Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Sunnyside

Yakima County

For the period January 1, 2016 through December 31, 2016

Published July 3, 2017

Report No. 1019437

Office of the Washington State Auditor
Pat McCarthy

July 3, 2017

Board of Commissioners
Port of Sunnyside
Sunnyside, Washington

Report on Financial Statements

Please find attached our report on the Port of Sunnyside's financial statements.

We are issuing this report in order to provide information on the Port's financial condition.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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

Port of Sunnyside
Yakima County
January 1, 2016 through December 31, 2016

Board of Commissioners
Port of Sunnyside
Sunnyside, Washington

We have audited, 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, the financial statements of the Port of Sunnyside, Yakima County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated June 26, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

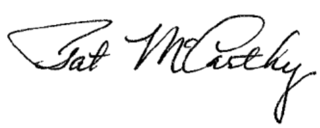
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Port’s financial statements are free from material misstatement, we performed tests of the Port’s compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy

State Auditor

Olympia, WA

June 26, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Sunnyside
Yakima County
January 1, 2016 through December 31, 2016

Board of Commissioners
Port of Sunnyside
Sunnyside, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Sunnyside, Yakima County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Sunnyside, as of December 31, 2016, 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 on pages 10 through 13, and pension plan information on pages 40 through 41 and information on postemployment benefits other than pensions on page 42 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017 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.

Pat McCarthy

State Auditor

Olympia, WA

June 26, 2017

FINANCIAL SECTION

Port of Sunnyside
Yakima County
January 1, 2016 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016
Statement of Revenues, Expenses and Changes in Net Position – 2016
Statement of Cash Flows – 2016
Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Pension Plan Information – 2016
Information on Postemployment Benefits Other Than Pensions – 2016

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, 2016. We encourage readers to read this along with the Port's financial statements and notes. The notes are essential to a full understanding of the data contained in the financial statements.

Financial Highlights

- The assets of the District exceeded liabilities, as of December 31, 2016, by $21,137,391 or 62%. Of this amount, $8,621,217 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 2016, the District's total combined cash & investment balance was $9,125,791 which is an increase of $1,055,375 or 13% from 2015's balance and is 212% of 2016's operating expenses.
- The District's total net position increased $2,703,738 for 2016. This larger than normal increase was due to an industry's major upgrade which, increased our volume and revenue.
- The District's total long-term debt decreased by $1,415,019 or 11%.
- The total deferred outflows for the District were $135,402 and the total deferred inflows for the district were $27,215. The District's overall pension expense was $50,642.
- The overall financial position improved in 2016.

Overview of the Financial Statements

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

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

Basic Financial Statements - The District's accounting records are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and in accordance with GAAP's reporting under GASB 34. The District uses the States Budgeting, Accounting and Reporting System (BARS) for Proprietary-Type Districts financial reporting in the State of Washington. The District implemented GASB 72 and 79 in 2016.

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

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

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 2016 & 2015 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	
	2016	**2015**
Current Assets and Other Assets	**10,208,188**	**$ 9,121,932**
Capital Assets, Net Accumulated Depreciation	**23,902,496**	**23,622,752**
Deferred Outflows	**135,876**	**91,221**
Total Assets	**34,246,561**	**32,835,905**
Current Liabilities	**1,897,926**	**1,836,578**
Long Term Liabilities	**11,184,030**	**12,466,424**
Deferred Inflows	**27,215**	**99,250**
Total Liabilities	**13,109,170**	**14,303,002**
Net Investment in Capital Assets	**12,516,174**	**10,820,083**
Restricted for payment of Debt	**1,231,552**	**1,231,552**
Unrestricted	**7,389,665**	**6,382,018**
Total Net Position	**$ 21,137,391**	**$ 18,433,653**

Major Factors Affecting the Statement of Net Position - Total net position increased in 2016 by $2,703,738 which reflects an abnormal increase from the overall operation of the Port – due to increased discharge volume from our industries. The largest portions of the District's total assets (70%) are in capital assets (e.g., land, buildings, other improvements, and machinery and equipment). The District uses these capital assets to provide general services, wastewater treatment, and future development. Consequently, these assets are not available for future spending, except for the sale of land. The unrestricted net position of the District is available for future use to provide and maintain existing and future services.

The largest portion of the District's total liabilities (87%) is long-term debts, which are primarily payments for bond debt, payments to various funding agencies and private contracts associated with capital assets. Any significant increase or decrease in total assets or total liabilities will have a correlating affect on the Statement of Net Position.

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

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	
	2016	**2015**
Revenues:		
Operating Revenues:		
IWWTF Operating Revenue	$ 6,197,330	$ 5,539,252
Property Rental & Sprayfield Revenue	$ 287,377	293,330
Other Operating Revenue	$ 37,263	48,785
Total Operating Revenues	6,521,970	5,881,367
Non-Operating Revenues:		
Gain on disposition of Assets	17,000	
Interest Income	38,448	21,770
Tax Levy Income	578,554	560,369
Other Non-Operating Revenues	-	132,957
Total Non-Operating Revenues	634,002	715,096
Total Revenues	7,155,971	6,596,463
Expenses:		
IWWTF Operating Expenses	2,828,682	2,942,350
General & Admin Operating Expenses	433,966	417,682
Depreciation	1,049,187	1,028,847
Non Operating:		
Loss on disposition of assets		4,208
Interest Expenses	459,979	515,656
Pollution Remediation	-	-
Other Non Operating Expenses	4,941	91,469
Total Expenses	4,776,755	5,000,212
Income Before Capital Contribution-Grant	2,379,216	1,596,251
Capital Contribution-Grants	324,521	151,762
Increase in Net Position	2,703,738	1,748,013
Net Position - January 1	18,433,653	17,912,565
Prior Period Adjustments	-	(548,550)
Change in Accounting Principal Adjustment	-	(678,374)
Net Position - December 31	$ 21,137,391	$ 18,433,653

Analysis of the Schedule of Changes in Net Position – The increase in net position was $2,703,738 as compared with $1,748,012 in 2015. Several factors contributed to the change. Increased volume in 2016 helped to drive the year-end profit figures.

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

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

Capital Assets

As of year-end 2016, the District had capital assets valued at $23,902,496 as reflected in the following schedule:

Capital Assets at Year-end
(Net of Depreciation)

	Business Type Activities	
	2016	**2015**
Capital Assets not being depreciated		
Land	**$ 3,783,516**	**$ 3,711,877**
Construction In Progress	**840,099**	**36,327**
Capital Assets being depreciated		
Buildings	**25,129,838**	**24,934,566**
Improvements other than Buildings	**3,319,397**	**3,301,918**
Machinery and Equipment	**6,380,459**	**6,227,993**
Accumulated Depreciation	**(15,550,813)**	**(14,589,929)**
Total Capital Assets	**$ 23,902,496**	**$ 23,622,752**

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

Change in Capital Assets

	Business Type Activities	
	2016	**2015**
Beginning Balance, January 1	**$ 23,622,752**	**$ 24,216,384**
Net Change	**1,328,931**	**435,215**
Depreciation	**(1,049,187)**	**(1,028,847)**
Ending Balance, December 31	**$ 23,902,496**	**$ 23,622,752**

Analysis of changes in Capital Assets - For year 2016 capital assets increased by $279,744.

Debt Service

At the end of 2016, the District had total debt of $11,387,648 relating to G.O. Bonds, Revenue Bonds, Notes and Contracts outstanding which was a $1,415,020 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.

Port of Sunnyside
Yakima County, Washington
Statement of Net Position
December 31, 2016

ASSETS

CURRENT ASSETS:		
Cash and Cash Equivalents (Note 1-C.1)	$	7,689,188
Restricted Assets:		
Cash and Cash Equivalents (Note 1-C.4)		489,535
Accounts Receivable (Note 1-C.3)		518,789
Taxes Receivable (Note 1-C.3 & Note 3)		28,070
Other Receivables (Note 1-C.3)		59,360
Prepayments (Note 1-C.7)		50,527
Total Current Assets		8,835,469
NON-CURRENT ASSETS:		
Restricted Assets:		
Investments (Note 1-C.4)		947,068
Interest Receivable on Investments (Note 1-C.4)		2,569
Total Non-current Restricted Assets		949,637
Capital Assets: (Note 4)		
Capital Assets Not Being Depreciated:		
Land		3,783,516
Construction In Progress		840,099
Capital Assets Being Depreciated:		
Improvements to Land		3,319,397
Buildings		25,129,838
Equipment		6,380,459
Less: Accumulated Depreciation		(15,550,813)
Total Net Capital Assets		23,902,496
Other Non-current Assets		
Other Debits (Note 1-C.7)		423,082
Total Non-Current Assets		25,275,215
TOTAL ASSETS	$	34,110,684
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources Related to Pensions (Note 5)		135,876
TOTAL ASSETS AND DEFERRED OUTFLOWS	$	34,246,561

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS (cont. on page 2)

Port of Sunnyside
Yakima County, Washington
Statement of Net Position
December 31, 2016

LIABILITIES

CURRENT LIABILITIES:	
Accounts Payable (Note 1-C.10)	310,189
Accrued Interest Payable (Note 1-C.10)	102,178
Bonds, Notes/Contracts Payable (Note 7)	1,463,935
Compensated Absences (Note 1-C.8)	20,624
Other Current Liabilities (Note 1-C.10)	1,000
Total Current Liabilities	1,897,926
NON-CURRENT LIABILITES:	
General Obligation Bonds (Note 7)	725,000
Revenue Bonds (Note 7)	4,365,000
Notes/Contracts Payable (Note 7)	4,833,714
OPEB Liability (Note 10)	494,730
Net Pension Liability (Note 5)	765,586
Total Non-Current Liabilities	11,184,030
TOTAL LIABILITIES	$ 13,081,956
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	27,215
TOTAL LIABILITIES AND DEFERRED INFLOWS	$ 13,109,171
NET POSITION:	
Net Investment in Capital Assets (Note 12)	12,516,174
Restricted, for Payment of Debt (Note 8)	1,231,552
Unrestricted	7,389,665
TOTAL NET POSITION	$ 21,137,391

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Port of Sunnyside
Yakima County, Washington
Statement of Revenues, Expenses and Changes in Fund Net Position
For the fiscal year ended December 31, 2016

OPERATING REVENUES:	
Industrial Waste Water Treatment Facility Operations	$ 6,197,330
Property Rentals & Sprayfield Operations	287,377
Other Revenue	37,263
Total Operating Revenues	6,521,970
OPERATING EXPENSES:	
Industrial Waste Water Treatment Facility Operations	2,828,682
General & Administrative	433,966
Depreciation	1,049,187
Total Operating Expenses	4,311,835
Operating Income (Loss)	2,210,136
NON-OPERATING REVENUES (EXPENSES):	
Investment Income	38,448
Taxes Levied For:	
General purposes	337,412
Debt service principal/interest	241,142
Gain on disposition of assets	17,000
Interest expense - General Obligation	(48,183)
Interest expense - Revenue Obligation	(411,796)
Other nonoperating expenses	(4,941)
Total Non-Operating Revenues (Expenses)	169,081
Increase in Net Position before Capital Contributions	2,379,217
Capital Contributions	324,521
Increase in Net Position	2,703,738
NET POSITION - beginning of period	18,433,653
NET POSITION - end of period	$ 21,137,391

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Port of Sunnyside
Statement of Cash Flows
For the year ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$	6,494,267
Payments to suppliers		(1,643,006)
Payments to employees		(1,530,086)
Other receipts (payments)		0
Net cash provided by operating activities		3,321,175
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts of property taxes from Yakima County		309,655
Net cash provided by non-capital financing activities		309,655
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipt of property taxes from Yakima County		272,262
Proceeds from capital debt		-
Purchases of capital assets		(1,328,930)
Capital contributions		324,522
Sale of capital assets		17,000
Principal paid on capital debt		(1,415,020)
Interest paid on capital debt		(470,311)
Net cash provided (used) by capital and related financing activities		(2,600,476)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends		204,866
Net cash provided by investing activities		204,866
Net increase (decrease) in cash and cash equivalents		1,235,220
Balances - beginning of the year		6,943,502
Balances - end of the year	$	8,178,722

(cont. on page 2)

Port of Sunnyside
Yakima County, Washington
Statement of Cash Flows
For the year ended December 31, 2016

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

Operating income (loss)	$	2,210,136
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		1,049,187
Change in assets and liabilities:		
Receivables, net		(22,760)
Other payables		40,657
Accrued expenses		43,956
Net cash provided by operating activities	$	3,321,176

NONCASH CAPITAL ACTIVITIES:		
Non-cash Capital Contribution - Donated Building	$	-

RECONCILIATION OF CASH & CASH EQUAVALENTS		
US Bank accounts	$	1,306,383
LGIP		6,382,804
Restricted Cash		489,535
TOTAL	$	8,178,722

NONCASH ADJUSTMENTS		
Improvements to Land	$	-
Accumulated Depreciation		(1,049,186)
Deferred Outflow		44,655
OPEB		(92,170)
Net Pension Liability		(89,370)
Deferred Inflow		72,035
Pension Expense		(27,321)
Depreciation Expense		1,049,187
General Administration Expense		92,170
	$	(0)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Port of Sunnyside
Notes to Financial Statements
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

B. Basis of Accounting and Presentation

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

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

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

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

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

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

C. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

It is the Port of Sunnyside's policy to invest all temporary cash surpluses. At December 31, 2016, the treasurer was holding $9,128,637 in cash and short term investments of surplus cash - including $6,678,855 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 2016 were approximately $75,000.

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

2. Investments

See Note 2 – Deposits and Investments

3. Receivables

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

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

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

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

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

4. Restricted Assets and Liabilities

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

The restricted assets are composed of the following:
Cash, Cash Equivalents & Investments for Debt Service $1,439,172.

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 – 2 to 50 years, Improvements other than buildings – 10 to 30 years and Machinery & equipment – 2 to 40 years. Cost for additions or improvements to capital assets are capitalized when they increase the effectiveness of efficiency of the asset. The costs for normal maintenance and repairs are not capitalized.

6. Other Property and Investments

See Note 2 – Deposits and Investments

7. Other Assets and Debits

Prepayments- Prepaid expenses consist of amounts paid in 2016 for 2017 expenses.
Other Debits- The amount shown in Other Debits is the Port's portion of Benton REA's Capital Credits (also called patronage dividends, patronage refunds, patronage capital or equity capital).
Benton REA is a not-for-profit member-owned electric co-operative. We are a customer/member because we purchase electricity from them.

8. Compensated Absences

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

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

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

The District's total obligation for accrued vacation and comp time is $20,624 at December 31, 2016 and was $24,313 at December 31, 2015. The Compensated Absences could all be due within the coming year and are recorded as a Current Liability.

9. Pensions

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

10. Other Accrued Liabilities

Accounts Payable – These accounts consist of accrued accounts payable and payroll expenses at year end. These amounts are expenses incurred, but not yet paid as of 12/31/16.
Accrued interest payable – These accounts consist of interest on debt accrued to year end, but not yet paid.
Other current liabilities – This account is funds held as customer deposits for properties rented out by the district.

11. Long-Term Debt

See Note 7 – Long Term Debt

NOTE 2 – DEPOSITS AND INVESTMENTS

DEPOSITS

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

INVESTMENTS

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, 2016, the Port of Sunnyside held the following investments measured at fair

Investments by Fair Value Level	12/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Obeservable Inputs (Level 2)	Significant Unobeservable Inputs (Level 3)
US Treasury	$ 947,068	$ -	$ 947,068	$ -
Total Investments by Fair Value	$ 947,068		$ 947,068	

As of December 31, 2016, the Port of Sunnyside held the following investments at amortized c

Investment	Maturities	Principal	Interest	YE Balance
Local Govt. Investment Pool	*N/A	$ 6,175,586	$ 30,275	$ 6,678,855
TOTAL		$ 6,175,586	$ 30,275	$ 6,678,855

*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.

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 2016 was $ 0.41634949 per $1,000 on an assessed valuation of $1,390,704,957 for a total regular levy of $579,019 less adjustments of $465 for a grand total of $578,554. In 2015, the regular levy was $563,100.

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

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION (cont.)

B. Capital assets activity for the year ended December 31, 2016 was as follows:

	Beginning Balance 1/1/16	Increases	Decreases	Ending Balance 12/31/16
Capital Assets, not being depreciated:				
Land	$ 3,711,877	$ 71,639		$ 3,783,516
Construction In Progress	36,327	840,099	36,327	$ 840,099
Total Capital Assets, not being depreciated	3,748,204	911,738	36,327	4,623,615
Capital Assets, being depreciated:				
Buildings	24,934,566	195,272		$ 25,129,838
Improvements other than buildings	3,301,918	17,479		$ 3,319,397
Machinery & Equipment	6,227,992	240,769	88,303	$ 6,380,458
Total Capital Assets, being depreciated	34,464,476	453,520	88,303	34,829,693
Less Accumulated Depreciation for:				
Buildings	(9,420,479)	(686,825)		$ (10,107,304)
Improvements other than buildings	(1,509,802)	(130,209)		$ (1,640,011)
Machinery & Equipment	(3,659,648)	(230,826)	88,303	$ (3,802,172)
Total Accumulated Depreciation	(14,589,929)	(1,047,861)	88,303	(15,549,487)
Total Capital Assets, being depreciated, net	$ 19,874,547	$ (594,341)	$ -	$ 19,280,206

C. Construction Commitments

The Port of Sunnyside has one active construction project as of December 31, 2016.

As of December 31, 2016, the Port is currently renovating the former Sunnyside Water Works building into a wine incubator building. Project costs for 2016 total $304,845.

D. Capitalized Interest

The Port of Sunnyside had no interest costs capitalized as of December 31, 2016. Interest expense for the year was $459,981.

NOTE 5 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	(765,586)
Pension assets	0
Deferred outflows of resources	135,402
Deferred inflows of resources	(27,215)
Pension expense/expenditures	50,642

State Sponsored Pension Plans

Substantially all Port of Sunnyside's 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:

NOTE 5 – PENSION PLANS (cont.)

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 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**

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

NOTE 5 – PENSION PLANS (cont.)

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 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**

The Port of Sunnyside's actual PERS plan contributions were $19,617 to PERS Plan 1 and $22,081 to PERS Plan 2/3 for the year ended December 31, 2016.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

NOTE 5 – PENSION PLANS (cont.)

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	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 7.5 percent, as well as what the Port of Sunnyside's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$452,366	$375,127	$308,659
PERS 2/3	$718,904	$390,458	($203,256)

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, 2016, the Port of Sunnyside's reported a total pension liability of $765,586 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	375,127
PERS 2/3	390,458

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 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.007320%	0.006985%	-0.000335%
PERS 2/3	0.008209%	0.007755%	-0.000454%

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, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the Port of Sunnyside recognized pension expense as follows:

	Pension Expense
PERS 1	$ (1,201)
PERS 2/3	$ 51,843
TOTAL	$ 50,642

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the Port of Sunnyside's 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	$0	$0
Net difference between projected and actual investment earnings on pension plan investments	$9,445	$0
Changes of assumptions	$0	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$0	$0
Contributions subsequent to the measurement date	$19,617	$0
TOTAL	$29,063	$0

NOTE 5 – PENSION PLANS (cont.)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$20,792	($12,890)
Net difference between projected and actual investment earnings on pension plan investments	$47,781	$0
Changes of assumptions	$4,036	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$11,651	($14,325)
Contributions subsequent to the measurement date	$22,081	$0
TOTAL	$106,340	($27,215)

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, 2017. 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
2017	$ (2,326)
2018	$ (2,326)
2019	$ 8,674
2020	$ 5,422
2021	-
Thereafter	-

Year ended December 31:	PERS 2/3
2017	$ 648
2018	$ 648
2019	$ 33,998
2020	$ 21,750
2021	-
Thereafter	-

NOTE 6 - RISK MANAGEMENT

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

In comparison to prior years, there were no significant changes in the types and coverage's of insurance policies purchased by the Port in 2016. Also, settled claims have not exceeded commercial insurance coverage in any of the past three years.

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

NOTE 7 - LONG TERM DEBT

A. Long Term Debt

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

General obligation bonds currently outstanding are as follows:

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

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

Year Ending December 31	Principal	Interest
2017	105,000	37,643
2018	110,000	33,443
2019	110,000	28,905
2020	115,000	23,735
2021	125,000	18,330
2022-2023	265,000	18,800
Total	$ 830,000	$ 160,855

NOTE 7 - LONG TERM DEBT (cont.)

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	$ 255,000
2008 De-Watering Facility	2009-2021	4.00-6.70%	$ 5,000,000	$ 525,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2017	780,000	294,844
2018	840,000	248,906
2019	905,000	199,331
2020	960,000	145,675
2021	1,015,000	88,600
2022-2023	645,000	131,256
Total	$ 5,145,000	$ 1,108,613

The contracts payable outstanding are as follows:

Contracts Payable						
Description	Original Loan	Maturity Date	Interest Rate	Loan Balance 1/1/16	Loan Balance 12/31/16	Current Portion
SIED Loan - SBR	250,000	6/1/2018	1.080%	50,000	33,333	16,666
SIED Loan - Dewatering	250,000	6/1/2018	2.440%	80,265	54,152	26,750
SIED Loan - Bleyhl	137,500	6/1/2019	2.440%	58,330	44,270	14,402
SIED Loan - Bleyhl 2nd Spur	206,550	6/1/2023	2.440%	89,951	79,633	10,570
SIED Loan- Anearobic Digester	1,000,000	6/1/2025	2.500%	1,000,000	851,301	85,380
SIED Loan - Water Works Bldg	260,000	7/23/2021	2.440%	260000	216,828	41,300
DOE Loan - SBR	3,448,655	5/10/2025	1.500%	1,797,763	1,620,353	180,089
CERB 2 - SBR	500,000	1/1/2025	0.000%	250,000	225,000	25,000
CERB - East Edison	513,600	1/1/2029	0.000%	399,467	370,933	28,533
CERB - Rail Spur	275,000	7/1/2020	0.000%	137,500	110,000	27,500
CERB - Anaerobic Digester	850,000	7/30/2028	3.000%	850,000	850,000	-
USDA - Anaerobic Digester $750k	750,000	8/1/2024	0.000%	729,167	645,833	83,333
USDA - Anaerobic Digester $300k	300,000	7/1/2024	0.000%	291,667	258,333	33,333
Benton REA - Anaerobic Digester	60,000	9/1/2024	3.250%	58,559	52,677	6,076
Total	$ 8,801,305			$ 6,052,668	$ 5,412,648	$ 578,935

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

Year Ending December 31	Principal	Interest
2017	578,935	56,947
2018	586,293	49,408
2019	549,073	156,461
2020	635,028	60,217
2021	614,293	50,619
2022-2026	2,174,537	119,512
2027-2029	274,489	8,500
Total	$ 5,412,648	$ 501,664

NOTE 7 - LONG TERM DEBT (cont.)

At December 31, 2016, the Port of Sunnyside has $31,022 available in debt service funds to service the general obligation debt. Restricted assets contain $1,231,583 in sinking funds and reserves as required by revenue bond indentures and other loans.

The Port of Sunnyside has pledged future Industrial Wastewater Treatment Facility revenue, net of specified operating expenses, to repay $4,470,000 in revenue bonds issued in June, 2003 and $5,000,000 issued in August, 2008. The balance ($2,970,000) of the 2003 RO Bond was refinanced in 2013 in the amount of $2,750,000 (see B. below). Proceeds from the 2003 bonds provided financing for construction of the Sequencing Batch Reactor and proceeds from the 2008 bond provided financing for a De-watering Facility which was completed in 2010. The bonds are payable solely from the Industrial Wastewater Treatment Facility revenue and are payable through 2023. Annual principal and interest payments on the bonds are expected to require approx. 24% of net revenues. The total principal and interest remaining to be paid on the bonds is $6,165,013. Principal and interest paid for these bonds for the current year and total Industrial Wastewater Treatment Facility revenue were $1,009,050 and $6,197,330 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, 2016, the following changes occurred in long- term liabilities:

	Beginning Balance 1/1/16	Additions	Reductions	Ending Balance 12/31/16	Due Within One Year
Bonds Payable:					
GO Bonds	$ 930,000	$ -	$ 100,000	$ 830,000	$ 105,000
Revenue Bonds	5,820,000	-	675,000	5,145,000	780,000
Total Bonds Payable	6,750,000	-	775,000	5,975,000	885,000
Notes & Contracts Payable	6,052,668	-	640,020	5,412,648	578,935
Pension/OPEB obligations	1,078,776	181,540	-	1,260,316	-
Compensated Absences	24,313	48,775	52,464	20,624	20,624
Total Long-Term Liabilities	$ 13,905,757	$ 230,315	$ 1,467,484	$ 12,668,587	$ 1,484,559

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

NOTE 9 - CONTINGENCIES AND LITIGATION (cont.)

will have to make payment. In the opinion of management and the Port of Sunnyside's attorney, the Port of Sunnyside's insurance policies are adequate to pay all known or pending claims.

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

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

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

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

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

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

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

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

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

Subsidies

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

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

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

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

Funding Policy

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

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

- Create financial transparency.
- Create better alignment between public and private sector accounting.
- Provide clarity among bargaining groups to show the true cost of benefits over time.
- Provide employers knowledge of the true cost of benefits over time.
- Provide investors knowledge of the true long-term liabilities.
- Show the decision makers a cost that they need to recognize.

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

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

Annual OPEB Cost and Net OPEB Obligation

The Port's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years as of January 1, 2009. The following tables show the components of the Port's annual OPEB cost for fiscal year, the amount actually contributed to the plan, and changes in the Port's net OPEB. The net OPEB obligation of $494,730 is included as a noncurrent liability in the Statement of Net Position.

	Fiscal Year Ending 12/31/2016	Fiscal Year Ending 12/31/2015	Fiscal Year Ending 12/31/2014	Fiscal Year Ending 12/31/2013
Determination of Annual Required Contribution:				
Normal Cost at Year End	$ 51,638	$ 56,382	$ 36,742	$ 29,680
Amortization of Unfunded Acturial Accrued Liability	$ 56,385	$ 49,786	$ 25,573	$ 27,357
Annual Required Contribution	$ 108,022	$ 106,168	$ 62,315	$ 57,037
Determination of Annual OPEB Cost:				
Annual Required Contribution	$ 108,022	$ 106,168	$ 62,315	$ 57,037
Net OPEB Obligation Interest	$ 16,102	$ 12,304	$ 10,284	$ 8,643
Net OPEB Obligation Amortization	$ (23,280)	$ (17,788)	$ (14,868)	$ (12,496)
Annual OPEB Cost	$ 100,845	$ 100,684	$ 57,731	$ 53,184
Determination of Net OPEB Obligation:				
Starting Net OPEB Obligation	$ 402,560	$ 307,598	$ 257,100	$ 216,081
Annual OPEB Cost	$ 100,845	$ 100,684	$ 57,731	$ 53,184
Contributions	$ 8,675	$ (5,722)	$ (7,233)	$ (12,165)
Net OPEB Obligation	$ 494,730	$ 402,560	$ 307,598	$ 257,100

The Port's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014, 2015 and 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution as a % of OPEB Cost	Net OPEB Obligation
12/31/2013	$ 53,184	22.87%	$ 257,100
12/31/2014	$ 57,731	12.53%	$ 307,598
12/31/2015	$ 100,684	5.68%	$ 402,560
12/31/2016	$ 100,845	8.62%	$ 494,730

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

Funding Status, Funding Progress
In order to fund the OPEB plan, the Port would have to establish an irrevocable trust, which means that the Port would no longer have control of the money put into the trust. If the Port left the PEBB program, the Port would not be able to get the money out of the trust. As of

December 31, 2016, the Port does not pre-fund post-retirement medical insurance subsidies. Since the PEBB plan is paid for on a pay-as-you-go basis and was 0% funded, there are no assets to invest. However, currently, the Port has sufficient cash and cash equivalents to cover the entire liability (if any costs are incurred in the future). If the Port no longer uses PEBB for their medical insurance coverage, under the current Port policy, the Port is not liable for any future cost to retired employees.

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

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

Actuarial Methods and Assumptions
The Port used the alternative measurement method permitted under GASB Statement 45. A single retirement age of 62.4 was assumed for all active members to determine the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2015, actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide PEBB study performed in 2015. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was the Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 30 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Consistent with GASB reporting requirements, the Office of the State Actuary assumed a pay-as-you-go funding policy when selecting the assumed rate of investment return of 4 percent. General and salary inflation are the same as those used in the June 30, 2013 actuarial valuation report (AVR) issued by the Office of the State Actuary.

Cost inflation begins at approximately 8% in 2013 and decreases to an ultimate rate of 5% in 2093. Participation percentage, percentage of spousal coverage, and Medicare coverage was determined by the Office of the State Actuary. The average cost of medical plans providing coverage before Medicare eligibility decreased by 7.2 percent; the average cost for Medicare medical plans increased by 4.3 percent. Actual medical cost inflation since the last valuation

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

date was lower than the assumed rate of approximately 14.6 percent. Covered payroll is assumed to grow at 3.75 percent per year. Demographic assumptions are the same as those used in the June 2013 AVR, which were developed from the 2001-2006 Experience Study performed by the Office of the State Actuary.

The Office of Financial Management is responsible for the selection of the actuarial cost method, asset valuation method and funding policy for amortizing the Unfunded Actuarial Accrued Liability (UAAL).

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

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

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

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

NOTE 11– LEASES

Operating Leases

The Port of Sunnyside leases the office building and other equipment under noncancelable operating leases. Total cost for such leases was $147,641 for the year ended December 31, 2016. The future minimum lease payments for these leases are as follows:

Office Building and Other Rentals

Year Ending December 31	Amount
2016	$ 147,641
2017	$ 149,976
2018	$ 149,976
2019	$ 149,976
2020	$ 149,976
2021-2025	$ 749,880

Land Rentals

Year Ending December 31	Amount
2016	$ 49,463
2017	$ 31,949
2018	$ 31,949
2019	$ 31,949
2020	$ 31,949
2021-2025	$ 159,745

NOTE 12– OTHER DISCLOSURES

Major Receivables: Thirteen industries discharge to the Industrial Waste Water Treatment Facility (IWWTF). In 2016, the amount billed was as follows:

Darigold	79%
Valley Processing	6%
Seneca	6%
The remaining ten industries	9%

Method of Calculation of Net Assets Invested in Capital Assets

Net Capital Assets (including CIP)	$ 23,902,496
Less Capital Related Debt	- 11,387,648
Net Investment in Capital Assets	$ 12,514,848

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, 2016

	2016	2015
Employer's proportion of the net pension liability	0.006985%	0.007320%
Employer's proportionate share of the net pension	$ 375,127	$ 382,904
Employer's covered employee payroll	$ 773,677	$ 808,563
Employer's proportionate share of the net pension	48.49%	47.36%
Plan fiduciary net position as a percentage of the	57.03%	59.10%

Port of Sunnyside
Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 2/3
As of June 30, 2016

	2016	2015
Employer's proportion of the net pension liability	0.007755%	0.008209%
Employer's proportionate share of the net pension	$ 390,458	$ 293,312
Employer's covered employee payroll	$ 725,062	$ 757,418
Employer's proportionate share of the net pension	53.85%	38.73%
Plan fiduciary net position as a percentage of the	85.82%	89.20%

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, 2016
Last Fiscal Year

	2016	2015
Statutorily or contractually required contributions	$ 38,199	$ 39,446
Contributions in relation to the statutorily or contractually required contributions	$ (38,199)	$ (39,446)
Contribution deficiency (excess)	$ 0	$ 0
Covered employer payroll	$ 761,277	$ 773,356
Contributions as a percentage of covered employee payroll	5.02%	5.10%

Port of Sunnyside
Schedule of Employer Contributions
PERS Plan 2/3
As of December 31, 2016
Last Fiscal Year

	2016	2015
Statutorily or contractually required contributions	$ 43,102	$ 44,443
Contributions in relation to the statutorily or contractually required contributions	$ (43,102)	$ (44,443)
Contribution deficiency (excess)	$ 0	$ 0
Covered employer payroll	$ 711,959	$ 725,602
Contributions as a percentage of covered employee payroll	6.05%	6.13%

Port of Sunnyside

REQUIRED SUPPLEMENTARY INFORMATION - OPEB

*OPEB funding progress should include three years.
This is the second year since implementation and additional years will be displayed as they become available.

`	Actuarial Valuation Date	Acutuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
OPEB	12/31/2016	$ -	$ 975,006	$ 975,006	0%	$ 794,426	123%
	12/31/2015	$ -	$ 860,895	$ 860,895	0%	805,491	107%

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
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