fiscal year ended December 31, 2015. We encourage readers to read this along with the Port's financial statements and notes. The notes are essential to a full understanding of the data contained in the financial statements.

### Financial Highlights

- The assets of the District exceeded liabilities, as of December 31, 2015, by \$18,433,653 or 56%. Of this amount, \$7,613,571 may be used to meet the District's ongoing obligations to citizens and creditors. The restricted portion of the Port's net position does not affect fund resources for future use.
- At the end of 2015, the District's total combined cash & investment balance was \$8,070,416 which is an increase of \$1,380,557 or 21% from 2014's balance and is 184% of 2015's operating expenses.
- The District's total net position increased \$1,748,012 for 2015. This larger than normal increase was due to an industry's major upgrade which increased our volume and revenue.
- The District's total long-term debt decreased by \$843,153 or 6%.
- The overall financial position improved in 2015.

### Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Port of Sunnyside's basic financial statements. The Port of Sunnyside's basic financial statements comprises two components: 1) business-type activity financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

In addition, the MD&A is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the financial activity, (c) identify changes in the financial position, and (d) identify individual financial issues or concerns.

**Basic Financial Statements** - The District's accounting records are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and in accordance with GAAP's reporting under GASB 34. The District uses the States Budgeting, Accounting and Reporting System (BARS) for Proprietary-Type Districts financial reporting in the State of Washington. The District implemented GASB 68 during 2015.

Proprietary-type funds are accounted for on an economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with the activity of the fund are included on the Statement of Net Position (balance sheet). The reported fund equity (Net Position) is segregated into Investment in Capital Assets, Restricted for payment of debt and Unrestricted Net Position. The Statement of Revenue & Expenses and Changes in Net Fund Position presents increases (revenue and gains) and decreases (expenses and losses) in net total position. The District discloses changes in cash flows by a separate statement that presents the operating, investing and financing activities.

The District also uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

## Port of Sunnyside

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following the financial statements in the Financial section of this report.

**The Port District's Programs** - The District is authorized by Washington law to provide and charge fees for industrial wastewater discharged to our treatment facility. The District may acquire lands for sale or lease for industrial or commercial purposes and may create industrial development districts.

The District operates a state-of-the-art, ecologically sound, Industrial Wastewater Treatment Facility (IWWTF) permitted by the Washington State Department of Ecology. The District serves eleven food or food related industries and a pipe manufacturing plant. The facility is located on approximately 550 acres including four treatment lagoons, an anaerobic digester, a dewatering facility and 400 acres of sprayfields.

The following schedule reflects condensed net position. The District is engaged only in business - type activities. Also, comparative years are being shown for 2015 & 2014 to offer the reader a better means of analyzing the District's condensed statements that follow.

### Port of Sunnyside's Net Position

	<b>Business Type Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>Current Assets and Other Assets</b>	<b>\$ 9,213,153</b>	<b>\$ 7,667,231</b>
<b>Capital Assets, Net Accumulated Depreciation</b>	<b>23,622,752</b>	<b>24,216,384</b>
<b>Total Assets</b>	<b>32,835,905</b>	<b>31,883,615</b>
 <b>Current Liabilities</b>	 <b>1,836,578</b>	 <b>1,447,827</b>
<b>Long Term Liabilities</b>	<b>12,565,674</b>	<b>12,523,223</b>
<b>Total Liabilities</b>	<b>14,402,252</b>	<b>13,971,050</b>
 <b>Net Investment in Capital Assets</b>	 <b>10,820,083</b>	 <b>10,570,563</b>
<b>Restricted for payment of Debt</b>	<b>1,231,552</b>	<b>1,122,328</b>
<b>Unrestricted</b>	<b>6,382,018</b>	<b>6,219,674</b>
<b>Total Net Position</b>	<b>\$ 18,433,653</b>	<b>\$ 17,912,565</b>

**Major Factors Affecting the Statement of Net Position** - Total net position increased in 2015 by \$1,748,012 which reflects an abnormal increase from the overall operation of the Port – due to increased discharge volume from our industries. The largest portions of the District's total assets (72%) are in capital assets (e.g., land, buildings, other improvements, and machinery and equipment). The District uses these capital assets to provide general services, wastewater treatment, and future development. Consequently, these assets are not available for future spending, except for the sale of land. The unrestricted net position of the District is available for future use to provide and maintain existing and future services.

The largest portion of the District's total liabilities (89%) is long-term debts, which are primarily payments for bond debt, payments to various funding agencies and private contracts associated with capital assets. Any significant increase or decrease in total assets or total liabilities will have a correlating affect on the Statement of Net Position.

For more detailed information see the Statement of Net Position in the following financial statements.

## Port of Sunnyside

**Changes In Net Position** - The following schedule reflects the Port of Sunnyside's condensed Changes in Net Position.

	<b>Business Type Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>		
<b>Operating Revenues:</b>		
IWWTF Operating Revenue	\$ 5,539,252	\$ 4,238,618
Property Rental & Sprayfield Revenue	\$ 293,330	384,529
Other Operating Revenue	\$ 48,785	38,715
<b>Total Operating Revenues</b>	<b>5,881,367</b>	<b>4,661,862</b>
<b>Non-Operating Revenues:</b>		
Interest Income	21,770	14,986
Tax Levy Income	560,369	553,590
Other Non-Operating Revenues	132,957	2,057,232
<b>Total Non-Operating Revenues</b>	<b>715,096</b>	<b>2,625,808</b>
<b>Total Revenues</b>	<b>6,596,463</b>	<b>7,287,670</b>
<b>Expenses:</b>		
IWWTF Operating Expenses	2,942,351	2,420,558
General & Admin Operating Expenses	417,682	377,489
Depreciation	1,028,847	1,028,558
<b>Non Operating:</b>		
Gain (loss) on disposition of assets	4,208	65,892
Interest Expenses	515,656	526,734
Pollution Remediation	-	(65,761)
Other Non Operating Expenses	91,469	302,282
<b>Total Expenses</b>	<b>5,000,213</b>	<b>4,655,752</b>
<b>Income Before Capital Contribution-Grant</b>	<b>1,596,250</b>	<b>2,631,918</b>
<b>Capital Contribution-Grants</b>	<b>151,762</b>	<b>1,325,761</b>
<b>Increase in Net Position</b>	<b>1,748,012</b>	<b>3,957,679</b>
<b>Net Position - January 1</b>	<b>17,912,565</b>	<b>13,954,886</b>
<b>Prior Period Adjustments</b>	<b>(548,550)</b>	<b>-</b>
<b>Change in Accounting Principal Adjustment</b>	<b>(678,374)</b>	
<b>Net Position - December 31</b>	<b>\$ 18,433,653</b>	<b>\$ 17,912,565</b>

**Analysis of the Schedule of Changes in Net Position** – The increase in net position was \$1,748,012 in 2015 as compared with \$3,957,679 in 2014. Several factors contributed to the change. Increased volume in 2015 and land sales in 2014 drove the year-end profit figures.

The majority of revenues received by the District (95%) are utility billing, property taxes and rental income. Other revenues consist of interest earnings, subsidies, grants and contributions by various outside agencies. The funding of the District's general operating cost is consistent since it comes from utility users who depend on the District's wastewater treatment facility, property taxes levied by the Commissioners and rental income from property owned by the District.

General operating expenses can be affected by numerous factors, such as changes in utility rates, fuel costs, medical insurance premiums, liability insurance rates, building materials, and any new requirements imposed from the State or Federal government regarding treatment of wastewater.

## Port of Sunnyside

### Capital Assets

As of year-end 2015, the District had capital assets valued at \$23,622,752 as reflected in the following schedule:

Capital Assets at Year-end  
(Net of Depreciation)

	Business Type Activities	
	2015	2014
<b><u>Capital Assets not being depreciated</u></b>		
Land	\$ 3,711,877	\$ 3,667,712
Construction In Progress	36,327	-
<b><u>Capital Assets being depreciated</u></b>		
Buildings	24,934,566	25,867,771
Improvements other than Buildings	3,301,918	2,903,684
Machinery and Equipment	6,227,993	6,175,834
Accumulated Depreciation	(14,589,929)	(14,398,617)
<b>Total Capital Assets</b>	<b>\$ 23,622,752</b>	<b>\$ 24,216,384</b>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the Notes to Financial Statements – Note 4 Capital Assets & Depreciation.

### Change in Capital Assets

	Business Type Activities	
	2015	2014
Beginning Balance, January 1	\$ 24,216,384	\$ 20,539,582
Net Change	435,215	4,705,360
Depreciation	(1,028,847)	(1,028,558)
Ending Balance, December 31	\$ 23,622,752	\$ 24,216,384

**Analysis of changes in Capital Assets** - For year 2015 capital assets decreased by \$593,632.

### Debt Service

At the end of 2015, the District had total debt of \$12,802,668 relating to G.O. Bonds, Revenue Bonds, Notes and Contracts outstanding which was a \$843,153 decrease over the previous year. Additional information regarding outstanding debt can be found in the District's Notes to Financial Statements Note 7 – Long Term Debt.

### Outstanding Debt, At Year-end

	2015	2014
G O Bonds	\$ 930,000	\$ 1,025,000
Revenue Bonds	5,820,000	6,460,000
Notes & Contracts Payable	6,052,668	6,160,821
<b>Total</b>	<b>\$ 12,802,668</b>	<b>\$ 13,645,821</b>

The Management Discussion and Analysis is designed to provide a general overview of the District's finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to Nicole Jech, Finance Officer, Port of Sunnyside, P. O. Box 329, Sunnyside, WA. 98944.

***Port of Sunnyside***

Yakima County, Washington

Statement of Net Position

page 1 of 2

December 31, 2015

***ASSETS******CURRENT ASSETS:***

Cash and Cash Equivalents (Note 1-C.1)	\$	6,785,290
Restricted Assets:		
Cash and Cash Equivalents (Note 1-C.4)		158,212
Accounts Receivable (Note 1-C.3)		506,417
Taxes Receivable (Note 1-C.3 & Note 3)		31,433
Interest Receivable on Notes (Note 1-C.3)		-
Other Receivables (Note 1-C.3)		48,972
Prepayments (Note 1-C.7)		52,471
<b><i>Total Current Assets</i></b>		<b>7,582,795</b>

***NON-CURRENT ASSETS:***

Restricted Assets:		
Investments (Note 1-C.4)		1,126,914
Interest Receivable on Investments (Note 1-C.4)		3,481
Total Non-current Restricted Assets		<u>1,130,395</u>
Capital Assets: (Note 4)		
Capital Assets Not Being Depreciated:		
Land		3,711,877
Construction In Progress		36,327
Capital Assets Being Depreciated:		
Improvements to Land		3,301,918
Buildings		24,934,566
Equipment		6,227,993
Less: Accumulated Depreciation		<u>(14,589,929)</u>
Total Net Capital Assets		<u>23,622,752</u>
Other Non-current Assets		
Other Debits (Note 1-C.7)		408,742

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows of Resources Related to Pensions (Note 5)	91,221
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<b><i>Total Non-Current Assets</i></b>	<b>25,253,110</b>
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<b><i>TOTAL ASSETS</i></b>	<b>\$ 32,835,905</b>
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SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

(cont. on page 2)

Yakima County, Washington  
Statement of Net Position  
December 31, 2015

page 2 of 2

***LIABILITIES******CURRENT LIABILITIES:***

Accounts Payable (Note 1-C.10)	283,738
Accrued Interest Payable (Note 1-C.10)	112,507
Bonds, Notes/Contracts Payable (Note 7)	1,415,020
Compensated Absences (Note 1-C.8)	24,313
Other Current Liabilities (Note 1-C.10)	1,000
<b><i>Total Current Liabilities</i></b>	<b>1,836,578</b>

***NON-CURRENT LIABILITIES:***

General Obligation Bonds (Note 7)	830,000
Revenue Bonds (Note 7)	5,145,000
Notes/Contracts Payable (Note 7)	5,412,648
OPEB Liability (Note 10)	402,560
Net Pension Liability (Note 5)	676,216
<b><i>Total Non-Current Liabilities</i></b>	<b>12,466,424</b>

***DEFERRED INFLOWS OF RESOURCES***

Deferred Inflows Related to Pensions	99,250
<b><i>TOTAL LIABILITIES</i></b>	<b>\$ 14,402,252</b>

***NET POSITION:***

Net Investment in Capital Assets (Note 11)	10,820,083
Restricted, for Payment of Debt (Note 8)	1,231,552
Unrestricted	6,382,018

<b><i>TOTAL NET POSITION</i></b>	<b>\$ 18,433,653</b>
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***SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS***

Port of Sunnyside

***Port of Sunnyside***

Yakima County, Washington

Statement of Revenues, Expenses and Changes in Fund Net Position

For the fiscal year ended December 31, 2015

***OPERATING REVENUES:***

Industrial Waste Water Treatment Facility Operations	\$ 5,539,252
Property Rentals & Sprayfield Operations	293,330
Other Revenue	48,785

***Total Operating Revenues*** 5,881,367

**OPERATING EXPENSES:**

Industrial Waste Water Treatment Facility Operations	2,942,350
General & Administrative	417,682
Depreciation	1,028,847

***Total Operating Expenses*** 4,388,879

***Operating Income (Loss)*** 1,492,488

**NON-OPERATING REVENUES (EXPENSES):**

Investment Income	21,770
Taxes Levied For:	
General purposes	319,227
Debt service principal/interest	241,142
Gain on disposition of assets	122,117
Loss on disposition of assets	(4,208)
Interest expense - General Obligation	(50,412)
Interest expense - Revenue Obligation	(465,245)
Other nonoperating revenues	10,840
Other nonoperating expenses	(91,469)

***Total Non-Operating Revenues (Expenses)*** 103,762

**Increase in Net Position before Capital Contributions** 1,596,250

Capital Contributions 151,762

**Increase in Net Position** 1,748,012

**NET POSITION - beginning of period** 17,912,565

Prior Period Adjustment	(548,550)
Change in Accounting Principal Adjustment	(678,374)

**NET POSITION - end of period** \$ 18,433,653

***SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS***

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Port of Sunnyside

***Port of Sunnyside***

Statement of Cash Flows

page 1 of 2

For the year ended December 31, 2015

***CASH FLOWS FROM OPERATING ACTIVITIES:***

Receipts from customers	\$ 5,713,506
Payments to suppliers	(1,934,086)
Payments to employees	(1,263,668)
Other receipts (payments)	<u>0</u>

*Net cash provided by operating activities* 2,515,752

***CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES***

Receipts of property taxes from Yakima County	<u>318,877</u>
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*Net cash provided by non-capital financing activities* 318,877

***CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:***

Receipt of property taxes from Yakima County	241,142
Proceeds from capital debt	260,000
Purchases of capital assets	(676,166)
Capital contributions	151,762
Sale of capital assets	128,749
Principal paid on capital debt	(1,103,154)
Interest paid on capital debt	<u>(468,022)</u>

*Net cash provided (used) by capital and related financing activities* (1,465,688)

***CASH FLOWS FROM INVESTING ACTIVITIES:***

Interest and dividends	<u>11,617</u>
<i>Net cash provided by investing activities</i>	11,617

*Net increase (decrease) in cash and cash equivalents* 1,380,557

Balances - beginning of the year 6,689,859

Balances - end of the year \$ 8,070,416

(cont. on page 2)

## Port of Sunnyside

### ***Port of Sunnyside***

Yakima County, Washington

Statement of Cash Flows

For the year ended December 31, 2015

page 2 of 2

### Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

<i>Operating income (loss)</i>	\$ 1,492,488
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,028,847
Change in assets and liabilities:	
Receivables, net	(76,393)
OPEB and other payables	94,962
Accrued expenses	(24,151)
	<hr/>
<i>Net cash provided by operating activities</i>	\$ 2,515,752

### *SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS*

### *NONCASH CAPITAL ACTIVITIES:*

Non-cash Capital Contribution - Donated Building	\$ 100,100
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### *RECONCILIATION OF CASH & CASH EQUIVALENTS*

US Bank accounts	\$ 767,916
LGIP	6,175,586
Investments - Treasury Bonds	1,126,914
	<hr/>
TOTAL	\$ 8,070,416

### *NONCASH ADJUSTMENTS*

Improvements to Land	\$ (240,952)
Accumulated Depreciation	(1,028,847)
Deferred Outflow	91,220
OPEB	(307,598)
Net Pension Liability	(676,216)
Deferred Inflow	(99,250)
Change in Accounting Principal	678,374
Prior Period Adjustment	548,550
Pension Expense	5,872
Depreciation Expense	1,028,847
	<hr/>
	\$ -

**Port of Sunnyside  
Notes to Financial Statements  
December 31, 2015**

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

The financial statements of the Port of Sunnyside have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**A. Reporting Entity**

The Port of Sunnyside was incorporated in 1964 and operates as a municipal corporation under the laws of the state of Washington applicable to port districts under provisions of the Revised Code of Washington 53.04.010 et seq.

The Port of Sunnyside is a special purpose government and provides local industries a means of wastewater disposal. The Port may acquire and improve land for sale or lease for industrial or commercial purposes and may create industrial development districts.

The main revenue source consists of charges to our industries for wastewater disposal which is authorized by RCW (53.08.040). The Port of Sunnyside operates a state-of-the-art, ecologically sound, Industrial Wastewater Treatment Facility (IWWTF) permitted by the Washington State Department of Ecology. The Port serves eleven food or food related industries, one steel building manufacturing plant and one pipe manufacturing plant. The Facility is located on approximately 550 acres including a Sequencing Batch Reactor (SBR), 4 treatment lagoons, a dewatering facility, an anaerobic digester and 400 acres of sprayfields. After the industrial wastewater has been treated and processed, it is applied to 400 acres of alfalfa or other crop fields via sprinklers. The crop is then cut and sold to local dairies and beef cattle ranches. Industry fees pay for all of the operating costs and all of the debt retirement of the IWWTF.

The District's economic development program offers marketing, planning and development opportunities to industries and the community at large.

The Port of Sunnyside is governed by an elected 3 member Board of Commissioners. The Port of Sunnyside has no component units.

**B. Basis of Accounting and Presentation**

The accounting records of the Port of Sunnyside are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Port of Sunnyside uses the *Budgeting, Accounting and Reporting System for GAAP Port Districts* in the State of Washington.

Funds are accounted for on a cost of services or an economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their statement of net position. Their reported fund position is segregated into net investment in capital assets, restricted and unrestricted components of net position.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. The Port of Sunnyside discloses changes in cash flows by a separate statement that presents their operating, noncapital financing, capital and related financing, and investing activities.

The Port of Sunnyside uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for appropriately.

The district distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services in connection with a district's principal ongoing operations. The principal operating revenues of the district are charges to customers for industrial wastewater treatment. The district also recognizes rent as operating revenue for land and/or building rentals, crop proceeds and miscellaneous reimbursements. Operating expenses for the district include the costs incurred in providing for the industrial wastewater treatment facility and the administrative expenses including depreciation on capital assets as well as economic development costs. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

C. **Assets, Liabilities and Net Position**

1. **Cash and Cash Equivalents**

It is the Port of Sunnyside's policy to invest all temporary cash surpluses. At December 31, 2015, the treasurer was holding \$6,943,502 in cash and short term investments of surplus cash - including \$6,175,586 in the Washington State Local Government Investment Pool. This amount is classified on the Statement of Net Position as Cash and Cash Equivalents.

The amounts reported as Cash and Cash Equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2015 were approximately \$75,000.

For purposes of the statement of cash flows, the district considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. **Investments**

See Note 2 – Deposits and Investments

3. **Receivables**

Taxes receivable consists of property taxes and related interest and penalties. (See Note 3 – Property Tax).

Accrued interest receivable consists of amounts earned on investments at the end of the year.

Accounts receivable consists of amounts owed from private individuals, organizations or industries for goods and services including amounts owed for which billings have not been prepared.

Other receivable consists of amounts owed from Benton REA for the Port's portion of the year end Capital Credit and from Washington State Department of Commerce for project reimbursements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**4. Restricted Assets and Liabilities**

These accounts contain resources for debt service. The current portion of related liabilities is shown as part of *Current Liabilities* (Bonds, Notes/Contracts Payable) and the long term portion is shown in *Non-Current Liabilities*. Specific debt service reserve requirements are described in Note 7 - Long Term Debt.

The restricted assets are composed of the following:

Cash, Cash Equivalents & Investments for Debt Service \$1,285,126

Restricted interest receivable is interest due on restricted investments at year end.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the Statement of Net Position. Capital assets are defined for the Port of Sunnyside as assets with a purchase price of \$5,000 or more and have a useful life of over a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Depreciation is calculated on the straight line method (half year convention). Cost for additions or improvements to capital assets are capitalized when they increase the effectiveness of efficiency of the asset. The costs for normal maintenance and repairs are not capitalized.

**6. Other Property and Investments**

See Note 2 – Deposits and Investments

**7. Other Assets and Debits**

Prepayments- Prepaid expenses consist of amounts paid in 2015 for 2016 expenses.

Other Debits- The amount shown in Other Debits is the Port's portion of Benton REA's Capital Credits (also called patronage dividends, patronage refunds, patronage capital or equity capital).

Benton REA is a not-for-profit member-owned electric co-operative. We are a customer/member because we purchase electricity from them.

**8. Compensated Absences**

Compensated absences are absences for which the employees will be paid, such as vacation and compensatory leave. All vacation and compensatory time is accrued when incurred.

Vacation pay may be accumulated as follows:

An employee is allowed to carry over up to 10 vacation days (80 hours) into the next calendar year. The balance of an employee's vacation pay is payable upon resignation, retirement or death. Sick leave may accumulate up to 60 days. The district has no obligation to pay an employee the balance of their sick leave at time of resignation, retirement or death. An employee is allowed to carry over up to 5 compensatory days (40 hours) into the next calendar year and the balance is payable upon resignation, retirement or death.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

The District's total obligation for accrued vacation and comp time is \$24,313 at December 31, 2015 and was \$19,061 at December 31, 2014. The Compensated Absences could all be due within the coming year and are recorded as a Current Liability.

**9. Pensions**

For purposes of measuring the net pension liability, defined outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit term. GASB 68 was implemented in 2015.

**10. Other Accrued Liabilities**

Accounts Payable – These accounts consist of accrued accounts payable and payroll expenses at year end. These amounts are expenses incurred, but not yet paid as of 12/31/15.

Accrued interest payable – These accounts consist of interest on debt accrued to year end, but not yet paid.

Other current liabilities – This account is funds held as customer deposits for properties rented out by the district.

**11. Long-Term Debt**

See Note 7 – Long Term Debt

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**DEPOSITS**

The Port of Sunnyside's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The Port's Investment policy allows for deposits in "qualified public depositories".

**INVESTMENTS**

As of December 31, 2015, the Port had the following investments:

**Restricted Assets - Investments:**

Investment	Maturities	Fair Value of Investments	Total
US Treasury	9/27/2018	\$ 950,000	\$ 950,000
US Treasury	3/6/2020	\$ 176,914	\$ 176,914
TOTAL		\$ 1,126,914	\$ 1,126,914

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the Port would not be able to recover the value of the investment or collateral securities.

The Port's Investment policy allows investment in Certificates of Deposit, Notes or Bonds of the United States and the Washington State Local Government Investment Pool. All investments of the Port have been undertaken in a manner that seeks to ensure the preservation of capital in the over-all portfolio thus avoiding any risk of principal.

### **NOTE 3 - PROPERTY TAX**

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

January 1	Tax is levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property tax is recorded as a receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The district may levy up to \$ 0.45 per \$1,000 of assessed valuation for general governmental services.

The district's regular levy for 2015 was \$ 0.42111749767 per \$1,000 on an assessed valuation of \$1,337,157,974 for a total regular levy of \$563,100 less adjustments of \$2,731 for a grand total of \$560,369. In 2014, the regular levy was \$552,313.

Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The district may also levy taxes at a lower rate.

### **NOTE 4 - CAPITAL ASSETS AND DEPRECIATION**

- A. Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

All capital assets are valued at historical cost (or estimated historical cost, where historical cost is not known/or estimated market value for donated assets).

The Port of Sunnyside has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the Port of Sunnyside has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account.

During 2015, the Port of Sunnyside did not capitalize any net interest costs for funds borrowed to finance the construction of capital assets.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight line method (half year convention) with useful lives of 2 to 50 years. By category, the useful lives are as follows: Buildings – 2 to 50 years, Improvements other than buildings – 10 to 30 years and Machinery & equipment – 2 to 40 years.

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### **NOTE 4 - CAPITAL ASSETS AND DEPRECIATION (cont.)**

B. Capital assets activity for the year ended December 31, 2015 was as follows:

	Beginning Balance 1/1/15	Increases	Decreases	Ending Balance 12/31/15
Capital Assets, not being depreciated:				
Land	\$ 3,667,712	\$ 55,900	\$ 11,735	\$ 3,711,877
Construction In Progress	-	36,327	-	\$ 36,327
Total Capital Assets, not being depreciated	3,667,712	92,227	11,735	3,748,204
Capital Assets, being depreciated:				
Buildings	25,867,771	430,478	1,363,683	\$ 24,934,566
Improvements other than buildings	2,903,684	17,774	(380,460)	\$ 3,301,918
Machinery & Equipment	6,175,834	211,576	159,417	\$ 6,227,992
Total Capital Assets, being depreciated	34,947,289	659,827	1,142,640	34,464,476
Less Accumulated Depreciation for:				
Buildings	(10,133,713)	(673,858)	1,387,092	\$ (9,420,479)
Improvements other than buildings	(870,518)	(129,127)	(510,156)	\$ (1,509,802)
Machinery & Equipment	(3,394,385)	(225,861)	(39,402)	\$ (3,659,648)
Total Accumulated Depreciation	(14,398,617)	(1,028,847)	837,534	(14,589,929)
Total Capital Assets, being depreciated, net	\$ 20,548,672	\$ (369,019)	\$ 305,106	\$ 19,874,547

#### C. Construction Commitments

The Port of Sunnyside has no active construction projects as of December 31, 2015.

As of December 31, 2015, the Port had no unfulfilled commitments with contractors.

### **NOTE 5 - PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	676,216
Pension Assets	-
Deferred outflows of resources	91,221
Deferred inflows of resources	99,250
Pension expenses/expenditures	85,954

#### State Sponsored Pension Plans

Substantially all Port of Sunnyside full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).



**NOTE 5 - PENSION PLANS (cont.)****Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**Contributions**

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
January - June 2015	9.21%	6.00%
July - December 2015	11.18%	6.00%

The Port of Sunnyside's actual contributions to Plan 1 were \$20,165 for the year ended December 31, 2015.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

**NOTE 5 - PENSION PLANS (cont.)**

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

**Contributions**

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January - June 2015	9.21%	4.92%
July - December 2015	11.18%	6.12%
Employee PERS Plan 3		Varies

The Port of Sunnyside's actual contributions to Plan 2/3 were \$22,897 for the year ended December 31, 2015.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation.

## **NOTE 5 - PENSION PLANS (cont.)**

- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' 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 of 7.5 percent was used to determine the total liability.

### **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

**NOTE 5 - PENSION PLANS (cont.)****Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	

**Sensitivity of NPL**

The table below presents the Port of Sunnyside's proportionate share\* of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Port of Sunnyside's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$466,187	\$382,904	\$311,289
PERS 2/3	\$857,660	\$293,312	-\$138,788

**Pension Plan Fiduciary Net Position**

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the Port of Sunnyside reported a total pension liability of \$676,216 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$ 382,904
PERS 2/3	293,312

At June 30, the Port of Sunnyside's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.006905%	0.007320%	0.000415%
PERS 2/3	0.007696%	0.008209%	0.000513%

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**NOTE 5 - PENSION PLANS (cont.)**

**Pension Expense**

For the year ended December 31, 2015, the Port of Sunnyside recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ 46,340
PERS 2/3	\$ 39,614

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2015, the Port of Sunnyside reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 0	\$ 20,949
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ 0
Changes of assumptions	\$ 0	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	\$ 0
Contributions subsequent to the measurement date	\$ 20,165	\$ 0
<b>TOTAL</b>	<b>\$ 20,165</b>	<b>\$ 20,949</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 31,179	\$ 78,300
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ 0
Changes of assumptions	\$ 473	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 16,506	\$ 0
Contributions subsequent to the measurement date	\$ 22,897	\$ 0
<b>TOTAL</b>	<b>\$ 71,055</b>	<b>\$ 78,300</b>

Deferred outflows of resources related to pensions resulting from the Port of Sunnyside's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>
2016	\$ (8,119)
2017	\$ (8,119)
2018	\$ (8,119)
2019	\$ 3,408
2020	-
Thereafter	-

**NOTE 5 - PENSION PLANS (cont.)**

Year ended December 31:	PERS 2/3
2016	\$ (16,404)
2017	\$ (16,404)
2018	\$ (16,404)
2019	\$ 19,070
2020	\$ -
Thereafter	\$ -

**NOTE 6 - RISK MANAGEMENT**

The Port of Sunnyside maintains commercial insurance coverage. The District carries coverage for Public Entity General Liability with a “per occurrence limit” of \$1,000,000 and an “aggregate limit” of \$3,000,000 with no deductible. Excess liability coverage is “per occurrence limit” of \$10,000,000 and an “aggregate limit” of \$10,000,000 with no deductible. We also have Public Entity Management Liability and Public Entity Employment Practice Liability coverage with a “per occurrence limit” of \$1,000,000 and an “aggregate limit” of \$3,000,000 again with no deductible along with General Crime Coverage of \$1,000,000. In addition, the Port maintains Auto Coverage for Port vehicles with various limits and deductibles. We have Blanket Property coverage for \$16,226,062 with a \$1,000 deductible as well as Flood and Earthquake coverage of \$5,000,000 each.

In comparison to prior years, there were no significant changes in the types and coverage’s of insurance policies purchased by the Port in 2015. Also, settled claims have not exceeded commercial insurance coverage in any of the past three years.

Risks that the Port could possibly encounter would include torts, damage or destruction of structures or equipment, errors or omissions, employee injuries & natural disasters.

**NOTE 7 - LONG TERM DEBT****A. Long Term Debt**

The Port of Sunnyside issues general obligation and revenue bonds to finance the purchase of land and/or buildings and the acquisition or construction of the Industrial Wastewater Treatment Facility and its improvements. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund revenue bonds. General obligation bonds have been issued for business-type activities and are being repaid from the applicable resources. The revenue bonds & other revenue debts are being repaid by proprietary fund revenues. The Port of Sunnyside is also liable for notes that were entered into for the purchase of land and economic development. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.

General obligation bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Golob Landing Park Infrastructure	2009-2023	3.00-4.70%	\$ 1,535,000	\$ 100,000

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## **NOTE 7 - LONG TERM DEBT (cont.)**

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Principal	Interest
2016	100,000	41,643
2017	105,000	37,643
2018	110,000	33,443
2019	110,000	28,905
2020	115,000	23,735
2021-2023	390,000	37,130
Total	\$ 930,000	\$ 202,498

The revenue bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2013 Refi Wastewater Plant Improvements	2014-2023	4.38%	\$ 2,750,000	\$ 245,000
2008 De-Watering Facility	2009-2021	4.00-6.70%	\$ 5,000,000	\$ 430,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2016	675,000	334,050
2017	780,000	294,844
2018	840,000	248,906
2019	905,000	199,331
2020	960,000	145,675
2021-2023	1,660,000	131,256
Total	\$ 5,820,000	\$ 1,354,063

The contracts payable outstanding are as follows:

Contracts Payable						
Description	Original Loan	Maturity Date	Interest Rate	Loan Balance 1/1/15	Loan Balance 12/31/15	Current Portion
SIED Loan - SBR	250,000	6/1/2018	1.080%	66,667	50,000	16,666
SIED Loan - KIE (Bauerle)	88,000	6/1/2018	6.187%	15,789	-	-
SIED Loan - Dewatering	250,000	6/1/2018	2.440%	105,755	80,265	26,113
SIED Loan - Bleyhl	137,500	6/1/2019	2.440%	72,054	58,330	14,059
SIED Loan - Bleyhl 2nd Spur	206,550	6/1/2023	2.440%	100,024	89,951	10,318
SIED Loan- Anaerobic Digester	1,000,000	6/1/2025	2.500%	1,000,000	1,000,000	148,699
SIED Loan - Water Works Bldg	260,000	7/23/2021	2.440%	0	260,000	43,172
DOE Loan - SBR	3,381,818	5/10/2025	1.500%	1,972,533	1,797,763	177,410
CERB 2 - SBR	500,000	1/1/2025	0.000%	275,000	250,000	25,000
CERB - East Edison	513,600	1/1/2029	0.000%	428,000	399,467	28,533
CERB - Rail Spur	275,000	7/1/2020	0.000%	165,000	137,500	27,500
CERB - Anaerobic Digester	850,000	7/30/2028	3.000%	850,000	850,000	-
USDA - Anaerobic Digester \$750k	750,000	8/1/2024	0.000%	750,000	729,167	83,333
USDA - Anaerobic Digester \$300k	300,000	7/1/2024	0.000%	300,000	291,667	33,333
Benton REA - Anaerobic Digester	60,000	9/1/2024	3.250%	60,000	58,559	5,882
Total	\$ 8,822,468			\$ 6,160,821	\$ 6,052,668	\$ 640,020

## Port of Sunnyside

### **NOTE 7 - LONG TERM DEBT (cont.)**

The annual debt service requirements to maturity for contracts payable are as follows:

Year Ending December 31	Principal	Interest
2016	640,020	84,022
2017	578,935	56,947
2018	586,293	49,408
2019	549,073	156,461
2020	635,028	60,217
2021-2025	2,665,852	161,630
2026-2029	397,467	17,000
Total	\$ 6,052,668	\$ 585,685

At December 31, 2015, the Port of Sunnyside has \$28,549 available in debt service funds to service the general obligation debt. Restricted assets contain \$1,231,574 in sinking funds and reserves as required by revenue bond indentures and other loans.

The Port of Sunnyside has pledged future Industrial Wastewater Treatment Facility revenue, net of specified operating expenses, to repay \$4,470,000 in revenue bonds issued in June, 2003 and \$5,000,000 issued in August, 2008. The balance (\$2,970,000) of the 2003 RO Bond was refinanced in 2013 in the amount of \$2,750,000 (see B. below). Proceeds from the 2003 bonds provided financing for construction of the Sequencing Batch Reactor and proceeds from the 2008 bond provided financing for a De-watering Facility which was completed in 2010. The bonds are payable solely from the Industrial Wastewater Treatment Facility revenue and are payable through 2023. Annual principal and interest payments on the bonds are expected to require approx. 24% of net revenues. The total principal and interest remaining to be paid on the bonds is \$7,174,063. Principal and interest paid for these bonds for the current year and total Industrial Wastewater Treatment Facility revenue were \$1,011,163 and \$5,539,252 respectively.

#### **B. Refunded Debt**

In 2013, the Port issued \$2,750,000 of revenue obligation refunding debt to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$2,970,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government's statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$274,985.

#### **C. Changes in Long-Term Liabilities**

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/15	Additions	Reductions	Ending Balance 12/31/15	Due Within One Year
Bonds Payable:					
GO Bonds	\$ 1,025,000	\$ -	\$ 95,000	\$ 930,000	\$ 100,000
Revenue Bonds	6,460,000	-	640,000	5,820,000	675,000
Total Bonds Payable	7,485,000	-	735,000	6,750,000	775,000
Notes & Contracts Payable	6,160,821	260,000	368,153	6,052,668	640,020
Pension/OPEB obligations	-	1,078,776	-	1,078,776	-
Compensated Absences	19,061	50,977	45,725	24,313	24,313
Total Long-Term Liabilities	\$ 13,664,882	\$ 1,389,753	\$ 1,148,878	\$ 13,905,757	\$ 1,439,333



**NOTE 8 – RESTRICTED COMPONENT OF NET POSITION**

The district's statement of net position reports \$1,231,553 of restricted component of net position, all of which is externally imposed by creditors.

**NOTE 9 - CONTINGENCIES AND LITIGATION**

The Port of Sunnyside has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the Port of Sunnyside will have to make payment. In the opinion of management and the Port of Sunnyside's attorney, the Port of Sunnyside's insurance policies are adequate to pay all known or pending claims.

As discussed in Note 7, Long-Term Debt, the Port of Sunnyside is contingently liable for repayment of any refunded debt.

The Port of Sunnyside participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. Port of Sunnyside management believes that such disallowances, if any, will be immaterial.

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

In June 2004, the Government Accounting Standard Board issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The requirements of this Statement were effective in three phases. The Port of Sunnyside was a phase 3 government, and was required to adopt this Statement for fiscal periods beginning after December 15, 2008. The Port adopted this standard in 2009, did not report in 2013 & 2014 and re-adopted the standard in 2015.

As per the GASB Statement No. 45 summary, "In addition to pensions, many state and local governmental employers provide other postemployment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local government employers."

**Plan Description**

The Port, through the Washington State Public Employees Benefit Board (PEBB), administers an agent multiple-employer other post-employment benefits plan (OPEB). Per RCW 41.05.065, PEBB is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees.

OPEB are benefits provided to retired employees beyond those provided by their pension plans. Such benefits include medical, dental, prescription drugs, dental, life, vision, disability and long term care insurance. Port employees who end public employments are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system. PEBB employers provide monetary assistance, or subsidies, only for medical, prescription drug, life and vision insurance.

## **NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (cont.)**

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The Office of the State Actuary, a department within the primary government of the State of Washington, issues a publicly available Other Post-Employment Benefits Actuarial Valuation Report. The Other Post-Employment Benefits Actuarial Valuation Report may be obtained by writing to: Office of the State Actuary, PO Box 40914, Olympia, Washington 98504 or it may be downloaded from the Office of the State Actuary website at <http://osa.leg.wa.gov>.

### **Subsidies**

The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claim pools: one covering employees and non-Medicare eligible retirees and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premium for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The **explicit subsidy**, permitted under RCW 41.05.085, is a straightforward, set dollar amount for a specific group of people. The explicit subsidy lowers the monthly premium paid by retired members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually.

The **implicit subsidy**, set up under RCW 41.05.022, is more complex because it is not a direct payment from the employer on behalf of the member. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premiums paid by the retirees.

Before 2007, these subsidies were not projected and accounted for under the accrual basis accounting. Accrual accounting is meant to match the timing between when something occurs and when it is accounted for. In this case, it is meant to match the expense to the year in which the benefits are earned by the member.

### **Funding Policy**

Pay-as-you-go funding occurs when an employer chooses to contribute (pay) for benefits only when they occur or become due (after retirement). Before 2007, this cost was expensed as the Port paid the current year's subsidies. However, the unfunded liability, which is the difference between what the Port accrues (assuming on-going future payments) and what the Port currently pays was not accounted for under the pay-as-you-go method.

GASB Statements No. 43 and 45 were created in an attempt to:

- Create financial transparency.
- Create better alignment between public and private sector accounting.
- Provide clarity among bargaining groups to show the true cost of benefits over time.

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (cont.)**

- Provide employers knowledge of the true cost of benefits over time.
- Provide investors knowledge of the true long-term liabilities.
- Show the decision makers a cost that they need to recognize.

The Port funds the implicit and explicit subsidies on a pay-as-you-go basis, meaning that the Port pays these costs as they occur or become due. The Port's cost-sharing policy on the medical premiums is to pay 100% of the PEBB medical plan for employees as described in the Plan Description above and 100% of the premiums up to 90 days after termination or retirement.

**Annual OPEB Cost and Net OPEB Obligation**

The Port's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years as of January 1, 2009. The following tables show the components of the Port's annual OPEB cost for fiscal year, the amount actually contributed to the plan, and changes in the Port's net OPEB. The net OPEB obligation of \$402,560 is included as a noncurrent liability in the Statement of Net Position.

	Fiscal Year Ending 12/31/2015	Fiscal Year Ending 12/31/2014	Fiscal Year Ending 12/31/2013
<b>Determination of Annual Required Contribution:</b>			
Normal Cost at Year End	\$ 56,382	\$ 36,742	\$ 29,680
Amortization of Unfunded Actuarial Accrued Liability	\$ 49,786	\$ 25,573	\$ 27,357
Annual Required Contribution	\$ 106,168	\$ 62,315	\$ 57,037
<b>Determination of Annual OPEB Cost:</b>			
Annual Required Contribution	\$ 106,168	\$ 62,315	\$ 57,037
Net OPEB Obligation Interest	\$ 12,304	\$ 10,284	\$ 8,643
Net OPEB Obligation Amortization	\$ (17,788)	\$ (14,868)	\$ (12,496)
Annual OPEB Cost	\$ 100,684	\$ 57,731	\$ 53,184
<b>Determination of Net OPEB Obligation:</b>			
Starting Net OPEB Obligation	\$ 307,598	\$ 257,100	\$ 216,081
Annual OPEB Cost	\$ 100,684	\$ 57,731	\$ 53,184
Contributions	\$ (5,722)	\$ (7,233)	\$ (12,165)
Net OPEB Obligation	\$ 402,560	\$ 307,598	\$ 257,100

The Port's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014 and 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution as a % of OPEB Cost	Net OPEB Obligation
12/31/2013	\$ 53,184	22.87%	\$ 257,100
12/31/2014	\$ 57,731	12.53%	\$ 307,598
12/31/2015	\$ 100,684	305.51%	\$ 402,560

**Funding Status, Funding Progress**

In order to fund the OPEB plan, the Port would have to establish an irrevocable trust, which means that the Port would no longer have control of the money put into the trust. If the Port left the PEBB program, the Port would not be able to get the money out of the trust. As of December 31, 2015, the Port does not pre-fund post-retirement medical insurance subsidies. Since the PEBB plan is paid for on a pay-as-you-go basis

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (cont.)**

and was 0% funded, there are no assets to invest. However, currently, the Port has sufficient cash and cash equivalents to cover the entire liability (if any costs are incurred in the future). If the Port no longer uses PEBB for their medical insurance coverage, under the current Port policy, the Port is not liable for any future cost to retired employees.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information that will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment rate of return, payroll growth, and health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

The Port used the alternative measurement method permitted under GASB Statement 45.

Data (e.g., age range, years of service, active age average, etc.) is compiled into the Office of State Actuary GASB 45 reporting tool for all active and inactive members to determine the Actuarial Accrued Liability (ALL) and normal cost. The Office of the State Actuary report involves calculations that require assumptions about future economic and demographic events. Consistent with GASB reporting requirements, the Office of the State Actuary assumed a pay-as-you-go funding policy when selecting the assumed rate of investment return of 4 percent. General and salary inflation are the same as those used in the June 30, 2013 actuarial valuation report (AVR) issued by the Office of the State Actuary.

Cost inflation begins at approximately 8% in 2013 and decreases to an ultimate rate of 5% in 2093. Participation percentage, percentage of spouses coverage, and Medicare coverage was determined by the Office of the State Actuary. The average cost of medical plans providing coverage before Medicare eligibility decreased by 7.2 percent; the average cost for Medicare medical plans increased by 4.3 percent. Actual medical cost inflation since the last valuation date was lower than the assumed rate of approximately 14.6 percent. Covered payroll is assumed to grow at 3.75 percent per year.

Demographic assumptions are the same as those used in the June 2013 AVR, which were developed from the 2001-2006 Experience Study performed by the Office of the State Actuary. The Office of Financial Management is responsible for the selection of the actuarial cost method, asset valuation method and funding policy for amortizing the Unfunded Actuarial Accrued Liability (UAAL).

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (cont.)**

The medical trend, claim cost, aging factors, and analysis of “Cadillac” plans were determined by Milliman and used by the Office of the State Actuary for the PEBB actuarial valuation report dated October 2013. The results were based on grouped data with four active groupings and four inactive groupings. The Office of the State Actuary prepared a sensitivity analysis assuming a 0.2% higher and lower investment rate of return for the impact of the Patient Protection and Affordable Care Act (PPACA) excise tax. The excise tax, which does not go into effect until the year 2018, represents approximately 1.1% of all liabilities.

The Health Care Authority and the Department of Retirement systems provided the member data used in the Office of the State Actuary report. The census data is reported as of June 30, 2013, and was projected forward to match the open enrollment medical plan choices as of January 1, 2013. A single retirement age of 62.20 was assumed for all active members to determine the Actuarial Accrued Liability (AAL) and normal cost.

Retirement, disablement, termination, and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2013 actuarial valuation report issued by the Office of the State Actuary.

The Projected Unit Credit (PUC) is the actuarial funding method chosen for the Office of the State Actuary report to determine the ALL. The UAAL is amortized over a closed 30-year period as a level percent of payroll. There are no asset valuation methods since there are no assets invested in an irrevocable, dedicated, and projected trust. The ALL and the Net OPEB Obligation (NOO) are amortized as a percentage of payroll over an open 30-year period. These methods, assumptions, and calculations are individually and collectively reasonable for the purpose of this valuation.

**NOTE 11– PRIOR PERIOD ADJUSTMENTS**

Entries resulting from capital asset/ depreciation schedule reviews	= \$239,750
Reinstatement of OPEB	= 307,598
Note late fee reversal from prior years	= 1,202
	<u>\$548,550</u>

**NOTE 12– OTHER DISCLOSURES**

Major Receivables: Thirteen industries discharge to the Industrial Waste Water Treatment Facility (IWWTF). In 2015, the amount billed was as follows:

Darigold	73%
Valley Processing	10%
Seneca	8%
The remaining ten industries	9%

**Method of Calculation of Net Assets Invested in Capital Assets**

Net Capital Assets (including CIP)	\$ 23,622,752
Less Capital Related Debt	<u>- 12,802,669</u>
Net Investment in Capital Assets	\$ 10,820,083

**REQUIRED SUPPLEMENTARY INFORMATION**

## State Sponsored Plans - Schedule of Proportionate Share of the Net Pension Liability

<b>Port of Sunnyside</b> <b>Schedule of Proportionate Share of the Net Pension Liability</b> <b>PERS Plan 1</b> <b>As of June 30, 2015</b>	
Employer's proportion of the net pension liability (asset)	<u><b>2015</b></u> 0.007320%
Employer's proportionate share of the net pension liability	\$ 382,904
Employer's covered employee payroll	\$ 51,146
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	748.65%
Plan fiduciary net position as a percentage of the total pension liability	59.10%

<b>Port of Sunnyside</b> <b>Schedule of Proportionate Share of the Net Pension Liability</b> <b>PERS Plan 2/3</b> <b>As of June 30, 2015</b>	
Employer's proportion of the net pension liability (asset)	<u><b>2015</b></u> 0.008209%
Employer's proportionate share of the net pension liability	\$ 293,312
Employer's covered employee payroll	\$ 757,418
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	38.73%
Plan fiduciary net position as a percentage of the total pension liability	89.20%

**REQUIRED SUPPLEMENTARY INFORMATION**

## State Sponsored Plans - Schedule of Employer Contributions

<b>Port of Sunnyside</b> <b>Schedule of Employer Contributions</b> <b>PERS Plan 1</b> <b>As of December 31, 2015</b> <b>Last Fiscal Year</b>	
	<b><u>2015</u></b>
Statutorily or contractually required contributions	\$ 4,870
Contributions in relation to the statutorily or contractually required contributions	\$ (4,870)
Contribution deficiency (excess)	\$ 0
Covered employer payroll	\$ 47,754
Contributions as a percentage of covered employee payroll	10.20%

<b>Port of Sunnyside</b> <b>Schedule of Employer Contributions</b> <b>PERS Plan 2/3</b> <b>As of December 31, 2015</b> <b>Last Fiscal Year</b>	
	<b><u>2015</u></b>
Statutorily or contractually required contributions	\$ 74,068
Contributions in relation to the statutorily or contractually required contributions	\$ (74,068)
Contribution deficiency (excess)	\$ 0
Covered employer payroll	\$ 732,633
Contributions as a percentage of covered employee payroll	10.11%

Port of Sunnyside

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
<b>OPEB</b>	12/31/2015	\$ -	\$ 860,895	\$ 860,895	0%	\$ 805,491	107%



# STATISTICAL



## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends	57-58
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	59-62
These schedules contain information to help the reader assess the government's tax revenue source.	
Debt Capacity	63-66
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue debt in the future.	
Demographic and Economic Information	67-68
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	69-73
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

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

***PORT OF SUNNYSIDE***
**NET POSITION BY COMPONENTS- LAST 10 YEARS**

December 31, 2015

Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2006	6,605,436	1,259,610	3,281,949	11,146,995
2007	6,797,820	1,332,949	3,043,019	11,173,788
2008	8,094,845	1,635,515	2,228,380	11,958,740
2009	8,020,340	1,706,270	2,638,265	12,364,875
2010	7,251,403	1,720,446	4,260,461	13,232,310
2011	7,493,676	1,154,697	4,956,748	13,605,121
2012	7,193,195	1,127,731	5,656,724	13,977,650
2013	8,510,097	1,122,328	4,322,460	13,954,885
2014	10,570,563	1,122,328	6,219,674	17,912,565
2015	10,820,083	1,231,552	6,382,018	18,433,653

Note: The District is engaged in only business-type activities.

***PORT OF SUNNYSIDE*****CHANGES IN NET POSITION - LAST 10 YEARS**

December 31, 2015

YEAR	OPERATING REVENUE	NON OPERATING REVENUE	OPERATING EXPENSES	NON OPERATING EXPENSES	CHANGE IN NET POSITION
2006	4,169,283	676,589	2,910,747	470,112	1,465,013
2007	3,619,408	748,590	3,867,583	473,623	26,792
2008	3,615,005	1,002,129	3,181,100	651,080	784,954
2009	3,669,739	1,061,157	3,447,651	877,111	406,135
2010	4,275,321	639,028	3,586,461	787,051	540,838
2011	4,200,744	555,573	3,649,954	733,552	372,811
2012	4,222,953	1,168,098	3,647,580	1,370,943	372,528
2013	4,275,119	721,229	3,565,296	701,862	729,190
2014	4,661,862	3,951,569	3,826,605	829,147	3,957,679
2015	5,881,367	866,858	4,388,879	611,333	1,748,012

Note: Changes in Net position are due primarily to wastewater volume increase.

***PORT OF SUNNYSIDE***

**ASSESSED VALUE OF TAXABLE PROPERTY - LAST 10 YEARS**

December 31, 2015

YEAR	ASSESSED VALUATION YAKIMA COUNTY	ASSESSED VALUATION PORT DISTRICT	RATIO OF PORT TO COUNTY ASSESSMENT	PORT LEVY RATE
2006	10,197,814,475	1,060,158,505	10.40%	0.43197431
2007	12,599,607,728	1,131,719,573	8.98%	0.42057960
2008	13,676,652,623	1,227,335,303	8.97%	0.39798237
2009	14,532,869,869	1,270,450,694	8.74%	0.39448035
2010	14,492,460,315	1,258,239,451	8.68%	0.40849760
2011	15,056,805,667	1,291,213,979	8.58%	0.40733287
2012	14,492,460,315	1,239,438,271	8.55%	0.43034834
2013	14,843,676,188	1,251,874,124	8.43%	0.43202504
2014	15,024,702,587	1,278,436,576	8.51%	0.43202172
2015	15,567,727,126	1,337,157,974	8.59%	0.42111750

Source: Yakima County Assessor's Office

Note: Yakima County does not estimate actual value.

The Port of Sunnyside receives funds from property taxes only.

***PORT OF SUNNYSIDE***  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS - LAST 10 YEARS**  
 Per \$1,000 of Assessed Value  
 December 31, 2015

Year	Port of Sunnyside	Yakima County				School District		Cities and Towns	Special Districts		Totals
		County General Fund	Special Revenue Funds	County Debt Service	School District Average	State School Levy	Fire District		Regional Library		
2006	0.432	1.622	2.445	0.072	3.521	2.503	4.364	1.439	0.475	16.873	
2007	0.421	1.578	2.479	0.069	3.653	2.254	4.117	1.359	0.484	16.412	
2008	0.398	1.498	2.419	0.063	3.482	2.027	3.867	1.345	0.462	15.561	
2009	0.394	1.455	2.339	0.052	3.561	1.922	3.791	1.294	0.448	15.256	
2010	0.408	1.494	2.396	0.053	3.725	2.092	3.689	1.315	0.460	15.632	
2011	0.407	1.471	2.166	0.049	3.684	2.209	3.711	1.301	0.453	15.451	
2012	0.430	1.537	2.461	0.047	3.917	2.398	3.807	1.362	0.472	16.432	
2013	0.432	1.749	2.004	-	4.118	2.512	4.151	1.389	0.476	16.831	
2014	0.432	1.765	2.044	-	4.155	2.615	3.986	1.394	0.481	16.872	
2015	0.421	1.700	2.121	-	4.067	2.264	3.687	1.360	0.476	16.096	

Source: Yakima County Assessor's Office  
 Overlapping rates are those of local and county governments that apply to property owners within the Port of Sunnyside. Not all overlapping rates apply to all Port of Sunnyside property owners (ex. Residents of Sunnyside do not pay county taxes and residents of the county do not pay Sunnyside taxes).

***PORT OF SUNNYSIDE***  
**PRINCIPAL PROPERTY TAX PAYERS - LAST 10 YEARS**  
**December 31, 2015**

Taxpayer	Type of Business	2015 Ranking	2015 Assessed Valuation	Percent of Total
Seneca/Independent Foods	Fruit Processor	1	\$ 11,269,300	29.87%
Sunnyside Dairy	Dairy Farm	2	11,024,420	29.22%
Valley Processing	Fruit Processor	3	10,248,300	27.17%
Wal-Mart Real Estate Trust	Retail Store	4	10,215,600	27.08%
Francis Realty Inc.	Retail Mall	5	10,204,200	27.05%
Darigold, Inc.	Cheese Plant	6	9,420,500	24.97%
Green Valley Lodge		7	7,413,100	19.65%
Canam Steel Company	Steel Fabrication	8	7,213,400	19.12%
Zine A & Najiba Badissy		9	6,872,690	18.22%
Gjd LLC	Dairy Farm	10	6,805,740	18.04%
PacifiCorp	Utility - Power			
Sprint Corp LP	Telephone Provider			
Yakima Chief US LLC	Hop Extraction			
Oord Dairy	Dairy Farm			
Van Wingerden, John & Adrienne	Greenhouse			
Total Assessed Valuation of Principal Taxpayers			\$ 37,725,430	100%
Total Assessed Valuation of Yakima County			\$ 15,567,727,126	

Source: Yakima County Assessor

Port of Sunnyside

***PORT OF SUNNYSIDE***

PROPERTY TAX LEVIES AND COLLECTIONS - LAST 10 YEARS

December 31, 2015

Year Ended December 31	Total Tax Levy	Collected within the <u>Fiscal Year of the Levy</u>		Collections in Subsequent Years	<u>Total Collections to Date</u>	
		Amount	% of Levy		Amount	% of Levy
2006	457,961	435,192	95.03%	22,769	457,961	100.00%
2007	475,975	455,265	95.65%	20,710	475,975	100.00%
2008	488,458	462,658	94.72%	25,800	488,458	100.00%
2009	501,168	470,816	93.94%	30,352	501,168	100.00%
2010	513,988	484,774	94.32%	29,097	513,870	99.98%
2011	525,954	503,042	95.64%	22,464	525,507	99.91%
2012	533,390	512,955	96.17%	19,677	532,633	99.86%
2013	540,841	520,062	96.16%	13,673	533,735	98.69%
2014	552,312	534,805	96.83%	11,235	546,040	98.86%
2015	563,101	538,955	95.71%	-	538,955	95.71%

Source: Yakima County Treasurer's Monthly and Annual Reports.



Port of Sunnyside

***PORT OF SUNNYSIDE***

**RATIOS OF OUTSTANDING DEBT BY TYPE - LAST 10 YEARS**

December 31, 2015

Fiscal Year	General Obligation Bonds	Revenue Bonds	Notes Payable	Total Debt	Ratio of Debt to Personal Income	Total Debt Per Capita
2006	85,000	5,380,000	6,007,261	11,472,261	0.19%	49.49
2007	-	4,970,000	6,576,804	11,546,804	0.18%	49.30
2008	1,535,000	9,545,000	5,943,339	17,023,339	0.25%	72.16
2009	1,455,000	9,095,000	5,707,667	16,257,667	0.22%	68.19
2010	1,375,000	8,625,000	5,451,388	15,451,388	0.20%	64.62
2011	1,290,000	8,135,000	4,877,360	14,302,360	0.18%	58.86
2012	1,205,000	7,620,000	4,758,384	13,583,384	0.16%	54.96
2013	1,115,000	7,065,000	3,887,411	12,067,411	0.15%	48.93
2014	1,025,000	6,460,000	6,160,821	13,645,820	0.16%	54.85
2015	930,000	5,820,000	6,052,668	12,802,668	0.14%	51.82

Note: Total Debt includes all long-term liabilities (see Notes to the Financial Section) including Notes payable.

Note: Personal income and population information can be found on the Demographic Statistics schedule in this section.

***PORT OF SUNNYSIDE***

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING - LAST 10 YEARS**

December 31, 2015

Fiscal Year	General Obligation Bonds	% of GO Bonds to Assessed Valuation	GO Bonds Per Capita
2006	85,000	0.01%	0.37
2007	-	0.00%	-
2008	1,535,000	0.13%	6.51
2009	1,455,000	0.11%	6.10
2010	1,375,000	0.11%	5.75
2011	1,290,000	0.10%	5.31
2012	1,205,000	0.10%	4.88
2013	1,115,000	0.09%	4.52
2014	1,025,000	0.08%	4.12
2015	930,000	0.07%	3.76

Note: See the Assessed Value of Taxable Property schedule in this section for property value data.

Note: Population data can be found in the schedule of Demographic and Economic Statistics in this section.

## Port of Sunnyside

### ***PORT OF SUNNYSIDE***

#### **DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

December 31, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Yakima County	\$ 40,386,825	9.71%	\$ 3,923,527
Sunnyside School District	27,095,899	100.00%	27,095,899
City of Sunnyside	7,205,000	100.00%	7,205,000
Fire District #5	-	100.00%	-
Total Direct and Overlapping Debt	\$ 74,687,724		\$ 38,224,426

Sources: Assessed value data used to estimate applicable percentages provided by Yakima County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Port District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Port of Sunnyside. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each government.

The percentage of overlapping debt applicable is estimated using population data. Applicable percentages were estimated by determining the population in each governmental unit and the Port District's population that lies within each of the governmental units boundaries.

**PORT OF SUNNYSIDE**  
 LEGAL DEBT MARGIN INFORMATION - LAST 10 YEARS  
 December 31, 2015  
 (in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Assessed Value	\$1,337,158	\$1,278,437	\$1,251,874	\$1,239,438	\$1,291,214	\$1,258,239	\$1,270,451	\$1,227,335	\$1,131,720	\$1,060,159
Legal limit of 3/4 of 1% of Assessed Value	10,029	9,588	9,389	9,296	9,684	9,437	9,528	9,205	8,488	7,951
GO Bonds	930	1,025	1,115	1,205	1,290	1,375	1,455	1,535	-	85
Other GO Debt	945	781	1,102	1,083	1,389	1,659	1,603	1,791	2,155	1,242
Less Assets	(2,525)	(1,965)	(372)	(283)	(120)	(129)	(544)	(1,019)	(1,147)	(1,280)
Indebtedness Incurred	(650)	(159)	1,845	2,005	2,559	2,905	2,513	2,306	1,009	47
Legal Debt Margin	\$10,029	\$9,588	\$7,544	\$7,291	\$7,125	\$6,532	\$7,015	\$6,899	\$7,479	\$7,904
Margin of Indebtedness available without a vote of the people (1/4 of 1% of Assessed Value)	\$ 3,343	\$ 3,196	\$ 1,285	\$ 1,094	\$ 669	\$ 241	\$ 663	\$ 762	\$ 1,821	\$ 2,604

Source: Assessed Valuation received from Yakima County Assessor's office.

***PORT OF SUNNYSIDE***  
**REVENUE BOND COVERAGE - LAST 10 YEARS**  
 December 31, 2015

Year	Total Operating Revenues	Direct Operating Expenses	*Non- Operating Revenue & Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Bonds		Total	Coverage Ratio
2006	4,169,283	2,148,469	355,788	2,376,601	Principal	Interest	685,160	3.47
2007	3,619,408	3,004,749	382,649	997,308	410,000	276,475	686,475	1.45
2008	3,615,004	2,288,298	578,560	1,905,266	430,000	364,732	794,732	2.40
2009	3,669,739	2,477,075	294,025	1,486,689	450,000	568,548	1,018,548	1.46
2010	4,275,321	2,448,609	368,921	2,195,632	470,000	548,773	1,018,773	2.15
2011	4,200,744	2,482,331	347,721	2,066,134	490,000	526,755	1,016,755	2.03
2012	4,222,954	2,550,233	517,263	2,189,984	515,000	503,240	1,018,240	2.15
2013	4,275,119	2,574,222	534,672	2,235,569	540,000	477,490	1,017,490	2.21
2014	4,661,862	2,798,047	2,136,907	4,000,722	605,000	407,852	1,012,852	3.96
2015	5,881,367	3,360,032	103,762	2,625,097	640,000	371,163	1,011,163	2.61

Note: Details regarding the Port of Sunnyside's outstanding debt can be found in the notes to the financial statements.  
 Total Operating Revenue includes IWWTf Operating Revenue, Property rental operations, and Other Revenue.  
 Direct Operating Expenses does not include depreciation.

\*Non-Operating Rev/Exp includes interest income, interest expense (excluding RO Bonds), tax revenues, and other non operating revenues/expenses (excluding pollution remediation).

# ***PORT OF SUNNYSIDE***

## DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST 10 YEARS

December 31, 2015

Fiscal Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	Average Unemployment Rate
2006	231,800	6,137,368,600	26,477	48,812	7.4%
2007	234,200	6,549,403,000	27,965	48,837	6.3%
2008	235,900	6,728,882,370	28,524	49,673	7.5%
2009	238,400	7,453,576,000	31,265	58,763	9.0%
2010	239,100	7,680,370,200	32,122	50,954	9.8%
2011	243,000	7,961,758,920	32,764	51,234	9.9%
2012	247,141	8,259,385,195	33,420	51,620	9.8%
2013	246,640	8,230,623,440	33,371	52,195	9.2%
2014	248,800	8,629,876,800	34,686	53,204	8.2%
2015	247,044	9,296,265,720	37,630	53,661	7.2%

### Data Sources:

Population data supplied by Washington State Office of Financial Management.

Per Capita Income supplied by Employment Security Department. Note: 2011 - 2012 are estimates based on 2% increase.

School Enrollment Supplied by Educational Service District #105.

Unemployment Rate Supplied by State Unemployment - Labor Market Analysis

***PORT OF SUNNYSIDE***  
**YAKIMA COUNTY PRINCIPAL EMPLOYERS**  
 December 31, 2015

	2015			2006		
	Employees	Rank	Percentage of Total Yakima County	Employees	Rank	Percentage of Total Yakima County Employment
Yakima County Principal Employers						
Yakima Valley Memorial Hospital	2,500	1	2.43%	1,500	1	2.06%
Wal-Mart	1,700	2	1.65%	825	6	1.13%
Yakima County School District #7	1,600	3	1.56%	1,001	2	1.37%
Zirkle Fruit	1,500	4	1.46%			
Washington Fruit & Produce	1,500	5	1.46%			
Borton Fruit	1,212	6	1.18%			
Yakima County	1,074	7	1.05%	1,000	3	1.37%
Monson Fruit	1,023	8	1.00%			
Yakima Farm Workers Clinic	1,006	9	0.98%	-	-	-
Yakima Regional Medical Center	985	10	0.96%	941	4	1.29%
AB Foods/WA Beef				725	7	0.99%
City of Yakima	-	-	-	623	8	0.85%
Sno-kist	-	-	-	851	5	1.17%
Western Recreational Vehicles, Inc.	-	-	-	600	9	0.82%
Yakima Valley College	-	-	-	590	10	0.81%
<b>Total</b>	<b>14,100</b>		<b>13.72%</b>	<b>8,656</b>		<b>11.87%</b>

Source: Yakima County, Washington Profile  
 Prepared by Yakima County Development Association

# Port of Sunnyside

## ***PORT OF SUNNYSIDE***

### FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION - LAST 10 YEARS

December 31, 2015

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
IWWTF*	11.79	12.50	12.60	13.68	12.52	12.66	12.71	12.27	12.57	13.50
Administration	2.00	2.50	2.50	2.50	3.00	3.00	3.00	3.00	2.50	2.50
Total	13.79	15.00	15.10	16.18	15.52	15.66	15.71	15.27	15.07	16.00

\*IWWTF = Industrial Waste Water Treatment Facility

Source: Year end payroll reports

## ***PORT OF SUNNYSIDE***

### IWWTF INDUSTRY RATES - LAST 10 YEARS

DECEMBER 31, 2015

YEAR	OPERATING	BOD	TSS	TKN	SBR-Chloride	SBR-TKN	Capital	Capital SBR-Chloride	Capital SBR-TKN	Capital Dewatering	Anaerobic
2006	1.2270	0.1070	0.0600	0.2400	0.2100	1.0300	0.8062	0.2294	1.1418	NA	NA
2007	1.2940	0.0940	0.0600	0.2300	0.3100	1.5600	0.8033	0.2464	1.2190	NA	NA
2008	1.4230	0.0970	0.1000	0.1000	0.2600	1.5800	0.7418	0.1861	1.1480	NA	NA
2009	1.4010	0.0949	0.1200	0.0797	0.1967	1.0674	0.6079	0.1857	1.0099	0.0526	NA
2010	1.3774	0.1262	0.1237	0.0796	0.1599	0.9157	0.6421	0.1724	0.9928	0.0803	NA
2011	1.4932	0.1367	0.1264	0.0845	0.1630	1.1004	0.6591	0.1465	0.9916	0.0824	NA
2012	1.5320	0.1291	0.1369	0.1027	0.1658	1.5513	NA	0.1097	1.0281	0.0581	0.8805
2013	1.7658	0.1355	0.1339	0.1106	0.1945	1.6201	NA	0.1304	1.0818	0.0646	0.8805
2014	1.6617	0.1476	0.1124	0.1016	0.2482	1.4935	NA	0.1655	0.9874	0.0544	1.0883
2015	1.9003	0.1504	0.1536	0.1103	0.3760	2.1519	NA	0.1393	0.7973	0.0503	1.0164

Operation Rate - Charged per 100 cubic feet of water discharged

BOD Rate - Charged per pound of (BOD) biochemical oxygen demand discharged

TSS Rate - Charged per pound of (TSS) total suspended solids discharged

TKN Rate - Charged per pound of (TKN) total nitrogen discharged

SBR Chloride - Charged per pound of Chloride discharged. Began in 2004.

SBR TKN - Charged per pound of (TKN) total nitrogen discharged. Began in 2004.

Capital Rate - Charged on contracted hydraulic volume monthly. Ended in 2011.

Capital SBR Chloride - Industries are charged a fixed amount in current year based on 5 year average discharge to cover SBR debt. Began in 2004.

Capital SBR TKN Rate - Industries are charged a fixed amount in current year based on 5 year average discharge to cover SBR debt. Began in 2004.

Capital Dewatering - Industries are charged a fixed amount in current year based on BOD from last BOD from prior year. Began in 2009.

Capital Anaerobic - Industries are charged a fixed amount in current year based on contracted capacity. Began in 2012.

**PORT OF SUNNYSIDE**

MAJOR REVENUE SOURCE - IWWTF INDUSTRY CHARGES - LAST 10 YEARS

December 31, 2015

IWWTF INDUSTRY LIS'	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
ADM/LSI	\$ 442	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Centennial Tank	18,885	20,601	20,755	15,579	13,772	14,495	14,915	\$ 18,374	\$ 15,558	\$ 18,556
Cream Wine	-	5,294	5,928	9,275	8,987	1,059	-	\$ -	\$ -	\$ -
Curfman Steel Corp.	1,437	1,436	1,443	1,429	1,464	1,444	1,559	\$ 1,534	\$ 1,325	\$ 1,025
Darigold	2,585,330	2,262,618	2,323,189	2,295,069	2,658,289	2,494,403	2,490,707	\$ 2,493,715	\$ 2,798,424	\$ 4,036,954
DRR Fruit	37,371	29,479	38,758	44,121	41,667	60,644	77,809	\$ 63,996	\$ 81,460	\$ 71,569
G. D. Williams	799	799	799	799	849	849	-	\$ -	\$ -	\$ -
J. M. Eagle	3,482	3,295	2,997	5,036	2,684	2,584	3,198	\$ 3,255	\$ 1,808	\$ 1,433
Johnson Cannery	91,647	89,763	73,762	86,463	105,161	90,328	96,535	\$ 115,619	\$ 118,728	\$ 116,846
Johnson Concentrate	18,770	-	-	-	-	-	-	\$ -	\$ -	\$ -
Johnson Fruit	125,990	152,114	101,418	154,775	163,334	139,897	210,164	\$ 173,539	\$ 213,148	\$ 253,623
Milky Way/LTI	21,125	25,534	32,436	36,662	32,698	32,439	29,159	\$ 33,988	\$ 44,512	\$ 44,091
Seneca/Andrus & Roberts	2,812	2,807	2,834	2,666	2,784	2,743	3,186	\$ 3,036	\$ 1,200	\$ 1,200
Seneca/Independent	367,996	331,334	361,678	403,735	514,258	594,014	622,036	\$ 588,737	\$ 508,780	\$ 447,697
Sun King	4,171	4,171	15,805	-	-	-	-	\$ -	\$ -	\$ -
Tree Top	15,798	15,798	15,848	15,898	15,798	15,873	-	\$ -	\$ -	\$ -
Valley Processing	324,836	261,823	236,013	274,213	294,303	310,175	291,492	\$ 389,757	\$ 444,167	\$ 539,628
Valley U. S. Grape	5,397	5,407	2,771	2,669	2,279	2,189	2,923	\$ 2,539	\$ 1,514	\$ 2,406
Vitis Cellars	-	-	-	-	-	-	-	\$ -	\$ 3,500	\$ -
Washington Hills	15,056	5,741	-	-	-	-	-	\$ -	\$ -	\$ -
Yakima Chief	25,182	10,956	9,841	7,884	9,873	8,046	9,787	\$ 13,318	\$ 4,496	\$ 4,225
TOTAL	\$ 3,666,526	\$ 3,228,970	\$ 3,246,274	\$ 3,356,273	\$ 3,868,199	\$ 3,771,182	\$ 3,853,468	\$ 3,901,406	\$ 4,238,618	\$ 5,539,252

Source: Port's internal records.

Note: Indicators are not available for the Port's general government function.

Note: Darigold accounts for more than 50% of the Port's annual revenue for User/Industry fees.



**PORT OF SUNNYSIDE**  
**CUBIC FEET OF WASTE WATER RECEIVED - LAST 10 YEARS**  
 December 31, 2015

Industry	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
ADM/Sweetener	3,302	0	0	0	0	0	0	0	0	0
Centennial Tank	331,800	335,300	272,800	182,700	131,200	155,400	172,100	246,000	236,989	336,100
Cream Wine*	0	105,968	102,477	213,202	147,858	3,331	0	0	0	0
Curfman Steel	4,160	0	0	0	0	0	0	0	0	0
Darigold	27,872,648	30,466,856	31,612,308	28,176,925	28,573,833	27,555,653	25,814,468	24,922,067	26,711,922	34,762,019
DRR Fruit	639,000	540,800	702,100	953,900	668,030	1,095,794	1,478,852	882,005	1,270,308	1,266,755
J.M. Eagle	141,848	119,503	85,977	50,341	34,605	256	1,088	184	0	39
Johnson Cannery	1,438,700	1,228,132	1,031,000	1,244,924	1,557,219	1,151,000	1,174,364	1,390,407	1,372,860	1,287,001
Johnson Concentrates	41,000	0	0	0	0	0	0	0	0	0
Johnson Food/Storage	1,621,900	1,474,248	887,548	1,556,505	1,747,062	1,663,017	2,145,562	1,760,923	2,073,394	2,203,039
Milky Way/ LTL	541,400	655,190	739,850	773,610	539,038	439,200	460,300	480,100	841,129	823,400
Seneca Foods	6,769,400	5,488,800	5,320,200	4,686,100	5,182,900	5,876,500	6,381,100	6,590,100	5,303,088	5,199,208
Valley Processing	8,278,200	5,870,400	5,323,798	5,821,800	5,336,400	5,073,400	4,261,100	7,039,684	9,307,265	10,891,202
Valley U.S. Grape	31,351	7,889	0	48,292	41,452	8,732	45,764	5,460	0	84,711
Vitis Cellars	0	0	0	0	0	0	0	0	1,538	0
WA Hills/Apex Winery*	213,806	65,096	0	0	0	0	0	0	0	0
Yakima Chief	191,620	114,050	103,900	77,700	130,290	52,560	46,420	103,640	45,830	83,280
TOTAL	48,120,135	46,472,232	46,181,958	43,785,999	44,089,887	43,074,843	41,981,118	43,420,570	47,164,323	56,936,754

Source: Port's internal records.

\*Note: Apex Winery was sold in 2007 and reopened as Cream Wine which has been counted as one industry in various statistics.

Note: Indicators are not available for the Port's general government function.

## Port of Sunnyside

### IWWTF CURRENT INDUSTRY LIST

December 31, 2015

Industry	Type of Business
Centennial Tank	Food grade shipping company
Darigold	Cheese plant
DRR Fruit	IQF fruit plant
J. M. Eagle	Plastic pipe manufacturer
Johnson Cannery	Fruit processing plant
Johnson Fruit	Fruit processing plant
Milky Way/LTI	Food grade shipping company
Seneca/Indepenent	Fruit processing plant
Seneca/Andrus & Roberts	Storage Facility
U. S. Grape (Snipes)	Grape Juice processor
Valley Processing	Fruit processing plant
Yakima Chief	Hop Extraction plant

With regard to capital fee only-A termination fee set forth in Section 5.3.1 of the User Contract provides assurance to prospective bond purchaser that each user would be responsible for its pro-rata share on "indebtedness" even if the user no longer discharged into the system. The termination fee was also implemented to protect other users of the system from having rates increased because another user terminated its contract.

***PORT OF SUNNYSIDE*****CAPITAL ASSET STATISTICS BY FUNCTION - LAST 10 YEARS**

December 31, 2015

IWWTF:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of Industries Served	19	17	17	17	14	13	13	13	13	12
Volume of Waste Water Received	48,120,135	46,472,232	46,181,958	43,785,999	44,089,887	43,074,843	41,981,118	43,420,570	47,164,323	56,936,754
Monthly Daily Average										
(millions of gallons)	1.45	1.45	1.45	1.45	1.45	1.45	1.45	1.45	1.45	2.00

Source: Port's internal records.

Note: Indicators are not available for the Port's general government function.