



**For the Fiscal Year Ended
December 31, 2018
Comprehensive Annual
Financial Report**

Port of Sunnyside
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PORT OF SUNNYSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2018

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INTRODUCTION



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June 28, 2018

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, 2018, 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, 2018, 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 unmodified opinion that the District's financial statements for the fiscal year ended December 31, 2018 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, 2017. This was the 20th 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.

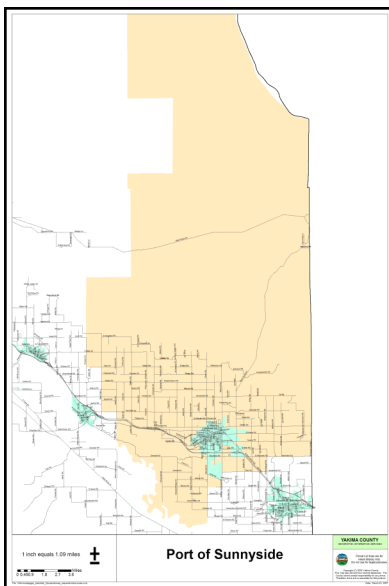
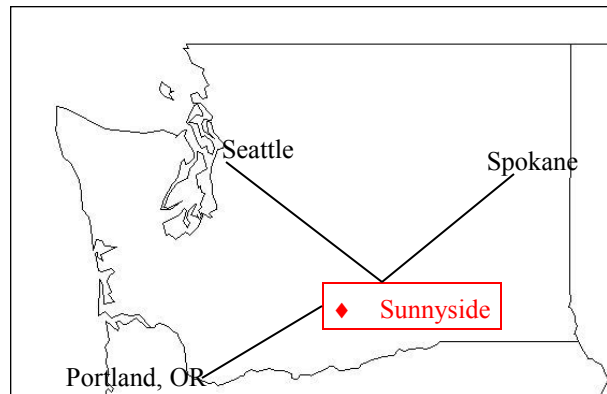
PROFILE OF THE PORT OF SUNNYSIDE-

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's 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 2018, the Port received 66 million cubic feet of water discharged from the Users as compared to 64 million cubic feet in 2017. 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 2018, the discharge volume percentage was as follows:

- Darigold (cheese and whey plant)	70%
- Valley Processing (fruit and juice plant)	13%
- Seneca Foods (fruit and juice plant)	7%

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's 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 440 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 (as ranked by the Puget Sound Business Journal) and has been in business since 1918.

Darigold contributes significantly to 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 approximately \$16.77 million, in addition to the purchase of local agricultural based services and supplies. In turn, Darigold exports about 25% of the cheese produced by the Sunnyside plant and more than 50% of the plant's powdered products.

The plant in Sunnyside is a major cheese production facility, as well as whey powder, whey protein concentrate and non-fat dry milk. It takes in approximately 8.0 million pounds of milk every day — most of it gathered within a 30-mile radius of the plant. The Sunnyside facility will manufacture approximately 199 million pounds of cheese in the co-op's fiscal year 2019, along with 92 million pounds of whey powder and 96 million pounds of milk powders. This is the equivalent of 25 truckloads of cheese and powder being shipped out every day of the year.

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 38 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.

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 2018, they discharged 4.4 million cubic feet of waste water making them the 3rd largest user of our treatment plant.

Yakima Chief Hops (YCH) is a 100% grower-owned supplier of premium hops, providing products and services to brewery customers around the globe. YCH is headquartered in Yakima, with production facilities in Yakima & Sunnyside. The facilities include a state-of-the-art CO2 extract plant, three hop pellet mills, a patent-pending Cryo Hops® plant and a cold storage warehousing capacity of more than 30 million pounds of hops. Yakima Chief Hops has sales offices in Europe and Asia, providing sales and services to 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 2018 . 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.

2018 Project Summary

Economic Development

In 2018 several new professional services opened up shop in Golob Landing, thanks to a property sale to The Eye Center. The Eye Center has served Central Washington from Yakima since 1986 and has recently maintained a presence in Sunnyside. The \$90,000 property purchase will help to expand professional services for four long-time area businesses, Abeyta Nelson, The Eye Center, Sunnyside Optical, and Thompson Audiology.

Ostrom's Mushroom Farms will also be opening its new facility in Sunnyside next year. Ostrom's purchased 43 acres of land off of Midvale and Duffy roads, which will house 48 grow rooms and a compost facility. With the new facility comes 200 full-time, year-round jobs—a huge economic boost for the Sunnyside Community. Ostrom's plans is to be in full operation by fall or winter 2019.

Nutrien, formerly Crop Production Services agreed to purchase 13 acres from the Port property just north of the new Ostrom's facility. Nutrien is the world's largest agricultural inputs company , and has over 20 locations across Eastern Washington. Plans included opening a dry and liquid fertilizer storage and distribution. The Port has also added road and rail access to the property, allowing for delivery via rail car and traditional delivery methods.

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 29th anniversary in 2017. 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.

2018 Neighborhoods

	Number Homes Sold	Average List Price
Yakima	411	\$ 175,054
Lower Valley	230	\$ 175,893
Union Gap	26	\$ 120,123
East Yakima	41	\$ 115,629

Data gathered from Yakima County Development Association

<i>Average Home Prices</i>	Average Home Prices	
	Year	Average Price
	2018	\$ 265,000
	2017	\$ 229,757
	2016	\$ 180,000

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 \$79.5 million in 2016. 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 sweet corn. 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 86,700 jobs in 2018. The private sector added an estimated 69,400 jobs over the year, and the public sector gained an estimated 14,200 jobs. Private sector employment rose 1.06 percent and the public sector employment increased by 1 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 2018 was 6.4% with the year end rate at 6.8%. By comparison, the unemployment rate across Washington was 4.7% at year end. Yakima County jobs by category remained stable during 2018.

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 2017 to 2018.

Comparison of 2017-2018 Annual Average Employment Changes in Yakima County		
MAJOR EMPLOYMENT GROUP OR INDUSTRY	YAKIMA COUNTY 2017	YAKIMA COUNTY 2018
TOTAL NON-FARM	87,600	86,700
TOTAL PRIVATE	69,400	68,600
GOODS PRODUCING	13,100	13,000
NATURAL RESOURCES, MINING & CONSTRUCTION	4,200	4,400
MANUFACTURING	8,900	8,600
NON DURABLE GOODS	5,700	5,400
SERVICES PROVIDING (incl. Goods)	74,500	55,600
WHOLESALE TRADE	4,400	4,300
RETAIL TRADE	11,200	11,300
TRANSPORTATION, WAREHOUSING & UTILITIES	3,600	3,500
PROFESSIONAL AND BUSINESS SERVICES	5,500	4,000
EDUCATION AND HEALTH SERVICES	17,800	18,100
HEALTH SERVICES	16,400	16,600
LEISURE AND HOSPITALITY	8,000	8,300
GOVERNMENT	18,200	18,100
FEDERAL GOVERNMENT	1,200	1,200
TOTAL STATE & LOCAL GOVERNMENT	17,000	16,900

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.

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, 2014, 2015, 2016 and 2017.

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
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Presented to

**Port of Sunnyside
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

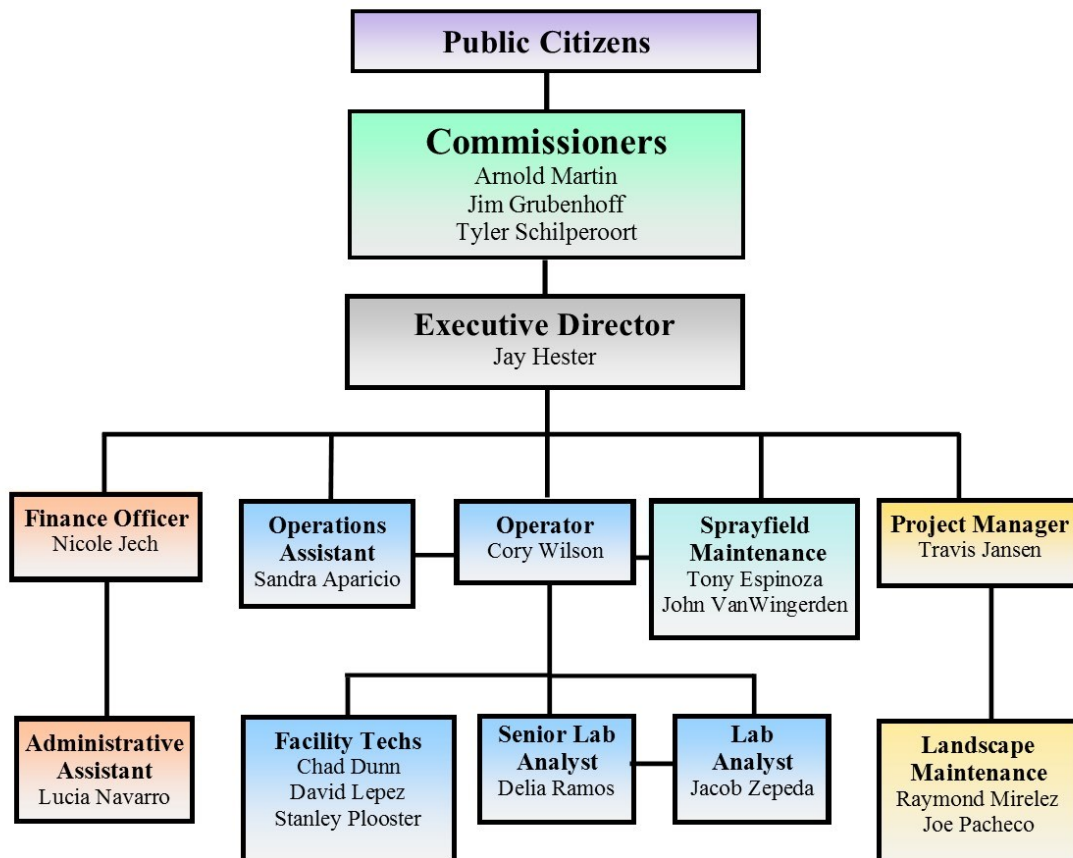
December 31, 2017

Christopher P. Morrell

Executive Director/CEO



PORT of SUNNYSIDE ORGANIZATIONAL CHART



PORT OF SUNNYSIDE BOARD OF COMMISSIONERS - 2018

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

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 home-owner 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



Tyler Schilperoort

Mr. Schilperoort was elected to the Commission in November 2018 and began serving in January 2019. He has spent his career as a mint buyer for a large, multinational corporation and also owns his own farm. As a life long Sunnyside resident he felt that it was time for him to give back to the community by serving as Port commissioner. He believes his experience as a business owner provides him the local perspective needed to take on Port issues. One of Commissioner Schilperoort's main goals is to keep local citizens in town by bringing in more family-wage jobs to the community. To do this, Commissioner Schilperoort believes the Port needs to continue its aggressive

Port of Sunnyside

List of Principal Officials—December 31, 2018



<u>Title</u>	<u>Name</u>
Executive Director/Auditor	Mr. Jay Hester
Finance Officer/Treasurer	Mrs. Nicole Jech
Plant Operator	Mr. Cory Wilson
Property & Project Manager	Mr. Travis Jansen
Sprayfield Manager	Mr. Tony Espinoza

FINANCIAL





**Office of the Washington State Auditor
Pat McCarthy**

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 28, 2019

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, as of and for the year ended December 31, 2018, 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, as of December 31, 2018, 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 discussed in Note 1 to the financial statements, in 2018, the Port adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 and required supplementary information listed in the table of contents 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.

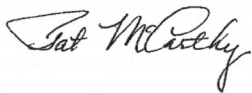
Supplementary and Other Information

Our audit was conducted for the sole purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements as a whole. The Introduction and Statistical Sections are 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, 2019, 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. That report will be issued under separate cover in the Port's Single Audit Report. 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, appearing to read "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy

State Auditor

Olympia, WA

Port of Sunnyside

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, 2018. 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 total assets and deferred outflows of the District exceeded liabilities and deferred inflows, as of December 31, 2018, by \$29,502,987 or 72%. Of this amount, \$12,003,677 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 2018, the District's total combined cash & investment balance was \$12,348,349 which is an increase of \$2,054,679 or 23% from 2017's balance and is 296% of 2018's operating expenses.
- The District's total net position increased \$4,148,272 for 2018. This larger-than-normal increase was due in part to property sales.
- The District's total long-term debt decreased by \$314,363 or 3%.
- The total deferred outflows for the District related to pension were \$58,127 and \$8,266 related to OPEB. The total deferred inflows for the district were \$172,367 related to Pension and \$29,522 related to OPEB. The District's overall pension expense was a decrease of \$54,540.
- The overall financial position improved in 2018. This was due largely in part to several new professional industries opening up shop in Golob Landing Business Park and on Midvale Road; The Eye Center, Nutrien and Ostrom's.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Port of Sunnyside's basic financial statements and give the reader an overall picture of the Port's financial position including such items as revenues and expenses, assets, deferred outflows of resources, liabilities and deferred inflows of resources.

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 72 and 79 in 2016 and GASB 75 in 2018.

Proprietary-type funds are accounted for on an economic resource's 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,

Port of Sunnyside

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.

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 2018 & 2017 to offer the reader a better means of analyzing the District’s condensed statements that follow.

Port of Sunnyside's Net Position

	Business Type Activities	
	2018	2017
Current Assets and Other Assets	13,507,734	11,969,396
Capital Assets, Net Accumulated Depreciation	27,361,512	25,464,569
Total Assets	40,869,245	37,433,965
 Deferred Outflows Related to Pension	 58,127	 77,169
Deferred Outflows Related to OPEB	8,266	-
Total Assets & Deferred Outflows	40,935,639	37,433,965
 Current Liabilities	 2,030,926	 2,216,461
Long Term Liabilities	9,199,836	9,819,738
Total Liabilities	11,230,762	12,036,199
 Deferred Inflows Related to Pension	 172,367	 112,468
Deferred Inflows Related to OPEB	29,522	-
Total Liabilities & Deferred Inflows	11,432,652	12,148,667
 Net Investment in Capital Assets	 17,475,529	 15,540,856
Restricted for payment of Debt	1,231,553	1,231,552
Unrestricted	10,795,905	8,590,059
Total Net Position	\$ 29,502,987	\$ 25,362,467

Port of Sunnyside

Major Factors Affecting the Statement of Net Position - Total net position increased in 2018 by \$4,184,272 which reflects an increase from the overall operation of the Port – due to property sales and wastewater operations from serving our industries. The largest portions of the District’s total assets (67%) 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 (73%) 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 effect on the Statement of Net Position.

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

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

Port of Sunnyside's Changes in Net Position

	Business Type Activities	
	2018	2017
Revenues:		
Operating Revenues:		
IWWTF Operating Revenue	\$ 5,945,259	\$ 5,961,564
Property Rental & Sprayfield Revenue	\$ 316,837	\$ 287,853
Other Operating Revenue	\$ 130,144	\$ 170,528
Total Operating Revenues	6,392,240	6,419,946
Non-Operating Revenues:		
Gain on disposition of Assets	1,651,917	741,641
Interest Income	200,510	80,625
Tax Levy Income	598,236	585,810
Other Non-Operating Revenues	-	-
Total Non-Operating Revenues	2,450,663	1,408,076
Total Revenues	8,842,902	7,828,021
Expenses:		
IWWTF Operating Expenses	2,620,069	2,908,528
General & Admin Operating Expenses	439,369	464,534
Depreciation	1,119,673	1,040,227
Non Operating:		
Loss on disposition of assets	137,949	
Interest Expenses	346,679	390,099
Other Non Operating Expenses	42,873	7,484
Total Expenses	4,706,611	4,810,873
Income Before Capital Contribution-Grant	4,136,291	3,017,148
Capital Contribution-Grants	47,983	1,207,927
Increase in Net Position	4,184,272	4,225,076
Net Position - January 1	25,362,467	21,137,391
Prior Period Adjustments	-	-
Change in Accounting Principal Adjustment	(43,753)	-
Net Position - December 31	\$ 29,502,987	\$ 25,362,467

Port of Sunnyside

Analysis of the Schedule of Changes in Net Position – The increase in net position was \$4,184,272 as compared with \$4,225,076 in 2017. The Port is organized to aggressively enhance the local economy by providing new and expanding business access to industrial infrastructure and funding assistance.

The majority of revenues received by the District (80%) 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.

Capital Assets

As of year-end 2018, the District had capital assets valued at \$27,361,512 as reflected in the following schedule:

Capital Assets at Year-end
(Net of Depreciation)

	Business Type Activities	
	2018	2017
<u>Capital Assets not being depreciated</u>		
Land	\$ 4,025,289	\$ 3,490,621
Construction In Progress	1,127,134	2,992,089
<u>Capital Assets being depreciated</u>		
Buildings	28,041,775	24,993,160
Improvements other than Buildings	3,883,332	3,378,448
Machinery and Equipment	7,502,855	7,116,356
Accumulated Depreciation	(17,218,873)	(16,506,105)
Total Capital Assets	\$ 27,361,512	\$ 25,464,569

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

Change in Capital Assets

	Business Type Activities	
	2018	2017
Beginning Balance, January 1	\$ 25,464,569	\$ 23,902,496
Net Change	3,016,616	2,602,300
Depreciation	(1,119,673)	(1,040,227)
Ending Balance, December 31	\$ 27,361,512	\$ 25,464,569

Analysis of changes in Capital Assets - For year 2018 capital assets increased by \$1,896,943. This was due largely in part to property purchases that occurred in 2018.

Debt Service

At the end of 2018, the District had total debt of \$9,885,983 relating to G.O. Bonds, Revenue Bonds, Notes and Contracts outstanding which was a \$314,362 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

	2018	2017
G O Bonds	\$ 615,000	\$ 725,000
Revenue Bonds	3,525,000	4,365,000
Notes & Contracts Payable	5,745,983	5,110,345
Total	\$ 9,885,983	\$ 10,200,345

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

Port of Sunnyside

Yakima County, Washington

Statement of Net Position

December 31, 2018

page 1 of 2

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents (Note 1-C.1)	\$	10,921,495
Restricted Assets:		
Cash and Cash Equivalents (Note 1-C.4)		1,426,854
Accounts Receivable (Note 1-C.3)		510,745
Taxes Receivable (Note 1-C.3 & Note 3)		29,478
Other Receivables (Note 1-C.3)		40,040
Prepayments (Note 1-C.7)		58,488
<i>Total Current Assets</i>		12,987,101

NON-CURRENT ASSETS:

Restricted Assets:		
Investments (Note 1-C.4)		-
Interest Receivable on Investments (Note 1-C.4)		2,555
Total Non-current Restricted Assets		2,555

Capital Assets: (Note 4)

Capital Assets Not Being Depreciated:

Land	4,025,289
Construction In Progress	1,127,134

Capital Assets Being Depreciated:

Improvements to Land	3,883,332
Buildings and Structures	28,041,775
Equipment	7,502,855

Less: Accumulated Depreciation	(17,218,873)
Total Net Capital Assets	27,361,512

Other Non-current Assets

Other Debits (Note 1-C.7)	518,077
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<i>Total Non-Current Assets</i>	27,882,144
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<i>TOTAL ASSETS</i>	\$ 40,869,245
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources Related to Pensions (Note 5)	58,127
Deferred Outflows of Resources Related to OPEB (Note 10)	8,266

<i>TOTAL ASSETS AND DEFERRED OUTFLOWS</i>	\$ 40,935,639
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SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

(cont. on page 2)

Port of Sunnyside

Yakima County, Washington

Statement of Net Position

December 31, 2018

page 2 of 2

LIABILITIES***CURRENT LIABILITIES:***

Accounts Payable (Note 1-C.10)	233,127
Accrued Interest Payable (Note 1-C.10)	99,274
Bonds, Notes/Contracts Payable (Note 7)	1,676,765
Compensated Absences (Note 1-C.8)	20,660
Other Current Liabilities (Note 1-C.10)	1,100
<i>Total Current Liabilities</i>	2,030,926

NON-CURRENT LIABILITIES:

General Obligation Bonds (Note 7)	505,000
Revenue Bonds (Note 7)	2,620,000
Notes/Contracts Payable (Note 7)	5,084,218
OPEB Liability (Note 10)	638,376
Net Pension Liability (Note 5)	352,242
<i>Total Non-Current Liabilities</i>	9,199,836

TOTAL LIABILITIES**\$ 11,230,762*****DEFERRED INFLOWS OF RESOURCES***

Deferred Inflows Related to Pensions	172,367
Deferred Inflows Related to OPEB	29,522

TOTAL LIABILITIES AND DEFERRED INFLOWS**\$ 11,432,652*****NET POSITION:***

Net Investment in Capital Assets	17,475,529
Restricted, for Payment of Debt (Note 8)	1,231,553
Unrestricted	10,795,905
<i>TOTAL NET POSITION</i>	29,502,987

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, 2018

OPERATING REVENUES:

Industrial Waste Water Treatment Facility Operations	\$ 5,945,259
Property Rentals & Sprayfield Operations	316,837
Other Revenue	130,144

Total Operating Revenues 6,392,240

OPERATING EXPENSES:

Industrial Waste Water Treatment Facility Operations	2,620,069
General & Administrative	439,369
Depreciation	1,119,673

Total Operating Expenses 4,179,111

Operating Income (Loss) 2,213,128

NON-OPERATING REVENUES (EXPENSES):

Investment Income	200,510
Taxes Levied For:	
General purposes	324,173
Debt service principal/interest	274,062
Gain on disposition of assets	1,651,917
Loss on disposition of assets	(137,949)
Interest expense - General Obligation	(56,088)
Interest expense - Revenue Obligation	(290,591)
Other nonoperating revenues	-
Other nonoperating expenses	(42,873)

Total Non-Operating Revenues (Expenses) 1,923,161

Increase in Net Position before Capital Contributions 4,136,289

Capital Contributions 47,983

Increase in Net Position 4,184,272

NET POSITION - beginning of period 25,362,467

Prior Period Adjustment	-
Change in Accounting Principal Adjustment	(43,753)

NET POSITION - end of period \$ 29,502,987

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 6,913,414
Payments to suppliers	(2,374,305)
Payments to employees	(1,078,043)
Other receipts (payments)	-

Net cash provided by operating activities 3,461,066

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts of property taxes from Yakima County	324,762
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Net cash provided by non-capital financing activities 324,762

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Receipt of property taxes from Yakima County	273,262
Proceeds from capital debt	-
Purchases of capital assets	(3,016,616)
Capital contributions	47,983
Sale of capital assets	1,513,967
Principal paid on capital debt	(314,363)
Interest paid on capital debt	(340,918)

Net cash provided (used) by capital and related financing activities (1,836,685)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and dividends	1,094,123
<i>Net cash provided by investing activities</i>	1,094,123

Net increase (decrease) in cash and cash equivalents 3,043,267

Balances - beginning of the year 9,348,736

Balances - end of the year \$ 12,392,003

(cont. on page 2)

Port of Sunnyside

Port of Sunnyside

Yakima County, Washington

Statement of Cash Flows

For the year ended December 31, 2017

page 2 of 2

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

<i>Operating income (loss)</i>	\$ 2,213,128
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,119,673
Change in assets and liabilities:	
Receivables, net	564,047
Other payables	(582,016)
Accrued expenses	146,233
	<hr/>
<i>Net cash provided by operating activities</i>	\$ 3,461,066

RECONCILIATION OF CASH & CASH EQUIVALENTS

US Bank accounts	\$ 1,152,950
LGIP	9,768,545
Restricted Cash	<u>1,426,854</u>
TOTAL	\$ 12,348,349

NONCASH ADJUSTMENTS

Improvements to Land	\$ -
Accumulated Depreciation	(1,119,673)
Deferred Outflow	(10,776)
OPEB	(97,779)
Net Pension Liability	219,093
Deferred Inflow	(89,422)
Pension Expense	(118,896)
Depreciation Expense	1,119,673
General Administration Expense	<u>54,026</u>
	\$ (43,753)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**Port of Sunnyside
Notes to Financial Statements
December 31, 2018**

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.

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.

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

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, 2018, the treasurer was holding \$12,350,905 in cash and short-term investments of surplus cash - including \$11,097,496 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 2018 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**

The Port of Sunnyside measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles. (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 \$1,231,553

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). The Government Finance Officers Association's (GFOA) Recommended Practices is used as a guide in estimating useful life. By category, the useful lives are as follows: Buildings & Structures – 2 to 50 years, Improvements other than buildings – 10 to 30 years and Machinery & equipment – 2 to 40 years. The Building and Structures classification includes rail spurs, piping and lagoons.

Cost for additions or improvements to capital assets are capitalized when they increase the effectiveness or 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 2018 for 2019 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.

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9. Pensions

For purposes of measuring the net pension liability, deferred 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 12/31/18.

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

12. Other Post-Employment Benefits – The Port implemented GASB 75 in 2018 resulting in a change in accounting principal in the amount of \$43,753.

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

The Port of Sunnyside measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2018, the Port of Sunnyside held the following investments measured at fair value:

Investment	Maturities	Principal	Interest	YE Balance
Local Govt. Investment Pool	*N/A	\$ 10,859,602	\$ 185,075	\$ 11,097,496
TOTAL		\$ 10,859,602	\$ 185,075	\$ 11,097,496

*There is no maturity date for funds invested in LGIP. Funds may be deposited for any length of time

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

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. Funds invested in LGIP are reported as cash equivalent on the Financial Statements as funds are highly liquid.

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 2018 was \$ 0.39717836 per \$1,000 on an assessed valuation of \$1,513,049,820 for a total regular levy of \$600,951 less adjustments of \$2,715 for a grand total of \$598,025. In 2017, the regular levy was \$588,229.

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 acquisition 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.

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 & Structures – 2 to 50 years, Improvements other than Buildings & Structures– 10 to 30 years and Machinery & Equipment – 2 to 40 years. The Building and Structures classification includes rail spurs, piping and lagoons.

Port of Sunnyside

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION (cont.)

B. Capital assets activity for the year ended December 31, 2018 was as follows:

	Beginning Balance 1/1/18	Increases	Decreases	Ending Balance 12/31/18
Capital Assets, not being depreciated:				
Land	\$ 3,490,621	\$ 633,970	\$ 99,302	\$ 4,025,289
Construction In Progress	2,992,089	1,127,134	2,992,089	\$ 1,127,134
Total Capital Assets, not being depreciated	6,482,710	1,761,104	3,091,392	5,152,423
Capital Assets, being depreciated:				
Buildings & Structures	24,993,160	3,477,216	428,602	\$ 28,041,775
Improvements other than buildings	3,378,448	547,672	42,788	\$ 3,883,332
Machinery & Equipment	7,116,356	483,745	97,245	\$ 7,502,855
Total Capital Assets, being depreciated	35,487,964	4,508,633	568,635	39,427,962
Less Accumulated Depreciation for:				
Buildings & Structures	(10,712,357)	(702,834)	305,234	\$ (11,109,956)
Improvements other than buildings	(1,770,267)	(140,805)	6,912	\$ (1,904,160)
Machinery & Equipment	(4,023,481)	(276,035)	94,760	\$ (4,204,756)
Total Accumulated Depreciation	(16,506,105)	(1,119,673)	406,905	(17,218,873)
Total Capital Assets, being depreciated, net	\$ 18,981,859	\$ 3,388,960	\$ 161,730	\$ 22,209,089
Total Capital Assets	25,464,569.25	5,150,064.53	3,253,121.85	27,361,511.93

C. Construction Commitments

The Port of Sunnyside has 7 active construction projects as of December 31, 2018.

As of December 31, 2018, the Port is wrapping up construction on a rail-spur that will serve a new company to the area, Nutrien, continuing work and our wastewater plant expansion. These projects total \$845,419 and \$119,247 respectively. There is work being done to improve the land out on E. Edison with project costs totaling \$10,563 as well as developing the areas for a new home to the Eye Center in Golob Landing and Ostrom Mushroom Farm out on Midvale road with these costs totaling \$85,886. There are also two on-going projects at the IWWTF for upgrades totaling \$66,019.

D. Capitalized Interest

The Port of Sunnyside had no interest costs capitalized as of December 31, 2018. Interest expense for the year was \$346,679.

NOTE 5 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2018:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (352,242)
Pension assets	\$ -
Deferred outflows of resources	\$ 58,127
Deferred inflows of resources	\$ (172,367)
Pension expense/expenditures	\$ (54,540)

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.

NOTE 5 - PENSION PLANS (cont.)

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.

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 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%
September – December 2018		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

NOTE 5 - PENSION PLANS (cont.)

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.

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 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%
September – December 2018		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%

NOTE 5 - PENSION PLANS (cont.)

* For employees participating in JBM, the contribution rate was 18.45% to 18.53%.

The Port of Sunnyside's actual PERS plan contributions were \$16,450 to PERS Plan 1 and \$24,252 to PERS Plan 2/3 for the year ended December 31, 2018.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. 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* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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 changes in methods and assumptions since the last valuation.

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 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 7.4 percent was used to determine the total liability.

NOTE 5 - PENSION PLANS (cont.)**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

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, 2018, 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	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the Port of Sunnyside's proportionate share* of the net pension liability calculated using the discount rate of 7.4 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 291,164	\$ 236,923	\$ 189,940
PERS 2/3	527,470	115,319	(222,599)

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, 2018, the Port of Sunnyside reported a total pension liability of \$ (352,242) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ (236,923)
PERS 2/3	(115,319)

NOTE 5 - PENSION PLANS (cont.)

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.006644%	0.005305%	-0.001339%
PERS 2/3	0.007370	0.006754	-0.000616

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations* for all plans except LEOFF I.

Pension Expense

For the year ended December 31, 2018, the Port of Sunnyside recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (45,875)
PERS 2/3	(8,665)
TOTAL	(54,540)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the Port of Sunnyside reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (9,415)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 16,450	\$ -
TOTAL	\$ 16,450	\$ (9,415)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,135	\$ (20,190)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (70,765)
Changes of assumptions	\$ 1,349	\$ (32,819)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 1,941	\$ (39,178)
Contributions subsequent to the measurement date	\$ 24,252	\$ -
TOTAL	\$ 41,677	\$ (162,952)

NOTE 5 - PENSION PLANS (cont.)

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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2019	\$ 412
2020	\$ (2,058)
2021	\$ (6,176)
2022	\$ (1,593)
2023	\$ -
Thereafter	\$ -
TOTAL	\$ (9,415)

Year ended December 31:	PERS 2/3
2019	\$ (19,631)
2020	\$ (30,086)
2021	\$ (48,913)
2022	\$ (21,639)
2023	\$ (11,536)
Thereafter	\$ (13,722)
TOTAL	\$ (145,527)

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 \$23,280,107 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 coverages of insurance policies purchased by the Port in 2018. 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

Port of Sunnyside

NOTE 7 - LONG TERM DEBT (cont.)

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	\$ 110,000

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

Year Ending December 31	Principal	Interest
2019	110,000	28,905
2020	115,000	23,735
2021	125,000	18,330
2022	130,000	12,455
2023	135,000	6,345
2024	-	-
Total	\$ 615,000	\$ 89,770

The revenue bonds currently outstanding are as follows:

	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2013 Refi Wastewater Plant Improvements	2014-2023	4.38%	\$ 2,750,000	\$ 280,000
2008 De-Watering Facility	2009-2021	4.00-6.70%	\$ 5,000,000	\$ 625,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2019	905,000	199,331
2020	960,000	145,675
2021	1,015,000	88,600
2022	315,000	28,219
2023	330,000	14,438
2024	-	-
Total	\$ 3,525,000	\$ 476,264

The contracts payable outstanding are as follows:

Contracts Payable						
Description	Original Loan	Maturity Date	Interest Rate	Loan Balance 1/1/18	Loan Balance 12/31/18	Current Portion
SIED Loan - Nutrien Rails spur	251,686	6/1/2028	3.560%	251,686	251,686	21,766
SIED Loan - Bleyhl	137,500	6/1/2019	2.440%	29,868	15,114	15,114
SIED Loan - Bleyhl 2nd Spur	206,550	6/1/2023	2.440%	69,062	58,234	11,092
SIED Loan- Anaerobic Digester	1,000,000	6/1/2025	2.500%	765,921	678,372	89,773
SIED Loan - Water Works Bldg	260,000	7/23/2021	2.440%	175,528	133,220	43,340
DOE Loan - SBR	3,448,655	5/10/2025	1.500%	1,440,264	1,257,455	185,570
CERB 2 - SBR	500,000	1/1/2025	0.000%	200,000	175,000	25,000
CERB - East Edison	513,600	1/1/2029	0.000%	342,400	313,867	28,533
CERB - Funny Farm Bldg	400,000	1/31/2038	1.500%	-	400,000	17,298
CERB - Rail Spur	275,000	7/1/2020	0.000%	82,500	55,000	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%	562,500	479,167	83,333
USDA - Anaerobic Digester \$300k	300,000	7/1/2024	0.000%	225,000	191,667	33,333
Benton REA - Anaerobic Digester	60,000	9/1/2024	3.250%	46,601	40,324	6,484
TRUS-WAY Loan	500,000	11/25/2028	4.000%	-	496,877	41,664
INTERFUND Loan	350,000	12/14/2028	2.000%	-	350,000	31,964
Total	\$ 9,802,991			\$ 5,041,330	\$ 5,745,983	\$ 661,766

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
2019	661,765	162,461
2020	750,668	65,958
2021	733,403	56,096
2022	697,307	46,088
2023-2027	2,394,602	106,198
2028-2038	508,237	24,475
Total	\$ 5,745,982	\$ 461,275

At December 31, 2018, the Port of Sunnyside has \$31,200 available in debt service funds to service the general obligation debt. Restricted assets contain \$1,234,047 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. 18% of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,001,263. Principal and interest paid for these bonds for the current year and total Industrial Wastewater Treatment Facility revenue were \$1,088,906, and \$5,945,259 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, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/18	Additions	Reductions	Ending Balance 12/31/18	Due Within One Year
Bonds Payable:					
GO Bonds	\$ 725,000	\$ -	\$ 110,000	\$ 615,000	\$ 110,000
Revenue Bonds	4,365,000	-	840,000	3,525,000	905,000
Total Bonds Payable	5,090,000	-	950,000	4,140,000	1,015,000
Notes & Contracts Payable	5,041,330	1,098,563	393,910	5,745,983	661,766
Pension	571,335	-	219,093	352,242	-
OPEB obligations	584,350	-	-	638,376	-
Compensated Absences	20,926	47,611	47,877	20,660	20,660
Total Long-Term Liabilities	\$ 11,307,941	\$ 1,146,174	\$ 1,610,880	\$ 10,897,261	\$ 1,697,426

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 – DEFINED BENEFIT OTHER POSTEMPLOYMENT
BENEFIT (OPEB) PLANS**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2018:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$ 638,376
OPEB assets	\$ -
Deferred outflows of resources	\$ 8,266
Deferred inflows of resources	\$ (29,522)
OPEB expenses/expenditures	\$ 47,890

**NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT
BENEFIT (OPEB) PLANS (cont.)**

OPEB Plan Description

Eligible retirees and spouses are entitled to subsidies associated with postemployment medical benefits provided through the Public Employees Benefits Board (PEBB). The PEBB was created within the Washington State Health Care Authority to administer medical, dental, and life insurance plans for public employees and retirees.

The subsidies provided by PEBB and valued in this report include the following:

- Explicit medical subsidy for post-65 retirees and spouses
- Implicit medical subsidy
- Implicit dental subsidy

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of \$150 or 50% of the monthly premiums. As of January 1, 2019, the subsidy will be increased by \$168 per month. The retirees and spouses currently pay the premium minus \$150 when the premium is over \$300 per month and pay half the premium when the premium is lower than \$300.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

GASB 75 requires the projection total cost of benefit payments to be based on claims costs or age-adjusted premiums approximating claims costs. The projection of retiree premiums is based on current amounts for the retirees' share of the premium, projected with the medical trend assumption. Also included, are the implicit subsidies for dental coverage.

We do not include any subsidies for life insurance benefits. It is our understanding that the subsidized life insurance benefit was removed January 1, 2017 and replaced with a benefit coverage that is fully paid by the retiree.

Employees covered by benefit terms: At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Active employees	13
Total	18

Port of Sunnyside

**NOTE 10 – DEFINED BENEFIT OTHER
POSTEMPLOYMENT
BENEFIT (OPEB) PLANS
(cont.)**

The following presents the total OPEB liability of the Port of Sunnyside calculated using the discount rate of 3.87%, as well as what the OPEB liability would be if it were calculated using a

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Total June 30, 2018 OPEB liability	\$763,290	\$638,376	\$540,593

The following presents the total OPEB liability of the Port of Sunnyside calculated using the current healthcare cost trend rates, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current Trend Rates	1% Increase
Total June 30, 2018 OPEB liability	\$531,728	\$638,376	\$779,227

Changes in the Total OPEB Liability

Changes in Total OPEB Liability	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2017	\$636,199
Changes for the year:	
Service cost	27,957
Interest on total OPEB liability	23,490
Effect of plan changes	0
Effect of economic/demographic gains or losses	0
Effect of assumptions changes or inputs	(33,079)
Expected benefit payments	(16,191)
Balance as of June 30, 2018	638,376

Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is July 1, 2018. This is the date as of which the census data is gathered and the actuarial valuation is performed. The Measurement Date is June 30, 2018. This is the date as of which the total OPEB liability is determined. Note that GASB 75 allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The Reporting Date is December 31, 2018. This is the employer's fiscal year ending date.

The total OPEB liability is also reported as of the beginning of the measurement period. As permitted by GASB 75, in this transition year, this calculation is based on a roll backward of the actuarial valuation results, with an adjustment made to the discount rate.

Significant Changes

There have been no significant changes between the valuation date and fiscal year ends. If there were significant changes, an additional analysis or valuation might be required.

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As of the June 30, 2018 Measurement Date, the deferred inflows and outflows of resources follow.

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$0	\$0
Changes of assumptions or inputs	(29,522)	0
Contributions made subsequent to the measurement date	<u>N/A</u>	<u>8,266</u>
Total	(\$29,522)	\$8,266

Contributions made subsequent to the measurement date are expected benefit payments in the half-year between the measurement date and the reporting date. Per paragraph 159 of GASB 75, deferred outflows of resources should be reported for benefits that come due subsequent to the measurement date, but prior to the reporting date. Per GASB's illustrations, these amounts should not be reported in the schedule below or the schedule on the following page.

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense below. Note that additional future deferred inflows and outflows of resources may impact these numbers.

Measurement Period Ending June 30:	
2019	(\$3,557)
2020	(3,557)
2021	(3,557)
2022	(3,557)
2023	(3,557)
Thereafter	(11,737)

Health Cost Trend

The health cost trend assumptions used in this valuation were developed by Milliman for use in the July 1, 2018 OPEB valuation for the PEBB Program, performed by the Office of the State Actuary. These assumptions are displayed below, and are assumed for both current and future retirees.

Year Ending	Pre-65 Claims and Contributions	Post-65 Claims	Post-65 Contributions
6/30/2019	6.80%	3.60%	2.80%
6/30/2020	6.30%	7.60%	12.50%
6/30/2021	6.10%	7.60%	11.90%
6/30/2022	5.30%	5.20%	6.60%
6/30/2025	5.50%	5.30%	5.50%
6/30/2035	6.30%	5.40%	5.50%
6/30/2045	6.00%	5.60%	5.70%
6/30/2055	5.60%	5.80%	5.90%
6/30/2065	5.40%	5.50%	5.50%
6/30/2075	4.60%	4.70%	4.70%
6/30/2085	4.50%	4.60%	4.60%
6/30/2095+	4.50%	4.70%	4.70%

Note that the 2019 trend refers to the amount by which July 1, 2019 - June 30, 2020 medical costs are anticipated to exceed July 1, 2018 - June 30, 2019 medical costs. After 2022, selected years are shown in the table. In general, medical trend rates for the years not shown grade into the next value shown in the table. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase.

The trend assumptions are used to project medical claims costs. For the non-Medicare group, the same trends are used to project medical contributions. For the Medicare group, we adjusted the post-65 contribution trend to account for the aging of the Medicare population by 1 year every 5 years. We also adjusted the post-65 contribution trend in the first four years to account for the set explicit Medicare subsidy in Calendar Year (CY) 2018 - CY 2022. In CY 2018, the Medicare subsidy amount was \$150. In CY 2019, the Medicare subsidy amount is \$168. The Medicare subsidy amount is assumed to remain at \$168 through CY 2022, after which it is assumed to increase with trend.

Dental Cost Trend

1.10% for the year ending June 30, 2019, 2.00% for the year ending June 30, 2020, 2.00% for the year ending June 30, 2021, 2.50% for the year ending June 30, 2022, 3.50% for the year ending June 30, 2023, and 4.0% per year thereafter.

Rationale: Medical and Dental Cost Trends are based on Milliman's trend models and Milliman's dental *Health Cost Guidelines*, and are consistent with assumptions used by the Office of the State Actuary for PEBB.

**NOTE 10 – DEFINED BENEFIT OTHER
POSTEMPLOYMENT**

BENEFIT (OPEB) PLANS (cont.)

Salary Assumptions

Even though the benefits are not based upon pay, salary assumptions are necessary for the actuarial cost method. These assumptions are for promotion and longevity and reflect the assumptions used in the 2017 actuarial valuation for Washington State Public Employees Retirement System (PERS). After review, we believe these assumptions are reasonable individually and in aggregate. Note that the total salary growth includes both general wage growth in addition to the promotion and longevity components listed below.

Projected Annual Merit and Longevity Increases

Years of Service	PERS
	Total Annual Increase
0	6.00%
1	6.00%
2	4.70%
3	3.60%
4	2.90%
5	2.20%
6	1.50%
7	1.20%
8	0.90%
9	0.70%
10	0.50%
11	0.40%
12	0.30%
13	0.30%
14	0.20%
15	0.20%
16	0.20%
17	0.10%
18	0.00%
19	0.00%
20	0.00%
21	0.00%
22	0.00%
23	0.00%
24	0.00%
25	0.00%
26+	0.00%

Projected Payroll Increases 3.50% = 0.75% real wage growth above inflation. The individual's salary growth is used for use in the actuarial cost method and includes both the 3.50% general wage growth and the merit and longevity increases above.

Demographic Assumptions

Demographic assumptions regarding retirement, mortality, disability mortality, turnover, and marriage are based on assumptions used in the 2017 actuarial valuation for the Washington State retirement systems, and modified for Port of Sunnyside. After review, we believe these are reasonable individually and in aggregate.

The following pages include a summary of the assumed rates for service retirement and death at various ages, as well as other terminations shown by years of service.

The assumed rates of disability under PERS Plans 2 and 3 from the 2017 actuarial valuation are less than 0.1% for ages 50 and below and continue to be low after that. We have assumed a 0% disability rate for all ages for those plans.

For service retirement, we used the assumptions for PERS Plans 2 and 3 from the 2017 actuarial valuation for Washington State retirement systems. The service requirements for these plans vary based on hire date and years of service

For mortality, we used the assumptions from the 2017 actuarial valuation for Washington State retirement systems, adjusted for Port of Sunnyside. For all healthy members, we used the RP-2000 base mortality table, adjusted by -1 year for both males and females, with generational mortality adjustments using projection scale BB. For disabled retirees across all plans, we used the RP-2000 Disabled Retiree mortality table with generational mortality adjustments using projection scale BB.

For other termination of employment, we used the assumptions by plan from the 2017 actuarial valuation for Washington State retirement systems.

NOTE 11– LEASESOperating Leases

The Port of Sunnyside leases the office building and other equipment under non-cancelable operating leases. Total cost for such leases was \$230,105 for the year ended December 31, 2018. The future minimum lease payments for these leases are as follows:

Office Building and Other Rentals

Year Ending December 31	Amount
2018	\$ 195,176
2019	\$ 214,458
2020	\$ 214,458
2021	\$ 214,458
2022	\$ 214,458
2023-2027	\$ 1,072,290

Land Rentals

Year Ending December 31	Amount
2018	\$ 34,929
2019	\$ 63,538
2020	\$ 63,538
2021	\$ 63,538
2022	\$ 63,538
2023-2027	\$ 317,690

NOTE 12– SUBSEQUENT EVENT DISCLOSURE

The Port purchased 18.5 additional acres of land to expand the existing Golob Landing Park for \$30,000 an acre in November of 2018. A portion of this property is currently being leased in 2019 as farmland until further development of the Business Park is completed.

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Port of Sunnyside

REQUIRED SUPPLEMENTARY INFORMATION

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

*Pension schedules are intended to show information for ten years;
additional years will be displayed as they become available.

Port of Sunnyside Schedule of Proportionate Share of the Net Pension Liability PERS Plan 1 As of June 30				
Employer's proportion of the net pension liability (asset)	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	0.005305%	0.006644%	0.006985%	0.007320%
Employer's proportionate share of the net pension liability	\$ 236,923	\$ 315,263	\$ 375,127	\$ 382,904
Covered Payroll	\$ 666,284	\$ 764,469	\$ 773,677	\$ 808,563
Employer's proportionate share of the net pension liability as a percentage of covered payroll	35.56%	41.24%	48.49%	47.36%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%

Port of Sunnyside Schedule of Proportionate Share of the Net Pension Liability PERS Plan 2/3 As of June 30				
Employer's proportion of the net pension liability (asset)	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	0.006754%	0.007370%	0.007755%	0.008209%
Employer's proportionate share of the net pension liability	\$ 115,319	\$ 256,072	\$ 390,458	\$ 293,312
Covered Payroll	\$ 666,077	\$ 714,611	\$ 725,062	\$ 757,418
Employer's proportionate share of the net pension liability as a percentage of covered payroll	17.31%	35.83%	53.85%	38.73%
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%

Port of Sunnyside

REQUIRED SUPPLEMENTARY INFORMATION

State Sponsored Plans - Schedule of Employer Contributions

*Pension schedules are intended to show information for ten years;
additional years will be displayed as they become available.

Port of Sunnyside Schedule of Employer Contributions PERS Plan 1 As of December 31 Last Fiscal Year				
	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 34,493	\$ 37,383	\$ 38,199	\$ 39,446
Contributions in relation to the statutorily or contractually required contributions	\$ (34,493)	\$ (37,383)	\$ (38,199)	\$ (39,446)
Contribution deficiency (excess)	0	0	0	0
Covered Payroll	\$681,662	\$ 732,304	\$ 761,277	\$ 773,356
Contributions as a percentage of covered employee payroll	5.06%	5.10%	5.02%	5.10%

Port of Sunnyside Schedule of Employer Contributions PERS Plan 2/3 As of December 31 Last Fiscal Year				
	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 51,118	\$ 48,234	\$ 43,102	\$ 44,443
Contributions in relation to the statutorily or contractually required contributions	\$ (51,118)	\$ (48,234)	\$ (43,102)	\$ (44,443)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 681,662	\$ 706,888	\$ 711,959	\$ 725,602
Contributions as a percentage of covered employee payroll	7.50%	6.82%	6.05%	6.13%

Changes of benefit terms - The retirement eligibility benefits changes are affected by changes in the size or composition of the population.

Actuarial assumptions - The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' [Comprehensive Annual Financial Report](#) located on the DRS employer-resource GASB webpage. These assumptions reflect the results of OSA's 2007-2012 Experience Study and the 2015 Economic Experience Study.

Port of Sunnyside

PORT OF SUNNYSIDE

Schedule of Changes in Total OPEB Liability and Related Ratios RETIREE MEDICAL AND DENTAL BENEFITS UNDER PEBB

FISCAL YEAR ENDING DECEMBER 31

*Pension schedules are intended to show information for ten years; additional years will be displayed as they become available.

Schedule of Changes in Total OPEB Liability and Related Ratios (in thousands)

	2018	2017	2016	Fiscal Year Ending December 31						
				2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service cost	\$28	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	23	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	(33)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Expected benefit payments	(16)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	636	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending	638	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered employee payroll	\$736	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered employee payroll	86.68%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Notes to Schedule:

Changes of benefit terms: There are no changes of benefit terms.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

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STATISTICAL



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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.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	66-67
Revenue Capacity These schedules contain information to help the reader assess the government's tax revenue source.	68-71
Debt Capacity 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.	72-75
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	76-77
Operating Information 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.	78-82

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

Port of Sunnyside

PORT OF SUNNYSIDE

NET POSITION BY COMPONENTS- LAST 10 YEARS

December 31, 2018

Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
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
2016	12,516,174	1,231,552	7,389,665	21,137,391
2017	15,540,856	1,231,552	8,590,059	25,362,467
2018	17,440,153	1,231,553	10,855,062	29,526,767

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

PORT OF SUNNYSIDE
CHANGES IN NET POSITION - LAST 10 YEARS

December 31, 2018

YEAR	OPERATING REVENUE	NON OPERATING REVENUE	CAPITAL CONTRIBUTIONS	OPERATING EXPENSES	NON OPERATING EXPENSES	CHANGE IN NET POSITION
2009	3,669,739	603,328	457,829	3,447,651	877,111	406,135
2010	4,275,321	251,528	387,500	3,586,461	787,051	540,838
2011	4,200,744	555,573	-	3,649,954	733,552	372,811
2012	4,222,953	799,947	368,151	3,647,580	1,370,943	372,528
2013	4,275,119	654,409	66,820	3,565,296	701,862	729,190
2014	4,661,862	2,625,808	1,325,761	3,826,605	829,147	3,957,679
2015	5,881,367	715,096	151,762	4,388,879	611,333	1,748,012
2016	6,521,970	634,002	324,521	4,311,835	464,919	2,703,738
2017	6,419,945	1,414,784	1,207,927	4,413,289	404,292	4,225,076
2018	6,392,240	2,450,663	47,983	4,179,111	527,502	4,184,272

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, 2018

YEAR	ASSESSED VALUATION YAKIMA COUNTY	ASSESSED VALUATION PORT DISTRICT	RATIO OF PORT TO COUNTY ASSESSMENT	PORT LEVY RATE
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
2016	16,453,866,766	1,390,704,957	8.45%	0.41634949
2017	17,265,650,942	1,453,176,814	8.42%	0.40478859
2018	19,007,816,058	1,513,049,820	7.96%	0.39717836

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

PORT OF SUNNYSIDE PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS - LAST 10 YEARS Per \$1,000 of Assessed Value December 31, 2018

<u>Year</u>	<u>Port of Sunnyside</u>	<u>Yakima County</u>			<u>School District</u>		<u>Cities and Towns</u>	<u>Special Districts</u>		<u>Totals</u>
		<u>County General Fund</u>	<u>Special Revenue Funds</u>	<u>County Debt Service</u>	<u>School District Average</u>	<u>State School Levy</u>		<u>Fire District</u>	<u>Regional Library</u>	
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
2016	0.416	1.681	2.145	-	4.143	2.255	3.645	1.341	0.475	16,101
2017	0.405	1.668	2.170	-	4.391	2.055	3.451	1.352	0.474	15,966
2018	0.397	1.620	2.127	-	4.416	3.070	3.368	1.315	0.461	16,774

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, 2018

Taxpayer	Type of Business	2018 Ranking	2018 Assessed Valuation	Percent of Total
Darigold Inc.	Food Manufacturing	1	\$ 74,677,247	0.39%
Pacificorp	Utilities	2	20,529,475	0.11%
Valley Processing Inc.	Food Manufacturing	3	18,337,498	0.10%
Seneca Food Corporation	Food Manufacturing	4	14,794,773	0.08%
Sunnyside Dairy LLC	Agriculture	5	14,598,964	0.08%
Yakima Chief-Hopunion LLC	Agriculture	6	13,614,990	0.07%
Wal-Mart Stores Inc.	General Merchandise	7	12,226,862	0.06%
United Telephone of the NW	Telecommunications	8	11,192,974	0.06%
Francis Realty Inc.	Real Estate	9	10,220,600	0.05%
Cow Palace LLC	Agriculture	10	8,496,728	0.04%
Canam Steel Company	Steel Fabrication			
Oord Dairy	Dairy Cattle			
Gjd LLC	Dairy Cattle			
Total Assessed Valuation of Principal Taxpayers			\$ 198,690,111	1%
Total Assessed Valuation of Yakima County			\$19,007,816,058	

Source: Yakima County Treasure

Port of Sunnyside

2009 Ranking	2009 Assessed Valuation	Percent of Total
1	32,112,866	0.22%
2	20,623,967	0.14%
7	10,401,491	0.07%
10	6,972,759	0.05%
		0.00%
		0.00%
		0.00%
3	15,547,044	0.11%
8	7,691,350	0.05%
		0.00%
4	13,596,142	0.09%
5	10,608,491	0.07%
		0.00%
	\$ 117,554,110	1%
	\$14,532,869,869	

Port of Sunnyside

PORT OF SUNNYSIDE

PROPERTY TAX LEVIES AND COLLECTIONS - LAST 10 YEARS

December 31, 2018

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
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%
2016	579,019	560,364	96.78%	-	560,364	96.78%
2017	588,229	584,614	99.39%	-	584,614	99.39%
2018	600,951	598,025	99.51%	-	598,025	99.51%

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, 2018

Fiscal Year	General Obligation Bonds	Revenue Bonds	Notes Payable	Total Debt	Ratio of Debt to Personal Income	Total Debt Per Capita
2008	1,535,000	9,545,000	5,943,339	17,023,339	0.23%	71.41
2009	1,455,000	9,095,000	5,707,667	16,257,667	0.21%	68.00
2010	1,375,000	8,625,000	5,451,388	15,451,388	0.19%	63.59
2011	1,290,000	8,135,000	4,877,360	14,302,360	0.17%	57.87
2012	1,205,000	7,620,000	4,758,384	13,583,384	0.17%	55.07
2013	1,115,000	7,065,000	3,887,411	12,067,411	0.14%	48.50
2014	1,025,000	6,460,000	6,160,821	13,645,820	0.15%	55.24
2015	930,000	5,820,000	6,052,668	12,802,668	0.13%	51.29
2016	830,000	5,145,000	5,412,648	11,387,648	0.11%	45.01
2017	725,000	4,365,000	5,233,713	10,323,713	0.10%	40.81
2018	615,000	3,525,000	5,745,983	9,885,983	0.09%	38.84

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, 2018

Fiscal Year	General Obligation Bonds	% of GO Bonds to Assessed Valuation	GO Bonds Per Capita
2009	1,455,000	0.11%	6.09
2010	1,375,000	0.11%	5.66
2011	1,290,000	0.10%	5.22
2012	1,205,000	0.10%	4.89
2013	1,115,000	0.09%	4.48
2014	1,025,000	0.08%	4.15
2015	930,000	0.07%	3.73
2016	830,000	0.06%	3.28
2017	725,000	0.05%	2.87
2018	615,000	0.04%	2.42

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, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Yakima County	\$ 28,966,393	9.49%	\$ 2,747,800
Sunnyside School District	19,421,043	100.00%	19,421,043
City of Sunnyside	6,175,000	100.00%	6,175,000
Fire District #5	-	100.00%	-
Total Direct and Overlapping Debt	\$ 54,562,436		\$ 28,343,843

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, 2018
 (in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Assessed Value	\$1,513,050	\$1,453,177	\$1,390,705	\$1,337,158	\$1,278,437	\$1,251,874	\$1,239,438	\$1,291,214	\$ 1,258,239	\$ 1,270,451
Legal limit of 3/4 of 1% of Assessed Value	11,348	10,899	10,430	10,029	9,588	9,389	9,296	9,684	9,437	9,528
GO Bonds	615	725	830	930	1,025	1,115	1,205	1,290	1,375	1,455
Other GO Debt	2074	1099	822	945	781	1,102	1,083	1,389	1,659	1,603
Less Assets	(2,809)	(1,726)	(2,053)	(2,525)	(1,965)	(372)	(283)	(120)	(129)	(544)
Indebtedness Incurred	(120)	98	(402)	(650)	(159)	1,845	2,005	2,559	2,905	2,513
Legal Debt Margin	\$11,348	\$10,899	\$10,430	\$10,029	\$9,588	\$7,544	\$7,291	\$7,125	\$6,532	\$7,015
Margin of Indebtedness available without a vote of the people (1/4 of 1% of Assessed Value)	\$ 3,783	\$ 3,633	\$ 3,477	\$ 3,343	\$ 3,196	\$ 1,285	\$ 1,094	\$ 669	\$ 241	\$ 663

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

PORT OF SUNNYSIDE
REVENUE BOND COVERAGE - LAST 10 YEARS
 December 31, 2018

Year	Total Operating Revenues	Direct Operating Expenses	*Non- Operating Revenue & Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Debt Service Revenue Bonds Interest	Total	Coverage Ratio
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
2016	6,521,970	3,262,648	169,081	3,428,403	675,000	334,050	1,009,050	3.41
2017	6,419,945	3,372,587	1,010,491	4,057,849	780,000	294,844	1,074,844	3.79
2018	6,392,240	3,059,438	1,946,942	5,279,743	840,000	248,906	1,088,906	4.86

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, 2018

Fiscal Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	Average Unemployment Rate
2008	235,900	6,728,811,600	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%
2016	249,636	9,617,726,172	38,527	52,807	7.7%
2017	253,000	10,268,764,000	40,588	53,174	8.0%
2018	254,500	10,518,739,500	41,331	65,207	6.8%

Data Sources:

Population data supplied by Washington State Office of Financial Management.

Per Capita Income supplied by Federal Reserve Bank of St. Louis

School Enrollment Supplied by Educational Service District #105.

Unemployment Rate Supplied by State Unemployment - Labor Market Analysis

Port of Sunnyside

PORT OF SUNNYSIDE

YAKIMA COUNTY PRINCIPAL EMPLOYERS

December 31, 2018

	2018			2009		
	Employees	Rank	Percentage of Total Yakima County	Employees	Rank	Percentage of Total Yakima County Employment
Yakima County Principal Employers						
Virginia Mason Memorial Hospital	2,500	1	2.07%	2,012	1	1.75%
Astria Health	1,770	2	1.46%			
Wal-Mart	1,700	3	1.41%	1,050	4	0.92%
Zirkle Fruit	1,500	4	1.24%			
Washington Fruit & Produce	1,500	5	1.24%			
Yakama Nation Government	1,289	6	1.07%			
Borton Fruit	1,212	7	1.00%			
Yakama Nation Enterprises	1,170	8	0.97%	619	9	0.54%
Monson Fruit	1,023	9	0.85%			
Yakima Valley Farm Workers Clinic	1,006	10	0.83%			
AB Foods	-	-	-	725	7	0.63%
Tree Top Inc.	-	-	-			
Novolex-Shields	-	-	-			
Costco - Wholesale/Customer Services	-	-	-			
Cent WA Comprehensive Mental Health	-	-	-			
Seneca Foods	-	-	-			
Total	14,670		12.13%	4,406		3.84%

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, 2018

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
IWWTF*	12.60	13.68	12.52	12.66	12.71	12.27	12.57	13.50	13.50	12.50	13.50
Administration	2.50	2.50	3.00	3.00	3.00	3.00	2.50	2.50	2.50	2.50	2.50
Total	15.10	16.18	15.52	15.66	15.71	15.27	15.07	16.00	16.00	15.00	16.00

*IWWTF = Industrial Waste Water Treatment Facility

Source: Year end payroll reports

PORT OF SUNNYSIDE

IWWTF INDUSTRY RATES - LAST 10 YEARS

December 31, 2018

YEAR	OPERATING	BOD	TSS	TKN	SBR-Chloride	SBR-TKN	Capital	Capital SBR-Chloride	Capital SBR-TKN	Capital Dewatering	Anaerobic
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
2016	1.6555	0.0953	0.1228	0.0710	0.4556	2.4934	NA	0.2401	1.1953	0.0395	1.2904
2017	1.8917	0.0931	0.1151	0.0670	0.4574	2.6615	NA	0.4574	1.3295	0.0463	1.1855
2018	1.4364	0.0877	0.1060	0.0596	0.4641	2.6611	NA	0.1987	1.0943	0.0468	1.3282

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

PORT OF SUNNYSIDE

MAJOR REVENUE SOURCE - IWWTF INDUSTRY CHARGES - LAST 10 YEARS

December 31, 2018

IWWTF INDUSTRY LIST	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018 % Relative to Total Revenue
Centennial Tank	15,579	13,772	14,495	14,915	\$ 18,374	\$ 15,558	\$ 18,556	\$ 16,567	\$ 17,597	\$ 20,403	0.34%
Cream Wine	9,275	8,987	1,059	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Curfman Steel Corp.	1,429	1,464	1,444	1,559	\$ 1,534	\$ 1,325	\$ 1,025	\$ -	\$ -	\$ -	0.00%
Darigold	2,295,069	2,658,289	2,494,403	2,490,707	\$ 2,493,715	\$ 2,798,424	\$ 4,036,954	\$ 4,985,617	\$ 4,726,290	\$ 4,703,449	79.11%
Darigold-COW Water	-	-	-	-	\$ -	\$ -	\$ -	\$ 9,742	\$ 63,880	\$ 103,179	1.74%
DRR Fruit	44,121	41,667	60,644	77,809	\$ 63,996	\$ 81,460	\$ 71,569	\$ 72,450	\$ 96,208	\$ 90,403	1.52%
G. D. Williams	799	849	849	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
J. M. Eagle	5,036	2,684	2,584	3,198	\$ 3,255	\$ 1,808	\$ 1,433	\$ 1,425	\$ 1,500	\$ 1,475	0.02%
Johnson Cannery	86,463	105,161	90,328	96,535	\$ 115,619	\$ 118,728	\$ 116,846	\$ 141,681	\$ 111,211	\$ 112,216	1.89%
Johnson Fruit	154,775	163,334	139,897	210,164	\$ 173,539	\$ 213,148	\$ 253,623	\$ 190,503	\$ 180,951	\$ 176,784	2.97%
Milky Way/LTI	36,662	32,698	32,439	29,159	\$ 33,988	\$ 44,512	\$ 44,091	\$ 29,879	\$ 31,741	\$ 28,856	0.49%
Seneca/Andrus & Roberts	2,666	2,784	2,743	3,186	\$ 3,036	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	0.02%
Seneca/Independent	403,735	514,258	594,014	622,036	\$ 588,737	\$ 508,780	\$ 447,697	\$ 351,612	\$ 340,120	\$ 335,119	5.64%
Sun King	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Tree Top	15,898	15,798	15,873	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Valley Processing	274,213	294,303	310,175	291,492	\$ 389,757	\$ 444,167	\$ 539,628	\$ 391,352	\$ 383,969	\$ 364,074	6.12%
Valley U. S. Grape	2,669	2,279	2,189	2,923	\$ 2,539	\$ 1,514	\$ 2,406	\$ 1,356	\$ 1,504	\$ 4,487	0.08%
Vitis Cellars	-	-	-	-	\$ -	\$ 3,500	\$ -	\$ -	\$ -	\$ -	0.00%
Yakima Chief Hopunion	7,884	9,873	8,046	9,787	\$ 13,318	\$ 4,496	\$ 4,225	\$ 3,945	\$ 5,393	\$ 3,639	0.06%
TOTAL	\$ 3,356,273	\$ 3,868,199	\$ 3,771,182	\$ 3,853,468	\$ 3,901,406	\$ 4,238,618	\$ 5,539,252	\$ 6,197,330	\$ 5,961,564	\$ 5,945,284	100%

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

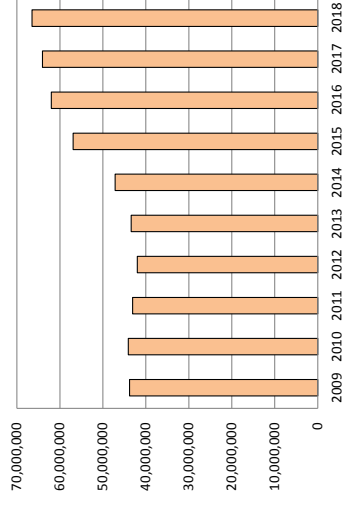
December 31, 2018

Industry	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Centennial Tank	272,800	182,700	131,200	155,400	172,100	246,000	236,989	336,100	321,200	386,500	376,532
Cream Wine*	102,477	213,202	147,858	3,331	0	0	0	0	0	0	0
Darigold	31,612,308	28,176,925	28,573,833	27,555,653	25,814,468	24,922,067	26,711,922	34,762,019	42,011,079	41,463,807	43,077,197
Darigold-COW Water	0	0	0	0	0	0	0	0	371,878	2,360,255	3,618,472
DRR Fruit	702,100	953,900	668,030	1,095,794	1,478,852	882,005	1,270,308	1,266,755	1,558,290	2,077,751	1,874,281
J.M. Eagle	85,977	50,341	34,605	256	1,088	184	0	39	126	223	824
Johnson Cannery	1,031,000	1,244,924	1,557,219	1,151,000	1,174,364	1,390,407	1,372,860	1,287,001	1,486,253	1,346,400	1,342,059
Johnson Food/Storage	887,548	1,556,505	1,747,062	1,663,017	2,145,562	1,760,923	2,073,394	2,203,039	1,806,530	2,085,287	2,087,256
Milky Way/ LTI.	739,850	773,610	539,038	439,200	460,300	480,100	841,129	823,400	720,877	734,900	600,000
Seneca Foods	5,320,200	4,686,100	5,182,900	5,876,500	6,381,100	6,590,100	5,303,088	5,199,208	4,721,633	5,354,718	4,468,508
Valley Processing	5,323,798	5,821,800	5,336,400	5,073,400	4,261,100	7,039,684	9,307,265	10,891,202	8,917,100	8,079,990	8,787,281
Valley U.S. Grape	0	48,292	41,452	8,732	45,764	5,460	0	84,711	29,763	37,946	212,370
Vitis Cellars	0	0	0	0	0	0	1,538	0	0	0	0
Yakima Chief Hopunion	103,900	77,700	130,290	52,560	46,420	103,640	45,830	83,280	66,470	114,880	42,100
TOTAL	46,181,958	43,785,999	44,089,887	43,074,843	41,981,118	43,420,570	47,164,323	56,936,754	62,011,199	64,042,657	66,486,880

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, 2018

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 Hopunion	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, 2018

IWWTF:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of Industries Served	17	14	13	13	13	13	12	12	12	12
Volume of Waste Water Received	43,785,999	44,089,887	43,074,843	41,981,118	43,420,570	47,164,323	56,936,754	62,011,199	64,042,657	66,486,880
Monthly Daily Average (millions of gallons)	1.45	1.45	1.45	1.45	1.45	1.45	2.00	2.00	2.00	2.00

Source: Port's internal records.

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