



Port of Sunnyside receives job creation award for Ostrom's Mushroom Farm Project.

For the Fiscal Year Ended December 31, 2019 Comprehensive Annual Financial Report

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PORT OF SUNNYSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2019

TABLE OF CONTENTS

	PAGE
I. INTRODUCTION SECTION	.3
Letter of Transmittal	5
GFOA Certificate of Achievement	16
Organizational Chart	17
Board of Commissioners	18
Principal Officials	20
II. FINANCIAL SECTION	21
Independent Auditor's Report	22
Management's Discussion and Analysis	25
Basic Financial Statements:	
Statement of Net Position	30
Statement of Revenue, Expenses and Changes in Net Fund Position	32
Statement of Cash Flows	33
Notes to Financial Statements	36
Required Supplementary Information	58
III. STATISTICAL SECTION	63
Statistical Section Narrative	65
Net Position by Component - Last 10 Years	66
Changes in Net Position - Last 10 Years	67
Assessed Value of Taxable Property - Last 10 Years	68
Property Tax Rates - Direct and Overlapping Governments - Last 10 Years	69
Principal Property Taxpayers	70
Property Tax Levies and Collections - Last 10 Years	71
Ratios of Outstanding Debt by Type - Last 10 Years	72
Ratios of General Bonded Debt Outstanding - Last 10 Years	72
Direct and Overlapping Governmental Activities Debt	73
Legal Debt Margin Information - Last 10 Years	74
Revenue Bond Coverage - Last 10 Years	75
Demographic and Economic Statistics - Last 10 Years	76
Yakima County Principal Employers	77
Full-time Equivalent Employees by Function - Last 10 Years	78
IWWTF Industry Rates - Last 10 Years	78
Major Revenue Source - IWW Industry Charges - Last 10 Years	79
Cubic Feet of Waste Water Received - Last 10 Years	80
IWWTF Current Industry List	81
Capital Asset Statistics by Function	82

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INTRODUCTION



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July 21, 2020

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, 2019, 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, 2019, 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, 2018. This was the 21st 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.

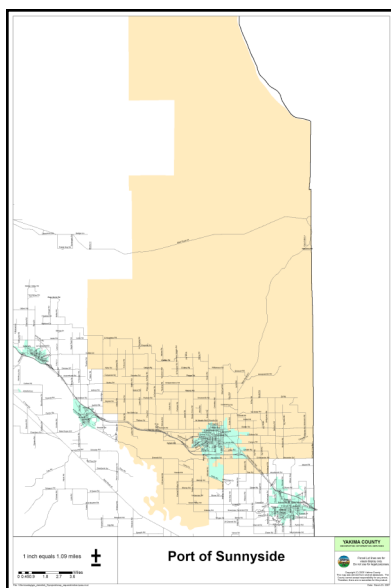
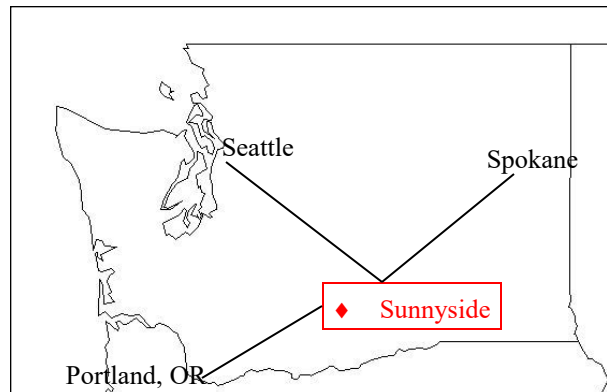
PROFILE OF THE PORT OF SUNNYSIDE-

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.

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, four 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 2019, the Port received 63 million cubic feet of water discharged from the Users as compared to 66 million cubic feet in 2018. 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 2019, the discharge volume percentage was as follows:

- Darigold (cheese and whey plant) 76%
- Valley Processing (fruit and juice plant) 10%
- Seneca Foods (fruit and juice plant) 3%

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 39 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.

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 2019, they discharged 1.8 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: 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 2019. 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.

2019 Project Summary

Economic Development

Ostrom's Mushroom Farms began operations in it's new facility in the summer of 2019. 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 2020.

Nutrien, formerly Crop Production Services officially opened for business in May 2019. Their services provide agricultural farming supplies and support to the local economy. As one of the leading crop retailers in the nation, Nutrien has been a welcome resource for local farmers. They are located just South the new Ostrom Mushroom Farm.

The Port of Sunnyside has secured funding to build a new Airport Hangar at the local Sunnyside Municipal Airport. While details of size and location are still being worked through the Port is working to bring new business to the community that will benefit from the new hangar and provide the community with living wage jobs.

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 31st anniversary in 2019. 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.

2019 Neighborhoods

	Number Homes Sold	Average List Price
Yakima	464	\$ 271,750
Lower Valley	261	\$ 225,285
Union Gap	134	\$ 137,475
East Yakima	41	\$ 115,629

*Data gathered from
Yakima County Development Association*

Average Home Prices

Year	Average Price
2019	\$280,000
2018	\$265,000
2017	\$229,757

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 \$60.1 million in 2019. 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 17% 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

Economy

Based on Bureau of Labor Statistics and the Employment Security Department estimates, Washington state gained 88,100 jobs in 2019. The private sector added an estimated 69,400 jobs over the year, and the public sector gained an estimated 14,900 jobs. Private sector employment rose 1.02 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 2019 was 7.1% with the year end rate at 8%. By comparison, the unemployment rate across Washington was 4% at year end. Yakima County jobs by category remained stable during 2019.

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 2018 to 2019.

Comparison of 2018-2019 Annual Average Employment Changes in Yakima County		
MAJOR EMPLOYMENT GROUP OR INDUSTRY	YAKIMA COUNTY 2018	YAKIMA COUNTY 2019
TOTAL NON-FARM	86,700	88,100
TOTAL PRIVATE	68,600	69,400
GOODS PRODUCING	13,000	12,700
NATURAL RESOURCES, MINING & CONSTRUCTION	4,400	4,300
MANUFACTURING	8,600	8,400
NON DURABLE GOODS	5,400	5,700
SERVICES PROVIDING (incl. Goods)	55,600	56,700
WHOLESALE TRADE	4,300	4,800
RETAIL TRADE	11,300	11,200
TRANSPORTATION, WAREHOUSING & UTILITIES	3,500	3,700
PROFESSIONAL AND BUSINESS SERVICES	4,000	4,600
EDUCATION AND HEALTH SERVICES	18,100	18,500
HEALTH SERVICES	16,600	17,100
LEISURE AND HOSPITALITY	8,300	8,100
GOVERNMENT	18,100	18,700
FEDERAL GOVERNMENT	1,200	1,200
TOTAL STATE & LOCAL GOVERNMENT	16,900	17,500

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, 2017 and 2018.

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



Jill Jacobs
Port of Sunnyside, Director of Finance/Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Port of Sunnyside
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

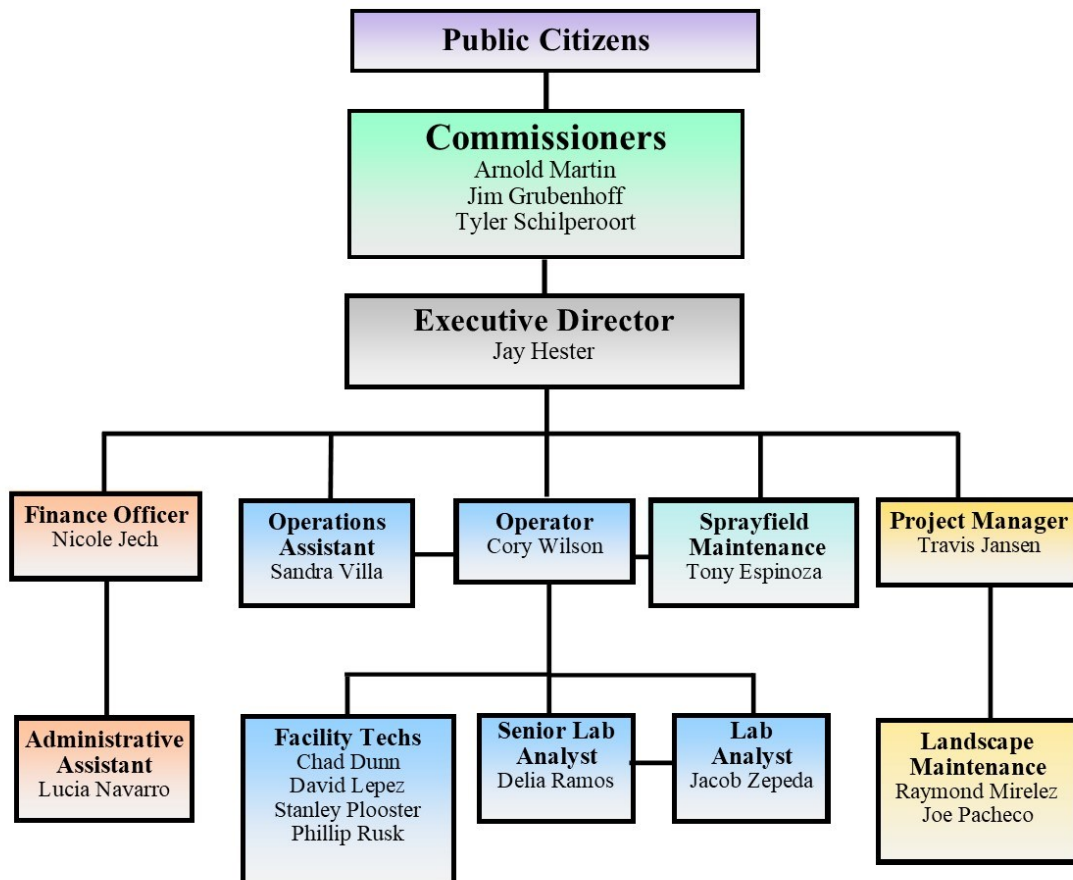
December 31, 2018

Christopher P. Morill

Executive Director/CEO



ORGANIZATIONAL CHART



PORT OF SUNNYSIDE BOARD OF COMMISSIONERS - 2019

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 2019 which expires December 31, 2025. 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 Commerce. Mr. Grubenhoff and his wife, Kathy, reside in Sunnyside and have 5 children plus 6 grandchildren.



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 efforts in bringing new industries to Sunnyside.

Port of Sunnyside

List of Principal Officials—December 31, 2019



<u>Title</u>	<u>Name</u>
Executive Director/Auditor	Mr. Jay Hester
Finance Officer/Treasurer	Ms. 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

July 30, 2020

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, 2019, 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

Port of Sunnyside

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.

Matters of Emphasis

As discussed in Note 13 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Port. Our opinion is not modified with respect to this matter.

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, 2019, 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.

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.

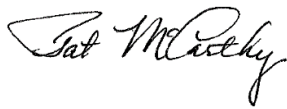
Supplementary and Other Information

Our audit was conducted for the 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 July 30, 2020, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

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, 2019. 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, 2019, by \$32,072,898 or 75%. Of this amount, \$13,098,395 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 2019, the District's total combined cash & investment balance was \$13,558,900 which is an increase of \$1,207,966 or 10% from 2018's balance and is 294% of 2019's operating expenses.
- The District's total net position increased \$2,605,968 for 2019. This is a decrease from 2018 which was elevated due to property sale in that year.
- The District's total long-term debt decreased by \$1,138,402 or 12%.
- The total deferred outflows for the District related to pension were \$68,552 and \$95,467 related to OPEB. The total deferred inflows for the district were \$180,306 related to Pension and \$25,965 related to OPEB. The District's overall pension expense was a decrease of \$2,550.
- The overall financial position improved in 2019. This was due to a combination of rent increases, tax revenue increase and an increase in investment interest.

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 2019 & 2018 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	
	2019	2018
Current Assets and Other Assets	14,756,693	13,507,734
Capital Assets, Net Accumulated Depreciation	27,722,066	27,361,512
Total Assets	42,478,759	40,869,245
 Deferred Outflows Related to Pension	 68,552	 58,127
Deferred Outflows Related to OPEB	95,467	8,266
Total Assets & Deferred Outflows	42,642,778	40,935,639
 Current Liabilities	 1,916,670	 2,030,926
Long Term Liabilities	7,844,354	9,199,836
Total Liabilities	9,761,023	11,230,762
 Deferred Inflows Related to Pension	 180,306	 172,367
Deferred Inflows Related to OPEB	25,965	29,522
Total Liabilities & Deferred Inflows	9,967,294	11,432,652
 Net Investment in Capital Assets	 18,974,485	 17,475,529
Restricted for payment of Debt	1,231,553	1,231,553
Unrestricted	11,866,842	10,795,905
Total Net Position	\$ 32,072,880	\$ 29,502,987

Port of Sunnyside

Major Factors Affecting the Statement of Net Position - Total net position increased in 2019 by \$2,605,968 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 (65%) are in capital assets (e.g., land, buildings, other improvements, and machinery and equipment). In 2019, the Port purchased an auto analyzer for our in-house lab, which is an important piece of equipment used in the Port’s wastewater testing. The Port also made land improvements to improve irrigation and usability to Port property. Vehicle and maintenance equipment replacement were also part of the capital assets purchased in 2019. 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 (74%) 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	
	2019	2018
Revenues:		
Operating Revenues:		
IWWTF Operating Revenue	\$ 6,101,490	\$ 5,945,259
Property Rental & Sprayfield Revenue	\$ 536,208	\$ 316,837
Other Operating Revenue	\$ 109,924	\$ 130,144
Total Operating Revenues	6,747,622	6,392,240
Non-Operating Revenues:		
Gain on disposition of Assets	11,605	1,651,917
Interest Income	266,725	200,510
Tax Levy Income	616,490	598,236
Other Non-Operating Revenues	-	-
Total Non-Operating Revenues	894,819	2,450,663
Total Revenues	7,642,441	8,842,902
Expenses:		
IWWTF Operating Expenses	2,912,579	2,620,069
General & Admin Operating Expenses	502,890	439,369
Depreciation	1,193,175	1,119,673
Non Operating:		
Loss on disposition of assets	46,980	137,949
Interest Expenses	445,486	346,679
Other Non Operating Expenses	1,290	42,873
Total Expenses	5,102,400	4,706,611
Income Before Capital Contribution-Grant	2,540,042	4,136,291
Capital Contribution-Grants	65,926	47,983
Increase in Net Position	2,605,968	4,184,272
Net Position - January 1	29,502,987	25,362,467
Prior Period Adjustments	(36,075)	-
Change in Accounting Principal Adjustment	-	(43,753)
Net Position - December 31	\$ 32,072,881	\$ 29,502,987

Port of Sunnyside

Analysis of the Schedule of Changes in Net Position – The increase in net position was \$2,605,968 as compared with \$4,184,272 in 2018. The Port is organized to aggressively enhance the local economy by providing new and expanding business access to industrial land, infrastructure and funding assistance.

The majority of revenues received by the District (96%) 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 2019, the District had capital assets valued at \$27,722,066 as reflected in the following schedule:

Capital Assets at Year-end
(Net of Depreciation)

	Business Type Activities	
	2019	2018
<u>Capital Assets not being depreciated</u>		
Land	\$ 4,024,592	\$ 4,025,289
Construction In Progress	2,565,809	1,127,134
<u>Capital Assets being depreciated</u>		
Buildings	28,034,237	28,041,775
Improvements other than Buildings	4,045,574	3,883,332
Machinery and Equipment	6,921,664	7,502,855
Accumulated Depreciation	(17,869,810)	(17,218,873)
Total Capital Assets	\$ 27,722,066	\$ 27,361,512

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	
	2019	2018
Beginning Balance, January 1	\$ 27,361,512	\$ 25,464,569
Net Change	1,553,729	3,016,616
Depreciation	(1,193,175)	(1,119,673)
Ending Balance, December 31	\$ 27,722,066	\$ 27,361,512

Port of Sunnyside

Analysis of changes in Capital Assets - For year 2019 capital assets increased by \$360,554. This is a modest increase compared to 2018 when several projects were completed.

Debt Service

At the end of 2019, the District had total debt of \$8,747,581 relating to G.O. Bonds, Revenue Bonds, Notes and Contracts outstanding which was a \$1,138,402 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

	2019	2018
G O Bonds	\$ 505,000	\$ 615,000
Revenue Bonds	2,620,000	3,525,000
Notes & Contracts Payable	5,622,581	5,745,983
Total	\$ 8,747,581	\$ 9,885,983

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 Jill Jacobs, Director of Finance, Port of Sunnyside, 2624 E. Edison Avenue, Sunnyside, WA. 98944.

Port of Sunnyside

Yakima County, Washington
 Statement of Net Position
 December 31, 2019

page 1 of 2

ASSETS***CURRENT ASSETS:***

Cash and Cash Equivalents (Note 1-C.1)	\$	12,127,922
Restricted Assets:		
Cash and Cash Equivalents (Note 1-C.4)		1,430,978
Accounts Receivable (Note 1-C.3)		542,917
Taxes Receivable (Note 1-C.3 & Note 3)		28,480
Other Receivables (Note 1-C.3)		7,345
Prepayments (Note 1-C.7)		53,414
<i>Total Current Assets</i>		14,191,056

NON-CURRENT ASSETS:

Restricted Assets:		
Investments (Note 1-C.4)		-
Interest Receivable on Investments (Note 1-C.4)		-
Total Non-current Restricted Assets		-
Capital Assets: (Note 4)		
Capital Assets Not Being Depreciated:		
Land		4,024,592
Construction In Progress		2,565,809
Capital Assets Being Depreciated:		
Improvements to Land		4,045,574
Buildings and Structures		28,034,237
Equipment		6,921,664
Less: Accumulated Depreciation		(17,869,810)
Total Net Capital Assets		27,722,066
Other Non-current Assets		
Other Debits (Note 1-C.7)		565,637
Total Non-Current Assets		28,287,704

TOTAL ASSETS**\$ 42,478,759****DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows of Resources Related to Pensions (Note 5)	68,552
Deferred Outflows of Resources Related to OPEB (Note 10)	95,467

TOTAL ASSETS AND DEFERRED OUTFLOWS**\$ 42,642,778*****SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS***

(cont. on page 2)

Port of Sunnyside

Yakima County, Washington

Statement of Net Position

December 31, 2019

page 2 of 2

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable (Note 1-C.10)	448,962
Accrued Interest Payable (Note 1-C.10)	118,203
General Obligation Bonds (Note 7)	115,000.00
Revenue Bonds (Note 7)	960,000
Notes/Contracts Payable (Note 7)	841,670
Compensated Absences (Note 1-C.8)	17,168
OPEB Current Liability (Note 10)	17,971
Other Current Liabilities (Note 1-C.10)	300
<i>Total Current Liabilities</i>	2,519,274

NON-CURRENT LIABILITIES:

General Obligation Bonds (Note 7)	390,000
Revenue Bonds (Note 7)	1,660,000
Notes/Contracts Payable (Note 7)	4,780,912
OPEB Liability (Note 10)	751,902
Net Pension Liability (Note 5)	261,540
<i>Total Non-Current Liabilities</i>	7,844,354

TOTAL LIABILITIES

\$ 10,363,627

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	180,306
Deferred Inflows Related to OPEB	25,965

TOTAL LIABILITIES AND DEFERRED INFLOWS

\$ 10,569,898

NET POSITION:

Net Investment in Capital Assets	18,974,485
Restricted, for Payment of Debt (Note 8)	1,231,553
Unrestricted	11,866,842
<i>TOTAL NET POSITION</i>	32,072,880

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, 2019

OPERATING REVENUES:

Industrial Waste Water Treatment Facility Operations	\$	6,101,490
Property Rentals & Sprayfield Operations		536,208
Miscellaneous Reimbursements		109,924
<i>Total Operating Revenues</i>		6,747,622

OPERATING EXPENSES:

Industrial Waste Water Treatment Facility Operations	2,912,579
General & Administrative	502,890
Depreciation	1,193,175
<i>Total Operating Expenses</i>	4,608,644

<i>Operating Income (Loss)</i>	2,138,978
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NON-OPERATING REVENUES (EXPENSES):

Investment Income	266,725
Taxes Levied For:	
General purposes	193,612
Debt service principal/interest	422,878
Gain on disposition of assets	11,605
Loss on disposition of assets	(46,980)
Interest expense - General Obligation	(171,219)
Interest expense - Revenue Obligation	(274,268)
Other nonoperating revenues	-
Other nonoperating expenses	(1,290)
<i>Total Non-Operating Revenues (Expenses)</i>	401,064

Increase in Net Position before Capital Contributions	2,540,042
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Capital Contributions	65,926
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Increase in Net Position	2,605,968
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NET POSITION - beginning of period	29,502,987
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Prior Period Adjustment	(36,075)
Change in Accounting Principal Adjustment	

NET POSITION - end of period	\$ 32,072,881
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SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Port of Sunnyside

Port of Sunnyside

Statement of Cash Flows
For the year ended December 31, 2019

page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 6,706,015
Payments to suppliers	(2,018,292)
Payments to employees	(1,232,209)
Other receipts (payments)	<u>-</u>

Net cash provided by operating activities 3,455,514

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts of property taxes from Yakima County	<u>194,610</u>
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Net cash provided by non-capital financing activities 194,610

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Receipt of property taxes from Yakima County	422,878
Proceeds from capital debt	-
Purchases of capital assets	(1,547,209)
Capital contributions	65,926
Sale of capital assets	(35,375)
Principal paid on capital debt	(1,138,401)
Interest paid on capital debt	<u>(426,557)</u>

Net cash provided (used) by capital and related financing activities (2,658,738)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and dividends	<u>219,165</u>
<i>Net cash provided by investing activities</i>	219,165

Net increase (decrease) in cash and cash equivalents 1,210,552

Balances - beginning of the year 12,348,349

Balances - end of the year \$ 13,558,901

(cont. on page 2)

Port of Sunnyside

Port of Sunnyside

Yakima County, Washington

Statement of Cash Flows

page 2 of 2

For the year ended December 31, 2019

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

<i>Operating income (loss)</i>	\$ 2,138,978
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,193,175
Change in assets and liabilities:	
Receivables, net	(39,517)
Other payables	(95,956)
Accrued expenses	258,834
	<hr/>
<i>Net cash provided by operating activities</i>	\$ 3,455,514

RECONCILIATION OF CASH & CASH EQUIVALENTS

US Bank accounts	\$ 588,649
LGIP	11,539,273
Restricted Cash	<u>1,430,978</u>
TOTAL	\$ 13,558,900

NONCASH ADJUSTMENTS

Improvements to Land	\$ -
Accumulated Depreciation	(1,193,175)
Deferred Outflow	97,626
OPEB	(113,526)
Net Pension Liability	90,702
Deferred Inflow	(4,382)
Pension Expense	(165,975)
Depreciation Expense	1,193,175
General Administration Expense	<u>113,526</u>
	\$ 17,971

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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Port of Sunnyside
Notes to Financial Statements
December 31, 2019

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 ten food or food related industries, 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, 2019, the treasurer was holding \$13,558,900 in cash and short-term investments of surplus cash - including \$12,868,941 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 2019 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 2019 for 2020 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 are accrued when incurred.

Vacation pay may be accumulated as follows:

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

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

The District's total obligation for accrued vacation and comp time is \$17,168 at December 31, 2019 and was \$20,660 at December 31, 2018. The Compensated Absences could all be due within the coming year and are recorded as a Current Liability.

9. Pensions

For purposes of measuring the net pension liability, 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 12/31/19.

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 – See Note 10 – Other Post-Employment Benefits.****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, 2019, the Port of Sunnyside held the following investments measured at fair value

Investment	Maturities	Principal	Interest	YE Balance
Local Govt. Investment Pool	*N/A	\$ 12,602,496	\$ 266,446	\$ 12,868,941
TOTAL		\$ 12,602,496	\$ 266,446	\$ 12,868,941

*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 2019 was \$ 0.37606408 per \$1,000 on an assessed valuation of \$1,640,320,204 for a total regular levy of \$616,866 less adjustments of \$376 for a grand total of \$617,488. In 2018, the regular levy was \$600,951.

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, 2019 was as follows:

Port of Sunnyside				
Capital Asset Spreadsheet				
	Beginning Balance 1/1/19	Increases	Decreases	Ending Balance 12/31/19
Capital Assets, not being depreciated:				
Land	\$ 4,025,289	\$ -	\$ 697	\$ 4,024,592
Construction In Progress	1,127,134	2,401,286	1,127,134	\$ 2,401,286
Total Capital Assets, not being depreciated	5,152,423	2,401,286	1,127,831	6,425,878
Capital Assets, being depreciated:				
Buildings & Structures	28,041,775	37,163	44,700	\$ 28,034,237
Improvements other than buildings	3,883,332	163,391	1,149	\$ 4,045,574
Machinery & Equipment	7,502,855	121,329	702,520	\$ 6,921,665
Total Capital Assets, being depreciated	39,427,962	321,883	748,369	39,001,476
Less Accumulated Depreciation for:				
Buildings & Structures	(11,109,956)	(569,089)	2,235	\$ (11,676,810)
Improvements other than buildings	(1,904,160)	(160,011)	-	\$ (2,064,171)
Machinery & Equipment	(4,204,756)	(299,552)	540,002	\$ (3,964,306)
Total Accumulated Depreciation	(17,218,873)	(1,028,652)	542,237	(17,705,287)
Total Capital Assets, being depreciated, net	\$ 22,209,089	\$ (706,769)	\$ 1,290,606	\$ 21,296,189
Total Capital Assets	27,361,511.88	1,694,517.13	2,418,437.19	27,722,066.42

C. Construction Commitments

The Port of Sunnyside has 9 active construction projects as of December 31, 2019.

As of December 31, 2019, the Port is continuing improvements at the Industrial Wastewater Treatment Plant. This includes two large construction contracts one, for a new membrane bioreactor and the second for an enclosed flare. The membrane bioreactor contract includes a scope of services and associated improvement for a contract amount of \$1,237,540. The enclosed flare construction contract amount is \$1,820,000. The amount spent as of December 31, 2019 was \$62,135 and \$451,704 respectively. The Port's legal debt limit of $\frac{3}{4}$ of 1% of assessed value is \$12,302,402.

D. Capitalized Interest

The Port of Sunnyside had no interest costs capitalized as of December 31, 2019. 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 2019:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (261,541)
Pension assets	\$ -
Deferred outflows of resourc	\$ 68,553
Deferred inflows of resource	\$ (180,304)
Pension expense/expenditur	\$ 2,550

NOTE 5 - PENSION PLANS (cont.)**State Sponsored Pension Plans**

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

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

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

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%
July – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	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 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2019		
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%
July – December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%.

NOTE 5 - PENSION PLANS (cont.)

The Port of Sunnyside's actual PERS plan contributions were \$18,199 to PERS Plan 1 and \$30,281 to PERS Plan 2/3 for the year ended December 31, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. 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 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, 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.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

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.

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

NOTE 5 - PENSION PLANS (cont.)

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, 2019, 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%	2.20%
Tangible Assets	7%	5.10%
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	\$246,993	\$197,228	\$154,051
PERS 2/3	493,251	64,312	(287,660)

* See Note 4.C of the DRS Participating Employer Financial Information report for the year ended June 30. Multiply the total net pension liability amounts for each applicable plan by your proportionate share for that plan.

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, 2019, the Port of Sunnyside reported a total pension liability of (\$261,541) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$197,228
PERS 2/3	64,312

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 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.005305%	0.005129%	0.000176%
PERS 2/3	0.006754	0.006621	0.000133

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 1.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the Port of Sunnyside recognized pension expense as follows:

	Pension Expense
PERS 1	(\$ 319)
PERS 2/3	\$ 2,868

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, 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	\$ -	(\$13,177)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 18,199	\$ -
TOTAL	\$ 18,199	(\$13,77)

NOTE 5 - PENSION PLANS (cont.)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,426	(\$13,827)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	(\$93,613)
Changes of assumptions	\$ 1,647	(\$26,983)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	(\$32,705)
Contributions subsequent to the measurement date	\$ 30,281	\$ -
TOTAL	\$ 50,354	(\$ 167,128)

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, 2020. 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
2020	\$ 2,908.79
2021	\$ 6,890.08
2022	\$ 2,458.78
2023	\$ 918.86
2024	\$ -
Thereafter	\$ -

Year ended December 31	PERS 2/3
2020	36,010
2021	54,449
2022	27,711
2023	17,808
2024	10,122
Thereafter	955

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 \$24,688,535 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 2019. Also, settled claims have not exceeded commercial insurance coverage in any of the past three years.

Port of Sunnyside

NOTE 6 – RISK MANAGEMENT (cont.)

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

NOTE 7 – LONG TERM DEBT

A. Long Term Debt

The Port of Sunnyside issues general obligation and revenue bonds to finance the purchase of land and/or buildings and the acquisition or construction of the Industrial Wastewater Treatment Facility and its improvements. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund revenue bonds. General obligation bonds have been issued for business-type activities and are being repaid from the applicable resources. The revenue bonds & other revenue debts are being repaid by proprietary fund revenues. The Port of Sunnyside is also liable for notes that were entered into for the purchase of land and economic development. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources. The Port of Sunnyside's Legal Margin of Indebtedness available without a vote of the people (1/4 of 1% of Assessed Value) is \$4,100,801.

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	-	-
2025	-	-
Total	\$ 505,000	\$ 60,865

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
2020	960,000	145,675
2021	1,015,000	88,600
2022	315,000	28,219
2023	330,000	14,438
2024	-	-
2025	-	-
Total	\$ 2,620,000	\$ 276,931

Port of Sunnyside

NOTE 7 – LONG TERM DEBT (cont.)

The contracts payable outstanding are as follows:

Contracts Payable						
Description	Original Loan	Maturity Date	Interest Rate	Loan Balance 1/1/19	Loan Balance 12/31/19	Current Portion
SIED Loan - Nutrien Railspur	251,686	6/1/2028	3.560%	251,686	229,920	21,766
SIED Loan - Bleyhl 2nd Spur	206,550	6/1/2023	2.440%	58,234	47,142	11,092
SIED Loan - Bleyhl	137,500	6/1/2019	2.440%	15,114	-	-
SIED Loan- Anaerobic Digester	1,000,000	6/1/2025	2.500%	678,372	588,599	89,773
SIED Loan - Water Works Bldg	260,000	7/23/2021	2.440%	133,220	89,880	43,340
SIED Loan - Bio-gas	500,000	6/1/2028	4.125%	-	500,000	52,638
DOE Loan - SBR	3,448,655	5/10/2025	1.500%	1,257,455	1,071,885	185,570
CERB 2 - SBR	500,000	1/1/2025	0.000%	175,000	150,000	25,000
CERB - East Edison	513,600	1/1/2029	0.000%	313,867	285,334	28,533
CERB - Funny Farm Bldg	400,000	1/31/2038	1.500%	400,000	382,702	17,298
CERB - Rail Spur	275,000	7/1/2020	0.000%	55,000	27,500	27,500
CERB - Anaerobic Digester	850,000	7/30/2028	3.000%	850,000	850,000	
USDA - Anaerobic Digester \$750k	750,000	8/1/2024	0.000%	479,167	395,834	83,333
USDA - Anaerobic Digester \$300k	300,000	7/1/2024	0.000%	191,667	158,333	33,333
Benton REA - Anaerobic Digester	60,000	9/1/2024	3.250%	40,324	33,840	6,484
TRUS-WAY Loan	500,000	11/25/2028	4.000%	496,877	455,213	41,664
INTERFUND Loan	350,000	12/14/2028	2.000%	350,000	318,036	31,964
Total	\$10,302,991			\$ 5,745,982	\$ 5,584,218	\$ 699,289

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

Year Ending December 31	Principal	Interest
2020	809,002	110,109
2021	780,180	101,151
2022	739,973	86,063
2023	751,358	71,772
2024	719,454	57,163
2025-2029	1,589,465	108,846
2030-2034	194,786	14,899
Total	\$ 5,584,218	\$ 550,001

At December 31, 2019, the Port of Sunnyside has \$31,875 available in debt service funds to service the general obligation debt. Restricted assets contain \$1,104,331 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 \$2,896,931.

NOTE 7 – LONG TERM DEBT (cont.)

Principal and interest paid for these bonds for the current year and total Industrial Wastewater Treatment Facility revenue were \$1,104,331 and \$6,074,136 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, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/19	Additions	Reductions	Ending Balance 12/31/19	Due Within One Year
Bonds Payable:					
GO Bonds	\$ 615,000	\$ -	\$ 110,000	\$ 505,000	\$ 115,000
Revenue Bonds	3,525,000	-	905,000	2,620,000	960,000
Total Bonds Payable	4,140,000	-	1,015,000	3,125,000	1,075,000
Notes & Contracts Payable	5,745,982	500,000	661,766	5,584,218	809,002
Pension	352,242	-	90,702	261,540	-
OPEB obligations	638,376	131,497	-	769,873	-
Compensated Absences	20,660	45,090	48,582	17,168	17,168
Total Long-Term Liabilities	\$10,897,260	\$ 676,587	\$ 1,816,050	\$ 9,757,799	\$ 1,901,170

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 2019:

Aggregate OPEB Amounts – All Plans	
OPEB current liabilities	\$ 17,971
OPEB non-current liabilities	\$ 751,902
OPEB assets	\$ -
Deferred outflows of resources	\$ 95,467
Deferred inflows of resources	\$ (25,965)
OPEB expenses/expenditures	\$ 58,710

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. PEBB is a single employer defined benefit plan and assets are not accumulated in a trust.

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, 2019, 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

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

	Increase (Decrease) Total OPEB Liability
Changes in Total OPEB Liability	
Balance as of June 30, 2018	\$638,376
Changes for the year:	
Service cost	26,520
Interest on total OPEB liability	25,414
Effect of plan changes	0
Effect of economic/demographic gains or losses	47,758
Effect of assumptions changes or inputs	48,338
Expected benefit payments	(16,533)
Balance as of June 30, 2019	769,873

Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is July 1, 2018. The Measurement Date is June 30, 2019. This is the date as of which the total OPEB liability is determined. The July 1, 2018 actuarial valuation results are rolled forward to the measurement date, with the discount rate updated to reflect the measurement date. The Reporting Date is December 31, 2019. This is the employer's fiscal year ending date.

Significant Changes

The explicit subsidy will be increased to \$183 per month effective January 1, 2020. We have reflected this as an economic/demographic loss during the July 1, 2018 - June 30, 2019 period, and the impact of the change is reflected in the total OPEB liability as of June 30, 2019.

The following presents the total OPEB liability of the port, calculated using the discount rate of 3.50%, as well as what the port's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate.

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total June 30, 2019 OPEB liability	\$925,414	\$769,873	\$648,647

The following presents the total OPEB liability of the port, calculated using the current healthcare cost trend rates as well as what the port's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rates	1% Increase
Total June 30, 2019 OPEB liability	\$631,398	\$769,873	\$954,991

Port of Sunnyside

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

As of the June 30, 2019 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	\$42,623
Changes of assumptions or inputs	(25,965)	43,140
Contributions made subsequent to the measurement date	N/A	9,704
Total	(\$25,965)	\$95,467

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 the OPEB expense below. Note that additional future deferred inflows and outflows of resources may impact these numbers.

Measurement Period Ending June 30:	
2020	\$6,776
2021	6,776
2022	6,776
2023	6,776
2024	6,776
Thereafter	25,918

Appendix A Actuarial Assumptions and Cost Method

The assumptions represent our best estimate of anticipated future experience based on information provided to us. Note that the ultimate responsibility of selecting/approving the actuarial cost method and assumptions lies with Port of Sunnyside and its auditor.

Actuarial Cost Method

The actuarial cost method used for determining the benefit obligations is the Entry Age Actuarial Cost Method. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit (until maximum retirement age). For purposes of projecting benefits prior to the valuation date as required by the actuarial cost method, we assumed a health cost trend equal to the ultimate health cost trend rate.

The portion of this actuarial present value allocated to a valuation year is called the service cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is the total OPEB liability under GASB 74 and 75.

The OPEB expense is calculated in accordance with GASB 75.

Census Date

July 1, 2018.

Valuation Date

July 1, 2018.

Measurement Dates

June 30, 2019 is the measurement date for the December 31, 2019 financial reporting date.

GASB 75 permits up to a one-year lag between the measurement date and report date without adjustment.

Economic Assumptions

Price Inflation

2.75%.

Rationale: Assumption developed by the Office of the State Actuary for the Public Employees Benefits Board (PEBB). This assumption is reasonable based on Milliman's capital market models.

Discount Rate (Liabilities)

3.87% for the 6/30/2018 measurement date

3.50% for the 6/30/2019 measurement date

Rationale: This is the Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years. GASB 75 requires that the discount rate be based on a 20-year high quality (AA/Aa or higher) municipal bond rate.

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

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%
6/30/2096+	4.50%	4.60%	4.60%

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 trends shown above reflect the assumption that the Medicare subsidy would remain at \$168 through CY 2022, after which it would increase with trend. The trends shown above were used in the calculation of the total OPEB liability as of the June 30, 2018 measurement date.

The Medicare subsidy amount is set to increase to \$183 per month effective January 1, 2020, and is assumed to remain at \$183 through CY 2022. After CY 2022, the Medicare subsidy is assumed to increase with trend. In order to capture the impact of the Medicare subsidy increase to \$183 per month, we adjusted the Post-65 contribution trends, shown below. These updated post-65 contribution trends were used in calculating the total OPEB liability as of the June 30, 2019 measurement date.

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.

Excise Tax for High Cost or "Cadillac" Health Plans in 2022 and Beyond

An excise tax for high cost health coverage, or "Cadillac" health plans, was included in the Affordable Care Act (ACA) passed into law in March 2010. The provision levies a 40% tax on the value of health plan costs that exceed certain thresholds for single coverage or family coverage. The Consolidated Appropriations Act (CAA), which was signed into law in December 2015, delayed the tax for two years, until 2020. On January 22, 2018, the President signed a continuing resolution (CR) signaling the end of a temporary Federal government shutdown that began January 20, 2018. The CR delays the excise tax by two additional years, so that the first effective year is 2022. Separately, the excise tax indexing basis was changed from CPI-U to Chained CPI-U. In addition, the CR provides for an additional one-year moratorium on the Health Insurer Fee for calendar year 2019.

GASB Statement No. 75 indicates that the projection of benefits should include all benefits to be provided to retirees in accordance with the current "substantive" plan. The substantive plan refers to the plan terms as understood by the employer and plan members at the time of the valuation. For this reason, we believe that the current provisions of ACA should be reflected in the projection of benefits and therefore, we do include the value of the excise tax in this valuation.

We assume that there will be no changes to the current law and that there will be no changes in plan design to help mitigate the impact of the tax.

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 in the actuarial cost method and includes both the 3.50% general wage growth and the merit and longevity increases above.

NOTE 11– LEASES**Operating Leases**

The Port of Sunnyside is the lessor in the leasing of office building and other equipment under non-cancelable operating leases. Total lease revenue was \$398,581 for the year ended December 31, 2019. Currently, the Port does not lease equipment of any kind. The future minimum lease payments for these leases are as follows:

Office Building and Other Rentals

Year Ending December 31	Amount
2020	\$ 348,796
2021	\$ 348,796
2022	\$ 348,796
2023	\$ 348,796
2024-2028	\$ 1,743,980

Land Rentals

Year Ending December 31	Amount
2020	\$ 43,687
2021	\$ 43,687
2022	\$ 43,687
2023	\$ 43,687
2024-2028	\$ 218,435

NOTE 12 – PRIOR YEAR ADJUSTMENTS

In 2018 the receipt of \$40,040 retainage for the Carnation Project was recorded as grant income rather than Other Receivables. A prior period adjustment was made to correct Other Receivables.

In 2018 construction in progress components were included in the depreciation calculation before the components were capitalized. This amounted to \$6,520.48 overstatement in accumulated depreciation for 2018. Prior period adjustment was made to correct Accumulated Depreciation total.

In 2018 project expenses \$164,523 were not moved into construction in process and therefore construction in process was understated. Prior period adjustment was made to correct CIP.

In 2018 a Treasury Bond matured and the interest in the amount of \$2,555.21 was coded to interest income rather than Interest Receivable. A prior period adjustment was made to correct Interest Receivable.

NOTE 13 – Subsequent Events

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

On March 19, The Port approved Resolution 2020-04 declaring a local emergency and delegation of authority due to COVID-19. The Port initiated a staggered work schedule to protect employees.

On March 24, 2020 the Governor of the State of Washington issued proclamation 20-28, waiving and suspending laws and rules in RCW 42.56, the Public Records Act, and RCW 42.30, the Open Public Meetings Act. This proclamation has since been extended to August 1, 2020. The Port continues to hold regular scheduled Port Business Meetings via conference call.

The Port of Sunnyside Commissioners approved the issuance of \$15.7 Million in Revenue and Refunding Bonds on Monday, June 15, following a public hearing that took place during the Port's regularly scheduled business meeting. The \$14 million revenue bond will fund the financing of the design, permitting and construction of a new Membrane Bioreactor (MBR) System at the Industrial Wastewater Treatment Facility. The remaining \$1.7 million refunding bond was approved to refinance two currently existing bonds.

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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					
	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.005129%	0.005305%	0.006644%	0.006985%	0.007320%
Employer's proportionate share of the net pension liability	\$ 197,228	\$ 236,923	\$ 315,263	\$ 375,127	\$ 382,904
Covered Payroll	\$ 725,476	\$ 666,284	\$ 764,469	\$ 773,677	\$ 808,563
Employer's proportionate share of the net pension liability as a percentage of covered payroll	27.19%	35.56%	41.24%	48.49%	47.36%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	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					
	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.006621%	0.006754%	0.007370%	0.007755%	0.008209%
Employer's proportionate share of the net pension liability	\$ 64,312	\$ 115,319	\$ 256,072	\$ 390,458	\$ 293,312
Covered Payroll	\$ 725,476	\$ 666,077	\$ 714,611	\$ 725,062	\$ 757,418
Employer's proportionate share of the net pension liability as a percentage of covered payroll	8.86%	17.31%	35.83%	53.85%	38.73%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	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					
	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 37,364	\$ 34,493	\$ 37,383	\$ 38,199	\$ 39,446
Contributions in relation to the statutorily or contractually required contributions	\$(37,364)	\$(34,493)	\$(37,383)	\$(38,199)	\$(39,446)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$755,925	\$681,662	\$732,304	\$761,277	\$773,356
Contributions as a percentage of covered employee payroll	4.94%	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					
	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 58,375	\$ 51,118	\$ 48,234	\$ 43,102	\$ 44,443
Contributions in relation to the statutorily or contractually required contributions	\$(58,375)	\$(51,118)	\$(48,234)	\$(43,102)	\$(44,443)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 755,925	\$ 681,662	\$ 706,888	\$ 711,959	\$ 725,602
Contributions as a percentage of covered employee payroll	7.72%	7.50%	6.82%	6.05%	6.13%

Actuarial Assumptions The total pension liability (TPL) for each of the plans was determined using the most recent

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 2019 with a valuation date of June 30, 2018. 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 2017 Economic Experience Study.

Port of Sunnyside

RSI – OPEB

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,

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

	Fiscal Year Ending December 31									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability										
Service cost	\$27	\$28	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	25	23	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	48	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	48	(33)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Expected benefit payments	(17)	(16)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	131	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	638	636	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending	770	638	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered employee payroll	\$731	\$736	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	105.25%	86.68%	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.

Changes of economic/demographic: Beginning with Fiscal Year ending December 31, 2019, the Medicare contribution trend reflects the January 1, 2020 Medicare explicit subsidy increase to \$183 per month.

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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
<u>Financial Trends</u> 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
<u>Revenue Capacity</u> These schedules contain information to help the reader assess the government's tax revenue source.	68-71
<u>Debt Capacity</u> 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
<u>Demographic and Economic Information</u> 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
<u>Operating Information</u> 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**NET POSITION BY COMPONENTS- LAST 10 YEARS**

December 31, 2019

Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
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	17,475,529	1,231,553	10,795,905	29,502,987
2019	18,974,485	1,231,553	11,866,842	32,072,880

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

Port of Sunnyside

PORT OF SUNNYSIDE

CHANGES IN NET POSITION - LAST 10 YEARS

December 31, 2019

YEAR	OPERATING REVENUE	NON OPERATING REVENUE	CAPITAL CONTRIBUTIONS	OPERATING EXPENSES	NON OPERATING EXPENSES	CHANGE IN NET POSITION
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
2019	6,747,622	894,819	65,926	4,608,644	493,756	2,605,968

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, 2019

YEAR	ASSESSED VALUATION YAKIMA COUNTY	ASSESSED VALUATION PORT DISTRICT	RATIO OF PORT TO COUNTY ASSESSMENT	PORT LEVY RATE
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
2019	20,544,382,240	1,640,320,204	7.98%	0.37606408

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, 2019

Year	Port of Sunnyside	Yakima County			School District		Cities	Special Districts		Totals
		County General Fund	Special Revenue Funds	County Debt Service	School District Average	State School Levy	Cities and Towns	Fire District	Regional Library	
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
2019	0.376	1.517	2.026	-	3.784	2.728	3.139	1.250	0.435	15.255

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

PORT OF SUNNYSIDE

PRINCIPAL PROPERTY TAX PAYERS - LAST 10 YEARS

December 31, 2019

Taxpayer	Type of Business	2019 Ranking	2019 Assessed Valuation	Percent of Total	2010 Ranking	2010 Assessed Valuation	Percent of Total
Dirigold Inc.	Food Manufacturing	1	\$ 70,045,328	35.29%	1	32,719,721	23.57%
Pacificorp	Utilities	2	21,081,620	10.62%	3	18,752,232	13.51%
Valley Processing Inc.	Food Manufacturing	3	19,726,494	9.94%	7	9,804,176	7.06%
Yakima Chief-Hopunion LLC	Agriculture	4	15,929,413	8.03%	10	5,144,502	3.71%
Sunnyside Dairy LLC	Agriculture	5	14,561,767	7.34%			
Seneca Food Corporation	Food Manufacturing	6	13,557,436	6.83%			
Wal-Mart Stores Inc.	General Merchandise	7	12,032,479	6.06%	5	12,857,379	9.26%
Francis Realty Inc.	Real Estate	8	10,701,400	5.39%	8	8,271,350	5.96%
Zine A & Najiba Badissy	Agriculture	9	10,513,562	5.30%			
United Telephone of the NW	Telecommunications	10	10,308,092	5.19%	2	19,178,144	13.82%
Canam Steel Company	Steel Fabrication				4	14,330,033	10.32%
Cow Palace LLC	Agriculture						
Oord Dairy	Dairy Cattle				6	10,945,835	7.89%
Gjd LLC	Dairy Cattle				9	6,792,690	4.89%
Total Assessed Valuation of Principal Taxpayers			\$ 198,457,591	100%		\$ 138,796,062	100%
Total Assessed Valuation of Yakima County			\$ 20,544,382,240			\$ 14,492,460,315	

Source: Yakima County Treasurer

Port of Sunnyside

PORT OF SUNNYSIDE

PROPERTY TAX LEVIES AND COLLECTIONS - LAST 10 YEARS

December 31, 2019

Year Ended December 31	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
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%
2019	616,866	617,488	100.10%	-	617,488	100.10%

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, 2019

Fiscal Year	General Obligation Bonds	Revenue Bonds	Notes Payable	Total Debt	Ratio of Debt to Personal Income	Total Debt Per Capita
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
2019	505,000	2,620,000	5,622,582	8,747,582	0.07%	34.18

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, 2019

Fiscal Year	General Obligation Bonds	% of GO Bonds to Assessed Valuation	GO Bonds Per Capita
2010	1,375,000	0.11%	5.75
2011	1,290,000	0.10%	5.31
2012	1,205,000	0.10%	4.88
2013	1,115,000	0.09%	4.52
2014	1,025,000	0.08%	4.12
2015	930,000	0.07%	3.76
2016	830,000	0.06%	3.32
2017	725,000	0.05%	2.87
2018	615,000	0.04%	2.42
2019	505,000	0.03%	1.97

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**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

December 31, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Yakima County	\$ 24,045,556	9.43%	\$ 2,267,557
Sunnyside School District	31,319,284	100.00%	31,319,284
City of Sunnyside	5,780,000	100.00%	5,780,000
Fire District #5	-	100.00%	-
Total Direct and Overlapping Debt	\$ 61,144,840		\$ 39,366,841

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

PORT OF SUNNYSIDE

LEGAL DEBT MARGIN INFORMATION - LAST 10 YEARS

December 31, 2019

(in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Assessed Value	\$1,640,320	\$1,513,050	\$1,453,177	\$1,390,705	\$1,337,158	\$1,337,158	\$1,251,874	\$1,239,438	\$1,291,214	\$1,258,239
Legal limit of 3/4 of 1% of Assessed Value	12,302	11,348	10,899	10,430	10,029	10,029	9,389	9,296	9,684	9,437
GO Bonds	505	615	725	830	930	1,025	1,115	1,205	1,290	1,375
Other GO Debt	1853	2074	1099	822	945	781	1,102	1,083	1,389	1,659
Less Assets	(2,774)	(2,809)	(1,726)	(2,053)	(2,525)	(1,965)	(372)	(283)	(120)	(129)
Indebtedness Incurred	(416)	(120)	98	(402)	(650)	(159)	1,845	2,005	2,559	2,905
Legal Debt Margin	\$12,302	\$11,348	\$10,899	\$10,430	\$10,029	\$10,029	\$7,544	\$7,291	\$7,125	\$6,532
Margin of Indebtedness available without a vote of the people (1/4 of 1% of Assessed Value)	\$ 4,101	\$ 3,783	\$ 3,633	\$ 3,477	\$ 3,343	\$ 3,343	\$ 1,285	\$ 1,094	\$ 669	\$ 241

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

Port of Sunnyside

PORT OF SUNNYSIDE

REVENUE BOND COVERAGE - LAST 10 YEARS

December 31, 2019

Year	Total Operating Revenues	Direct Operating Expenses	*Non-Operating Revenue & Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Revenue Bonds		Total	Coverage Ratio
					Principal	Interest		
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	1,923,161	5,255,963	840,000	248,906	1,088,906	4.84
2019	6,747,622	3,415,469	401,064	3,733,216	905,000	199,331	1,104,331	3.39

Note: Details regarding the Port of Sunnyside's outstanding debt can be found in the notes to the financial statements.

Total Operating Revenue includes IW WTF 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

PORT OF SUNNYSIDE

DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST 10 YEARS

December 31, 2019

Fiscal Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	Average Unemployment Rate
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%
2019	255,950	12,764,482,450	49,871	66,216	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, 2019

Yakima County Principal Employers	2019			2010		
	Employees	Rank	Percentage of Total Yakima County	Employees	Rank	Percentage of Total Yakima County Employment
Virginia Mason Memorial Hospital	2,500	1	2.07%	2,200	1	2.30%
Wal-Mart	1,700	2	1.41%	1,700	3	1.78%
Zirkle Fruit	1,500	3	1.24%	1,050	4	0.92%
Washington Fruit & Produce	1,500	4	1.24%			
Yakama Nation Government	1,289	5	1.07%			
Astria Health - Yakima/Sunnyside/Toppenish	1,200	6	0.99%			
Borton Fruit	1,212	7	1.00%			
Yakama Nation Enterprises	1,170	8	0.97%	634	10	0.66%
Monson Fruit	1,023	9	0.85%			
Yakima Valley Farm Workers Clinic	1,006	10	0.83%			
AB Foods	-	-	-	850	7	0.89%
Tree Top Inc.	-	-	-			
Novolex-Shields	-	-	-			
Costco - Wholesale/Customer Services	-	-	-			
Community Health of Central WA	-	-	-			
Seneca Foods	-	-	-			
Total	14,100		11.65%	6,434		5.61%

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, 2019

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
IWWTF*	12.52	12.66	12.71	12.27	12.57	13.50	13.50	12.50	13.50	15.00
Administration	3.00	3.00	3.00	3.00	2.50	2.50	2.50	2.50	2.50	3.00
Total	15.52	15.66	15.71	15.27	15.07	16.00	16.00	15.00	16.00	18.00

*IWWTF = Industrial Waste Water Treatment Facility

Source: Year end payroll reports

PORT OF SUNNYSIDE

IWWTF INDUSTRY RATES - LAST 10 YEARS

December 31, 2019

YEAR	OPERATING	BOD	TSS	TKN	SBR-Chloride	SBR-TKN	Capital	Capital SBR-Chloride	Capital SBR-TKN	Capital Dewatering	Anaerobic
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	1.6575	0.0953	0.1230	0.0711	0.4560	2.4956	NA	0.2401	1.1953	0.0395	1.2904
2017	1.6224	0.0930	0.1060	0.0641	0.4957	2.8432	NA	0.2050	1.1245	0.0463	1.1855
2018	1.8917	0.0931	0.1151	0.0670	0.4574	2.6615	NA	0.2025	1.1316	0.0480	1.2005
2019	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, 2019

IWWTF INDUSTRY LIST	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019 Percent Relative to Total Revenue
Centennial Tank	13,772	14,495	14,915	\$ 18,374	\$ 15,558	\$ 18,556	\$ 16,567	\$ 17,597	\$ 20,403	\$ 40,042	0.66%
Cream Wine	8,987	1,059	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Curfman Steel Corp.	1,464	1,444	1,559	\$ 1,534	\$ 1,325	\$ 1,025	\$ -	\$ -	\$ -	\$ -	0.00%
Darigold	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	\$ 5,116,576	83.86%
Darigold-COW Water	-	-	-	\$ -	\$ -	\$ -	\$ 9,742	\$ 63,880	\$ 103,179	\$ 74,251	1.22%
DRR Fruit	41,667	60,644	77,809	\$ 63,996	\$ 81,460	\$ 71,569	\$ 72,450	\$ 96,208	\$ 90,403	\$ 84,913	1.39%
G. D. Williams	849	849	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
J. M. Eagle	2,684	2,584	3,198	\$ 3,255	\$ 1,808	\$ 1,433	\$ 1,425	\$ 1,500	\$ 1,475	\$ 1,500	0.02%
Johnson Camery	105,161	90,328	96,535	\$ 115,619	\$ 118,728	\$ 116,846	\$ 141,681	\$ 111,211	\$ 112,216	\$ 135,056	2.21%
Johnson Fruit	163,334	139,897	210,164	\$ 173,539	\$ 213,148	\$ 253,623	\$ 190,503	\$ 180,951	\$ 176,784	\$ 138,231	2.27%
Milky Way/L TI	32,698	32,439	29,159	\$ 33,988	\$ 44,512	\$ 44,091	\$ 29,879	\$ 31,741	\$ 28,856	\$ 26,889	0.44%
Seneca/Andrus & Roberts	2,784	2,743	3,186	\$ 3,036	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	0.02%
Seneca/Independent	514,258	594,014	622,036	\$ 588,737	\$ 508,780	\$ 447,697	\$ 351,612	\$ 340,120	\$ 335,119	\$ 180,454	2.96%
Tree Top	15,798	15,873	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Valley Processing	294,303	310,175	291,492	\$ 389,757	\$ 444,167	\$ 539,628	\$ 391,352	\$ 383,969	\$ 364,074	\$ 291,949	4.78%
Valley U. S. Grape	2,279	2,189	2,923	\$ 2,539	\$ 1,514	\$ 2,406	\$ 1,356	\$ 1,504	\$ 4,487	\$ 1,308	0.02%
Vitis Cellars	-	-	-	\$ -	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Yakima Chief Hopunion	9,873	8,046	9,787	\$ 13,318	\$ 4,496	\$ 4,225	\$ 3,945	\$ 5,393	\$ 3,639	\$ 9,121	0.15%
TOTAL	\$ 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	\$ 6,101,490	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

PORT OF SUNNYSIDE

CUBIC FEET OF WASTE WATER RECEIVED - LAST 10 YEARS

December 31, 2019

Industry	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Centennial Tank	131,200	155,400	172,100	246,000	236,989	336,100	321,200	386,500	376,532	949,417
Cream Wine*	147,858	3,331	0	0	0	0	0	0	0	0
Darigold	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	45,661,886
Darigold-COW Water	0	0	0	0	0	0	371,878	2,360,255	3,618,472	3,077,195
DRR Fruit	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	1,963,981
J.M. Eagle	34,605	256	1,088	184	0	39	126	223	824	236
Johnson Cannery	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	1,438,461
Johnson Food/Storage	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	1,679,883
Milky Way/ LTL	539,038	439,200	460,300	480,100	841,129	823,400	720,877	734,900	600,000	601,700
Seneca Foods	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	1,830,768
Valley Processing	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	6,416,186
Valley U.S. Grape	41,452	8,732	45,764	5,460	0	84,711	29,763	37,946	212,370	702
Vitis Cellars	0	0	0	0	1,538	0	0	0	0	0
Yakima Chief Hopunion	130,290	52,560	46,420	103,640	45,830	83,280	66,470	114,880	42,100	361,700
TOTAL	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	63,982,115

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, 2019

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, 2019

IWWTF:	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of Industries Served	14	13	13	13	13	12	12	12	12	12
Volume of Waste Water Received	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	63,982,115
Monthly Daily Average										
(millions of gallons)	1.45	1.45	1.45	1.45	1.45	2.00	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.

Port of Sunnyside, 2019 CAFR

Prepared by Jill Jacobs, Director of Finance and Administration