

**VERNON PUBLIC UTILITIES  
(THE ELECTRIC, GAS, WATER, AND  
FIBER OPTICS ENTERPRISE FUNDS OF THE  
CITY OF VERNON)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2022**

**INTRODUCTORY SECTION**

<b>A MESSAGE FROM THE GENERAL MANAGER OF VERNON PUBLIC UTILITIES</b>	<b>i</b>
--	----------

**FINANCIAL SECTION**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENTS' DISCUSSION AND ANALYSIS (Required Supplementary Information – Unaudited)</b>	<b>4</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>10</b>
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>12</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>13</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>15</b>

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CITY'S MISCELLANEOUS AND SAFETY COST SHARING PLAN</b>	<b>49</b>
<b>SCHEDULE OF PLAN CONTRIBUTIONS – CITY'S MISCELLANEOUS AND SAFETY COST SHARING PLAN</b>	<b>50</b>
<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY</b>	<b>51</b>
<b>SCHEDULE OF OPEB CONTRIBUTIONS</b>	<b>52</b>

**SUPPLEMENTARY INFORMATION**

<b>COMBINING STATEMENT OF NET POSITION</b>	<b>53</b>
<b>COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>55</b>
<b>COMBINING STATEMENT OF CASH FLOWS</b>	<b>56</b>

## **INTRODUCTORY SECTION**

## Message from the General Manager

As an essential resource to all customers, our job is to provide dependable, high-quality electric, water, natural gas, and fiber optic services at cost-effective rates with the highest standards for reliability. We ensure that electricity will stay on when needed, customers have safe, clean drinking water, there is a reliable supply of natural gas to meet demand, and our fiber services offer competitive rates and the latest technology. Our mission focuses on reliably providing the lowest electric rates in California by 2030.

As a municipally owned utility, every customer is a stakeholder in Vernon Public Utilities (VPU). VPU enjoys the continued support of the City Council, which has approved key strategic initiatives for sustained success. These initiatives include Renewable Energy Projects, such as the Daggett Solar Project (operational in September 2023) and the Sapphire Solar and Storage Facility Project (operational in December 2025). With Council support, along with City Administration, VPU remains focused on providing our customers with reliable services and competitive rates.



Despite the recent supply chain issues and higher costs for energy, materials, and supplies, which are critical to our operations, VPU is committed to maintaining a strong financial and operational position for the future. Our strategy focuses on the following initiatives for financial and operational flexibility:

1. Electric load growth with a diversified customer base which includes green commerce.
2. A diversified Energy Resource portfolio, which includes meeting California's Renewable Portfolio Standard Targets as outlined in SB100. Specifically, (i) 2027 - 52%, (ii) 2030 - 60%, and (iii) 2045 - 100% Carbon Neutral. VPU is in the process of updating its Integrated Resource Plan, which focuses on providing direction for reliability, affordability, and meeting renewable energy requirements.
3. Optimizing the operating profile for the Malburg Generating Station (MGS) for operational savings and continued coordination with the CAISO to prevent statewide rolling blackouts and requests to run MGS when energy is needed most across the electric grid.
4. Continued strategic capital investment in electric, water, natural gas, and fiber optic infrastructure to support high-quality and reliable services. VPU continues to be one of the most reliable electric systems compared to other utilities. VPU is a three-time recipient of the RP3 Diamond Level Award, the highest reliability award from APPA, which reflects our continued investment in utility infrastructure and commitment to safety and workforce development.
5. A focus on the utility's financial strength, including improving key financial metrics used by the rating agencies such as Moody's and S&P Global Ratings, including the implementation of a Utility Financial Reserves Policy, and keeping rates competitive to ensure businesses can grow in Vernon.

As we enter 2023, I am optimistic about the future. VPU is focused on providing reliable and competitive electric, water, natural gas, and fiber optic services. In that pursuit, we will excel today and in the future.

Sincerely,



Todd Dusenberry  
General Manager

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and the Members of the City Council  
City of Vernon, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Vernon Public Utilities (VPU) of the City of Vernon, California (City), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the VPU's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vernon Public Utilities of the City of Vernon, California, as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Vernon Public Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the financial statements present only the Vernon Public Utilities and do not purport to, and do not, present fairly the financial position of the City of Vernon, California as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management 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.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Vernon Public Utilities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of plan contributions, schedule of proportionate share of the net OPEB liability, and schedule of OPEB contributions, identified as required supplementary information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Honorable Mayor and the Members of the City Council  
City of Vernon, California

statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the VPU's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2023, on our consideration of the VPU's internal control over the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the VPU's 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 VPU's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Irvine, California  
August 8, 2023



**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

The management of the Vernon Public Utilities (VPU), the electric, gas, water, and fiber optics utilities of the City of Vernon ("the City"), offers the following overview and analysis of the basic financial statements of the VPU for the fiscal year ended June 30, 2022. Management encourages readers to utilize information in the Management's Discussion and Analysis (MD&A) in conjunction with the accompanying basic financial statements.

**OVERVIEW OF BASIC FINANCIAL STATEMENTS**

The MD&A is intended to serve as an introduction to the VPU's basic financial statements. Included as part of the financial statements are three separate statements.

The *statement of net position* presents information on the VPU's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, with the difference between the two reported as net position.

The *statement of revenues, expenses and changes in net position* presents information showing how the VPU's net position changed during the most recent fiscal year. Financial results are recorded using the accrual basis of accounting. Under this method, all changes in net position are reported as soon as the underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement for some items may affect cash flows in a future fiscal period (examples include billed but uncollected revenues and employee earned but unused vacation leave).

The *statement of cash flows* reports cash receipts, cash payments, and net changes in cash and cash equivalents from operations, noncapital financing, capital, and related financing, and investing activities.

The *notes to the basic financial statements* provide additional information that is essential to fully understand the data provided in the financial statements.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**FINANCIAL HIGHLIGHTS**

***Net Position***

The table below summarizes the VPU's net position as of the current fiscal year ended June 30, 2022 and prior fiscal year ended June 30, 2021. The details of the current year's summary can be found on pages 10-11 of this report.

City of Vernon Vernon Public Utilities Net Position June 30, 2022 and 2021				
	2022	2021	Change	
			Amount	%
<b>Assets:</b>				
Current and other assets	\$ 190,992,713	\$170,454,702	\$ 20,538,011	12%
Restricted and other assets	48,782,041	60,604,374	(11,822,333)	-20%
Capital assets	458,427,644	257,253,484	201,174,160	78%
Total assets	<u>698,202,398</u>	<u>488,312,560</u>	<u>209,889,838</u>	43%
<b>Deferred Outflows of Resources</b>	<u>7,934,285</u>	<u>5,874,605</u>	<u>2,059,680</u>	35%
<b>Liabilities:</b>				
Current liabilities	77,463,438	47,659,116	29,804,322	63%
Long term liabilities	434,250,999	290,506,033	143,744,966	50%
Total liabilities	<u>511,714,437</u>	<u>338,165,149</u>	<u>173,549,288</u>	51%
<b>Deferred Inflows of Resources</b>	<u>12,001,382</u>	<u>8,616,511</u>	<u>3,384,871</u>	39%
<b>Net Position:</b>				
Net investment in capital assets	168,787,837	148,442,763	20,345,074	14%
Restricted for debt service	32,836,544	23,894,665	8,941,879	37%
Unrestricted (deficit)	(19,203,517)	(24,931,923)	5,728,406	23%
Total net position	<u>\$ 182,420,864</u>	<u>\$147,405,505</u>	<u>\$ 35,015,359</u>	24%

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

***Net Position (Continued)***

The assets and deferred outflows of resources of the VPU exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$182,420,864 (*net position*).

The category of the VPU's net position with the largest balance totaling \$168,787,837 represents resources that are invested in capital assets, net of related debt.

The second category restricted for debt services totaling \$32,836,544 represents resources that are subject to external restrictions on how they can be used, in this case bond debt.

The remaining category of net position, totaling \$(19,203,517) represents a deficit in unrestricted net position that is expected to be recovered from the VPU's future revenues and controlling operating and maintenance expenses.

Total current assets increased by \$20,538,011 from the prior year mainly due to an increase in cash and cash equivalents of \$10,600,320, an increase in accounts receivable, net of allowance of \$7,165,433, an increase in accrued unbilled revenue of \$2,047,159, and an increase in inventories of \$636,909.

Capital assets increased by \$203,490,086, net of depreciation, from the prior year mainly due to acquisitions of new equipment and facility improvements. (See Note 5).

Total liabilities increased by \$173,549,288 from the prior year, primarily due to an increase in accounts payable of \$3,393,468, an increase in bonds payable (current and long-term) of \$175,776,445, and partially offset by a decrease of \$6,418,886 in the net pension liability.

The VPU's total net position at fiscal year 2021-22 was \$182,420,864, which increased by \$35,015,359 from the prior year due to an increase in the net investment in capital assets by \$20,345,074, an increase in the funds restricted for debt service of \$8,941,879 and a decrease of the unrestricted deficit net position of \$5,728,406.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

***Changes in Net Position***

The table below summarizes the VPU's changes in net position over the current and prior fiscal years. The details of the current year's changes in net position can be found on page 12 of this report.

City of Vernon Vernon Public Utilities Net Position June 30, 2022 and 2021				
	2022	2021	Change	
			Amount	%
<b>Operating Revenues:</b>				
Charges for services	\$ 238,570,758	\$ 212,205,129	\$ 26,365,629	12%
<b>Operating Expenses:</b>				
Cost of sales	170,314,573	179,468,776	(9,154,203)	-5%
Depreciation	17,904,210	9,486,682	8,417,528	89%
Total operating expenses	<u>188,218,783</u>	<u>188,955,458</u>	<u>(736,675)</u>	-
Operating income	<u>50,351,975</u>	<u>23,249,671</u>	<u>27,102,304</u>	117%
<b>Nonoperating revenues (expenses):</b>				
Intergovernmental	865,403	-	865,403	-
Investment income	285,622	69,606	216,016	310%
Net decrease in fair value of investments	(8,231)	(3,033)	(5,198)	171%
Interest expense	(14,163,484)	(19,297,791)	5,134,307	-27%
Gain (loss) on disposition of assets	(2,315,926)	-	(2,315,926)	-
Total nonoperating expenses	<u>(15,336,616)</u>	<u>(19,231,218)</u>	<u>3,894,602</u>	-20%
<b>Change in net position</b>	35,015,359	4,018,453	30,996,906	771%
<b>Net position - beginning of year</b>	<u>147,405,505</u>	<u>143,387,052</u>	<u>4,018,453</u>	3%
<b>Net position - end of year</b>	<u>\$ 182,420,864</u>	<u>\$ 147,405,505</u>	<u>\$ 35,015,359</u>	24%

VPU's operating income of \$50,351,975, less net non-operating revenues (expenses) of \$(15,336,616), resulted in an increase in net position of \$35,015,359 during the current year. VPU increased its net position by \$30,996,906 when compared to the prior year, which is due to the significant increase in operating income of \$26,365,629 and lower interest expense of \$5,134,307 offset by the loss on the sale of assets of \$2,315,926.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital assets***

The VPU's investment in capital assets as of June 30, 2022 amounted to \$458,427,644 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, construction in progress, building, utilities system improvements, and machinery and equipment. The net increase in the VPU's investment in capital assets for the current fiscal year was \$201,169,979.

Additional information on the VPU's capital assets can be found in Note 5 of this report.

***Outstanding debt***

As of June 30, 2022, the following Electric Fund debt remains outstanding:

- \$37,895,000 City of Vernon Electric System Revenue Bonds, 2008 Taxable Series A
- \$11,505,000 City of Vernon Electric System Revenue Bonds, 2012 Taxable Series B
- \$111,720,000 City of Vernon Electric System Revenue Bonds, 2015 Taxable Series A
- \$19,305,000 City of Vernon Electric System Revenue Bonds, 2020 Series A
- \$173,815,000 City of Vernon Electric System Revenue Bonds, 2021 Taxable Series A
- \$52,070,000 City of Vernon Electric System Revenue Bonds, 2022 Taxable Series A

The City of Vernon Electric System Revenue Bonds, 2008 Taxable Series A were issued to provide funds to (i) finance the cost of certain capital improvements to the City's Electric System, (ii) fund a deposit to the Debt Service Reserve Fund, and (iii) to pay costs of issuance of the 2008 Bonds.

The City of Vernon Electric System Revenue Bonds, 2012 Taxable Series B were issued to provide funds to (i) refund the \$28,680,000 aggregate principal amount of 2009 Bonds maturing on August 1, 2012, (ii) to pay a portion of the Costs of the 2012 Project, and (iii) to pay costs of issuance of the 2012 Taxable Series B Bonds.

The City of Vernon Electric System Revenue Bonds, 2015 Taxable Series A were issued to provide funds to (i) refund a portion of the Outstanding Electric System Revenue Bonds, 2009 Series A; (ii) finance the costs of certain capital improvements to the City's Electric System by reimbursing the Electric System for the prior payment of such costs from the Light and Power Fund; (iii) fund a deposit to the Debt Service Reserve Fund; and (iv) pay costs of issuance of the 2015 Bonds.

The City of Vernon Electric System Revenue Bonds, 2020 Series A were issued to provide funds to (i) finance the acquisition and construction of certain capital improvements to the Electric System of the City, (ii) to refund all of the City's outstanding Electric System Revenue Bonds, 2009 Series A, and (iii) to pay costs of issuance of the 2020 Bonds.

The City of Vernon Electric System Revenue Bonds, 2021 Series A were issued to provide funds: (i) to pay the costs of the acquisition by the City of Vernon of a 134-megawatt natural gas-fired generating facility located within the city limits on land owned by the City, together with certain related electrical interconnection facilities and other assets, property, and contractual rights, (ii) to fund a deposit to the Debt Service Reserve Fund in satisfaction of the Debt Service Reserve Requirement, and (iii) to pay costs of issuance of the 2021 Bonds.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

The City of Vernon Electric System Revenue Bonds, 2022 Series A were issued to (i) refund and defease all the City's outstanding Electric System Revenue Bonds, 2012 Series A and a portion of the City's outstanding Electric System Revenue Bonds, 2012 Taxable Series B and (ii) to pay costs of issuance of the 2022 Bonds.

As of June 30, 2022, the following Water Fund debt remains outstanding:

- \$14,600,000 City of Vernon Water System Revenue Bonds, 2020 Taxable Series A
- \$1,220,930 City of Vernon agreement with the Water Replenishment District of Southern California

The City of Vernon Water System Revenue Bonds, 2020 Series A were issued to provide funds to (i) finance the acquisition and construction of certain capital improvements to the Water System of the City, (ii) purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund in satisfaction of the Reserve Requirement, and (iii) to pay costs of issuance of the 2020 Bonds.

As of June 30, 2022, the ratings on all Electric System Revenue Bonds of the City were BBB+/Stable by S&P and Baa1/Stable by Moody's. The rating on Water System Revenue Bonds is A-/Stable by S&P.

Additional information on the VPU's long-term debt can be found in Note 6 of this report.

#### **ECONOMIC FACTORS AND NEW YEAR'S BUDGET AND RATES**

These factors were considered in preparing the VPU's FY 2022-23 operating and capital budgets.

- VPU is committed to providing dependable, high-quality electric, water, natural gas, and fiber services at the lowest competitive rates and the highest standards for reliability.
- VPU continues to respond to inflation and supply chain issues, including higher energy, natural gas, materials and supplies, chemicals, and construction costs to maintain generation, transmission, and distribution infrastructure to continue to provide exceptionally reliable service.
- Continue to implement VPU's capital plan, manage operating and maintenance expenses, update the 2018 Integrated Resource Plan, complete an Electric Cost of Service Analysis and Rate Design study, transition customer load growth to green commerce, optimize the MGS operating profile, and continue to implement the multi-year water rate adjustment plan approved by City Council.

#### **REQUESTS FOR INFORMATION**

This report is designed to provide an overview of the VPU's FY 2021-22 results. Questions concerning the fund's financial or operating results can be addressed to Scott Williams, Director of Finance, [swilliams@cityofvernon.org](mailto:swilliams@cityofvernon.org), City of Vernon, 4305 Santa Fe Avenue, Vernon, California, 90058.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 156,960,639
Accounts Receivable, Net of Allowance	14,262,338
Accrued Unbilled Revenue	19,025,964
Accrued Interest Receivable	89,197
Due from Other City Funds	-
Prepaid Items	17,666
Inventories	<u>636,909</u>
Total Current Assets	<u>190,992,713</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	46,383,084
Advances to Other City Funds	202,798
Prepaid Items	994,736
Deposits	1,201,423
Capital Assets:	
Nondepreciable	70,803,890
Depreciable, Net	<u>387,623,754</u>
Total Noncurrent Assets	<u>507,209,685</u>

Total Assets	<u>698,202,398</u>
--------------	--------------------

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to OPEB Liability	662,143
Deferred Outflows Related to Pensions	5,338,797
Deferred Amount on Refunding	<u>1,933,345</u>
Total Deferred Outflows of Resources	<u>7,934,285</u>

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
STATEMENT OF NET POSITION (CONTINUED)  
JUNE 30, 2022**

**LIABILITIES**

Current Liabilities:

Accounts Payable	\$ 17,472,509
Accrued Wages and Benefits	406,604
Due to Other City Funds	2,966,261
Customer Deposits	500,168
Bond Interest Payable	5,212,226
Bonds Payable	50,360,000
Note Payable	139,535
Compensated Absences	406,135
Total Current Liabilities	77,463,438

Noncurrent Liabilities:

Bonds Payable	412,712,309
Note Payable	1,081,395
Compensated Absences	812,270
Other Postemployment Benefit Liability	3,080,913
Net Pension Liability	16,564,112
Total Noncurrent Liabilities	434,250,999

Total Liabilities	511,714,437
-------------------	-------------

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to OPEB Liability	1,577,912
Deferred Inflows Related to Pensions	10,423,470
Total Deferred Inflows of Resources	12,001,382

**NET POSITION**

Net Investment in Capital Assets	168,787,837
Restricted for Debt Service	32,836,544
Unrestricted (Deficit)	(19,203,517)
Total Net Position	\$ 182,420,864



**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2022**

<b>OPERATING REVENUES</b>	
Charges for Services	\$ 238,570,758
Total Operating Revenues	<u>238,570,758</u>
<b>OPERATING EXPENSES</b>	
Cost of Sales	170,314,573
Depreciation	17,904,210
Total Operating Expenses	<u>188,218,783</u>
<b>OPERATING INCOME</b>	50,351,975
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Intergovernmental	865,403
Investment Income	285,622
Net Decrease in Fair Value of Investments	(8,231)
Interest Expense	(14,163,484)
Loss on Disposition of Assets	(2,315,926)
Total Nonoperating Revenues (Expenses)	<u>(15,336,616)</u>
<b>CHANGE IN NET POSITION</b>	35,015,359
Net Position - Beginning of Year	<u>147,405,505</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 182,420,864</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 229,353,795
Cash Paid to Suppliers for Goods and Services	(157,657,823)
Cash Paid to Employees for Services	(5,801,226)
Cash Paid to City for Services	(5,214,961)
Net Cash Provided by Operating Activities	60,679,785
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Repayment of Bonds	(35,215,000)
Issuance of Bonds	235,885,000
Bond Premiums	38,266,557
Payment to Refunding Bond Escrow Agent	(62,999,903)
Bond Interest Paid	(17,463,242)
Payment of Note Payable	(139,535)
Net Acquisition of Capital Assets	(221,394,296)
Net Cash Used by Capital and Related Financing Activities	(63,060,419)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Grant Revenue Received	865,403
Payment from (Provided to) Other City Funds	1,915,195
Net Cash Provided by Noncapital Financing Activities	2,780,598
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	190,555
Net Cash Provided by Investing Activities	190,555
 <b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	
	590,519
Cash and Cash Equivalents - Beginning of Year	202,753,204
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	
	\$ 203,343,723
 <b>COMPOSITION OF CASH AND CASH EQUIVALENTS</b>	
Cash and Cash Equivalents	\$ 156,960,639
Restricted Cash and Investments	46,383,084
Total	\$ 203,343,723

See accompanying Notes to Basic Financial Statements.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 50,351,975
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	17,904,210
Deferred Gain from Sale of Generation Assets	(6,555,916)
Change in Operating Assets and Liabilities:	
Accounts Receivable	(7,165,433)
Accrued Unbilled Revenue	(2,047,159)
Due from Other Funds	523,087
Prepaid Expenses and Deposits	(104,017)
Inventories	(636,909)
Deferred Outflows of Resources	(418,807)
Accounts Payable	3,393,468
Accrued Wages and Benefits	(209,527)
Due to Other City Funds	2,443,174
Customer Deposits	(4,371)
Compensated Absences	36,502
Other Postemployment Benefit Liability	(352,393)
Net Pension Liability	(6,418,886)
Deferred Inflows of Resources	9,940,787
Net Cash Provided by Operating Activities	\$ 60,679,785

See accompanying Notes to Basic Financial Statements.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements present only the Vernon Public Utilities (VPU) of the City of Vernon, California (the City), and do not present fairly the financial position and results of the operations of the City. The VPU accounts for the independent operations and the maintenance of the City's electric, gas, water, and fiber optics utilities. A fund, or utility, administered by the VPU is an independent fiscal and accounting entity with a self-balancing set of accounts recording resources, related liabilities, obligations, reserves, and equities, segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

For additional information regarding the City of Vernon, refer to the City's annual financial report.

Ordinance No. 1242, adopted May 16, 2017, requires each utility of the City to be independent with its assets, liabilities, and equities segregated, budgeted, and accounted for in separate funds. Ordinance No. 1240, adopted March 21, 2017, consolidates all utilities-related services under the management of the stand-alone entity "Vernon Public Utilities" for better oversight and management of the day-to-day activities of such independent utilities. Each of the City's utilities, namely the electric, gas, water, and fiber optics utilities, were established by the City under and by virtue of the City Charter and the City Code enacted in 1988. Prior to July 1, 2016, the electric and gas utilities were consolidated and reported as the Light & Power Enterprise for financial reporting purposes. Ordinance No. 1242 continues to require each utility to be independent with its assets, liabilities, and equities segregated, budgeted, and accounted for in separate funds, while Ordinance No. 1240 enables the consolidated financial reporting of those independent utilities for better oversight and management.

The financial statements of the VPU have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The VPU's significant accounting policies are described below.

**A. Basis of Presentation**

The VPU's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Basis of Presentation (Continued)**

The VPU distinguishes *operating* revenues and expenses from *nonoperating* items. *Operating* revenues, such as charges for services, result from exchange transactions associated with the sale of electricity, gas, and water. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. *Operating* expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

**B. Pooled Cash**

Part of the VPU's operating cash balance is pooled with other City funds for deposit purposes. The share of each fund in the pooled cash account is recorded in each of the funds' books of accounts, and interest income is apportioned to the participating funds based on the relationship of their average monthly balances to the total of the pooled cash.

**C. Cash Deposits and Investments**

For purposes of the statement of cash flows, the VPU considers all highly liquid investments (including restricted cash and investments) with an original maturity of three months or less when purchased to be cash equivalents. Investment transactions are recorded on the settlement date. Investments in nonparticipating interest-earning investment contracts are reported at cost and all other investments are reported at fair value. Fair value is defined as the amount that the VPU could reasonably expect to receive for an investment in a current sale between a willing buyer and a seller and is generally measured by quoted market prices.

**D. Receivables/Payables**

Short-term City interfund receivables and payables are classified as "due from other City funds" and "due to other City funds", respectively, on the statement of net position. Long-term City interfund receivables and payables are classified as "advances to/from other City funds," respectively, on the statement of net position.

Trade receivables are shown net of an allowance for uncollectible accounts. Allowances for uncollectible accounts were \$1,043,137 as of June 30, 2022. Utility customers are billed monthly. The estimated value of services provided, but unbilled at year-end has been included in the accompanying statement of net position.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Prepaid Item**

The VPU made a prepayment to Southern California Public Power Authority (SCPPA) for the VPU's share of SCPPA's payoff of the Hoover Center and Air Slots debt. This prepaid amount is amortized over the life of the debt based on the annual debt service obligations. See Note 10 for further information regarding SCPPA.

**F. Inventories**

All inventories are valued at cost, or estimated historical costs when historical information is unavailable, using the first-in/first-out (FIFO) method. Inventory costs in the proprietary funds are recorded as an expense or capitalized into capital assets when used.

**G. Deposits**

The VPU has deposits in SCPPA's Project Stabilization Fund for use within SCPPA's project purposes at the VPU's discretion. At June 30, 2022, the amount of deposits totaled \$1,201,423.

**H. Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if the actual historical cost is not available. Contributed capital assets are recorded at their estimated acquisition value at the date contributed. Capital assets include land, intangible assets, construction in progress, and plant assets including building, improvements, and machinery and equipment. The capitalization threshold for all capital assets is \$5,000. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives. Intangible assets with an indefinite useful life are not amortized but are evaluated annually for any impairment.

The estimated useful lives are as follows:

Utility Plant	3 to 50 Years
---------------	---------------

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the statement of revenues, expenses, and changes in net position.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Compensated Absences**

Accumulated vacation is accrued when incurred. Upon termination of employment, the VPU will pay the employee all accumulated vacation leave at 100% of the employee's base hourly rate.

**J. Deferred Outflows and Inflows of Resources**

The VPU recognizes deferred outflows and inflows of resources. A deferred outflow of resource is defined as consumption of net position by the VPU that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the VPU that is applicable to a future reporting period. On June 30, 2022, the VPU has deferred outflows of resources representing deferred amounts on bond refunding, pension-related transactions, and other postemployment benefit-related transactions, and deferred inflows of resources representing pension-related transactions and other postemployment benefit-related transactions.

**K. Long-Term Obligations**

Bond discounts and premiums and deferred amounts on refunding are amortized over the life of the bonds using the straight-line method.

**L. Net Position**

The VPU financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- **Net Investment in Capital Assets** – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of liabilities that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- **Restricted Net Position** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This category represents net position of the VPU not restricted for any project or other purpose.

The VPU's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is to use restricted resources first.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Use of Estimates**

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**N. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan and additions to/deductions from the Pension Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

**O. Postemployment Benefits Other than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2022, are classified in the accompanying statement of net position as follows:

Cash and Cash Equivalents	\$ 156,960,639
Restricted Cash and Cash Equivalents	46,383,084
Total Cash and Cash Equivalents	<u>\$ 203,343,723</u>

Cash and cash equivalents as of June 30, 2022, consist of the following:

Equity in the City's Pooled Cash	\$ 19,875,769
Deposits with Financial Institutions	45,261,169
Short-Term Investments	138,206,785
Total Cash and Cash Equivalents	<u>\$ 203,343,723</u>



**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)**

**Equity in the Cash Pool of the City of Vernon**

The VPU has equity in the cash pool managed by the City. The VPU is a voluntary participant in that pool and the pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City. The VPU has not adopted an investment policy separate from that of the City. The amount of the VPU's cash in this pool is reported in the accompanying financial statements based upon the VPU's pro rata share of the amount calculated by the City. The balance available for withdrawal is based on the accounting records maintained by the City.

**The City's Investment Policy**

The City's Investment Policy sets forth the investment guidelines for all funds of the City. The Investment Policy conforms to the California Government Code Section 53600 et. seq. The authority to manage the City's investment program is derived from the City Council. Pursuant to Section 53607 of the California Government Code, the City Council annually, appoints the City Treasurer to manage the City's investment program and approves the City's investment policy. The Treasurer is authorized to delegate this authority as deemed appropriate. No person may engage in investment transactions except as provided under the terms of the Investment Policy and the procedures established by the Treasurer.

This Investment Policy requires that the investments be made with the prudent person standard, that is, when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the trustee (Treasurer and staff) will act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the City.

The Investment Policy also requires that when following the investing actions cited above, the primary objective of the trustee be to safeguard the principal, secondarily meet the liquidity needs of depositors, and then achieve a return on the funds under the trustee's control. Further, the intent of the Investment Policy is to minimize the risk of loss on the City's held investments from:

- A. Credit risk
- B. Custodial credit risk
- C. Concentration of credit risk
- D. Interest rate risk

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)**

**Investments Authorized by the California Government Code and the City's Investment Policy**

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's Investment Policy. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investment of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's Investment Policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer	Minimum Rating
U.S. Treasury Bonds	5 Years	None	None	None
State and Local Agency Bonds	5 Years	None	None	None
Securities of the U.S. Government, or its Agencies	5 Years	None	None	None
Certain Asset-Backed Securities	5 Years	20%	None	AA
Negotiable Certificates of Deposit	5 Years	30%	None	None
Bankers' Acceptances	180 Days	40%	30%	None
Commercial Paper	270 Days	25%	10%	P-1
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreements	92 Days	20%	None	None
Medium-Term Notes	5 Years	30%	None	A
Mutual Funds Investing in Eligible Securities	N/A	20%	10%	AAA
Money Market Mutual Funds	N/A	20%	10%	AAA
Mortgage Pass-Through Securities	5 Years	20%	None	AA
State Administered Pool Investment	N/A	None	\$75 Million	None

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's Investment Policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Rating
Securities of the U.S. Government, or its Agencies	None	None	None	None
Certain Asset-Backed Securities	None	None	None	AA
Certificates of Deposit	None	None	None	None
Bankers' Acceptances	1 Year	None	None	None
Commercial Paper	None	None	None	P-1
Money Market Mutual Funds	N/A	None	None	AAA
State Administered Pool Investment	N/A	None	\$75 Million	None
Investment Contracts	None	None	None	None

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)**

**Disclosure Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City has no specific limitations with respect to this metric. Information about the sensitivity of the fair values of the VPU's investments (including investments held by bond trustee) to market interest rate fluctuations is provided in the following table that shows the distribution of the VPU's investments by maturity:

Investment Type	Fair Value as of 6/30/2022	Investment Maturities (in Months)		
		Less than 12 Months	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund Held by Trustee:	\$ 627,044	\$ 627,044	\$ -	\$ -
Money Market Mutual Funds	137,579,740	137,579,740	-	-
Total investments	<u>\$ 138,206,784</u>	<u>\$ 138,206,784</u>	<u>\$ -</u>	<u>\$ -</u>

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's Investment Policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Minimum Required Rating	Actual Credit Rating Moody's / S&P	Fair Value as of June 30, 2022
Local Agency Investment Fund Held by Trustee:	Not Rated	Not Rated	\$ 627,044
Money Market Mutual Funds	Aaa / AAA	Aaa / AAA	137,579,740
Total investments			<u>\$ 138,206,784</u>

**Concentration of Credit Risk**

The City's Investment Policy places no limit on the amount the City may invest in any one issuer excluding a 10% limitation on commercial paper, mutual funds, and money market mutual funds and a 30% limitation on bankers' acceptances. The City's Investment Policy also places no limit on the amount of debt proceeds held by the bond trustee that the trustee may invest in one issuer that is governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's Investment Policy. As of June 30, 2022, there were no investments held by the VPU that exceeded 5% in any one issuer, excluding money market mutual funds.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. Under the California Government Code, a financial institution is required to secure deposits, in excess of the FDIC insurance amount of \$250,000, made by state or local governmental units by pledging government securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Such collateral is held by the pledging financial institution's trust department or agent in the City's name.

At June 30, 2022, all of the VPU's deposits were insured or collateralized as required by Section 53652 of the California Government Code.

**Local Agency Investment Fund (LAIF)**

The VPU also maintained cash balances with the state of California Local Agency Investment Fund (LAIF). LAIF is an external investment pool sponsored by the state of California. The administration of LAIF is provided by the California State Treasurer and regulatory oversight is provided by the Pooled Money Investment Board and the Local Investment Advisory Board. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of VPU's position in the pool.

**Fair Value Measurement**

The VPU categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that the government can access at the measurement date.
- Level 2 inputs are other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The VPU's investments in money market mutual funds and LAIF are not subject to categorization in the fair value hierarchy.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 ACCOUNTS RECEIVABLE**

The VPU's accounts receivable at June 30, 2022, are as follows:

Accounts Receivable	\$ 15,305,475
Less: Allowance for Uncollectible Accounts	<u>(1,043,137)</u>
Total Accounts Receivable, Net	<u><u>\$ 14,262,338</u></u>

**NOTE 4 INTERNAL TRANSACTIONS**

Transactions between the VPU and the City commonly occur in the normal course of business for services received or furnished (accounting, management, engineering, legal services, and capital projects).

**Advances to Other City Funds**

The following table summarizes the VPU's advances to the other City funds at June 30, 2022:

Advances to Other City Funds - July 1, 2021	\$ 2,117,993
Advance Repaid by City Funds During the Year	<u>(1,915,195)</u>
Advances to Other City Funds - June 30, 2022	<u><u>\$ 202,798</u></u>

The advances between the other City funds and the VPU does not accrue interest due to the nature of the City's operational relationship and capital projects funded by the VPU that benefits both. On November 6, 2012, the City adopted Resolution No. 2012-215 extending the repayment term of the loan to the City from 15 months to a period of over 10 years.

The City's General Fund allocates certain administrative and overhead costs to the VPU which the VPU financial statements include as part of the cost of sales. The allocated costs for the year ended June 30, 2022, were \$3,813,444.

**Transfers from (to) City**

The VPU's electric retail rates are established by the City Council and are not subject to regulation by the California Public Utility Commission or any other state agency. The retail rates include a 3% surcharge for payments in lieu of franchise tax to the City's General Fund. For the current year, the VPU transferred to the City's General Fund \$5,033,574 in lieu of franchise tax. This amount is reported in the accompanying financial statements as part of operating expenses.

Under the City Charter and the VPU's electric revenue bond indentures, the VPU's electric utility is allowed to transfer up to 11.5% of its retail sales after meeting debt service obligations and certain debt coverage ratios. However, no additional transfers were made for the year ended June 30, 2022.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity of the VPU for the fiscal year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
<b>Capital Assets, Not Being Depreciated:</b>					
Electric Utility - Land	\$ 13,193,594	\$ -	\$ -	\$ -	\$ 13,193,594
Water Utility - Water	467,640	-	-	-	467,640
Electric Utility - Intangibles - Environmental Credits	1,163,811	3,610,772	-	-	4,774,583
Electric Utility - Construction in Progress	45,324,750	129,024	-	-	45,453,774
Water Utility - Construction in Progress	4,635,417	2,366,637	-	(87,755)	6,914,299
Total Capital Assets, Not Being Depreciated	64,785,212	6,106,433	-	(87,755)	70,803,890
<b>Capital Assets, Being Depreciated:</b>					
Electric Utility - Production Plant	16,189,303	196,173,685	-	-	212,362,988
Electric Utility - Transmission Plant	4,888,113	-	(1,271,649)	-	3,616,464
Electric Utility - Distribution Plant	258,451,179	16,781,817	(18,181,346)	-	257,051,650
Electric Utility - General Plant	9,587,933	192,379	(25,903)	-	9,754,409
Water Utility Plant	23,765,353	1,666,662	(1,789,499)	87,755	23,730,271
Gas Utility Plant	26,973,692	261,506	(34,604)	-	27,200,594
Fiber Optic Utility Plant	4,161,378	211,814	(616,583)	-	3,756,609
Total Capital Assets, Being Depreciated	344,016,951	215,287,863	(21,919,584)	87,755	537,472,985
<b>Less Accumulated Depreciation for:</b>					
Electric Utility - Production Plant	(10,757,493)	(8,634,043)	-	-	(19,391,536)
Electric Utility - Transmission Plant	(3,424,581)	(78,093)	1,059,485	-	(2,443,189)
Electric Utility - Distribution Plant	(101,227,123)	(7,438,076)	16,493,501	-	(92,171,698)
Electric Utility - General Plant	(6,148,921)	(360,709)	25,903	-	(6,483,727)
Water Utility Plant	(15,723,755)	(500,102)	1,379,658	-	(14,844,199)
Gas Utility Plant	(11,142,926)	(707,035)	28,528	-	(11,821,433)
Fiber Optic Utility Plant	(3,123,880)	(186,152)	616,583	-	(2,693,449)
Total Accumulated Depreciation	(151,548,679)	(17,904,210)	19,603,658	-	(149,849,231)
<b>Total Capital Assets, Being Depreciated, Net:</b>					
Electric Utility - Production Plant	5,431,810	187,539,642	-	-	192,971,452
Electric Utility - Transmission Plant	1,463,532	(78,093)	(212,164)	-	1,173,275
Electric Utility - Distribution Plant	157,224,056	9,343,741	(1,687,845)	-	164,879,952
Electric Utility - General Plant	3,439,012	(168,330)	-	-	3,270,682
Water Utility Plant	8,041,598	1,166,560	(409,841)	87,755	8,886,072
Gas Utility Plant	15,830,766	(445,529)	(6,076)	-	15,379,161
Fiber Optic Utility Plant	1,037,498	25,662	-	-	1,063,160
Total	192,468,272	197,383,653	(2,315,926)	87,755	387,623,754
Total Capital Assets, Net	\$ 257,253,484	\$ 203,490,086	\$ (2,315,926)	\$ -	\$ 458,427,644

The VPU's total depreciation expense for the year was \$17,904,210, broken down as follows:

Electric Fund	\$ 16,510,921
Gas Fund	707,035
Water Fund	500,102
Fiber Optics Fund	186,152
Total Depreciation Expense	<u>\$ 17,904,210</u>

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 LONG-TERM OBLIGATIONS**

As of June 30, 2022, outstanding debt obligations consisted of the following:

**\$43,765,000 Electric System Revenue Bonds (2008 Taxable Series A)**

At June 30, 2022, \$37,895,000 remained outstanding. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The debt service remaining on the bonds is \$72,050,772, payable through fiscal year 2039. For the current year, debt service and net electric revenues were \$4,240,768 and \$69,089,394, respectively. Under the Bond Indenture of Trust, interest and principal on the bonds are payable from Net Revenues (or Revenues less Operation and Maintenance Expenses) and/or amounts in the Light and Power Enterprise (as those terms are defined in the Indenture of Trust). The City of Vernon Electric System Revenue Bonds, 2008 Taxable Series A were issued to provide funds to (i) finance the cost of certain capital improvements to the City's Electric System, (ii) fund a deposit to the Debt Service Reserve Fund, and (iii) to pay costs of issuance of the 2008 Bonds.

**\$37,640,000 Electric System Revenue Bonds (2012 Series A)**

On January 10, 2012, the City issued Electric System Revenue Bonds, 2012 Series A, in the amount of \$37,640,000. The City of Vernon Electric System Revenue Bonds, 2012 Series A were issued to provide funds to (i) pay a portion of the costs of certain capital improvements to the City's Electric System, (ii) to provide for capitalized interest on the 2012 Series A Bonds, and (iii) to pay costs of issuance of the 2012 Series A Bonds. The Electric System Revenue Bonds were refunded in the current fiscal year with the issuance of the Electric System Revenue Bonds 2021 Series A.

**\$35,100,000 Electric System Revenue Bonds (2012 Taxable Series B)**

On January 10, 2012, the City issued Electric System Revenue Bonds, 2012 Series B, in the amount of \$35,100,000. During the current fiscal year, a portion of the Electric System Revenue Bonds were refunded with the issuance of the Electric System Revenue Bonds 2022 Series A. At June 30, 2022, \$11,505,000 remained outstanding. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The debt service remaining on the bonds is \$12,752,831, payable through fiscal year 2027. For the current year, debt service and net electric revenues were \$25,817,900 and \$69,089,394, respectively. Under the Bond Indenture of Trust, interest and principal on the bonds are payable from Net Revenues (or Revenues less Operation and Maintenance Expenses) and/or amounts in the Light and Power Enterprise (as those terms are defined in the Indenture of Trust). The City of Vernon Electric System Revenue Bonds, 2012 Taxable Series B were issued to provide funds to (i) refund the \$28,680,000 aggregate principal amount of 2009 Bonds maturing on August 1, 2012, (ii) to pay a portion of the Costs of the 2012 Project, and (iii) to pay costs of issuance of the 2012 Taxable Series B Bonds.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$111,720,000 Electric System Revenue Bonds (2015 Taxable Series A)**

At June 30, 2022, \$111,720,000 remained outstanding. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The debt service remaining on the bonds is \$124,140,019, payable through fiscal year 2027. For the current year, debt service and net electric revenues were \$5,087,518 and \$69,089,394, respectively. Under the Bond Indenture of Trust, interest and principal on the bonds are payable from Net Revenues (or Revenues less Operation and Maintenance Expenses) and/or amounts in the Light and Power Enterprise (as those terms are defined in the Indenture of Trust). The City of Vernon Electric System Revenue Bonds, 2015 Taxable Series A were issued to provide funds to (i) refund a portion of the Outstanding Electric System Revenue Bonds, 2009 Series A; (ii) finance the costs of certain Capital Improvements to the City's Electric System by reimbursing the Electric System for the prior payment of such Costs from the Light and Power Fund; (iii) fund a deposit to the Debt Service Reserve Fund; and (iv) pay costs of issuance of the 2015 Bonds.

**\$71,990,000 Electric System Revenue Bonds (2020 Series A)**

At June 30, 2022, \$19,305,000 remained outstanding. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The debt service remaining on the bonds is \$30,319,875, payable through fiscal year 2038. For the current year, debt service and net electric revenues were \$25,596,000 and \$69,089,394, respectively. Under the Bond Indenture of Trust, interest and principal on the bonds are payable from Net Revenues (or Revenues less Operation and Maintenance Expenses) and/or amounts in the Light and Power Enterprise (as those terms are defined in the Indenture of Trust). The City of Vernon Electric System Revenue Bonds, 2020 Series A were issued to provide funds to (i) to finance the acquisition and construction of certain capital improvements to the Electric System of the City, (ii) to refund all the City's outstanding Electric System Revenue Bonds, 2009 Series A, and (iii) to pay costs of issuance of the 2020 Bonds.

**\$183,815,000 Electric System Revenue Bonds (2021 Series A)**

In December 2021, the City of Vernon issued 2021A Electric System Revenue Bonds in the amount of \$183,815,000 (i) to pay the costs of the acquisition by the City of Vernon of a 134-megawatt natural gas-fired generating facility located within the City limits on land owned by the City, together with certain related electrical interconnection facilities and other assets, property, and contractual rights; (ii) to fund a deposit to the Debt Service Reserve Fund in satisfaction of the Debt Service Reserve Requirement; and (iii) to pay costs of issuance of the 2021 bonds.

The bonds bear interest rates between 4.00%-5.00% that is payable on a semi-annual basis on April 1 and October 1, commencing April 1, 2022. At June 30, 2022, \$173,815,000 remained outstanding. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The debt service remaining on the bonds is \$207,098,300, payable through fiscal year 2028. For the current year, debt service and net electric revenues were \$12,671,686 and \$69,089,394, respectively.



**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$183,815,000 Electric System Revenue Bonds (2021 Series A) (Continued)**

Under the Bond Indenture of Trust, interest and principal on the bonds are payable from Net Revenues (or Revenues less Operation and Maintenance Expenses) and/or amounts in the Light and Power Enterprise (as those terms are defined in the Indenture of Trust).

**\$52,070,000 Electric System Revenue Bonds (2022 Series A)**

In December 2021, the City of Vernon issued 2022A Electric System Revenue Bonds in the amount of \$52,070,000 to refund the 2012A Electric System Revenue Bonds, a portion of the 2012B Electric Revenue Bonds, and provide for the costs of issuing the bonds.

The bonds bear interest rates between 4.00%-5.00% that is payable on a semi-annual basis beginning February 1 and August 1, commencing on August 1, 2022. At June 30, 2022, \$52,070,000 remained outstanding. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The debt service remaining on the bonds is \$78,789,447, payable through fiscal year 2042. For the current year, debt service and net electric revenues were \$0 and \$69,089,394, respectively.

Under the Bond Indenture of Trust, interest and principal on the bonds are payable from Net Revenues (or Revenues less Operation and Maintenance Expenses) and/or amounts in the Light and Power Enterprise (as those terms are defined in the Indenture of Trust). The City of Vernon Electric System Revenue Bonds, 2021 Series A were issued to (i) refund and defease all of the City's outstanding Electric System Revenue Bonds, 2012 Series A and a portion of the City's outstanding Electric System Revenue bonds, 2012 Taxable Series B and (ii) pay costs of issuance of the 2022 Bonds.

**\$14,840,000 Water System Revenue Bonds (2020 Series A)**

At June 30, 2022, \$14,600,000 remained outstanding. The bonds are special obligation bonds which are secured by an irrevocable pledge of water revenues payable to bondholders. The debt service remaining on the bonds is \$25,040,038, payable through fiscal 2051. For the current year, debt service and net water revenues were \$827,975 and \$3,194,732, respectively. Under the Indenture of Trust dated May 6, 2020, interest and principal on the bonds are payable from Net Revenues (or Revenues less Operation and Maintenance Expenses) and/or amounts in the Water Enterprise (as those terms are defined in the Indenture of Trust). The City of Vernon Water System Revenue Bonds, 2020 Series A were issued to provide funds to (i) finance the acquisition and construction of certain capital improvements to the Water System of the City, (ii) purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund in satisfaction of the Reserve Requirement, and (iii) to pay costs of issuance of the 2020 Bonds.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

A summary of bonds payable under the VPU is as follows:

Bonds	Maturity	Fixed Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding June 30, 2022
<b>Electric System:</b>					
City of Vernon Electric System Revenue Bonds, 2008 Taxable Series A	07/01/38	7.40% - 8.59%	To begin 07/01/10: \$265,000 - \$4,065,000	\$ 43,765,000	\$ 37,895,000
City of Vernon Electric System Revenue Bonds, 2012 Taxable Series B	08/01/26	6.25% - 6.50%	To begin 08/01/22: \$6,165,000 - \$7,940,000	35,100,000	11,505,000
City of Vernon Electric System Revenue Bonds, 2015 Taxable Series A	08/01/26	4.05% - 4.85%	To begin 08/01/23: \$15,925,000 - \$22,540,000	111,720,000	111,720,000
City of Vernon Electric System Revenue Bonds, 2020 Taxable Series A	08/01/50	5.00%	To begin 08/03/20: \$1,525,000 - \$28,655,000	71,990,000	19,305,000
City of Vernon Electric System Revenue Bonds, 2021 Taxable Series A	04/01/28	4% - 5.00%	To begin 04/01/22: \$10000,000 - \$54,915,000	183,815,000	173,815,000
City of Vernon Electric System Revenue Bonds, 2022 Taxable Series A	08/01/41	5.00%	To begin 05/05/22: \$950,000 - \$5,850,000	52,070,000	52,070,000
Premiums					42,795,419
Discounts					<u>(1,168,943)</u>
Total Electric System Revenue Bonds					447,936,476
<b>Water System:</b>					
City of Vernon Water System Revenue Bonds, 2020 Taxable Series A	08/01/50	5.00%	To begin 08/01/21: \$240,000 - \$3,785,000	14,840,000	14,600,000
Premium					<u>535,833</u>
Total Water System Revenue Bonds					<u>15,135,833</u>
Total Revenue Bonds					<u><u>\$ 463,072,309</u></u>

**Note Payable – Direct Borrowing**

In May 2019, the City entered into an agreement with Water Replenishment District of Southern California (WRD) for assistance with the construction of a new groundwater well or rehabilitation of an existing groundwater well. The promissory note is unsecured and has no interest basis for an amount not to exceed \$1,500,000. As of June 30, 2022, WRD has disbursed all of the funds under the agreement to the City. The note is payable in quarterly principal payments commencing September 1, 2020, in an amount which, together with all quarterly payments, will be sufficient to fully amortize the principal balance of the note by the maturity date of April 1, 2031.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

**Note Payable – Direct Borrowing (Continued)**

Upon an event of default, WRD may declare any or all of the outstanding and unpaid principal balance immediately due and payable, without presentment, demand, protest, notice of protest, notice of acceleration or of intention to accelerate or any other notice, declaration or act of any kind, all of which are hereby expressly waived by the City.

**Debt Service Requirements**

As of June 30, 2022, annual debt service requirements of the VPU to maturity are as follows:

<u>Fiscal Year Ending June 30,</u>	Electric System Revenue Bonds 2008 Taxable Series A	
	Principal	Interest
2023	\$ 1,025,000	\$ 3,211,156
2024	1,120,000	3,119,029
2025	1,220,000	3,018,526
2026	1,330,000	2,909,004
2027	1,450,000	2,789,603
2028-2032	9,445,000	11,747,040
2033-2037	14,510,000	6,677,437
2038-2041	7,795,000	683,979
Total Requirements	\$ 37,895,000	\$ 34,155,772

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Service Requirements (Continued)**

<u>Fiscal Year Ending June 30,</u>	Electric System Revenue Bonds 2012 Taxable Series B	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 6,165,000	\$ 531,831
2024	1,170,000	302,613
2025	1,305,000	225,269
2026	1,390,000	140,181
2027	1,475,000	47,938
Total Requirements	<u>\$ 11,505,000</u>	<u>\$ 1,247,832</u>

<u>Fiscal Year Ending June 30,</u>	Electric System Revenue Bonds 2015 Taxable Series A	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 22,540,000	\$ 4,580,368
2024	23,520,000	3,596,938
2025	24,585,000	2,530,618
2026	25,780,000	1,341,193
2027	15,295,000	370,904
Total Requirements	<u>\$ 111,720,000</u>	<u>\$ 12,420,019</u>

<u>Fiscal Year Ending June 30,</u>	Electric System Revenue Bonds 2020 Taxable Series A	
	<u>Principal</u>	<u>Interest</u>
2023	\$ -	\$ 965,250
2024	-	965,250
2025	-	965,250
2026	-	965,250
2027	-	965,250
2028-2032	6,585,000	4,188,125
2033-2037	10,325,000	1,940,625
2038-2041	2,395,000	59,875
Total Requirements	<u>\$ 19,305,000</u>	<u>\$ 11,014,875</u>

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Service Requirements (Continued)**

<u>Fiscal Year Ending June 30,</u>	Electric System Revenue Bonds 2021 Taxable Series A	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 20,380,000	\$ 8,385,050
2024	21,335,000	7,405,125
2025	22,400,000	6,325,000
2026	23,530,000	5,190,875
2027	31,255,000	3,917,875
2028-2032	54,915,000	2,059,375
Total Requirements	<u>\$ 173,815,000</u>	<u>\$ 33,283,300</u>

<u>Fiscal Year Ending June 30,</u>	Electric System Revenue Bonds 2022 Taxable Series A	
	<u>Principal</u>	<u>Interest</u>
2023	\$ -	\$ 1,923,697
2024	4,690,000	2,486,250
2025	4,885,000	2,246,875
2026	5,130,000	1,996,500
2027	5,405,000	1,733,125
2028-2032	5,270,000	7,357,500
2033-2037	6,765,000	5,860,625
2038-2042	19,925,000	3,114,875
Total Requirements	<u>\$ 52,070,000</u>	<u>\$ 26,719,447</u>

<u>Fiscal Year Ending June 30,</u>	Water System Revenue Bonds 2020 Taxable Series A	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 250,000	\$ 575,725
2024	265,000	562,850
2025	275,000	549,350
2026	-	542,475
2027	-	542,475
2028-2032	1,985,000	2,563,500
2033-2037	2,180,000	2,052,625
2038-2042	2,680,000	1,535,450
2043-2047	3,180,000	1,051,925
2048-2051	3,785,000	463,663
Total Requirements	<u>\$ 14,600,000</u>	<u>\$ 10,440,038</u>

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Service Requirements (Continued)**

<u>Fiscal Year Ending June 30,</u>	<u>Note Payable- Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 139,535	\$ -
2024	139,535	-
2025	139,535	-
2026	139,535	-
2027	139,535	-
2028-2031	523,256	-
Total Requirements	<u>\$ 1,220,930</u>	<u>\$ -</u>

**Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities transactions for the fiscal year ended June 30, 2022:

	<u>Balance</u>			<u>Balance</u>	
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>	<u>Amounts Due Within One Year</u>
Other Debt - Bonds Payable	\$ 281,475,000	\$ 235,885,000	\$ (96,450,000)	\$ 420,910,000	\$ 50,360,000
Bond Premium	7,744,795	38,266,557	(2,680,100)	43,331,252	-
Bond Discount	(1,923,931)	-	754,988	(1,168,943)	-
Note Payable- Direct Borrowing	1,360,465	-	(139,535)	1,220,930	139,535
Compensated Absences (Note 1)	1,181,903	805,554	(769,052)	1,218,405	406,135
Total	<u>\$ 289,838,232</u>	<u>\$ 274,957,111</u>	<u>\$ (99,283,699)</u>	<u>\$ 465,511,644</u>	<u>\$ 50,905,670</u>

**Expense Stabilization Fund**

The VPU maintains an Expense Stabilization Fund held by a Trustee in such amounts, at such times and from sources as shall be determined by the City in its sole discretion. If an Event of Default under the Indenture has occurred and is continuing, the Trustee shall transfer all moneys in this fund to the debt service funds as provided in the Indenture. Moneys on deposit in this Fund may be withdrawn by the City at any time that no Event of Default exists under the Indenture. As at June 30, 2022, this fund has a balance of \$38,934,149.

**Right to Accelerate Upon Default**

Notwithstanding anything contrary in the Indenture or in the Bonds, upon the occurrence of an Event of Default, the Trustee may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, and shall, at the direction of the Owners of a majority in principal amount of Outstanding Bonds (other than Bonds owned by or on behalf of the City) by written notice to the City, declare the principal of the Outstanding Bonds and the interest thereon to be immediately due and payable, whereupon such principal and interest shall, without further action, become and be immediately due and payable.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

**Credit Ratings**

As of June 30, 2022, the ratings on all Electric System Revenue Bonds is BBB+/Stable by S&P and Baa1/Stable by Moody's and the ratings on all Water System Revenue Bonds is A-/Stable by S&P and not rated by Moody's.

**NOTE 7 RISK MANAGEMENT**

The VPU is in the City's self-insurance program as part of its policy to self-insure certain levels of risk within separate lines of coverage to maximize cost savings.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; injuries to employees, and natural disasters. The City utilizes insurance policy(s) to transfer these risks. Each policy has either self-insured retention or deductible, which are parts of the City's Risk Financing Program. These expenses are paid on a cash basis as they are incurred. There have been no significant settlements or reductions in insurance coverage during the past three fiscal years.

Starting in Fiscal 2010, the City chose to establish Risk Financing in the General Fund, whereby assets are set aside for claim-litigation settlements associated with the above-mentioned risks up to their self-insured retentions or policy deductibles. Athens Administrators Inc. is the Third-Party Administrator for the City's workers' compensation program and they provide basic services for general liability claims and litigation.

The insurance limits for the fiscal year 2022 are as follows:

Insurance Type	Program Limits	Deductible/SIR (Self-Insured Retention)
Excess Liability Insurance	\$20,000,000	\$2,000,000 SIR per occurrence
D and O Employment Practice	\$2,000,000	\$150,000 SIR non-safety; \$150,000 SIR safety
Excess Workers Compensation	\$50,000,000	\$1,500,000 SIR per occurrence for presumptive loss
Employer's Liability	\$1,000,000	\$1,000,000 SIR per occurrence for all employees
Commercial Property Insurance	\$100,000,000 \$25,000,000 Flood Sublimit	\$25,000 except: \$250,000 power stations \$1.5/kVA transfers, subject to a \$250,000 minimum \$500,000 named transformers
Employee Dishonest - Crime	\$1,000,000	\$25,000
Pollution - Site Owned	\$5,000,000	\$25,000 for non-utility locations, divested locations and scheduled storage tanks \$50,000 for utility locations \$100,000 for natural gas pipeline
Cyber Liability	\$3,000,000	\$100,000
Contractors Equipment/Auto Physical Damage	\$10,000,000 Maximum Loss Per Occurrence \$1,000,000 Equipment Limit-loss or damage to any one piece	\$5,000
Residential Property Insurance	\$8,023,126 Blanket Building Limit \$89,013 Blanket Business Personal Property Limit	\$2,500
Terrorism and Sabotage	\$100,000,000 Policy Aggregate \$5,000,000 Active Shooter and Malicious Attack Per Occurrence/Aggregate \$5,000,000 Terrorism and Sabotage Liability Per Occurrence/Aggregate	N/A

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 7 RISK MANAGEMENT (CONTINUED)**

The City has numerous claims and pending litigations, which generally involve accidents and/or liability or damage to City property. The balance of claims/litigations against the City is in the opinion of management, ordinary routine matters, incidental to the normal business conducted by the City. In the opinion of management, such proceedings are substantially covered by insurance, and the ultimate dispositions of such proceedings are not expected to have a material adverse effect on the VPU's financial position, results of operations or cash flows. Further information regarding the City's self-insurance program may be found in the City's Annual Financial Report.

**NOTE 8 PENSION PLAN**

**A. General Information about the Pension Plans**

Plan Descriptions

All full-time safety and miscellaneous personnel and temporary or part-time employees who have worked a minimum of 1,000 hours in a fiscal year are eligible to participate in the City's agent multiple-employer defined benefit pension Safety and Miscellaneous Plans administered by the California Public Employees' Retirement System (CalPERS) that acts as a common investment and administrative agent for participating public entities within the state of California. The City allocates the costs of these Plans across all City departments. The VPU's proportionate share of the net pension liability of these Plans is reported as a cost-sharing plan in the financial statements. Benefits vest after five years of service. Employees who retire at the minimum retirement age with five years of credited service are entitled to retirement benefits. Monthly retirement benefits are based on a percentage of an employee's average compensation for his or her highest consecutive 12 or 36 months of compensation for each year of credited service.

Benefits Provided

Miscellaneous members hired prior to January 1, 2013, with five years of credited service may retire at age 55 based on a benefit factor derived from the 2.7% at 55 Miscellaneous formula or may retire between ages 50 and 54 with reduced retirement benefits. New Miscellaneous members (PEPRA) with five years of credited service may retire at age 62 based on a benefit factor derived from the 2% at 62 Miscellaneous formula or may retire between age 52 and 61 with reduced retirement benefits. The benefit factor increases to a maximum of 2.5% at age 67. Safety members with five years of credited service may retire at age 50 based on a benefit factor derived from the 3% at 50 Safety formula for sworn Police and Fire Department employees. New Safety members (PEPRA) with five years of credited service may retire at age 57 based on a benefit factor derived from the 2.7% at 57 Safety (PEPRA) formula or may retire between age 50 and 56 with reduced retirement benefits for new Safety (PEPRA) members of both Police and Fire Departments. CalPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute provided through a contract between the City and CalPERS.



**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 PENSION PLAN (CONTINUED)**

**A. General Information about the Pension Plans (Continued)**

Benefits Provided (Continued)

The Plans' provisions and benefits in effect for the measurement date of June 30, 2021, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2.7%@55	2%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50	52
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rates	8.000%	6.250%
Required Employer Contribution Rates:		
Normal Cost Rate	11.380%	11.380%
Payment of Unfunded Liability	\$ 3,924,540	\$ -

	Safety	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	3.0%@50	2.7%@57
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50	50
Monthly Benefits, as a % of Eligible Compensation	3.000%	2.0% to 2.7%
Required Employee Contribution Rates	9.000%	13.750%
Required Employer Contribution Rates:		
Normal Cost Rate	22.780%	22.780%
Payment of Unfunded Liability	\$ 7,063,113	\$ 15,563

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute to the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2022, the VPU's share of employer contributions made to the plans was \$2,674,983.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 PENSION PLAN (CONTINUED)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions**

Actuarial Assumptions

The net pension liability of each of the Plans is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2020	June 30, 2020
Measurement Date	June 30, 2021	June 30, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.500%	2.500%
Payroll Growth	2.750%	2.750%
Projected Salary Increase	(1)	(1)
Mortality Rate Table	(2)	(2)
Post-Retirement Benefit Increase	(3)	(3)

- (1) Varies by entry age and service.
- (2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.
- (3) The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 PENSION PLAN (CONTINUED)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Long-Term Expected Rate of Return (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00 %	4.80%	5.98%
Fixed Income	28.00	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00	6.30%	7.23%
Real Assets	13.00	3.75%	4.93%
Liquidity	1.00	0.00%	-0.92%
Total	100.00 %		

- (a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 PENSION PLAN (CONTINUED)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 account valuation reports for the June 30, 2022 measurement date.

Proportionate Share of Net Pension Liability – Allocation of the City’s Pension Plans to the VPU

The VPU’s net pension liability for the Plans is measured as the proportionate share of the combined net pension liability of the City’s miscellaneous and safety agent multiple-employer plans. The VPU’s proportionate share of the combined net pension liability was based on the VPU’s current year share of contributions to the pension plans relative to the City’s total current year contributions to the pension plans.

The VPU’s proportionate share of the combined net pension liability for the pension plans as of the measurement date ended June 30, 2020 and 2021 were as follows:

	Increase (Decrease)			Proportionate Share
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)	
Balance at June 30, 2020 (MD)	\$ 87,452,632	\$ 64,469,634	\$ 22,982,998	16.99%
Balance at June 30, 2021 (MD)	120,548,668	103,984,555	16,564,112	18.82%
Net Changes during 2020-21	<u>\$ 33,096,036</u>	<u>\$ 39,514,921</u>	<u>\$ (6,418,885)</u>	<u>1.83%</u>

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 PENSION PLAN (CONTINUED)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Pension Expense and Deferred Outflows and Inflows of Resources

For the measurement period ended June 30, 2021, the VPU recognized its proportionate share of the combined pension expense of the Plans which totaled \$3,003,538. At June 30, 2022, the VPU reported its proportionate share of the Plans' combined deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 2,674,983	\$ -
Differences Between Actual and Expected Experience	2,293,548	-
Net Differences Between Projected and Actual Earnings on Plan Investments	-	(9,375,486)
Differences Between Employer Contributions And Proportionate Share of Contributions	-	(950,132)
Change in Employer's Proportion	370,266	(97,852)
Total	\$ 5,338,797	\$ (10,423,470)

\$2,674,983 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Total
2023	\$ (1,399,634)
2024	(1,599,037)
2025	(2,158,527)
2026	(2,602,458)
2027	-
Thereafter	-

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 PENSION PLAN (CONTINUED)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the VPU's proportionate share of the Plans' combined net pension liability, calculated using a discount rate of 7.15%, as well as what the VPU's proportionate share of the Plans' combined net pension liability would be if it were calculated using a discount rate that is a 1-percentage point lower or a 1-percentage point higher than the current rate:

	Total
1% Decrease	6.15%
Net Pension Liability	\$ 29,168,636
Current Discount Rate	7.15%
Net Pension Liability	\$ 16,564,112
1% Increase	8.15%
Net Pension Liability	\$ 6,222,202

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2022, the VPU had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2022.

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

The other postemployment benefits (OPEB) described in the following paragraphs relate to the City's OPEB plan. The VPU's share of the net pension liability of the City's OPEB Plan is reported as a cost-sharing plan in these financial statements since the VPU's operations are handled by City employees who are eligible to participate in the City's OPEB plan.

**Benefits Provided**

Retiree medical and dental benefits are established through the City's Fringe Benefits and Salary Resolution as well as individual memoranda of understanding between the City and the City's various employee bargaining groups. Generally, the City will provide postemployment benefit plan for the employee only to those who retire at age sixty (60) or later with twenty (20) years of continuous uninterrupted service, up to the age of sixty-five (65). Alternatively, employees who retire before the age of sixty (60) with twenty (20) years of continuous uninterrupted service, will be permitted to pay their medical and dental premium cost and upon reaching the age of sixty (60), the City will pay the premium for the medical and dental plans until they reach the age of sixty-five (65).

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Benefits Provided (Continued)**

Resolution 2012-217 granted specific retiree medical benefits to employees who retired during the 2012-2013 fiscal year in order to provide an incentive for early retirement whereby the City authorized the payment of medical and dental insurance premiums for eligible retiring employees and their eligible dependents with at least ten (10) years of service plus 5% for each additional full year of service above the ten (10) years of service.

Resolution 2013-06 declared that the retiree medical benefits which had not been a vested right for employees will continue to be a nonvested right for employees who continue to be employed by the City on or after July 1, 2013, but will be a vested right for those who retire during the 2012-2013 fiscal year. The City's plan is considered a substantive OPEB plan and the City recognizes costs in accordance with GASB Statement No 45. The City may terminate its unvested OPEB in the future.

**Funding Policy and Contributions**

The City has established an irrevocable OPEB trust with assets dedicated to paying future retiree medical benefits. The City intends to contribute 100% or more of the actuarially determined contribution for the explicit subsidy liability only. The portion of the liability due to the implicit subsidy is not prefunded but is paid as benefits come due. For the fiscal year ended June 30, 2022, the VPU's proportionate share of contributions made was \$551,938 (\$289,520 contributed to the OPEB trust, \$170,456 paid for retiree premiums, and the estimated implied subsidy of \$91,962).

**Net OPEB Liability**

The City's net OPEB liability is measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown on the next page.

**Actuarial Assumptions**

The valuation has been prepared on a closed group basis. Assumptions such as age-related healthcare claims, healthcare trends, retiree participation rates, and spouse coverage, were selected based on demonstrated plan experience and the best estimate of expected future experience.

Explicit subsidy benefit payments by employee group were allocated based on expected benefit payments. The following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions (Continued)**

Funding Method	Entry age normal level percent of pay cost method
Inflation	2.25%
Salary Increases	2.75% annual increases
Long-Term Return on Assets	6.25% net of investment expenses
Discount Rate	6.25%
Healthcare Cost Trend Rates	6.3% for FY2021, gradually decreasing over several decades to ultimate rate of 3.8% in FY76 and later years
Mortality	2017 CalPERS Experience Study. Tables include 15 years of static mortality improvement using 90% of scale MP-2016

**Long-Term Expected Rate of Return**

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
CERBT Strategy 1:		
Equity	59.00 %	4.42%
Fixed Income	25.00	1.00%
TIPS	5.00	0.15%
Commodities	3.00	3.98%
REITs	8.00	1.73%
Total	100.00 %	

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.



**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Allocation of the Net OPEB Liability**

The VPU's proportionate share of the net OPEB liability as of the measurement dates ended June 30, 2020 and 2021 was as follows:

	Increase (Decrease)			Proportionate Share
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)	
Balance at June 30, 2020 (MD)	\$ 4,622,908	\$ 1,189,602	\$ 3,433,306	16.99%
Balance at June 30, 2021 (MD)	5,153,673	2,072,760	3,080,913	18.82%
Net Changes during FY 2020-21	<u>\$ 530,765</u>	<u>\$ 883,158</u>	<u>\$ (352,393)</u>	<u>1.83%</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the VPU's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate		
	1% Decrease (5.25%)	Current Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability	\$ 3,657,431	\$ 3,080,913	\$ 2,596,467

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the VPU's proportionate share of the net OPEB liability if it were calculated using a healthcare cost trend rates that are 1% point lower (5.3% decreasing to an ultimate rate of 2.8%) or 1% point higher (7.3% decreasing to an ultimate rate of 4.8%) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$ 2,837,276	\$ 3,080,913	\$ 3,322,985

**OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB**

For the year ended June 30, 2022, the VPU recognized its proportionate share of the OPEB expense(revenue) of \$(158,635). At June 30, 2022, the VPU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB  
(Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions Between Measurement Date and Reporting Date	\$ 551,938	\$ -
Difference Between Expected and Actual Liability	26,113	(664,032)
Changes of Assumptions	84,092	(705,599)
Net Differences Between Projected and Actual Earnings on Investments	-	(208,281)
Total	<u>\$ 662,143</u>	<u>\$ (1,577,912)</u>

The \$551,938 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2023	\$ (439,431)
2024	(441,059)
2025	(438,463)
2026	(118,239)
2027	(14,058)
Thereafter	(16,457)

**Payable to the OPEB Plan**

At June 30, 2022, the VPU had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 VERNON PUBLIC UTILITIES OPERATIONS AND COMMITMENTS**

**Bicent Agreements**

Asset Sale

On December 13, 2007, the City entered into an Amended and Restated Purchase and Sale Agreement (the Bicent Agreement), with Bicent (California) Power LLC (Bicent), which is an affiliate of Bicent Holdings and Natural Gas Partners, to sell to Bicent the Malburg Generating Station (MGS) and the economic burdens and benefits of the City's interests in 22 MW from the Hoover Dam Upgrading Project for \$287,500,000. This transaction closed on April 10, 2008.

Bicent agreed to sell the capacity and the energy of the MGS to the City on the terms set forth in a Power Purchase Tolling Agreement, by and between the City and Bicent, dated as of April 10, 2008 (the PPTA). City treated the PPTA as an asset lease-back transaction due to a 30-year ground lease between the City and BCM by deferring most of the gain from the sale of MGS to be amortized over the 15-year life of the PPTA. The City also deferred the gain from the CFD to be amortized over the 10-year life of the CFD.

On December 15, 2021, the City made the determination to reacquire MGS to achieve potential costs savings and other resource management benefits. In addition to the potential savings, the City expects there to be other benefits associated with the acquisition of MGS, which includes having control of the facility and the site, providing the City with flexibility with respect to the MGS operations and MGS's role in the City's resource portfolio. The City issued Electric System Revenue Bonds, 2021 Series A to finance the acquisition. (See Note 6)

**Southern California Public Power Authority**

In 1980, the City entered into a joint powers agreement with nine (9) Southern California cities and an irrigation district to form the Southern California Public Power Authority (the Authority). The Authority's purpose is the planning, financing, acquiring, constructing, and operating of projects that generate or transmit electric energy for sale to its participants. The joint powers agreement has a term expiring in 2030 or such later date as all bonds and notes of SCPPA and interest thereon have been paid in full or adequate provisions for payments have been made. A copy of SCPPA's audited financial statements can be reviewed on their website at [www.scppa.org](http://www.scppa.org) or can be obtained by written request at 225 South Lake Avenue, Suite 1250, Pasadena, CA 91101.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 VERNON PUBLIC UTILITIES OPERATIONS AND COMMITMENTS (CONTINUED)**

**Southern California Public Power Authority (Continued)**

Take or Pay Contract

The Authority's interests or entitlements in natural gas, generation, and transmission projects are jointly owned with other utilities. Under these arrangements, a participating member has an undivided interest in a utility plant and is responsible for its proportionate share of the costs of construction and operation and is entitled to its proportionate share of the energy, available transmission capacity, or natural gas produced. Each joint plant participant, including the Authority, is responsible for financing its share of construction and operating costs. The City has the following "take or pay" contract with the Authority:

Palo Verde Project

The Authority purchased a 5.91% interest in the Palo Verde Nuclear Generating Station (the Station), a nuclear-fired generating station near Phoenix, Arizona, from the Salt River Project Agricultural Improvement and Power District, and a 6.55% share of the right to use certain portions of the Arizona Nuclear Power Project Valley Transmission System. The City has a 4.9% entitlement share of the Authority's interest in the station.

Between 1983 and 2008, the Authority issued \$3.266 billion in debt of Power Project Revenue Bonds for the Station to finance the bonds and the purchase of the Authority's share of the Station and related transmission rights. The bonds are not obligations of any member of the Authority or public agency other than the Authority. Under a power sales contract with the Authority, the City is obligated on a "take or pay" basis for its proportionate share of power generated, as well as to make payments for its proportionate share of the operating and maintenance expenses of the Station, debt service on the bonds and any other debt, whether or not the project or any part thereof or its output is suspended, reduced or terminated. The City took its proportionate share of the power generated and its proportionate share of costs during the fiscal year 2022 was \$3,320,768. The City expects no significant increases in costs related to its nuclear resources.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 VERNON PUBLIC UTILITIES OPERATIONS AND COMMITMENTS (CONTINUED)**

**Southern California Public Power Authority (Continued)**

Power Purchase Commitments

The Authority has entered into power purchase agreements with project participants. These agreements are substantially “take-and-pay” contracts where there may be other obligations not associated with the delivery of energy. The City has entered into power purchase agreements with the Authority related to the following projects:

Astoria 2 Solar Project

On July 23, 2014, the Authority entered into a power purchase agreement with Recurrent Energy for solar energy from the Astoria 2 Solar Project. SCPA is entitled to 35 MW of photovoltaic generating capacity from commercial operation to December 31, 2021 and 45 MW of generating capacity from January 1, 2022 until the expected expiration date of December 31, 2036. The commercial operation date was December 2016. Power and Water Resources Pooling Authority, Lodi, Corona, Moreno Valley, and Rancho Cucamonga, are each buying the output of a separate portion of the facility, which is located in Kern County, California. SCPA has purchase options in the 10th, 15th, and 20th Contract Years. The project is forecasted to start at a capacity factor of 31% with a 0.5% annual degradation. ACES Power Marketing is the third-party scheduling coordinator for the project. The City contracted to purchase 57.1429% until December 31, 2021, and 66.6667% thereafter, of the output. The City’s proportionate share of costs during the current fiscal year was \$2,250,667.

Puente Hills Landfill Gas-to-Energy Project

On June 25, 2014, the Authority entered into a power purchase agreement with County Sanitation District No. 2 of Los Angeles County for 46 MW of the electric generation from a landfill gas-to-energy facility, located at Whittier, California. The project began deliveries to the Authority on January 1, 2017 for a term of 10 years. The City contracted to purchase 23.2558% of the output. The City’s proportionate share of costs during the current fiscal year was \$1,007,652.

Antelope DSR 1 Solar Project

On July 16, 2015, the Authority, entered into a power purchase agreement with Antelope DSR 1, LLC for 50 MW solar photovoltaic generating capacity from the Antelope DSR 1 Solar Facility. The facility is located near Lancaster, California, and commercial operation occurred on December 16, 2016 for a term of 20 years. The City contracted to purchase 50.00% of the output. The City’s proportionate share of costs during the current fiscal year was \$1,192,621.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
CITY'S MISCELLANEOUS AND SAFETY COST SHARING PLAN  
LAST TEN FISCAL YEARS \***

Fiscal Year Ended	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Plan's Proportion of the Net Pension Liability	18.82%	16.99%	15.47%	14.86%	15.55%	15.41%
Plan's Proportionate Share of the Net Pension Liability	\$ 16,563,816	\$ 22,982,998	\$ 18,692,374	\$ 16,866,107	\$ 17,052,279	\$ 14,675,830
Plan's Covered Payroll	3,902,610	4,203,972	4,418,536	4,577,147	4,210,103	2,026,477
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	424.43%	546.70%	423.04%	368.49%	405.03%	724.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.45%	74.79%	76.15%	77.68%	77.85%	78.91%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

The inflation rate was increased from 2.5% to 2.625%

The payroll growth rate was reduced from 3.00% to 2.875%.

From fiscal year June 30, 2021 to June 30, 2022:

The inflation rate was decreased from 2.625% to 2.5%

The payroll growth rate was reduced from 2.875% to 2.75%.

The investment rate of return was decreased from 7.15% to 7.00%.

\* Fiscal year 2017 was the first year the City allocated a portion of the net pension liability to the VPU; therefore only six years are shown.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
SCHEDULE OF PLAN CONTRIBUTIONS  
CITY'S MISCELLANEOUS AND SAFETY COST SHARING PLAN  
LAST TEN FISCAL YEARS \***

Fiscal Year Ended	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Actuarially Determined Contribution	\$ 2,674,983	\$ 2,145,491	\$ 1,908,522	\$ 1,622,690	\$ 1,475,490	\$ 1,403,235
Contributions in Relation to the Actuarially Determined Contribution	<u>(2,674,983)</u>	<u>(2,145,491)</u>	<u>(1,908,522)</u>	<u>(1,622,690)</u>	<u>(1,475,490)</u>	<u>(1,403,235)</u>
Contribution: Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 4,767,901	\$ 3,902,610	\$ 4,203,972	\$ 4,418,536	\$ 4,577,147	\$ 4,210,103
Contributions as a Percentage of Covered Payroll	56.10%	54.98%	45.40%	36.72%	32.24%	33.33%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Methods and Assumptions Used to Determine Contribution Rates:						
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.625%	2.625%	2.625%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.25% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)
Mortality	(4)	(4)	(4)	(4)	(4)	(4)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\* Fiscal year 2017 was the first year the City allocated a portion of the net pension liability to the VPU; therefore only six years are shown.



**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
LAST TEN FISCAL YEARS \***

Fiscal Year Ended	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Plan's Proportion of the Net OPEB Liability	18.82%	16.99%	15.47%	14.86%	10.71%
Plan's Proportionate Share of the Net OPEB Liability	\$ 3,080,913	\$ 3,433,306	\$ 3,391,408	\$ 3,432,725	\$ 3,887,475
Plan's Covered-Employee Payroll	5,385,241	4,944,915	5,228,211	3,587,387	3,588,945
Plan's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	57.21%	69.43%	64.87%	95.69%	108.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	40.20%	25.70%	16.30%	8.62%	2.83%

Notes to Schedule:

Changes in Assumptions:

The discount rate was changed from 2.85% to 3.58% for the measurement period ended June 30, 2017. The discount rate for the measurement periods ended June 30, 2018 and 2019 was 6.50%. The discount rate for the measurement period ended June 30, 2020 was reduced to 6.25%.

The mortality, retirement, disability, and termination rates for the measurement periods ended June 30, 2017 and 2018 were based on the CalPERS 1997-2011 Experience Study and CalPERS 1997-2015 Experience Study, respectively.

The mortality improvement rates for the measurement periods ended June 30, 2017 and 2018 were based on the Scale MP-2016 and Scale-2018, respectively.

In the June 30, 2018 measurement period, the pre-65 waived retiree re-election was updated to be 10% after age 65.

\* Fiscal year 2018 was the first year of implementation; therefore only five years are shown.

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
SCHEDULE OF OPEB CONTRIBUTIONS  
LAST TEN FISCAL YEARS \***

Fiscal Year Ended	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Actuarially Determined Contribution	\$ 289,525	\$ 261,372	\$ 298,886	\$ 400,166	\$ 288,398
Contributions in Relation to the Actuarially Determined Contribution	<u>(551,938)</u>	<u>(531,940)</u>	<u>(605,820)</u>	<u>(444,230)</u>	<u>(221,199)</u>
Contribution: Deficiency (Excess)	<u>\$ (262,413)</u>	<u>\$ (270,568)</u>	<u>\$ (306,934)</u>	<u>\$ (44,064)</u>	<u>\$ 67,199</u>
Covered Payroll	\$ 5,965,311	\$ 5,385,241	\$ 4,944,915	\$ 5,228,211	\$ 3,587,387
Contributions as a Percentage of Covered Payroll	4.85%	4.85%	6.04%	7.65%	8.04%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2018	6/30/2018	6/30/2016	6/30/2016
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Amortization Period	28 years	28 years	27 years	27 Years	29 Years
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation	2.25%	2.25%	2.50%	2.50%	2.75%
Healthcare Trend Rates	(7)	(6)	(3)	(3)	(2)
Investment Rate of Return	6.25%	6.25%	6.50%	7.00%	7.00%
Mortality	(5)	(5)	(5)	(5)	(4)

- (1) Level percentage of payroll, closed.
- (2) 8.50% trending down to 5.00%.
- (3) 6.90% trending down to 4.00%.
- (4) CalPERS December 2014 experience study
- (5) CalPERS December 2017 experience study
- (6) 6.70% trending down to 3.80%.
- (7) 6.30% trending down to 3.80%.

\* Fiscal year 2018 was the first year of implementation; therefore five years year are shown.

**SUPPLEMENTARY INFORMATION**

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2022**

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Eliminating Entry	Totals
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 130,758,591	\$ 8,692,417	\$ 17,015,777	\$ 493,854	\$ -	\$ 156,960,639
Accounts Receivable, Net of Allowance	12,396,047	580,100	1,141,938	144,253	-	14,262,338
Accrued Unbilled Revenue	16,411,782	1,240,987	1,373,195	-	-	19,025,964
Accrued Interest Receivable	84,749	-	4,448	-	-	89,197
Due from Other City Funds	70,399	-	-	-	(70,399)	-
Prepaid Items	17,666	-	-	-	-	17,666
Prepaid Natural Gas	636,909	-	-	-	-	636,909
Total Current Assets	<u>160,376,143</u>	<u>10,513,504</u>	<u>19,535,358</u>	<u>638,107</u>	<u>(70,399)</u>	<u>190,992,713</u>
Noncurrent Assets:						
Restricted Cash and Cash Equivalents	39,025,025	-	7,358,059	-	-	46,383,084
Advances to Other City Funds	27,079,890	-	202,798	-	(27,079,890)	202,798
Prepaid Items	994,736	-	-	-	-	994,736
Deposits	1,201,423	-	-	-	-	1,201,423
Capital Assets:						
Nondepreciable	63,421,951	-	7,381,939	-	-	70,803,890
Depreciable, Net	362,295,361	15,379,161	8,886,072	1,063,160	-	387,623,754
Total Noncurrent Assets	<u>494,018,386</u>	<u>15,379,161</u>	<u>23,828,868</u>	<u>1,063,160</u>	<u>(27,079,890)</u>	<u>507,209,685</u>
Total Assets	654,394,529	25,892,665	43,364,226	1,701,267	(27,150,289)	698,202,398
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows Related to Pensions	4,016,377	397,282	917,279	7,859	-	5,338,797
Deferred Outflows Related to OPEB Liability	498,130	49,273	113,765	975	-	662,143
Deferred Amount on Debt Refunding	1,933,345	-	-	-	-	1,933,345
Total Deferred Outflows of Resources	<u>6,447,852</u>	<u>446,555</u>	<u>1,031,044</u>	<u>8,834</u>	<u>-</u>	<u>7,934,285</u>

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
COMBINING STATEMENT OF NET POSITION (CONTINUED)  
JUNE 30, 2022**

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Eliminating Entry	Totals
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	\$ 15,828,391	\$ 215,122	\$ 1,415,262	\$ 13,734	\$ -	\$ 17,472,509
Accrued Wages and Benefits	333,914	28,032	44,295	363	-	406,604
Due to Other City Funds	2,965,077	71,583	-	-	(70,399)	2,966,261
Customer Deposits	425,426	13,558	61,184	-	-	500,168
Bond Interest Payable	4,969,736	-	242,490	-	-	5,212,226
Bonds Payable	50,110,000	-	250,000	-	-	50,360,000
Note Payable	-	-	139,535	-	-	139,535
Compensated Absences	369,608	8,377	28,069	81	-	406,135
Total Current Liabilities	<u>75,002,152</u>	<u>336,672</u>	<u>2,180,835</u>	<u>14,178</u>	<u>(70,399)</u>	<u>77,463,438</u>
Noncurrent Liabilities:						
Advances from Other City Funds	-	23,226,198	-	3,853,692	(27,079,890)	-
Bonds Payable	397,826,476	-	14,885,833	-	-	412,712,309
Note Payable	-	-	1,081,395	-	-	1,081,395
Compensated Absences	739,215	16,754	56,139	162	-	812,270
Net Other Postemployment Benefit Liability	2,317,770	229,264	529,343	4,536	-	3,080,913
Net Pension Liability	12,461,180	1,232,605	2,845,943	24,384	-	16,564,112
Total Noncurrent Liabilities	<u>413,344,641</u>	<u>24,704,821</u>	<u>19,398,653</u>	<u>3,882,774</u>	<u>(27,079,890)</u>	<u>434,250,999</u>
Total Liabilities	488,346,793	25,041,493	21,579,488	3,896,952	(27,150,289)	511,714,437
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows Related to Pensions	7,841,575	775,654	1,790,896	15,345	-	10,423,470
Deferred Inflows Related to OPEB Liability	1,187,063	117,419	271,107	2,323	-	1,577,912
Total Deferred Inflows of Resources	<u>9,028,638</u>	<u>893,073</u>	<u>2,062,003</u>	<u>17,668</u>	<u>-</u>	<u>12,001,382</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	145,563,396	15,301,360	6,869,387	1,053,694	-	168,787,837
Restricted for Debt Service	32,836,544	-	-	-	-	32,836,544
Unrestricted (Deficit)	<u>(14,932,990)</u>	<u>(14,896,706)</u>	<u>13,884,392</u>	<u>(3,258,213)</u>	<u>-</u>	<u>(19,203,517)</u>
Total Net Position	<u>\$ 163,466,950</u>	<u>\$ 404,654</u>	<u>\$ 20,753,779</u>	<u>\$ (2,204,519)</u>	<u>\$ -</u>	<u>\$ 182,420,864</u>

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2022**

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Totals
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 208,539,519	\$ 18,705,573	\$ 10,845,652	\$ 480,014	\$ 238,570,758
Total Operating Revenues	<u>208,539,519</u>	<u>18,705,573</u>	<u>10,845,652</u>	<u>480,014</u>	<u>238,570,758</u>
<b>OPERATING EXPENSES</b>					
Cost of Sales	144,582,543	17,765,508	7,743,964	222,558	170,314,573
Depreciation	16,510,921	707,035	500,102	186,152	17,904,210
Total Operating Expenses	<u>161,093,464</u>	<u>18,472,543</u>	<u>8,244,066</u>	<u>408,710</u>	<u>188,218,783</u>
<b>OPERATING INCOME</b>	47,446,055	233,030	2,601,586	71,304	50,351,975
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental	665,887	5,029	194,487	-	865,403
Investment Income	269,257	4,128	11,991	246	285,622
Net Decrease in Fair Value of Investments	(8,231)	-	-	-	(8,231)
Interest Expense	(13,599,589)	-	(563,895)	-	(14,163,484)
Loss on Disposition of Assets	(1,900,009)	(6,076)	(409,841)	-	(2,315,926)
Total Nonoperating Revenues (Expenses)	<u>(14,572,685)</u>	<u>3,081</u>	<u>(767,258)</u>	<u>246</u>	<u>(15,336,616)</u>
<b>CHANGE IN NET POSITION</b>	32,873,370	236,111	1,834,328	71,550	35,015,359
Net Position (Deficit) - Beginning of Year	<u>130,593,580</u>	<u>168,543</u>	<u>18,919,451</u>	<u>(2,276,069)</u>	<u>147,405,505</u>
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<u>\$ 163,466,950</u>	<u>\$ 404,654</u>	<u>\$ 20,753,779</u>	<u>\$ (2,204,519)</u>	<u>\$ 182,420,864</u>

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Customers	\$ 199,972,221	\$ 18,586,393	\$ 10,427,677	\$ 367,504	\$ 229,353,795
Cash Paid to Suppliers for Goods and Services	(133,793,435)	(16,770,406)	(6,851,398)	(242,584)	(157,657,823)
Cash Paid to Employees for Services	(3,090,696)	(724,165)	(1,818,089)	(168,276)	(5,801,226)
Cash Paid to City for Services	(5,214,961)	-	-	-	(5,214,961)
Net Cash Provided (Used) by Operating Activities	57,873,129	1,091,822	1,758,190	(43,356)	60,679,785
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Repayment of Bonds	(34,975,000)	-	(240,000)	-	(35,215,000)
Issuance of Bonds	235,885,000	-	-	-	235,885,000
Bond Premiums	38,266,557	-	-	-	38,266,557
Payment to Refunding Bond Escrow Agent	(62,999,903)	-	-	-	(62,999,903)
Bond Interest Paid	(16,875,267)	-	(587,975)	-	(17,463,242)
Payment of Note Payable	-	-	(139,535)	-	(139,535)
Net Acquisition of Capital Assets	(216,887,677)	(261,506)	(4,033,299)	(211,814)	(221,394,296)
Net Cash Used by Capital and Related Financing Activities	(57,586,290)	(261,506)	(5,000,809)	(211,814)	(63,060,419)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grant Revenue Received	665,887	5,029	194,487	-	865,403
Payment from (Provided to) Other City Funds	114,065	(59)	1,915,195	(114,006)	1,915,195
Net Cash Provided (Used) by Noncapital Financing Activities	779,952	4,970	2,109,682	(114,006)	2,780,598
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment Income	178,598	4,128	7,583	246	190,555
Net Cash Provided by Investing Activities	178,598	4,128	7,583	246	190,555
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>					
	1,245,389	839,414	(1,125,354)	(368,930)	590,519
Cash and Cash Equivalents - Beginning of Year	168,538,227	7,853,003	25,499,190	862,784	202,753,204
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>					
	<u>\$ 169,783,616</u>	<u>\$ 8,692,417</u>	<u>\$ 24,373,836</u>	<u>\$ 493,854</u>	<u>\$ 203,343,723</u>
<b>COMPOSITION OF CASH AND CASH EQUIVALENTS</b>					
Cash and Cash Equivalents	\$ 130,758,591	\$ 8,692,417	\$ 17,015,777	\$ 493,854	\$ 156,960,639
Restricted Cash and Investments	39,025,025	-	7,358,059	-	46,383,084
Total	<u>\$ 169,783,616</u>	<u>\$ 8,692,417</u>	<u>\$ 24,373,836</u>	<u>\$ 493,854</u>	<u>\$ 203,343,723</u>

**CITY OF VERNON  
VERNON PUBLIC UTILITIES  
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Totals
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income	\$ 47,446,055	\$ 233,030	\$ 2,601,586	\$ 71,304	\$ 50,351,975
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation	16,510,921	707,035	500,102	186,152	17,904,210
Deferred gain from sale of generation assets	(6,555,916)	-	-	-	(6,555,916)
Change in Operating Assets and Liabilities:					
Accounts Receivable	(6,672,318)	(216,191)	(164,414)	(112,510)	(7,165,433)
Accrued Unbilled Revenue	(1,889,809)	97,011	(254,361)	-	(2,047,159)
Due from Other Funds	523,087	-	-	-	523,087
Prepaid Expenses and Deposits	(104,017)	-	-	-	(104,017)
Prepaid Natural Gas	(636,909)	-	-	-	(636,909)
Deferred Outflows of Resources	(564,694)	5,199	102,727	37,961	(418,807)
Accounts Payable	3,257,996	164,516	(1,292)	(27,752)	3,393,468
Accrued Wages and Benefits	(115,466)	(22,058)	(67,916)	(4,087)	(209,527)
Due to Other City Funds	2,965,077	71,583	(593,486)	-	2,443,174
Customer Deposits	(5,171)	-	800	-	(4,371)
Compensated Absences	56,427	1,347	(18,983)	(2,289)	36,502
Other Postemployment Benefit Liability	(111,573)	(48,588)	(167,986)	(24,246)	(352,393)
Net Pension Liability	(3,801,160)	(627,374)	(1,822,068)	(168,284)	(6,418,886)
Deferred Inflows of Resources	7,570,599	726,312	1,643,481	395	9,940,787
Net Cash Provided (Used) by Operating Activities	<u>\$ 57,873,129</u>	<u>\$ 1,091,822</u>	<u>\$ 1,758,190</u>	<u>\$ (43,356)</u>	<u>\$ 60,679,785</u>





CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.