

**CITY OF VERNON**  
**ANNUAL COMPREHENSIVE FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://CLAcconnect.com)

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

**INTRODUCTORY SECTION**

LETTER OF TRANSMITTAL	I
-----------------------	---

**FINANCIAL SECTION**

INDEPENDENT AUDITORS' REPORT	1
------------------------------	---

MANAGEMENTS' DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)	4
---	---

**FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

STATEMENT OF NET POSITION	17
---------------------------	----

STATEMENT OF ACTIVITIES	18
-------------------------	----

**FUND FINANCIAL STATEMENTS**

BALANCE SHEET – GOVERNMENTAL FUNDS	20
------------------------------------	----

RECONCILIATION TO THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	21
--	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS	22
---	----

RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	23
--	----

STATEMENT OF NET POSITION – PROPRIETARY FUNDS	24
---	----

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	26
--	----

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	27
---	----

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS	29
---	----

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS	30
--	----

NOTES TO FINANCIAL STATEMENTS	31
-------------------------------	----

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

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>BUDGETARY COMPARISON SCHEDULE – GENERAL FUNDS</b>	<b>78</b>
<b>NOTE TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>79</b>
<b>SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – MISCELLANEOUS PLAN</b>	<b>80</b>
<b>SCHEDULE OF PENSION CONTRIBUTIONS – MISCELLANEOUS PLAN</b>	<b>83</b>
<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – SAFETY PLAN</b>	<b>85</b>
<b>SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – SAFETY PLAN</b>	<b>86</b>
<b>SCHEDULE OF PENSION CONTRIBUTIONS – SAFETY PLAN</b>	<b>87</b>
<b>SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS</b>	<b>89</b>
<b>SCHEDULE OF OPEB CONTRIBUTIONS</b>	<b>91</b>

## **INTRODUCTORY SECTION**



4305 Santa Fe Avenue, Vernon, California  
90058 Telephone (323) 583-8811

City of Vernon, California  
Finance Department

October 2, 2023  
To the Honorable Mayor and City Council  
Vernon, California

In accordance with the Charter of the City of Vernon (City), please accept submission of the Annual Financial Report for the fiscal year ended June 30, 2022. Responsibility for the accuracy of the data, completeness, and fairness of the presentation, including all disclosures, rests with the City. We believe the data included is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and operational achievements of the City, as measured by the financial activity of its various funds. In addition, all disclosures necessary to enable the reader to gain a maximum understanding of the City's financial activities have been included.

Vernon's City Charter requires an annual audit of the City's financial statements by an independent Certified Public Accountant. Accordingly, this year's audit was completed by CliftonLarsonAllen LLP. The auditors' report on the basic financial statements is included in the financial section of this report. Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the City's basic financial statements. MD&A complements this letter of transmittal and, as such, should be read in conjunction.

## **ECONOMIC CONDITION AND OUTLOOK**

Since it was founded in 1905, Vernon has maintained a business-friendly environment, thus allowing the City to remain one of Southern California's prime locations for industry of all types. Vernon offers businesses a range of advantages compared to nearby cities in L.A. County. Features such as lower permit fees; lower electricity, water and natural gas utility rates; excellent City services tailored to specific business needs; easy access to major transportation hubs; and proximity to a substantially skilled workforce enable business and industry to thrive in Vernon.

Vernon is the industrial heart of Southern California. Major manufacturers, processors and distributors have made Vernon their home for more than a century. Vernon currently houses more than 1,800 businesses that employ approximately 50,000 men and women from nearby communities throughout the Greater Los Angeles area. These include food and agriculture, apparel, steel, plastics logistics and home furnishings companies serving as a vital economic engine in the region.

Vernon is a key contributor to the diverse Los Angeles County economy. While the California economy has effectively recovered from the pandemic recession of 2020 with a faster return to normalcy in most business sectors, the current global and local economies continue to face many of the same challenges of the prior year and remain prevalent today, Inflation continues to top historical norms, rising interest rates continue to put pressure on the housing market, car sales and other certain parts of the economy, the risk of new COVID variants, and the war in Ukraine continue to have a global economic effect. A mix of economic forecasts believe that the longer inflation persists and the higher the Federal Reserve increases interest rates in response, the greater the risk to the overall economy.

The City will continue to build on the successes and achievements realized in the current year and remains committed to serving its customers. The City's main revenue sources consisting of utilities fees, property and parcel taxes, business license taxes, and sales and use tax, have all sustained steady growth this year despite the current financial woes. As the City moves into fiscal year (FY) 2022-23, we are optimistic about continued growth but applied conservative budgeting principles during the budget development process for FY 2022-23.

While the budget reflects tempered optimism, the current global and local economies continue to face new and ongoing challenges that lead us reevaluate spending strategies, The City's future economic health will ne dependent on growing and maintaining healthy reserves through fiscally conservative budgets and polices, planning for economic opportunities, and maintaining its strong financial position through prudent, long-range policy decisions and sound fiscal management, The City will continue to monitor key economic indicators, sources of revenue, and spending levels as part of its sound, conservative fiscal approach.

Additionally, the City continues to make strides in developing its community relationships. With seasonal community outreach events, it is connecting with Vernon residents and those residents in neighboring communities in the southeast region. The City has begun circulating a Resident Newsletter and is also active on its social media platforms, focusing on dissemination of information that is relevant to the community, ensuring that its population is well-informed on City matters. By forging these connections with community members, the City is confident that the bi-directional conversations that result will allow it to better serve the needs of its constituents.

### **Powering Business Competitiveness**

The City of Vernon Public Utilities Department (VPU) serves as an essential resource to the City's business and residential community, providing high-quality utility services at cost effective rates with the highest standards of reliability. VPU offers electricity, natural gas, water, and fiber optic services to Vernon based businesses and residents, often at a cost savings compared to neighboring utility providers. The City-owned electric, natural gas, water, and fiber optic distribution systems have a strong, established history of reliability, capable of efficiently and successfully serving the needs of the City's unique largely industrial community.

The electric utility provides businesses reliable and competitive electrical services. The electric utility has operated for more than 80 years. Its electrical power and distribution system helps guarantee uninterrupted electrical service for Vernon's businesses. Electricity costs for large businesses are comparable and less than power costs from competing utility providers in the Los Angeles region, depending on the customer type and service being provided.

Vernon's natural gas distribution system offers significant advantages for businesses. Vernon's natural gas transportation rates are less than those offered by a large private natural gas utility in the same service area. Vernon's natural gas is distributed through a robust network of more than 44 miles gas distribution pipelines.

Vernon has 35 miles of fiber optic cable spanning its five-square miles, offering businesses "dark fiber" and "lit fiber" data services. Vernon's advanced network of fiber optic cable provides businesses new high-speed methods to virtually connect their buildings and offices to the Internet at lower costs with high reliability.

Vernon's water utility offers large industrial users water rates that are among the lowest in Southern California. Vernon maintains reliable water sources to serve a customer base that uses a high volume of water. Vernon supplies most of the water it sells from City-owned wells and purchases the remaining water supplies from regional agencies through agreements with the Metropolitan Water District of Southern California (MWD).

### **Safeguarding the Environment**

Vernon is one of four cities in the State of California with a health department. Vernon's Health and Environmental Control Department regulates industrial operations conducted in the City. Established in 1908, the Vernon Department of Health & Environmental Control (DHEC) provides comprehensive and efficient services to accomplish this goal, tailoring its operations to regulate and meet the needs of the City's large industrial sector.

The DHEC provides Vernon businesses and residents multiple programs to ensure that they are operating as required by local and State regulations. In addition, the department oversees numerous programs that cater to the basic needs of the community as a whole.

From food safety, water quality, solid waste, to sustainability, the DHEC functions as a resource hub for information on regulatory mandates, user-friendly guidance, specialized permitting, and education. These in-house experts are accessible to businesses and residents alike.

By maintaining its own municipal health authority, the community deals directly with Vernon DHEC officials to address important environmental and health-related issues, thus enhancing the City's ability to respond quickly, especially in critical times like the recent pandemic.

DHEC staff are equipped to efficiently address situations that have the potential to impact the health and wellness of the community. The team partners with complementary agencies including Los Angeles County Fire, Los Angeles County Public Health, and Vernon's own Police Department; and engages third-party resources when necessary. The DHEC will often be the first on-scene when a hazardous incident is reported, as the team possesses the expertise to coordinate resources, and can spearhead the implementation of remedies to ensure that the City is safe haven to live and conduct business.

Vernon manages several special programs and operations to safeguard the public's health and safety and protect the City's environment. Among these are the following: Food safety, Food Defense and Consumer Protection, Water Quality, Land Use, Solid Waste, Liquid Waste, Certified Unified Program Agency (CUPA), Groundwater and Soil Clean-up and Emergency Preparedness and Disaster Response. Each of these programs is designed to ensure a safe environment for residents and the business community.

## **Public Works**

The City's Public Works Department is responsible for the Planning, Building and Safety, and maintenance and construction of the City's infrastructure. The department includes approximately 40 employees consisting of engineers, building inspectors, plan checkers, technicians, mechanics and maintenance personnel.

The engineering section is responsible for administering city contracts and designing public improvements, such as roadways, storm drains, sewers, traffic signals and City-owned buildings. This section also maintains plans for city construction projects and prepares legal descriptions for street dedications.

The survey section maintains Vernon's centerline ties, monuments and benchmarks, providing the basis from which private property lines are established in the City. It is also responsible for engineering and inspecting city-run construction projects. Public works crews maintain the City's streets, sewers, storm drain systems, traffic islands and City buildings. These crews also provide graffiti and litter removal. The City garage warehouses supplies and maintains a fleet of more than 300 vehicles and motorized equipment.

Public Works reviews, inspects and approves all new construction within the public right-of-way, and cooperates with other departments to review and process all parcel maps, lot line adjustments, lot mergers, covenants and agreements.

## **Public Safety**

Creating a safe environment for residents and businesses to thrive is a key factor to Vernon's success. The City's skilled Police Department personnel are some of the best in their respective fields. Expedious response times and community engagement are hallmarks of their exceptional service.

The mission of the Vernon Police Department (VPD) is to provide swift, skillful, and responsive law enforcement services to the people and businesses of our community through the application of proactive problem-solving strategies and the development of equal partnerships with the people served. Officers seek to ensure a sense of well-being in the community, and they are guided by their commitment to working closely with the industrial population. VPD is dedicated to maintaining the highest degree of professionalism and ethical standards in its pursuit of this mission, ever mindful of the need to safeguard the individual liberties of all members of the community.

VPD responds to emergency calls in less than four minutes. Vernon police officers are specially trained and outfitted with the latest technology to investigate offenses unique to an industrial community. Using mobile computer terminals in their patrol cars, officers can query criminal databases from the field and connect seamlessly with the Department's advanced communications center, which is fully integrated with its records management and E911 systems. With its specialized units, the VPD maintains an effective community policing strategy.

Vernon's Police serve as a major emergency response and disaster preparedness resource for the Greater Los Angeles region. Vernon works closely with L.A. County and municipal public safety agencies in neighboring cities to offer essential public safety resources and assistance at times of an emergency through mutual aid agreements. Vernon consistently provides more police and emergency response mutual aid coverage than that which the City requests through these agreements.



## **MAJOR INITIATIVES**

Under the direction of the Mayor and City Council, City management identifies the priorities that shape the path leading into the City's future. City initiatives are reevaluated regularly, and new goals are frequently vetted to ensure that City efforts are consistent with the priorities of our policy body and the community. The City strives each year to better fulfill its mission of delivering outstanding municipal services that are responsive, comprehensive, and beneficial to the entire community by continuing its tradition of fostering innovation, ingenuity, and opportunity within its operations. City staff remains focused on actions that achieve the primary goals of tending to the public's needs, building neighborhood connections, and governing for results that strengthen our community. The City's dedication to improvement and modernization has created an environment where City of Vernon residents and businesses are dialed in and able to collaborate with staff, voice their concerns, and have access to a plethora of information on the City and their chosen topic(s) of interest. As these relationships flourish, businesses and residents alike are able to enjoy all that Vernon has to offer while also participating in guiding Vernon down its path into the future.

1. Vernon is very committed to meeting its debt service coverages. In order to address the budget deficit historically present in the General Fund, the City placed on the ballot a measure to increase the Utility Users Tax from 1% to 6% which passed in April 2019. The passage of this measure will effectively eliminate operating transfers from its enterprise activities to the General Fund. To minimize the burden on the business community, an equivalent discount has been provided to Vernon's electric, gas, water, and fiber optics utility customers.
2. Vernon has the capacity to expand its services as new businesses emerge and as existing businesses flourish and expand. An attractive, business friendly approach is extended to customers in the form of discounts that are available for large electricity consumers. Revenue sharing mechanisms have also been implemented to help stimulate both growth and retention. The City's Good Governance and Reform initiatives provide a tangible demonstration of the overarching commitment to sound governance and best business practices.
3. Based upon the City's electric debt service schedule, there will be a significant reduction in debt service starting in 2027. With input from business and residential communities, the City continues to evaluate its position and initiatives to ensure that electric rates remain competitive and that infrastructure needs are being addressed.
4. The inherent governance challenges in the City, due to a very small residential population, continues to be addressed by its residents, businesses, Chamber of Commerce, and City Council. Over the past 5 years, the public has become much more engaged in the political process and continues to keep a watchful eye on all important issues facing the City. The disincorporation controversy raised by assembly bill 46 in 2011 has been addressed with the whole-hearted adoption of key reforms and comprehensive implementation of best practices in all City operations.
5. The State of California Joint Legislative Audit Committee (JLAC) is no longer pursuing the disincorporation of the City. Vernon has addressed all outstanding JLAC recommendations effective July 2018. Emphatically committed to good governance and transparency, the City is proud of its success in satisfying each reform that JLAC recommended. As a result, the City moves forward with clear, concise, and comprehensive policies and procedures that uphold best practices.
6. The shutdown of the Exide recycled battery plant operation has been and will continue to be under State of California oversight. The Department of Toxic Substances Control is completely responsible for monitoring the site and all related cleanup on a continual basis. The State of California has established funding for the Exide plant cleanup effort collected through a fee on

each battery recycled along with any restitution from Exide which remains a global company. There is no direct impact on City operations and Exide does not pose a concern to existing Vernon businesses.

7. Vernon's electric rates remain competitive, and in many cases, lower than adjacent municipal and investor-owned utilities. However, in many respects, Vernon's electric utility services continue to outperform its neighboring peers thanks to a higher reliability rating and greater customer satisfaction. In fact, 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.
8. Since the purchase of Malburg Generating Station (MGS), Vernon Public Utilities optimizes the operating profile 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.

## **FINANCIAL INFORMATION**

Management of the City is responsible for establishing and maintaining internal control designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

This report consists of management's representations concerning the finances of the City. As a result, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management asserts that, to the best of their knowledge and belief, this financial report is complete and reliable in all material respects.

## **BUDGETARY CONTROLS**

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of all governmental funds and proprietary funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the departmental level.

## **RELEVANT FINANCIAL POLICIES**

Over the years, through sound fiscal management, the City has positioned itself well to weather economic downturns, create a positive atmosphere for economic development, and allow flexibility in addressing budgetary challenges. As of June 30, 2022, the City's overall total net position was \$256.7 million. This consisted of a positive governmental net position of \$74.3 million and business-type net position of \$182.4 million. By continuing to develop sound fiscal management plans, the City intends to maintain an overall positive net position.

## **ACKNOWLEDGMENTS**

The preparation of this report on a timely basis is a team effort involving many dedicated people across the entire organization. I would like to extend a special thanks to the talented finance professionals throughout the City, led by Joaquin Leon, Deputy City Treasurer, Jessica Alcaraz, Financial Services Administrator and Angela Melgar, Finance Manager. Appreciation is also expressed to Carlos Fandino, City Administrator; Zaynah Moussa, City Attorney; Todd Dusenberry, General Manager of Public Utilities; Dan wall, Director of Public Works; Robert Sousa, Chief of Police; Freddy Agyin, Director of Health and Environmental Control; Michael Earl, Human Resource Director; and Lisa Pope, City Clerk.

In closing, without the leadership and support of the City Council, the preparation and results presented within this report would not have been conceivable. Their steadfast leadership has made possible the implementation of the City's important, innovative concepts in fiscal management discussed herein.

Should you have any questions regarding the documentation provided, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in blue ink that reads "Scott Williams". The signature is written in a cursive style with a long, sweeping underline.

Scott Williams  
Director of Finance/City Treasurer

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vernon, California (the City), as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the City's 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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 City 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 opinions.

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

#### ***Change in Accounting Principle***

As described in Note 1C to the financial statements, effective July 1, 2021, the City adopted new accounting guidance, Statement of Governmental Accounting Standards Board (GASB Statement) No. 87, *Leases*. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Honorable Mayor and  
Members of the City Council  
City of Vernon

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Vernon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***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 the City's 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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.

Honorable Mayor and  
Members of the City Council  
City of Vernon

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the General Fund budgetary comparison schedule, the schedules of changes in net pension liability and related ratios and schedules of pension contributions related to the City's miscellaneous and safety pension plans, and the schedule of changes in net OPEB liability and related ratios related to the City's other postemployment benefits plan, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other 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 opinions on the basic financial statements do 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 October 4, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 City'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 City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Irvine, California  
October 4, 2023

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

As management of the City of Vernon ("the City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022.

**OVERVIEW OF BASIC FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (i) government-wide financial statements, (ii) fund financial statements, and (iii) notes to the basic financial statements.

***Government-wide financial statements***

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City'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*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, and health services. The business-type activities of the City is administered by the Vernon Public Utilities which consists of the Electric, Gas, Water, and Fiber Optics utilities.

The government-wide financial statements include not only the City of Vernon (known as the *primary government*), but also blended component units. Certain blended component units, although legally separate entities are, in substance, part of the primary government's operations and are included as part of the primary government. Fiduciary funds are not presented in the government-wide financial statements as the resources are not available to support City programs.

The government-wide financial statements can be found on pages 17-19 of this report.

***Fund financial statements***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.



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

***Governmental funds***

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund (see page 74).

The basic governmental funds financial statements can be found on pages 20-23 of this report.

***Proprietary funds***

The City's proprietary funds consist of enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Vernon Public Utilities which consists of the Electric, Gas, Water, and Fiber Optics utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Vernon Public Utilities.

The basic proprietary funds financial statements can be found on pages 24-28 of this report.

***Fiduciary funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support City programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on pages 29-30 of this report.

**Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-75 of this report.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

***City's Net Position***

The table below summarizes the City's net position as of June 30, 2022 and June 30, 2021. The details of the current year's summary can be found on page 17 of this report.

City of Vernon Net Position June 30, 2022 and 2021						
	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>Assets:</b>						
Current and other assets	\$ 31,543,883	\$ 15,676,741	\$ 190,425,409	\$ 174,666,191	\$ 221,969,292	\$ 190,342,932
Restricted assets	6,267,964	5,070,045	46,383,084	56,392,885	52,651,048	61,462,930
Capital assets	163,093,528	165,326,345	458,427,644	257,253,484	621,521,172	422,579,829
Total assets	<u>200,905,375</u>	<u>186,073,131</u>	<u>695,236,137</u>	<u>488,312,560</u>	<u>896,141,512</u>	<u>674,385,691</u>
<b>Deferred Outflows of Resources</b>						
Deferred outflows related to pensions	23,034,461	23,952,913	5,338,797	4,901,360	28,373,258	28,854,273
Deferred outflows related to OPEB liability	2,856,840	3,326,931	662,143	680,773	3,518,983	4,007,704
Deferred amount on bond refunding	-	-	1,933,345	292,472	1,933,345	292,472
Total deferred outflows of resources	<u>25,891,301</u>	<u>27,279,844</u>	<u>7,934,285</u>	<u>5,874,605</u>	<u>33,825,586</u>	<u>33,154,449</u>
<b>Liabilities:</b>						
Current liabilities	4,494,931	3,779,531	23,591,507	21,910,613	28,086,438	25,690,144
Long term liabilities	92,405,587	135,010,934	485,156,669	316,254,536	577,562,256	451,265,470
Total liabilities	<u>96,900,518</u>	<u>138,790,465</u>	<u>508,748,176</u>	<u>338,165,149</u>	<u>605,648,694</u>	<u>476,955,614</u>
<b>Deferred Inflows of Resources</b>						
Deferred inflows related to pensions	44,972,489	2,754,345	10,423,470	563,607	55,395,959	3,317,952
Deferred inflows related to OPEB liability	6,807,966	7,315,776	1,577,912	1,496,988	8,385,878	8,812,764
Deferred inflows related to Leases	3,803,114	-	-	-	3,803,114	-
Deferred gain from sale of generation assets	-	-	-	6,555,916	-	6,555,916
Total deferred inflows of resources	<u>55,583,569</u>	<u>10,070,121</u>	<u>12,001,382</u>	<u>8,616,511</u>	<u>67,584,951</u>	<u>18,686,632</u>
<b>Net Position:</b>						
Net investment in capital assets	162,746,593	165,326,345	168,787,837	148,442,763	331,534,430	313,769,108
Restricted	4,422,510	4,146,007	32,836,544	23,894,665	37,259,054	28,040,672
Unrestricted (deficit)	(92,856,514)	(104,979,963)	(19,203,517)	(24,931,923)	(112,060,031)	(129,911,886)
Total net position	<u>\$ 74,312,589</u>	<u>\$ 64,492,389</u>	<u>\$ 182,420,864</u>	<u>\$ 147,405,505</u>	<u>\$ 256,733,453</u>	<u>\$ 211,897,894</u>

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$256,733,453 (net position).

The category of the City's net position with the largest balance totaling \$331,534,430 represents resources that are invested in capital assets, net of the related debt.

The second-largest category of net position, totaling \$37,259,054 represents the City's restricted assets, which are restricted for employee flexible spending account, grants and debt service.

The last remaining category of net position, totaling (\$112,060,031) represents a deficit in unrestricted net position that is expected to be recovered from the City's future revenues.

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

**Governmental activities, net position:**

- Current and other assets increased by \$15,867,142 from the prior year due to increase in cash and cash equivalents of \$3,566,960, accounts receivable of \$1,773,892, taxes receivable of \$1,630,903, internal balances of \$4,881,456 and lease receivable of \$3,836,304 through the implementation of GASB Statement No. 87.
- Restricted assets increased by \$1,197,919 from the prior year mainly due to an increase in restricted cash and investments balance for streets improvements.
- Capital assets decreased by \$2,232,817 from the prior year mainly due to depreciation of \$4,991,029 offset by the acquisition of machinery and equipment and infrastructure and building upgrades and improvements as well as the liquidation & disposal of City department's assets.
- Deferred outflows of resources for pension costs decreased by \$918,452 from the prior year mainly due to a change in current year's contribution to the pension that will be applied as a reduction in net pension liability in the next fiscal year, or other items arising from changes in actuarial assumptions, difference between actual and projected experiences, difference between actual and projected investment gains/losses, or changes in a fund's proportionate share of the net pension liability.
- Deferred outflows of resources for other postemployment benefits (OPEB) decreased by \$470,091 from the prior year due a change in current year contribution to the OPEB plan that will be applied as a reduction in net OPEB liability in the next fiscal year, or other items arising from changes in actuarial assumptions, difference between actual and projected experiences, difference between actual and projected investment gains/losses, or changes in a fund's proportionate share of the net OPEB liability.
- Current liabilities increased by \$715,400 from the prior year mainly due to an increase in accounts payable of \$1,718,829 offset by a decrease in accrued wages and benefits of \$825,446 and unearned revenue of \$216,467.
- Long-term liabilities decreased by \$42,605,347 from the prior year mainly due to decrease in net pension liability and other postemployment benefits liability of \$40,851,219 and \$3,485,823, respectively, offset by an increase in liabilities due in more than 1 year of \$1,291,165.
- Deferred inflows of resources for pension actuarial increased by \$42,218,144 from the prior year due to changes in total pension liability that are to be recognized as an increase in pension expenses in future fiscal years. These balances arise from changes in actuarial assumptions, the difference between actual and projected experiences, the difference between actual and projected investment gains/losses, or changes in the fund's proportionate share of the plan's net pension liability.
- Deferred inflows of resources for OPEB decreased by \$507,810 from the prior year mainly due to changes in actuarial assumptions and the difference between actual and expected experience.
- Deferred inflows of resources for leases increased by \$3,803,114 due to the implementation of GASB Statement No. 87.

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

**Governmental activities, net position (continued):**

- Net investment in capital assets decreased by \$2,579,679 from the prior year which is equivalent to the decrease in capital assets, net of finance purchase obligations during the current year.
- Restricted net position increased by \$276,503 from the prior year mainly due to a decrease in the restricted designation placed on street improvement account and SCWP account.
- The unrestricted net deficit decreased by \$10,456,738 from the prior year mainly due to the current year's change in net position of \$8,153,489 offset by a decrease in net investment in capital assets of \$2,579,679.

**Business-type activities, net position:**

- Current and other assets increased \$15,759,218 from the prior year mainly due to an increase in cash and cash equivalents of \$10,600,320 and in receivables of \$9,212,592 offset by a decrease in internal balances of \$4,881,456.
- Restricted assets decreased by \$10,009,801 from the prior year mainly due to the drawdowns funding the capital improvement projects.
- Capital assets increased \$201,174,160 from the prior year mainly due to acquisitions of the Malburg Generation Station (MGS), and new equipment and facility improvements, offset by depreciation of \$17,904,210 and net capital asset disposals of \$2,315,926 (See Note 5).
- Deferred outflows of resources increased by \$2,059,680 due to the decrease in amount on bond refunding of \$1,640,873 and in deferred pensions of \$437,437.
- Current liabilities increased \$1,680,894 mainly due to an increase in accounts payable of \$3,393,468 offset by a decrease in bond interest payable \$1,498,676.
- Long-term liabilities increased by \$168,902,133 from the prior year mainly due to bonds payable increase with newly issued bonds related to MGS acquisition (see Note 6).
- Deferred inflows of resources increased by \$3,384,871 mainly due to the increase related to pensions of \$9,859,863 offset by the amortization of the remaining deferred gain from sale of generation assets of \$6,555,916 as a result of the purchase of MGS.
- Net investment in capital assets decreased by \$11,290,729 from the prior year, which is attributable to the increase in capital assets, net of capital bonds payable.
- 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) of \$5,728,406.

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

***Changes in Net Position***

The table below summarizes the City's changes in net position between the current and prior fiscal year. The details of the current year's changes in net position can be found on pages 18-19 of this report.

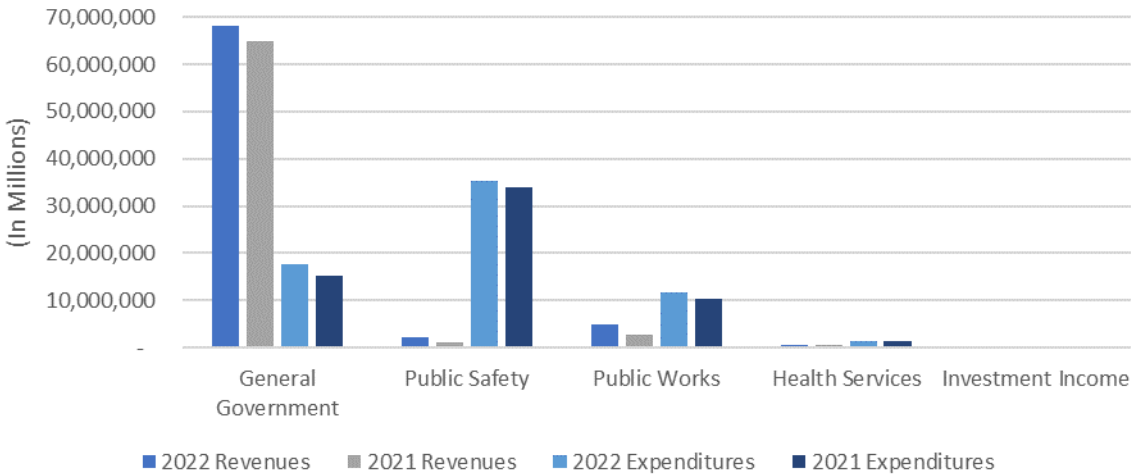
City of Vernon						
Statement of Activities						
Years ended June 30, 2022 and 2021						
	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 5,912,509	\$ 6,470,901			\$ 5,912,509	\$ 6,470,901
Vernon public utilities			238,570,758	212,205,129	238,570,758	212,205,129
Operating and capital grants and contributions	5,262,389	2,103,424	865,403		6,127,792	2,103,424
General revenues						
Taxes	41,888,435	39,163,804			41,888,435	39,163,804
State allocations	14,989,046	14,445,575			14,989,046	14,445,575
Investment income (loss)	208,039	70,480	285,622	69,606	493,661	140,086
Gain (loss) on the sale of land and assets	-	-	-	-	-	-
Other revenues	2,736,631	2,531,566	-	-	2,736,631	2,531,566
Total revenues	<u>70,997,049</u>	<u>64,785,750</u>	<u>239,721,783</u>	<u>212,274,735</u>	<u>310,718,832</u>	<u>277,060,485</u>
<b>Expenses:</b>						
Governmental activities						
General government	17,564,758	15,238,548	-	-	17,564,758	15,238,548
Public safety	35,417,532	33,919,854	-	-	35,417,532	33,919,854
Public works	11,811,876	10,468,302	-	-	11,811,876	10,468,302
Health services	1,416,058	1,280,046	-	-	1,416,058	1,280,046
Interest on long-term debt	199	67,707	-	-	199	67,707
Business-type activities						
Vernon public utilities			199,672,850	203,474,562	199,672,850	203,474,562
Total expenses	<u>66,210,423</u>	<u>60,974,457</u>	<u>199,672,850</u>	<u>203,474,562</u>	<u>265,883,273</u>	<u>264,449,019</u>
Change in net position before transfers	4,786,626	3,811,293	40,048,933	8,800,173	44,835,559	12,611,466
<b>Transfers:</b>						
Interfund transfers	5,033,574	4,781,720	(5,033,574)	(4,781,720)	-	-
Net Transfers	<u>5,033,574</u>	<u>4,781,720</u>	<u>(5,033,574)</u>	<u>(4,781,720)</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	9,820,200	8,593,013	35,015,359	4,018,453	44,835,559	12,611,466
<b>Net position - beginning of year</b>	<u>64,492,389</u>	<u>55,899,376</u>	<u>147,405,505</u>	<u>143,387,052</u>	<u>211,897,894</u>	<u>199,286,428</u>
<b>Net position - end of year</b>	<u>\$ 74,312,589</u>	<u>\$ 64,492,389</u>	<u>\$ 182,420,864</u>	<u>\$ 147,405,505</u>	<u>\$ 256,733,453</u>	<u>\$ 211,897,894</u>

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

**Governmental activities. changes in net position:**

Governmental activities' net position increased by \$9,820,200 and business-type activities' net position increased by \$35,015,359 for a net increase of \$44,835,559 for the City.

**Governmental Activities - Program Revenues and Expenses  
Years ended June 30, 2022 and 2021**

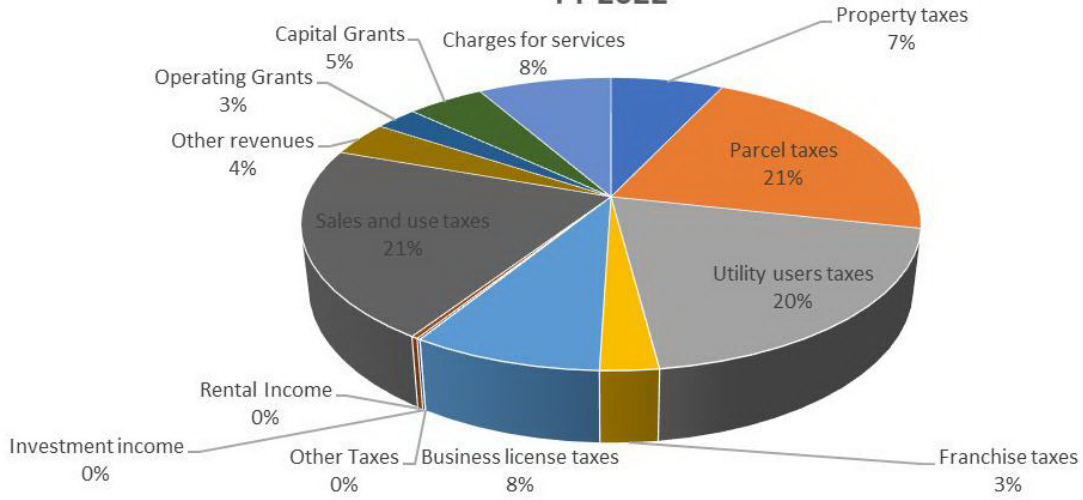


Governmental activities consist of the following departments:

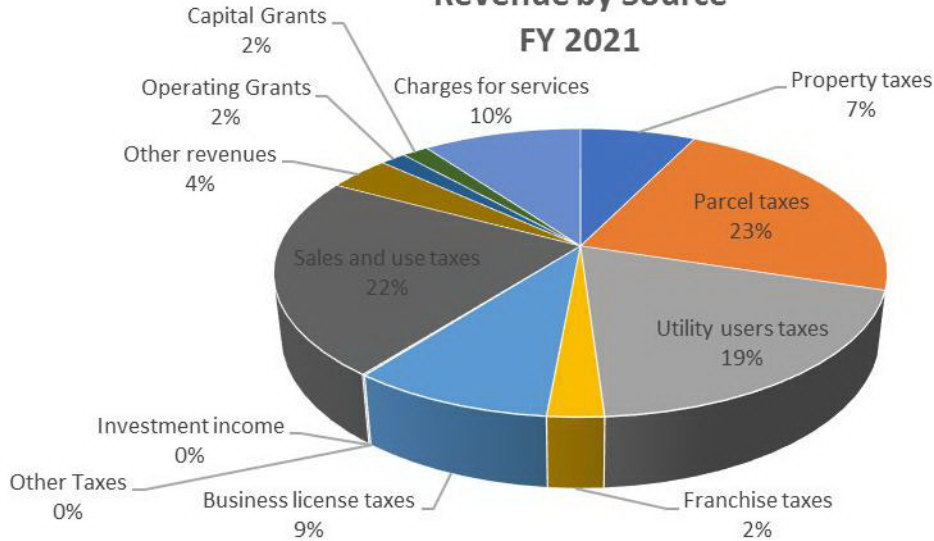
<u>GENERAL GOVERNMENT</u>	<u>PUBLIC SAFETY</u>	<u>PUBLIC WORKS</u>	<u>HEALTH SERVICES</u>
CITY COUNCIL	POLICE	ADMIN-ENGINEERING-PLANNING	HEALTH
CITY ADMINISTRATION		BUILDING REGULATIONS	
INFORMATION TECHNOLOGY		CITY HOUSING	
CITY ATTORNEY		FACILITIES MAINTENANCE	
HUMAN RESOURCES		FLEET SERVICES	
CITY CLERK		STREET LIGHTING	
FINANCE		STREET MAINTENANCE	
COMMUNITY PROMOTION		WAREHOUSE	
INDUSTRIAL DEVELOPMENT			
COMMUNITY DEVELOPMENT			

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

**Governmental Activities  
Revenue by Source  
FY 2022**



**Governmental Activities  
Revenue by Source  
FY 2021**

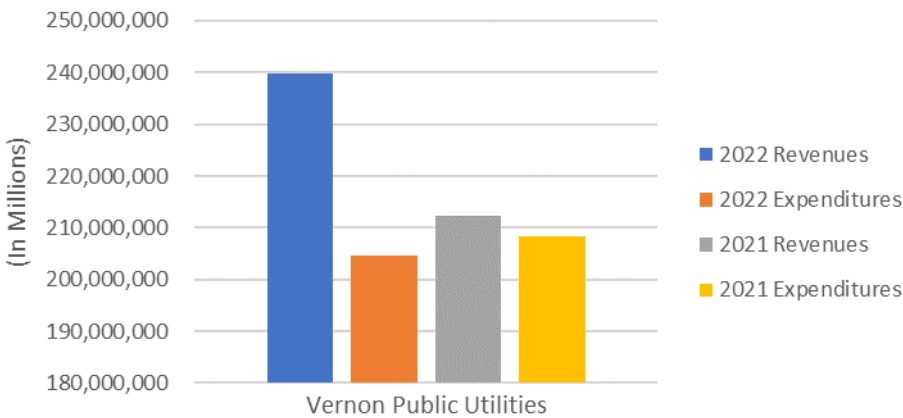


**CITY OF VERNON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

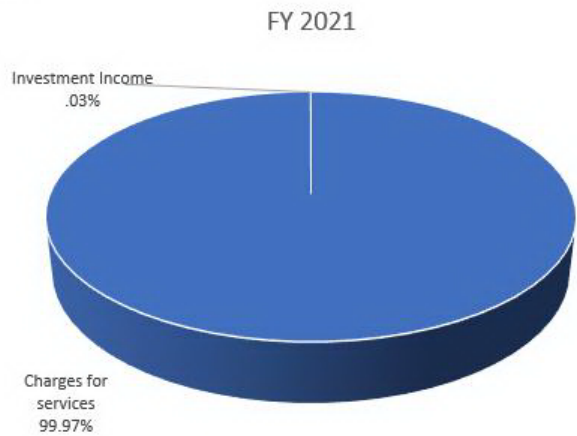
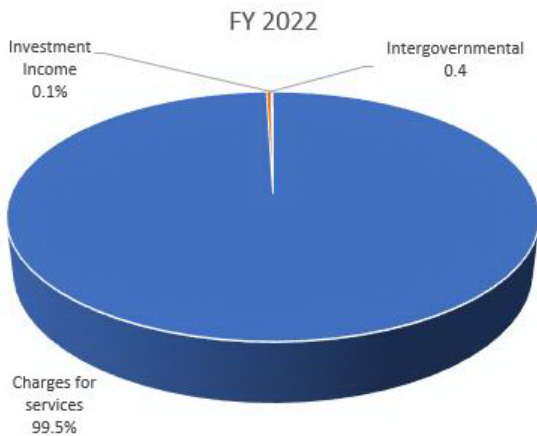
**Business-type activities, changes in net position:**

Business-type activities increased the City's net position by \$35,015,359 before transfers which is a \$30,996,906 decrease from the prior year. The key reason for this increase was due to the significant increase in operating income of \$27,102,304 and lower interest expense of \$5,134,307 offset by the loss on the disposition of assets of \$2,315,926.

Business-type Activities- Revenues and Expenses  
Years ended June 30, 2022 and 2021



Business Activities  
Revenue by Source





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

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental funds***

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, the *nonspendable, restricted, committed, assigned, and unassigned fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balances of \$27,847,091 (see page 20), an increase of \$10,879,836 from the prior year. Approximately 0.61% of the total fund balance amount, \$168,491, constitutes *nonspendable fund balance*, which are amounts that are not in a spendable form or are required to be maintained intact. Approximately 15.88% of the total fund balance amount, \$4,442,510, constitutes *restricted fund balance*, which are amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The remainder of the fund balance amount, \$23,256,090 is an *unassigned* fund balance deficit to indicate that it is the residual classification that is not contained in the other classifications.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the total fund balance was \$27,847,091 (see page 22). At the end of the current fiscal year, the total fund balance represents 43.9% of the total expenditures for the year.

***Proprietary funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position for the Vernon Public Utilities at the end of the year amounted to a deficit balance of \$19,203,517 (see page 25). This deficit balance in unrestricted net position is primarily due to the proprietary funds being heavily invested in capital assets for which it has not yet recovered the cost of capital invested. The proprietary funds expect to eliminate these deficit balances through increased future revenues.

The total increase in net position for the Vernon Public Utilities was \$35,015,359 (see page 26). Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

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

**GENERAL FUND AND BUDGETARY HIGHLIGHTS**

For the current year, the General Fund's total positive variance between the final budgeted amounts and the actual amount of change in fund balance was \$11,450,180. The key reasons for this variance were due to lower actual revenues than projected of \$1,615,795 and lower actual expenditures than appropriated by \$13,155,975.

For the current year, the General Fund's total positive variance between the final budgeted estimated revenues and actual revenues was \$1,615,795. The main reason for the variance, was that taxes came in higher than expected by \$2,621,650 and \$8,935,173 respectively offset by intergovernmental revenues coming in lower by \$5,534,510.

For the current year, the General Fund's total positive variance between the final budgeted amount and the actual amount for expenditures was \$13,155,975. The key reasons for this variance were due to higher appropriations than actual expenditures of \$9,440,279 in capital outlay and \$2,192,186 in public works.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital assets***

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounts to \$621,521,172 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building, utility system improvements, machinery and equipment, infrastructure such as roads, and intangible assets such as environmental emission credits. The increase in capital assets of \$198,941,343 is mainly due to the purchase of Malburg Generation Station. Additionally, capital assets was updated for the implementation of GASB Statement No. 87, Leases, for right-to-use- lease assets.

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

***Outstanding debt***

As of June 30, 2022, the following 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
- \$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

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

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.

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.

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 changed from the prior year to BBB+/Stable by S&P and Baa1/Stable by Moody's and the ratings on all Water Revenue Bonds is A-/Stable by S&P and not rated by Moody's.

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

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

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

Local and state economies experienced continual growth throughout fiscal year 2021-22, with tapering in the latter months due to prolonged historical high inflation and the increased interest rates by the Federal Reserve. Cities continue to be challenged in forecasting the economy and preparing the budget for the next fiscal year. The City has been fortunate in its specific mix of businesses, which has proven to be resilient in response to volatile economic changes. These factors were considered in preparing the City and VPU's budget for fiscal year 2022-23.

- The City developed a conservative spending plan addressing City Council and community priorities while focusing on operations at full capacity, deferring maintenance and operational needs while still focused on delivering quality core municipal services.
- 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 financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, [swilliams@cityofvernon.org](mailto:swilliams@cityofvernon.org), City of Vernon, 4305 Santa Fe Avenue, Vernon, California, 90058.

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

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 17,973,383	\$ 156,960,639	\$ 174,934,022
Accounts Receivable, Net of Allowance	1,783,820	14,262,338	16,046,158
Taxes Receivable	4,947,687	-	4,947,687
Lease Receivable - Current Portion	66,705	-	66,705
Lease Receivable	3,769,599	-	3,769,599
Notes and Loans Receivable	8,816	-	8,816
Other Receivables	61,919	-	61,919
Accrued Unbilled Revenue	-	19,025,964	19,025,964
Accrued Interest Receivable	-	89,197	89,197
Internal Balances	2,763,463	(2,763,463)	-
Prepaid Natural Gas	-	636,909	636,909
Prepaid Expenses	168,491	1,012,402	1,180,893
Deposits	-	1,201,423	1,201,423
Restricted Cash and Investments	6,267,964	46,383,084	52,651,048
Capital Assets:			
Nondepreciable	65,801,086	70,803,890	136,604,976
Depreciable, Net	97,292,442	387,623,754	484,916,196
Total Assets	<u>200,905,375</u>	<u>695,236,137</u>	<u>896,141,512</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	23,034,461	5,338,797	28,373,258
Deferred Outflows Related to OPEB Liability	2,856,840	662,143	3,518,983
Deferred Amount on Bond Refunding	-	1,933,345	1,933,345
Total Deferred Outflows of Resources	<u>25,891,301</u>	<u>7,934,285</u>	<u>33,825,586</u>
<b>LIABILITIES</b>			
Accounts Payable	2,828,577	17,472,509	20,301,086
Accrued Wages and Benefits	613,476	406,604	1,020,080
Customer Deposits	239,139	500,168	739,307
Bond Interest Payable	-	5,212,226	5,212,226
Unearned Revenue	813,739	-	813,739
Noncurrent Liabilities:			
Due Within One Year	2,563,534	50,905,670	53,469,204
Due in More than One Year	5,082,788	414,605,974	419,688,762
Net Other Postemployment Benefit Liability	13,292,721	3,080,913	16,373,634
Net Pension Liability	71,466,544	16,564,112	88,030,656
Total Liabilities	<u>96,900,518</u>	<u>508,748,176</u>	<u>605,648,694</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	44,972,489	10,423,470	55,395,959
Deferred Inflows Related to OPEB Liability	6,807,966	1,577,912	8,385,878
Deferred Inflows Related to Leases	3,803,114	-	3,803,114
Total Deferred Inflows of Resources	<u>55,583,569</u>	<u>12,001,382</u>	<u>67,584,951</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	162,746,593	168,787,837	331,534,430
Restricted for:			
Employee Flexible Spending Account	25,261	-	25,261
Street Improvements	3,855,244	-	3,855,244
Asset Forfeiture Funds	542,005	-	542,005
Debt Service	-	32,836,544	32,836,544
Unrestricted (Deficit)	(92,856,514)	(19,203,517)	(112,060,031)
Total Net Position	<u>\$ 74,312,589</u>	<u>\$ 182,420,864</u>	<u>\$ 256,733,453</u>

See accompanying Notes to Financial Statements.

**CITY OF VERNON  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities:				
General Government	\$ 17,564,758	\$ 8,525,489	\$ 2,273	\$ -
Public Safety	35,417,532	229,726	1,862,043	-
Public Works	11,811,876	1,564,854	5,616	3,392,457
Health Services	1,416,058	626,014	-	-
Interest on Long Term Liabilities	199	-	-	-
Total Governmental Activities	<u>66,210,423</u>	<u>10,946,083</u>	<u>1,869,932</u>	<u>3,392,457</u>
Business-Type Activities:				
Electric	176,601,293	208,539,519	665,887	-
Gas	18,478,619	18,705,573	5,029	-
Water	9,217,802	10,845,652	194,487	-
Fiber Optics	408,710	480,014	-	-
Total Business-Type Activities	<u>204,706,424</u>	<u>238,570,758</u>	<u>865,403</u>	<u>-</u>
Total Primary Government	<u>\$ 270,916,847</u>	<u>\$ 249,516,841</u>	<u>\$ 2,735,335</u>	<u>\$ 3,392,457</u>

See accompanying Notes to Financial Statements.

**CITY OF VERNON  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

Function/Program Activities	Net (Expenses) Revenues and Change in Net Position		Total
	Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT</b>			
Governmental Activities:			
General Government	\$ (9,036,996)	\$ -	\$ (9,036,996)
Public Safety	(33,325,763)	-	(33,325,763)
Public Works	(6,848,949)	-	(6,848,949)
Health Services	(790,044)	-	(790,044)
Interest on Long Term Liabilities	(199)	-	(199)
Total Governmental Activities	<u>(50,001,951)</u>	<u>-</u>	<u>(50,001,951)</u>
Business-Type Activities:			
Electric	-	32,604,113	32,604,113
Gas	-	231,983	231,983
Water	-	1,822,337	1,822,337
Fiber Optics	-	71,304	71,304
Total Business-Type Activities	<u>-</u>	<u>34,729,737</u>	<u>34,729,737</u>
Total Primary Government	(50,001,951)	34,729,737	(15,272,214)
General Revenues:			
Property Taxes	4,982,723	-	4,982,723
Parcel Taxes	15,214,692	-	15,214,692
Utility Users Taxes	13,826,831	-	13,826,831
Franchise Taxes	1,821,409	-	1,821,409
Business License Taxes	5,929,166	-	5,929,166
Other Taxes	12,805	-	12,805
Investment Income	100,809	285,622	386,431
Rental income	208,039	-	208,039
State Contribution - Sales and Use Taxes	14,989,046	-	14,989,046
Other Revenues	2,736,631	-	2,736,631
Total General Revenues	<u>59,822,151</u>	<u>285,622</u>	<u>60,107,773</u>
<b>CHANGE IN NET POSITION</b>	9,820,200	35,015,359	44,835,559
Net Position - Beginning of Year	<u>64,492,389</u>	<u>147,405,505</u>	<u>211,897,894</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 74,312,589</u>	<u>\$ 182,420,864</u>	<u>\$ 256,733,453</u>

See accompanying Notes to Financial Statements.

**CITY OF VERNON  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2022**

	General Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 17,973,383
Accounts Receivable, Net of Allowance	1,783,820
Taxes Receivable	4,947,687
Lease Receivable - Current Portion	66,705
Lease Receivable	3,769,599
Notes and Loans Receivable	8,816
Other Receivables	61,919
Due from Other Funds	2,966,261
Prepaid Items	168,491
Restricted Cash and Investments	6,267,964
Total Assets	\$ 38,014,645
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 2,828,577
Accrued Wages and Benefits	613,476
Unearned Revenue	813,739
Customer Deposits	239,139
Advances from Other Funds	202,798
Total Liabilities	4,697,729
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows - Unavailable Revenues	1,666,711
Deferred Inflows Related to Leases	3,803,114
Total Deferred Inflows of Resources	5,469,825
<b>FUND BALANCE</b>	
Nonspendable:	
Prepaid Items	168,491
Restricted for:	
Employee Flexible Spending Account	25,261
Street Improvements	3,855,244
Asset Forfeiture Funds	542,005
Unassigned	23,256,090
Total Fund Balance	27,847,091
Total Liabilities and Fund Balance	\$ 38,014,645

See accompanying Notes to Financial Statements.



**CITY OF VERNON  
RECONCILIATION TO THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES  
JUNE 30, 2022**

Fund Balance - Governmental Fund	\$ 27,847,091
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Receivables not available to pay for current period expenditures are reported as unavailable revenue in the financial statements.	1,666,711
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund	163,061,941
Right to Use assets used in governmental activities are not current financial resources and therefore are not reported in the funds. Related long-term lease liabilities are not due and payable in the current period; therefore, they are not reported in the funds. These items consist of:	
Right to Use Assets, Net of Accumulated Amortization	31,587
Lease Liability	(31,660)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund	
Compensated Absences	(2,673,930)
Claims Payable	(4,940,732)
Net pension and other postemployment benefit (OPEB) liabilities applicable to the City's governmental activities are not due and payable in the current period and therefore are not reported in the governmental fund. Deferred outflows and inflows of resources related to the pension and OPEB liabilities applicable to the City's governmental activities are only reported in the government-wide financial statements	
Deferred Outflows of Resources for Pensions	23,034,461
Deferred Outflows of Resources for OPEB	2,856,840
Deferred Inflows of Resources for Pensions	(44,972,489)
Deferred Inflows of Resources for OPEB	(6,807,966)
Net Pension Liability	(71,466,544)
Net OPEB Liability	<u>(13,292,721)</u>
Net Position of Governmental Activities	<u><u>\$ 74,312,589</u></u>

See accompanying Notes to Financial Statements.

**CITY OF VERNON  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 56,686,792
Special Assessments	1,704,159
Licenses and Permits	2,158,284
Fines, Forfeitures, and Penalties	258,268
Investment Income	100,809
Intergovernmental Revenues	1,789,300
Charges for Services	10,276,400
Rental Income	513,701
Other Revenues	876,199
Total Revenues	<u>74,363,912</u>
 <b>EXPENDITURES</b>	
Current:	
General Government	17,085,390
Public Safety	34,345,479
Public Works	7,688,016
Health Services	1,411,874
Capital Outlay	2,927,921
Debt Service:	
Principal	25,197
Interest	199
Total Expenditures	<u>63,484,076</u>
 <b>CHANGE IN FUND BALANCE</b>	 10,879,836
 Fund Balance - Beginning of Year	 <u>16,967,255</u>
 <b>FUND BALANCE - END OF YEAR</b>	 <u><u>\$ 27,847,091</u></u>

See accompanying Notes to Financial Statements.

**CITY OF VERNON  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO  
THE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balance - Total Governmental Fund	\$	10,879,836
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds</p>		1,666,711
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as a depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.</p>		
Capital Outlay		3,291,130
Depreciation and Amortization Expense		(5,016,299)
Loss on Disposal of Capital Assets		(564,505)
<p>Principal payment of long term liabilities uses current financial resources but is not reported in the Statement of Activities</p>		
Principal Payments Lease Liability		25,197
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund:</p>		
Change in Net Pension Liability		40,851,219
Change in Net OPEB Liability		3,485,823
Change in Deferred Outflows Related to Pensions		(918,452)
Change in Deferred Outflows Related to OPEB		(470,091)
Change in Deferred Inflows Related to Pensions		(42,218,144)
Change in Deferred Inflows Related to OPEB		507,810
Change in Compensated Absences		(168,675)
Change in Claims Payable		(1,531,360)
		(1,531,360)
Change in Net Position of Governmental Activities	\$	9,820,200

See accompanying Notes to Financial Statements.

**CITY OF VERNON**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**JUNE 30, 2022**

	Business-Type Activities Enterprise Funds				Totals
	Electric Fund	Gas Fund	Water Fund	Nonmajor Fiber Optics Fund	
<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 Funds	70,399	-	-	-	70,399
Prepaid Expenses	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>191,063,112</u>
Noncurrent Assets:					
Restricted Cash and Investments	39,025,025	-	7,358,059	-	46,383,084
Advances to Other Funds	27,079,890	-	202,798	-	27,282,688
Prepaid Expenses	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>534,289,575</u>
Total Assets	654,394,529	25,892,665	43,364,226	1,701,267	725,352,687
<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 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>7,934,285</u>

See accompanying Notes to Financial Statements.

**CITY OF VERNON**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)**  
**JUNE 30, 2022**

	Business-Type Activities				Totals
	Enterprise Funds				
	Electric Fund	Gas Fund	Water Fund	Nonmajor Fiber Optics Fund	
<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 Funds	2,965,077	71,583	-	-	3,036,660
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>77,533,837</u>
Noncurrent Liabilities:					
Advances from Other 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
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>461,330,889</u>
Total Liabilities	488,346,793	25,041,493	21,579,488	3,896,952	538,864,726
<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>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>(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>\$ 182,420,864</u>

See accompanying Notes to Financial Statements.

**CITY OF VERNON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION – PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Business-Type Activities Enterprise Funds				Totals
	Electric Fund	Gas Fund	Water Fund	Nonmajor Fiber Optics Fund	
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 208,539,519	\$ 18,705,573	\$ 10,845,652	\$ 480,014	\$ 238,570,758
Total Operating Revenue	208,539,519	18,705,573	10,845,652	480,014	238,570,758
<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	161,093,464	18,472,543	8,244,066	408,710	188,218,783
<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 Disposal of Assets	(1,900,009)	(6,076)	(409,841)	-	(2,315,926)
Total Nonoperating Revenues (Expenses)	(14,572,685)	3,081	(767,258)	246	(15,336,616)
<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	130,593,580	168,543	18,919,451	(2,276,069)	147,405,505
<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>

See accompanying Notes to Financial Statements.

**CITY OF VERNON**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Business-Type Activities				Totals
	Enterprise Funds				
	Electric Fund	Gas Fund	Water Fund	Nonmajor Fiber Optics Fund	
<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 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
Cash Received (Paid) to Other 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
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>

See accompanying Notes to Financial Statements.

**CITY OF VERNON**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**

	Business-Type Activities				Totals
	Enterprise Funds				
	Electric Fund	Gas Fund	Water Fund	Nonmajor Fiber Optics Fund	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 47,446,055	\$ 233,030	\$ 2,601,586	\$ 71,304	\$ 50,351,975
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided 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 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>

See accompanying Notes to Financial Statements.



**CITY OF VERNON  
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2022**

	<u>Redevelopment Successor Agency Trust Fund</u>
<b>ASSETS</b>	
Other Receivable	\$ 3,654
Restricted Cash and Investments	<u>19,037,529</u>
Total Assets	<u>19,041,183</u>
<b>LIABILITIES</b>	
Bond Interest Payable	734,183
Long-Term Debt:	
Due Within One Year	1,845,000
Due in More than One Year	<u>36,885,803</u>
Total Liabilities	<u>39,464,986</u>
<b>NET POSITION (DEFICIT)</b>	
Total Net Position Held in Trust for Dissolution of Former Redevelopment Agency	<u>\$ (20,423,803)</u>

See accompanying Notes to Financial Statements.

**CITY OF VERNON  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2022**

	<u>Redevelopment Successor Agency Trust Fund</u>
<b>ADDITIONS</b>	
Property Tax Increment	\$ 4,969,969
Investment Earnings	<u>7,054</u>
Total Additions	4,977,023
<b>DEDUCTIONS</b>	
Community Development	831,337
Interest on Long-Term Debt	<u>2,289,050</u>
Total Deductions	<u>3,120,387</u>
<b>CHANGE IN NET POSITION</b>	1,856,636
Net Position (Deficit) Held in Trust - Beginning of Year	<u>(22,280,439)</u>
<b>NET POSITION (DEFICIT) HELD IN TRUST - END OF YEAR</b>	<u><u>\$ (20,423,803)</u></u>

See accompanying Notes to Financial Statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Vernon, California (City) 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 more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City was incorporated on September 16, 1905 as a General Law City. Effective July 1, 1988, the City became a Charter City. The City operates under a Council-City Administrator form of government. As required by generally accepted accounting principles, the accompanying financial statements present the City of Vernon (primary government) and its component units, entities for which the primary government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with the data of the primary government. For the fiscal year ended June 30, 2021, the City transferred its fire department operations to Los Angeles County, California. See Note 4 and Note 7 for further details on how the transfer impacted the City's capital assets and safety pension plan, respectively.

**B. Basis of Presentation**

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government. It is the City's policy to make eliminations to minimize the double counting of internal activities, except for services rendered by governmental activities to business-type activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties. Effective February 1, 2012, due to AB 1X 26, the dissolution of Redevelopment Agencies throughout California, the activities of the dissolved Vernon Redevelopment Agency are recorded in the Vernon Redevelopment Successor Agency trust fund which is a component unit of the City.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function; and therefore, are clearly identifiable to a particular function. Program revenues include (i) charges paid by the recipients of goods or services offered by the programs and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

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

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

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

Government-Wide Financial Statements (Continued)

Separate financial statements are provided for governmental fund, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The fund financial statements provide information about the City's funds and blended component units. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. 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.

The City reports one major governmental fund:

The *General Fund* is the City's primary operating fund. It is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as general government, public safety, health services, and public works.

The City reports three major enterprise funds:

- The *Electric Fund* accounts for the maintenance and operations of the City's electric utility plant. Revenues for this fund are primarily from charges for services.
- The *Gas Fund* accounts for the maintenance and operations of the City's gas utility plant. Revenues for this funds are primarily from charges for services.
- The *Water Fund* accounts for the maintenance and operations of the City's water utility plant. Revenues for this fund are primarily from charges for services.

The City also reports a fiber optics nonmajor enterprise fund for the maintenance and operation of the City's fiber optics utility plant.

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

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

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

Fund Financial Statements (Continued)

The City reports one fiduciary fund:

- **Vernon Redevelopment Successor Agency Private-Purpose Trust Fund –**  
This is a fiduciary fund type used by the City to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities and activities of the Successor Agency to the Dissolved Vernon Redevelopment Agency. Unlike the limited reporting typically utilized for Agency Funds, the Private-Purpose Trust Fund reports a statement of fiduciary net position and a statement of changes in fiduciary net position.

The government-wide and proprietary fund 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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental fund type financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund type financial resources are recognized when they become susceptible to accrual – that is, when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property, sales, and other taxes are considered available and are accrued when received within 60 days after fiscal year-end. Additionally, all other revenue sources are considered available and are accrued when received within 60 days of year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental fund statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City maintains a separate fund to report the activities of the Successor Agency to the Dissolved Redevelopment Agency. These assets do not belong to the City. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

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

Fund Financial Statements (Continued)

Because the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements for governmental activities, reconciliations are presented which briefly explain the adjustments necessary to reconcile the fund financial statements to the governmental-wide statements.

**C. Implementation of New Accounting Pronouncements**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

**D. Cash and Investments**

The City follows the practice of pooling cash and investments of all funds to maximize returns for all funds, except for funds held by trustees or fiscal agents.

For purposes of the statement of cash flows, the City considers amounts on deposit in the City's cash and investment pool and 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 trade 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 City 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.

**E. Receivables/Payables**

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

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

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

**E. Receivables/Payables (Continued)**

Proprietary fund trade receivables are shown net of an allowance for uncollectible accounts. Allowances for uncollectible 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 financial statements.

**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 governmental funds are recorded as an expenditure when used and are reported under the consumption method of accounting. Inventory costs in the proprietary funds are recorded as an expense or capitalized into capital assets when used.

**G. Prepaid Items**

The City made a prepayment to Southern California Public Power Authority (SCPPA) for the City'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 9 for further information regarding SCPPA.

**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 valued at their acquisition value on the date contributed. Capital assets include intangible assets with indefinite lives and public domain (infrastructure) general capital assets consisting of certain improvements including roads and bridges, sidewalks, curbs and gutters, and traffic light systems. 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 in the government-wide and proprietary funds statements.

The estimated useful lives are as follows:

Infrastructure	10 to 50 Years
Utility Plant and Buildings	25 to 50 Years
Improvements	10 to 20 Years
Right-to-use equipment	3 years
Machinery and Equipment	3 to 35 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 changes in net financial position.

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

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

**I. Compensated Absences**

Accumulated vacation is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for accrued vacation is recorded in the governmental fund only to the extent that such amounts have matured (i.e., as a result of employee resignations and retirements). Upon termination of employment, the City 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 statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time.

The City has the following items that qualify for reporting as deferred outflows of resources:

- Deferred outflows related to pension and OPEB plans equal to employer contributions made after the measurement date of the pension and OPEB liabilities.
- Deferred outflows related to pension and OPEB plans for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB benefits through the plans.
- Deferred outflows related to pension for changes in employer's proportion and differences between employer's contributions and the proportionate share of employer contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions benefits through the plans.
- Deferred outflows related to OPEB plans for changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the plans.
- Deferred outflows related to pension and OPEB plans resulting from the net difference between projected and actual earnings on plan investments. These amounts are amortized over five years.
- Deferred amount on bond refunding which is amortized over the life of refunding debt.



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

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

**J. Deferred Outflows and Inflows of Resources (Continued)**

The statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows related to OPEB plans for changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB benefits through the plans.
- Deferred inflows related to OPEB plans for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the plans.
- Deferred inflows related to pension plans for changes in employer's proportion and differences between employer's contributions and the proportionate share of employer contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pension benefits through the plans.
- Deferred inflows related to pension and OPEB plans resulting from the net difference between projected and actual earnings on plan investments. These amounts are amortized over five years.

**K. Long-Term Obligations**

Certain of the City's governmental fund obligations not currently due and payable at year-end are reported in the government-wide statement of net position. Long-term debt and other obligations financed by proprietary funds and the fiduciary fund are reported as liabilities in the appropriate proprietary fund, fiduciary fund and government-wide statement of net position, respectively. Bond discounts and premiums, and deferred amounts on refunding are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

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

**L. Leases**

Lessee

The City is a lessee for a noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use asset (lease asset) in the governmental activities in the government-wide statement of net position. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor

The City is a lessor for a noncancellable lease of land and improvements. The City recognizes a lease receivable and a deferred inflow of resources in the statement of net position and in the governmental fund balance sheet. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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

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

**M. Net Position**

The government-wide financial statements and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt 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 the net position of the City not reported in other categories.

The City'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.

**N. Fund Balance**

In the fund financial statements, the governmental fund balance is classified in the following categories:

- **Nonspendable Fund Balance** – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories, prepaid amounts, and long-term notes receivable.
- **Restricted Fund Balance** – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **Committed Fund Balance** – includes amounts that can only be used for the specific purposes determined by formal action of the City's highest level of decision-making authority, its City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example, ordinance).
- **Unassigned Fund Balance** – includes the residual classification for the General Fund and includes all amounts not contained in the other classifications.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

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

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

**O. Encumbrances**

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, canceled or discharged. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are reported as a component of unassigned fund balance. Unencumbered appropriations lapse at year-end.

**P. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Q. Property Taxes**

The County of Los Angeles (County) levies, collects and apportions property taxes for all taxing jurisdictions within the County. Property taxes are determined by applying approved rates to the properties' assessed values. The County remits property taxes applicable to the City less an administrative fee throughout the year.

Article XIII A of the state of California Constitution limits the property tax levy to support general government services of the various taxing jurisdictions to \$1.00 per \$100 of assessed value. Taxes levied to service voter-approved debt prior to June 30, 1978, are excluded from this limitation.

Secured property taxes are levied in two installments, November 1 and February 1. They become delinquent with penalties after December 10 and April 10, respectively. The lien date is January 1 of each year for secured and unsecured property taxes and the levy date occurs on the 4th Monday of September of the tax year. Unsecured property taxes on the tax roll as of July 31 become delinquent with penalties on August 31.

**R. 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) and PARS plan and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and PARS. 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.

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

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

**S. 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 Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2 CASH AND INVESTMENTS**

**Cash and Investments**

Cash and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

	Primary Government	Fiduciary Fund	Total
Cash and Cash Equivalents	\$ 174,934,022	\$ -	\$ 174,934,022
Restricted Cash and Cash Equivalents	52,651,048	19,037,529	71,688,577
Total Cash and Cash Equivalents	<u>\$ 227,585,070</u>	<u>\$ 19,037,529</u>	<u>\$ 246,622,599</u>

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

Cash on Hand	\$ 1,300
Deposits with Financial Institutions	99,883,420
Investments	146,737,879
Total Cash and Investments	<u>\$ 246,622,599</u>

**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.

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

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

**The City's Investment Policy (Continued)**

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

**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 Obligations	5 Years	None	None	None
U.S. Agency Securities	5 Years	None	None	None
Local Agency Bonds	5 Years	None	None	AA
CA State and Local Agency Bonds	5 Years	30%	None	None
Bankers' Acceptances	180 Days	40%	30%	None
Commercial Paper	270 Days	25%	10%	(1)
Negotiable Certificates of Deposit	5 Years	30%	None	None
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	None	None

(1) Highest letter and numerical rating by a nationally recognized statistical ratings organization.

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

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

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

**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
U.S. Treasury Obligations	None	None	None	None
U.S. Agency Securities	None	None	None	None
Certificates of Deposit	None	None	None	None
Bankers' Acceptances	1 Year	None	None	None
Commercial Paper	None	None	None	(1)
Money Market Mutual Funds	N/A	None	None	AAA
State Administered Pool Investment	N/A	None	\$50 Million	None
Investment Contracts	None	None	None	None

(1) Highest letter and numerical rating by a nationally recognized statistical ratings organization.

**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 monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

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
Investments:				
Local Agency Investment Fund	\$ 627,044	\$ 627,044	\$ -	\$ -
Investments with Fiscal Agent:				
Money Market Mutual Funds	146,110,835	146,110,835	-	-
<b>Total Investments</b>	<b>\$ 146,737,879</b>	<b>\$ 146,737,879</b>	<b>\$ -</b>	<b>\$ -</b>

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

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

**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.

**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 a 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 City that exceeded 5% in any one issuer, excluding the investments in money market mutual funds.

**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 year-end, the carrying amounts of the City's deposits were \$99,883,420. The bank balances were \$100,221,139, respectively. The difference between the bank balances and the carrying amounts represents outstanding checks and deposits in transit. As of June 30, 2022, the City's deposits with financial institutions were either FDIC-insured or collateralized by the pledging financial institution as required by Section 53652 of the California Government Code.



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

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

**Local Agency Investment Fund (LAIF)**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the state of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not rated.

**Fair Value Measurement**

The City categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The fair value of the City's investments in the Local Agency Investment Fund and the money market mutual funds are not subject to the fair value hierarchy requirement.

<u>Investment Type</u>	<u>Minimum Required Rating</u>	<u>Credit Rating Moody's / S&amp;P</u>	<u>Fair Value as of June 30, 2022</u>
Investments:			
Local Agency Investment Fund	Not Rated	Not Rated	\$ 627,044
Investments with Fiscal Agent:			
Money Market Mutual Funds	Aaa / AAA	Aaa / AAA	146,110,835
Total Investments			<u>\$ 146,737,879</u>

**NOTE 3 LEASE RECEIVABLE**

The City, acting as lessor, leases land and improvements under a noncancellable lease agreement. The lease expires in January 2061. The net present value of the lease receivable was determined using a discount rate of 2.01%. Monthly lease payments are \$11,914. During the year ended June 30, 2022, the District recognized \$65,378 and \$77,584 in lease revenue and interest revenue respectively, pursuant to this lease agreement. The lease provides for increases in future minimum monthly lease payments, subject to certain variable increases.

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

**NOTE 3 LEASE RECEIVABLE (CONTINUED)**

Estimated future minimum lease payments to be received are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 66,705	\$ 76,258
2024	68,058	74,905
2025	69,439	73,524
2026	70,847	72,115
2027	72,284	70,678
2028-2032	384,022	330,792
2033-2037	424,587	290,227
2038-2042	469,436	245,378
2043-2047	519,023	195,791
2048-2051	573,847	140,966
2052-2056	634,463	80,350
2057-2061	483,593	16,776
Total Requirements	<u>\$ 3,836,304</u>	<u>\$ 1,667,760</u>

**NOTE 4 INTERFUND TRANSACTIONS**

Interfund receivables and payables were as follows at June 30, 2022:

**Due to/from Other Funds**

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	Electric Enterprise Fund	\$ 2,965,077
	Gas Enterprise Fund	1,184
Electric Enterprise Fund	Gas Enterprise Fund	<u>70,399</u>
Total		<u>\$ 3,036,660</u>

The interfund balances resulted from borrowing of cash for temporary purposes. All balances are expected to be reimbursed within the subsequent year.

**Advances to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Enterprise Fund	Gas Enterprise Fund	\$ 23,226,198
	Fiber Optics Enterprise Fund	3,853,692
Water Enterprise Fund	General Fund	<u>202,798</u>
Total		<u>\$ 27,282,688</u>

The advance between the Electric Enterprise Fund and the Gas and Fiber Optics Enterprise Funds do not accrue interest due to the nature of the City's operational relationship and capital projects funded by the Electric Enterprise Fund that benefit all City operations. On November 6, 2012, the City adopted Resolution No. 2012-215 extending the repayment term of the advance from 15 months to a period of over 10 years.

The advance between the Water Enterprise Fund and the General Fund does not accrue interest due to the nature of the City's operational relationship and capital projects funded by the Water Fund that benefit both. On November 6, 2012, the City adopted Resolution No.

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

2012-215 extending the repayment term of the advance from 15 months to a period of over 10 years.

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

**NOTE 5 CAPITAL ASSETS**

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

	Balance June 30, 2021 <u>Restated (1)</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2022
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 63,569,108	\$ -	\$ -	\$ 63,569,108
Construction in Progress	<u>1,286,427</u>	<u>945,551</u>	<u>-</u>	<u>2,231,978</u>
Total Capital Assets, Not Being Depreciated	64,855,535	945,551	-	65,801,086
<b>Capital Assets, Being Depreciated/Amortized:</b>				
Infrastructure	158,968,027	108,610	-	159,076,637
Building and Improvements	16,711,672	69,284	(8,362)	16,772,594
Improvements Other than Buildings	11,980,249	229,764	(297)	12,209,716
Right-to-Use Leased Equipment	56,857	-	-	56,857
Machinery and Equipment	<u>20,279,547</u>	<u>1,937,921</u>	<u>(5,312,385)</u>	<u>16,905,083</u>
Total Capital Assets, Being Depreciated/Amortized	207,996,352	2,345,579	(5,321,044)	205,020,887
<b>Less: Accumulated Depreciation/ Amortization For:</b>				
Infrastructure	(75,134,891)	(3,567,572)	-	(78,702,463)
Building and Improvements	(9,215,846)	(394,407)	5,185	(9,605,068)
Improvements Other than Buildings	(6,228,742)	(349,342)	199	(6,577,885)
Right-to-Use Leased Equipment	-	(25,270)	-	(25,270)
Machinery and Equipment	<u>(16,889,206)</u>	<u>(679,708)</u>	<u>4,751,155</u>	<u>(12,817,759)</u>
Total Accumulated Depreciation/ Amortization	(107,468,685)	(5,016,299)	4,756,539	(107,728,445)
<b>Total Capital Assets, Being Depreciated/ Amortized, Net:</b>				
Infrastructure	83,833,136	(3,458,962)	-	80,374,174
Building and Improvements	7,495,826	(325,123)	(3,177)	7,167,526
Improvements Other than Buildings	5,751,507	(119,578)	(98)	5,631,831
Right-to-Use Leased Equipment	56,857	(25,270)	-	31,587
Machinery and Equipment	<u>3,390,341</u>	<u>1,258,213</u>	<u>(561,230)</u>	<u>4,087,324</u>
Total	<u>100,527,667</u>	<u>(2,670,720)</u>	<u>(564,505)</u>	<u>97,292,442</u>
Governmental Activities Capital Assets, Net	<u>\$ 165,383,202</u>	<u>\$ (1,725,169)</u>	<u>\$ (564,505)</u>	<u>\$ 163,093,528</u>

(1) Beginning balance was restated to add right-to-use leased assets due to implementation of GASB Statement No. 87, Leases. See Note 1C

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 826,038
Public Safety	222,444
Public Works	<u>3,967,817</u>
Total Depreciation/Amortization Expense - Governmental Functions	<u>\$ 5,016,299</u>

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

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

Capital asset activity of business-type activities for the fiscal year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
<b>Business-Type Activities:</b>					
<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
<b>Total Capital Assets, Not Being Depreciated</b>	<b>64,785,212</b>	<b>6,106,433</b>	<b>-</b>	<b>(87,755)</b>	<b>70,803,890</b>
<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
<b>Total Capital Assets, Being Depreciated</b>	<b>344,016,951</b>	<b>215,287,863</b>	<b>(21,919,584)</b>	<b>87,755</b>	<b>537,472,985</b>
<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)
<b>Total Accumulated Depreciation</b>	<b>(151,548,679)</b>	<b>(17,904,210)</b>	<b>19,603,658</b>	<b>-</b>	<b>(149,849,231)</b>
<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
<b>Total</b>	<b>192,468,272</b>	<b>197,383,653</b>	<b>(2,315,926)</b>	<b>87,755</b>	<b>387,623,754</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 257,253,484</b>	<b>\$ 203,490,086</b>	<b>\$ (2,315,926)</b>	<b>\$ -</b>	<b>\$ 458,427,644</b>

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

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the business-type functions as follows:

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

**NOTE 6 LONG-TERM LIABILITIES**

**Changes in Long-Term Liabilities**

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

	Balance June 30, 2021 <u>Restated (1)</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2022	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Claims Payable (Note 7)	\$ 3,409,372	\$ 2,831,928	\$ (1,300,568)	\$ 4,940,732	\$ 1,646,911
Compensated Absences (Note 11)	2,505,255	1,597,293	(1,428,618)	2,673,930	891,310
Lease Liability	56,857	-	(25,197)	31,660	25,313
Total	<u>\$ 5,971,484</u>	<u>\$ 4,429,221</u>	<u>\$ (2,754,383)</u>	<u>\$ 7,646,322</u>	<u>\$ 2,563,534</u>
<b>Business-Type Activities:</b>					
<b>Other Debt:</b>					
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)	-
Notes Payable - Direct Borrowing	1,360,465	-	(139,535)	1,220,930	139,535
Compensated Absences	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>

(1) The beginning balance was restated to add leases payable due to the implementation of GASB Statement No. 87, *Leases*. See Note 1C.

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

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

**Compensated Absences**

There is no fixed payment schedule for earned but unpaid compensated absences in both the governmental and business type activities.

**Lease Liability**

The City leases equipment under a noncancelable lease agreement. The lease expires October 2023. The net present values of the lease payable was determined using a discount rate of 0.46%. Monthly lease payments total \$2,116.

Total future minimum lease payments under lease agreements are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Lease Liability</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 25,313	\$ 83
2024	6,347	2
Total Requirements	\$ 31,660	\$ 85

**\$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.

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

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

**\$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.

**\$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.



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

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

**\$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.

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.

**\$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.

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

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

**\$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).

A summary of bonds payable for business-type activities is as follows:

Bonds	Maturity	Fixed Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding June 30, 2022
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: \$10,000,000 - \$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					42,376,244
Discounts					<u>(1,098,956)</u>
Total Electric System Revenue Bonds					447,587,288
Water System: 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					535,833
Total Water System Revenue Bonds					<u>15,135,833</u>
Total Revenue Bonds					<u>\$ 462,723,121</u>

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

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

**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.

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.

**Business-Type Activities Debt Service Requirements**

As of June 30, 2022, annual debt service requirements of business-type activities to maturity are as follows:

<u>Fiscal Year Ending June 30,</u>	Electric System Revenue Bonds 2008 Taxable Series A	
	<u>Principal</u>	<u>Interest</u>
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	<u>\$ 37,895,000</u>	<u>\$ 34,155,772</u>

<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>

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

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

**Business-Type Activities Debt Service Requirements (Continued)**

<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>

<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>

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

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

**Business-Type Activities Debt Service Requirements (Continued)**

<u>Fiscal Year Ending June 30,</u>	Water System Revenue Bonds 2020 Taxable Series A	
	Principal	Interest
	2023	\$ 250,000
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	\$ 14,600,000	\$ 10,440,038

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

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

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

**Expense Stabilization Fund**

The City 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. In the event of default under the Indenture shall have occurred and is continuing, the Trustee shall transfer all moneys in the 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 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.

**Credit Ratings**

As of June 30, 2022, the ratings on all Electric System Revenue Bonds is BBB+ by S&P and Baa2 by Moody's and the ratings on all Water System Revenue Bonds is AA by S&P and not rated by Moody's.

**Line of Credit**

As at June 30, 2022, the City does not have a line of credit with a financial institution.

**NOTE 7 RISK MANAGEMENT**

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 our Risk Financing Program. 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 the Risk Financing Program 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 our Third-Party Administrator for the City's workers' compensation program and they provide basic services for general liability claims and litigation.

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

**NOTE 7 RISK MANAGEMENT (CONTINUED)**

The insurance limits for the fiscal year 2022 are as follows (amounts in thousands):

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 nonsafety; \$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 nonutility 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

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 City's financial position, results of operations or cash flows.

Changes in the balance of claims liabilities for the past two fiscal years for all self-insurance activities combined are as follows:

	2022	2021
Claims Payable, Beginning of Fiscal Year	\$ 3,409,372	\$ 3,840,080
Incurred Claims and Change in Estimates	2,831,928	836,537
Claims Payments	(1,300,568)	(1,267,245)
Claims Payable, End of Fiscal Year	<u>\$ 4,940,732</u>	<u>\$ 3,409,372</u>

**NOTE 8 PENSION PLANS**

The following is a summary of pension related items for the year ended June 30, 2022:

	Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Miscellaneous	\$ 28,268,856	\$ 7,936,320	\$ (14,256,658)	\$ 3,150,422
Safety	59,761,800	20,436,938	(41,139,301)	5,288,917
Total	<u>\$ 88,030,656</u>	<u>\$ 28,373,258</u>	<u>\$ (55,395,959)</u>	<u>\$ 8,439,339</u>

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

**NOTE 8 PENSION PLAN (CONTINUED)**

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

On October 1, 2020, the City transferred its fire department operations to Los Angeles County, California. The City's full-time safety (police and fire personnel) employees were converted from the City's agent multiple-employer defined benefit pension plan to a cost-sharing defined benefit pension plan during the fiscal year ended June 30, 2021. See Note 10 for further information.

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 cost-sharing and agent multiple-employer defined benefit pension Safety and Miscellaneous Plans, respectively, 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. 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  
NOTES TO 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 as of 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 Percent 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 Percent of Eligible Compensation	3%	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

Employees Covered

At June 30, 2022, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive Employees or Beneficiaries Currently Receiving Benefits	243	262
Inactive Employees Entitled to But Not Yet Receiving Benefits	215	132
Active Employees	161	41
Total	619	435

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

**NOTE 8 PENSION PLAN (CONTINUED)**

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

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 (UAL). The City is required to contribute to the difference between the actuarially determined rate and the contribution rate of employees.

Contributions for the fiscal year ended June 30, 2022, included \$11,003,216 for the UAL and \$3,213,343 for the normal cost rate resulting in a total amount paid of \$14,216,559.

**B. Net Pension Liability**

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. 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.

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	<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.

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

**NOTE 8 PENSION PLAN (CONTINUED)**

**B. Net Pension Liability (Continued)**

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.

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:

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
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	-	(0.92)
Total	<u>100.00 %</u>		

- (a) In the CalPERS ACFR, 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  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 PENSION PLAN (CONTINUED)**

**B. Net Pension Liability (Continued)**

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 202-21. 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.

**C. Changes in the Net Pension Liability**

The changes in the Net Pension Liability for the Miscellaneous Plan over the measurement period follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Miscellaneous Plan:			
Balance at June 30, 2020 (Measurement Date)	\$ 184,953,577	\$ 138,335,116	\$ 46,618,461
Changes in the Year:			
Service Cost	2,735,636	-	2,735,636
Interest on the Total Pension Liability	13,153,255	-	13,153,255
Differences Between Expected and Actual Experience	1,777,340	-	1,777,340
Contribution - Employer	-	4,979,542	(4,979,542)
Contribution - Employee	-	1,161,711	(1,161,711)
Net Investment Income	-	30,012,771	(30,012,771)
Benefit Payments, Including Refunds of Employee Contributions	(8,274,278)	(8,274,278)	-
Administrative Expenses	-	(138,188)	138,188
Net Changes	<u>9,391,953</u>	<u>27,741,558</u>	<u>(18,349,605)</u>
Balance at June 30, 2021 (Measurement Date)	<u>\$ 194,345,530</u>	<u>\$ 166,076,674</u>	<u>\$ 28,268,856</u>

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

**NOTE 8 PENSION PLAN (CONTINUED)**

**C. Changes in the Net Pension Liability (Continued)**

The City reported a net pension liability for its proportionate share of the net pension liability of the safety plan as of June 30, 2022, in the amount of \$59,761,800.

The City's net pension liability for the safety plan is measured as the proportionate share of the net pension liability of the CalPERS cost sharing pool. The City's net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the safety plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the safety plan as of June 30, 2020 and 2022 measurement dates was as follows:

	<u>Safety</u>
Proportion - June 30, 2020	1.33110 %
Proportion - June 30, 2021	<u>1.70286</u>
Change - Increase (Decrease)	<u><u>0.37176 %</u></u>

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

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is a one percentage point lower or a one percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
One Percent Decrease	6.15%	6.15%
Net Pension Liability	\$ 55,565,615	\$ 99,454,775
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 28,268,856	\$ 59,761,800
One Percent Increase	8.15%	8.15%
Net Pension Liability	\$ 5,909,752	\$ 27,158,923

Pension Plan Fiduciary Net Position

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

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

**NOTE 8 PENSION PLAN (CONTINUED)**

**D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the measurement period ended June 30, 2021, the City recognized pension expense of \$3,150,422 related to the miscellaneous plan and \$5,288,917 related to the safety plan. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan		Safety Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 5,957,671	\$ -	\$ 8,258,888	\$ -	\$ 14,216,559	\$ -
Differences Between Expected and Actual Experience	1,978,648	-	10,210,224	-	12,188,872	-
Change in Assumptions	-	-	-	-	-	-
Net Differences Between Projected and Actual Earnings on Plan Investments	-	(14,256,658)	-	(35,569,658)	-	(49,826,316)
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	-	-	1,967,827	(5,569,643)	1,967,827	(5,569,643)
Total	<u>\$ 7,936,319</u>	<u>\$ (14,256,658)</u>	<u>\$ 20,436,939</u>	<u>\$ (41,139,301)</u>	<u>\$ 28,373,258</u>	<u>\$ (55,395,959)</u>

The \$14,216,559 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 ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
2023	\$ (2,128,886)	\$ (5,309,183)	\$ (7,438,069)
2024	(2,660,978)	(5,836,729)	(8,497,707)
2025	(3,443,913)	(8,027,111)	(11,471,024)
2026	(4,044,233)	(9,788,227)	(13,832,460)
2027	-	-	-

**E. Payable to the Pension Plan**

At June 30, 2022, the City 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)**

**A. General Information About the OPEB Plan**

Plan Description

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.

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

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

**A. General Information About the OPEB Plan (Continued)**

Benefits Provided

Generally, the City will provide a 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 fifty (50), the City will pay the premium for the medical and dental plans until they reach the age of sixty-five (65).

Resolution 2011-129 provided lifetime medical benefits to Police Management employees and their spouses, who have been employed as sworn safety personnel for a minimum of twenty (20) years and a minimum of ten (10) years of that services have been with the City of Vernon. Resolution 2011-127 sets forth the Memorandum of Understanding of the Vernon Police Officers' Benefit Association, provided lifetime medical benefits to those employees and their spouses, who have been employed as sworn safety personnel for a minimum of twenty (20) years and a minimum of ten (10) years of that service has been with the City of Vernon. Resolution 2012-217 granted specific retiree medical benefits to employees who retire 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, and that this offer be extended as an option to safety and safety management groups, at their discretion, in addition to the related options provided in the Vernon Firefighters Association Memorandum of Understanding and the Vernon Police Officers' Benefit Association Memorandum of Understanding. Resolution 2013-06 declared that the retiree medical benefits which had not been a vested right for employees will continue to be nonvested right for employees who continue to be employed by the City on or after July 1, 2013, but will become 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 cost in accordance with GASB Statement No 75. 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 year ended June 30, 2022, the City contributed \$1,538,693 to the trust, paid \$905,939 for retiree premiums, and the estimated implied subsidy was \$433,399, resulting in a total contribution of \$2,878,031.

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

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

**A. General Information About the OPEB Plan (Continued)**

Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

Category	Count
Active Employees	208
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	115

**B. 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, 2020. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

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.

The total OPEB liability in the June 30, 2020, actuarial valuation was rolled forward to the June 30, 2021, measurement date using standard actuarial techniques. 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:

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



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

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

**B. Net OPEB Liability (Continued)**

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	<u>100.00 %</u>	

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  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

**B. Net OPEB Liability (Continued)**

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2020 (Measurement Date)	\$ 27,215,028	\$ 7,003,178	\$ 20,211,850
Changes in the Year:			
Service Cost	303,057	-	303,057
Interest on the Total OPEB Liability	1,682,954	-	1,682,954
Differences Between Actual and Expected Experience	(677,446)	-	(677,446)
Changes in Assumptions	66,075	-	66,075
Changes of Benefit Terms	-	-	-
Investment Income	-	2,084,288	(2,084,288)
Contribution - Employer	-	3,131,526	(3,131,526)
Benefit Payments	(1,199,826)	(1,199,826)	-
Administrative Expenses	-	(2,958)	2,958
Net Changes	<u>174,814</u>	<u>4,013,030</u>	<u>(3,838,216)</u>
Balance at June 30, 2021 (Measurement Date)	<u>\$ 27,389,842</u>	<u>\$ 11,016,208</u>	<u>\$ 16,373,634</u>

Change of Assumptions

There were no changes of assumptions.

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

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

The following presents the City's 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		
	One Percent Decrease (5.25%)	Current Rate (6.25%)	One Percent Increase (7.25%)
Net OPEB liability	<u>\$ 19,437,875</u>	<u>\$ 16,373,634</u>	<u>\$ 13,799,250</u>

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

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

**B. Net OPEB Liability (Continued)**

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

The following presents the City's 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		
	One Percent Decrease	Current Rate	One Percent Increase
	Net OPEB liability	\$ 15,079,060	\$ 16,373,634

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

For the year ended June 30, 2022, the City recognized OPEB expense(revenue) of \$(843,086). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Between Measurement Date and Reporting Date	\$ 2,933,295	\$ -
Difference Between Expected and Actual Experience	138,780	(3,529,083)
Changes in Assumptions	446,908	(3,749,862)
Net Differences Between Projected and Actual Earnings on Investments	-	(1,106,933)
Total	\$ 3,518,983	\$ (8,385,878)

The \$2,933,295 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2022	\$ (2,335,409)
2023	(2,344,060)
2024	(2,330,268)
2025	(628,401)
2026	(74,715)
Thereafter	(87,337)

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

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

**B. Net OPEB Liability (Continued)**

Payable to the OPEB Plan

At June 30, 2022, the City had no outstanding amount of contributions to the OPEB plan required for the year ended 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 and Electric System Revenue Bonds, 2022 Series A in 2022 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  
NOTES TO 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.

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:

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

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

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

Power Purchase Commitments (Continued)

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. SCPPA 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. SCPPA 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.

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

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

**Contract with Los Angeles County Fire Department**

The City contracted with the County of Los Angeles (LA County) for Fire services on May 20, 2020, setting forth the terms and conditions under which LA county will provide fire protection, paramedic, and incidental services in the City for the next ten years. The City is to pay LA County the annual fee on a monthly basis. During the initial five-year period, the annual fee limitation shall not exceed 4% per fiscal year, during the sixth year of the agreement the annual fee limitation shall be the average of the preceding four years' percentage increases plus 1%. During the seventh year of the agreement and each subsequent fiscal year, the annual fee limitation shall be the average of the immediately preceding five years' percentage increases in the Annual Fee plus 0.1%. Additionally, there are conversion costs that will be paid in 36 equal payments. The agreement shall remain in effect for a minimum of 10 years, subsequently it will be renewed for one-year periods. Either party may terminate this agreement any time after the expiration of the initial 10-year period term upon one year's written notice.

The following was the contract cost for the fiscal year ended June 30, 2022 totaled \$16,785,842.

**NOTE 12 SUCCESSOR AGENCY DISCLOSURES**

The accompanying financial statements also include the Private-Purpose Trust Fund for the Successor Agency to the City's former Redevelopment Agency (Successor Agency). The City, as the Successor Agency, serves in a fiduciary capacity, as the custodian for the assets and to wind down the affairs of the former Redevelopment Agency. Its assets are held in trust for the benefit of the taxing entities within the former Redevelopment Agency's boundaries and as such, are not available for the use of the City.

Disclosures related to the certain assets and long-term liabilities of the Successor Agency are as follows:

**Capital Assets**

Effective February 1, 2012, due to AB 1X 26, Redevelopment Agencies throughout California has been dissolved. The activities of the dissolved Vernon Redevelopment Agency have been recorded in the Vernon Redevelopment Successor Agency fiduciary fund. In accordance with the Successor Agency's long-range plan to wind down the affairs of the Successor Agency, all capital assets of the Successor Agency were either written-off or transferred over to the City restricted for government purpose use.

**Long-Term Liabilities**

The long-term liabilities of the Successor Agency at June 30, 2022, were as follows:

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

**NOTE 12 SUCCESSOR AGENCY DISCLOSURES (CONTINUED)**

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Bonds Payable	\$ 42,300,000	\$ -	\$ (3,385,000)	\$ 38,915,000	\$ 1,845,000
Bond Premium	236,866	-	(25,869)	210,997	-
Bond Discount	(439,105)	-	43,910	(395,195)	-
Total	<u>\$ 42,097,761</u>	<u>\$ -</u>	<u>\$ (3,366,959)</u>	<u>\$ 38,730,802</u>	<u>\$ 1,845,000</u>

**\$49,420,000 Industrial Redevelopment Project Tax Allocation Bonds, Series 2005**

At June 30, 2022, \$30,785,000 remained outstanding. The bonds are special obligation bonds and are payable from the pledged tax revenues and amounts on deposit in the reserve account. The debt service remaining on the bonds is \$43,289,819, payable through fiscal 2036. For the current year, debt service amounted to \$3,276,800. The bonds were issued to (i) finance various redevelopment projects, in or benefiting the Agency's Industrial Redevelopment Project area, (ii) fund the reserve requirement for the Series 2005 Bonds, and (iii) pay costs of issuance of the Series 2005 Bonds. Debt service was calculated at the actual fixed rates of the coupons ranging from 3.25% to 5.25%.

**\$19,490,000 Industrial Redevelopment Project Tax Allocation Bonds, Series 2011**

At June 30, 2022, \$8,130,000 remained outstanding. The bonds are special obligation bonds and are payable from the pledged tax revenues and amounts on deposit in the reserve account. The debt service remaining on the bonds is \$11,882,263, payable through fiscal 2031. For the current year, debt service amounted to \$2,452,425. The bonds were issued to (i) finance the acquisition of one or more parcels of land, and certain redevelopment projects, in or benefiting the Agency's Industrial Redevelopment Project area, (ii) fund a deposit to the reserve account sufficient to meet the reserve requirement, and (iii) pay costs of issuance of the Series 2011 Bonds. Debt service was calculated at the actual fixed rates of the coupons ranging from 3.00% to 9.25%.

The following schedule shows the debt service requirements to maturity for the bonds as of June 30, 2022:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,845,000	\$ 2,174,497	\$ 4,019,497
2024	2,015,000	2,053,091	4,068,091
2025	2,195,000	1,922,319	4,117,319
2026	2,385,000	1,781,719	4,166,719
2027	2,585,000	1,627,475	4,212,475
2028-2032	15,265,000	5,381,106	20,646,106
2033-2037	12,625,000	1,316,875	13,941,875
Total	<u>\$ 38,915,000</u>	<u>\$ 16,257,081</u>	<u>\$ 55,172,081</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF VERNON**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 54,065,142	\$ 54,065,142	\$ 56,686,792	\$ 2,621,650
Special Assessments	1,201,200	1,201,200	1,704,159	502,959
Licenses and Permits	1,596,500	1,596,500	2,158,284	561,784
Fines, Forfeitures, and Penalties	140,800	140,800	258,268	117,468
Investment Income	86,700	86,700	100,809	14,109
Intergovernmental Revenues	7,323,810	7,323,810	1,789,300	(5,534,510)
Charges for Services	10,337,306	10,337,306	10,276,400	(60,906)
Rental Income	551,500	551,500	513,701	(37,799)
Other Revenues	676,749	676,749	876,199	199,450
Total Revenues	<u>75,979,707</u>	<u>75,979,707</u>	<u>74,363,912</u>	<u>(1,615,795)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	17,337,548	17,534,892	17,085,390	449,502
Public Safety	34,936,189	34,936,189	34,345,479	590,710
Public Works	9,507,202	9,880,202	7,688,016	2,192,186
Health Services	1,825,172	1,895,172	1,411,874	483,298
Capital Outlay	12,348,200	12,368,200	2,927,921	9,440,279
Debt Service	25,396	25,396	25,396	-
Total Expenditures	<u>75,979,707</u>	<u>76,640,051</u>	<u>63,484,076</u>	<u>13,155,975</u>
<b>CHANGE IN FUND BALANCE</b>	-	(660,344)	10,879,836	11,540,180
Fund Balance - Beginning of Year	<u>16,967,255</u>	<u>16,967,255</u>	<u>16,967,255</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 16,967,255</u>	<u>\$ 16,306,911</u>	<u>\$ 27,847,091</u>	<u>\$ 11,540,180</u>

See accompanying Note to Required Supplementary Information.

**CITY OF VERNON**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2022**

**NOTE 1 BUDGET**

The City adheres to the following general procedures in establishing its annual budget, which is reflected in the accompanying General Fund budgetary comparison schedule.

- An annual budget is adopted by the City Council that provides for the general operation of the City. The budget includes authorized expenditures and estimated revenues of the General Fund.
- The budget is adopted on a modified accrual basis and formally integrated into the accounting system and employed as a management control device during the year.
- Encumbrances, which are commitments related to executory contracts for goods and services, are recorded to assure effective budgetary control and accountability.
- Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are reported as committed fund balance for subsequent year expenditures. Unencumbered appropriations lapse at year-end.
- Excess expenditures over appropriations are financed by beginning fund balance. The final budgeted amounts used in the accompanying General Fund budgetary comparison schedule include any amendments made during the fiscal year 2022. Encumbrances carried forward from the prior year are reflected in the original budget.

For the current year, the General Fund's total positive variance between the final budgeted amounts and the actual amount of change in fund balance was \$11,450,180. The key reasons for this variance were due to lower actual revenues than projected of \$1,615,795 and lower actual expenditures than appropriated by \$13,155,975.

For the current year, the General Fund's total positive variance between the final budgeted estimated revenues and actual revenues was \$1,615,795. The main reason for the variance, was that taxes came in higher than expected by \$2,621,650, in particular Sales Tax revenue offset by intergovernmental revenues coming lower by \$5,534,510 since expected capital related work to the Atlantic Bridge Project funded by Caltrans was not completed.

For the current year, the General Fund's total positive variance between the final budgeted amount and the actual amount for expenditures was \$13,155,975. The key reasons for this variance were due to higher appropriations than actual expenditures of \$9,440,279 in capital outlay as work and purchases were delayed due to the pandemic and supply chain issues offset by an increase of \$2,192,186 in public works supplies and repairs and maintenance costs.

**CITY OF VERNON  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS – MISCELLANEOUS PLAN (CONTINUED)  
LAST TEN FISCAL YEARS \***

Fiscal Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Measurement Period	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total Pension Liability:				
Service Cost	\$ 2,735,636	\$ 2,905,980	\$ 2,991,388	\$ 2,826,440
Interest on Total Pension Liability	13,153,255	12,502,379	11,863,069	11,053,679
Changes of Assumptions	-	-	-	(549,432)
Differences Between Expected and Actual Experience	1,777,340	1,316,307	3,767,030	3,059,775
Benefit Payments, Including Refunds of Employee Contributions	(8,274,278)	(7,720,453)	(6,652,881)	(6,166,082)
Net Change in Total Pension Liability	9,391,953	9,004,213	11,968,606	10,224,380
Total Pension Liability - Beginning of Year	184,953,577	175,949,364	163,980,758	153,756,378
Total Pension Liability - End of Year (a)	<u>\$ 194,345,530</u>	<u>\$ 184,953,577</u>	<u>\$ 175,949,364</u>	<u>\$ 163,980,758</u>
Plan Fiduciary Net Position:				
Contributions - Employer	\$ 4,979,542	\$ 4,501,532	\$ 3,908,165	\$ 3,380,432
Contributions - Employee	1,161,711	1,271,580	1,357,537	1,214,616
Net Investment Income	30,012,771	6,484,512	8,077,977	9,803,260
Benefit Payments, Including Refunds of Employee Contributions	(8,274,278)	(7,720,453)	(6,652,881)	(6,166,082)
Plan to Plan Resource Movement	-	-	-	(296)
Administrative Expenses	(138,188)	(188,889)	(90,906)	(186,518)
Other Miscellaneous Income (1)	-	-	296	(354,202)
Net Change in Plan Fiduciary Net Position	27,741,558	4,348,282	6,600,188	7,691,210
Plan Fiduciary Net Position - Beginning of Year	138,335,116	133,986,834	127,386,646	119,695,436
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 166,076,674</u>	<u>\$ 138,335,116</u>	<u>\$ 133,986,834</u>	<u>\$ 127,386,646</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 28,268,856</u>	<u>\$ 46,618,461</u>	<u>\$ 41,962,530</u>	<u>\$ 36,594,112</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.45%	74.79%	76.15%	77.68%
Covered Payroll	\$ 15,355,968	\$ 15,399,491	\$ 15,996,725	\$ 15,146,241
Net Pension Liability as Percentage of Covered Payroll	184.09%	302.73%	262.32%	241.61%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no 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:

Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017

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

There were no changes in assumptions.

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

There were no changes in assumptions.

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

There were no changes in assumptions.

\* Fiscal year 2015 was the first year of implementation and therefore only eight years are shown.

**CITY OF VERNON**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**AND RELATED RATIOS – MISCELLANEOUS PLAN (CONTINUED)**  
**LAST TEN FISCAL YEARS \***

Fiscal Year Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:				
Service Cost	\$ 2,432,788	\$ 2,129,659	\$ 1,962,270	\$ 1,955,694
Interest on Total Pension Liability	10,383,859	9,969,103	9,447,012	9,609,274
Changes of Assumptions	9,321,776	-	(2,466,126)	-
Differences Between Expected and Actual Experience	(711,339)	1,046,363	(9,700,904)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(6,145,366)</u>	<u>(5,748,657)</u>	<u>(5,680,624)</u>	<u>(2,388,449)</u>
Net Change in Total Pension Liability	15,281,718	7,396,468	(6,438,372)	9,176,519
Total Pension Liability - Beginning of Year	<u>138,474,660</u>	<u>131,078,192</u>	<u>137,516,564</u>	<u>128,340,045</u>
Total Pension Liability - End of Year (a)	<u><u>\$ 153,756,378</u></u>	<u><u>\$ 138,474,660</u></u>	<u><u>\$ 131,078,192</u></u>	<u><u>\$ 137,516,564</u></u>
Plan Fiduciary Net Position:				
Contributions - Employer	\$ 3,629,603	\$ 3,140,644	\$ 2,340,002	\$ 1,825,732
Contributions - Employee	1,245,990	1,095,824	1,054,426	1,015,741
Net Investment Income	11,857,647	583,692	2,337,855	16,045,243
Benefit Payments, Including Refunds of Employee Contributions	(6,145,366)	(5,748,657)	(5,680,624)	(2,388,449)
Plan to Plan Resource Movement	1,118	(780)	18	-
Administrative Expenses	(161,327)	(67,200)	(124,052)	-
Other Miscellaneous Income (1)	-	-	-	-
Net Change in Plan Fiduciary Net Position	10,427,665	(996,477)	(72,375)	16,498,267
Plan Fiduciary Net Position - Beginning of Year	<u>109,267,771</u>	<u>110,264,248</u>	<u>110,336,623</u>	<u>93,838,356</u>
Plan Fiduciary Net Position - End of Year (b)	<u><u>\$ 119,695,436</u></u>	<u><u>\$ 109,267,771</u></u>	<u><u>\$ 110,264,248</u></u>	<u><u>\$ 110,336,623</u></u>
Net Pension Liability - Ending (a)-(b)	<u><u>\$ 34,060,942</u></u>	<u><u>\$ 29,206,889</u></u>	<u><u>\$ 20,813,944</u></u>	<u><u>\$ 27,179,941</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.85%	78.91%	84.12%	80.24%
Covered Payroll	\$ 13,440,076	\$ 13,150,103	\$ 11,708,057	\$ 11,084,188
Net Pension Liability as Percentage of Covered Payroll	253.43%	222.10%	177.77%	245.21%

**CITY OF VERNON**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**AND RELATED RATIOS – MISCELLANEOUS PLAN (CONTINUED)**  
**LAST TEN FISCAL YEARS \***

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no 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:

Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017

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

There were no changes in assumptions.

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

There were no changes in assumptions.

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

There were no changes in assumptions.

\* Fiscal year 2015 was the first year of implementation and therefore only eight years are shown.

**CITY OF VERNON  
SCHEDULE OF PENSION CONTRIBUTIONS – MISCELLANEOUS PLAN  
LAST TEN FISCAL YEARS \***

Fiscal Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Contractually Required Contribution (Actuarially Determined)	\$ 5,957,671	\$ 4,979,905	\$ 4,500,718	\$ 3,908,165
Contributions in Relation to the Actuarially Determined Contributions	<u>(5,957,671)</u>	<u>(4,979,905)</u>	<u>(4,500,718)</u>	<u>(3,908,165)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 19,708,798	\$ 15,355,968	\$ 15,399,491	\$ 15,996,725
Contributions as a Percentage of Covered Payroll	30.23%	32.43%	29.23%	24.43%
Notes to Schedule:				
Valuation Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.625%	2.625%	2.625%	2.75%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	7.25% (3)	7.25% (3)	7.25% (3)	7.375% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

- (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) 2.0% at 55, 2.7% at 55, 2% at 60, and 2.0% at 62
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\* Fiscal year 2015 was the first year of implementation and therefore only eight years are shown.

**CITY OF VERNON  
SCHEDULE OF PENSION CONTRIBUTIONS – MISCELLANEOUS PLAN (CONTINUED)  
LAST TEN FISCAL YEARS \***

Fiscal Year Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution (Actuarially Determined)	\$ 3,380,432	\$ 3,629,603	\$ 3,140,644	\$ 2,340,002
Contributions in Relation to the Actuarially Determined Contributions	<u>(3,380,432)</u>	<u>(3,629,603)</u>	<u>(3,140,644)</u>	<u>(2,340,002)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 15,146,241	\$ 13,440,076	\$ 13,150,103	\$ 11,708,057
Contributions as a Percentage of Covered Payroll	22.32%	27.01%	23.88%	19.99%

Notes to Schedule:

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

- (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) 2.0% at 55, 2.7% at 55, 2% at 60, and 2.0% at 62
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\* Fiscal year 2015 was the first year of implementation and therefore only eight years are shown.



**CITY OF VERNON**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – SAFETY PLAN**  
**LAST TEN FISCAL YEARS \***

Fiscal Year Ended	Safety	
	June 30, 2022	June 30, 2021
Measurement Period	June 30, 2021	June 30, 2020
Plan's Proportion of the Net Pension Liability	1.702860%	1.331100%
Plan's Proportionate Share of the Net Pension Liability	\$ 59,761,800	\$ 88,682,300
Plan's Covered Payroll	\$ 7,618,673	\$ 11,770,766
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	784.41%	753.41%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.73%	69.13%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 12,561,115	\$ 10,280,295

Notes to Schedule:

\*Fiscal year 2021 was the first year the City's Safety Plan was converted from an Agent Multiple Plan to a Cost Sharing Plan therefore only two years are shown.

**CITY OF VERNON**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**AND RELATED RATIOS – SAFETY PLAN**  
**LAST TEN FISCAL YEARS \***

Fiscal Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability:</b>						
Service Cost	\$ 4,287,003	\$ 4,414,740	\$ 4,144,398	\$ 3,454,025	\$ 3,388,157	\$ 3,448,760
Interest on Total Pension Liability	18,414,262	17,691,261	16,898,830	16,325,879	15,777,736	15,255,372
Changes of Benefit Terms	-	-	-	-	-	-
Changes of Assumptions	-	(1,533,898)	14,134,794	-	(3,878,396)	-
Differences Between Expected and Actual Experience	(364,199)	2,008,618	(1,380,683)	(2,430,394)	(2,400,883)	-
Benefit Payments, Including Refunds of Employee Contributions	(12,139,668)	(10,992,416)	(10,147,899)	(9,736,302)	(9,470,058)	(9,639,123)
Net Change in Total Pension Liability	10,197,398	11,588,305	23,649,440	7,613,208	3,416,556	9,065,009
Total Pension Liability - Beginning of Year	261,832,661	250,244,356	226,594,916	218,981,708	215,565,152	206,500,143
Total Pension Liability - End of Year (a)	<u>\$ 272,030,059</u>	<u>\$ 261,832,661</u>	<u>\$ 250,244,356</u>	<u>\$ 226,594,916</u>	<u>\$ 218,981,708</u>	<u>\$ 215,565,152</u>
<b>Plan Fiduciary Net Position:</b>						
Contributions - Employer	\$ 7,011,540	\$ 6,109,373	\$ 5,476,196	\$ 5,116,412	\$ 4,147,441	\$ 3,234,539
Contributions - Employee	1,239,891	1,302,308	1,212,646	1,222,561	1,167,329	1,092,012
Net Investment Income	12,275,401	14,666,919	17,760,401	760,559	3,525,241	24,855,525
Benefit Payments, Including Refunds of Employee Contributions	(12,139,668)	(10,992,416)	(10,147,899)	(9,736,302)	(9,470,058)	(9,639,123)
Plan to Plan Resource Movement	-	(431)	(1,118)	780	24	-
Administrative Expenses	(131,969)	(272,124)	(237,068)	(99,525)	(191,323)	-
Other Miscellaneous Income (1)	431	(516,768)	-	-	-	-
Net Change in Plan Fiduciary Net Position	8,255,626	10,296,861	14,063,158	(2,735,515)	(821,346)	19,542,953
Plan Fiduciary Net Position - Beginning of Year	184,928,220	174,631,359	160,568,201	163,303,716	164,125,062	144,582,109
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 193,183,846</u>	<u>\$ 184,928,220</u>	<u>\$ 174,631,359</u>	<u>\$ 160,568,201</u>	<u>\$ 163,303,716</u>	<u>\$ 164,125,062</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 78,846,213</u>	<u>\$ 76,904,441</u>	<u>\$ 75,612,997</u>	<u>\$ 66,026,715</u>	<u>\$ 55,677,992</u>	<u>\$ 51,440,090</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.02%	70.63%	69.78%	70.86%	74.57%	76.14%
Covered Payroll	\$ 13,737,311	\$ 14,292,273	\$ 13,879,896	\$ 12,971,888	\$ 12,740,785	\$ 12,510,920
Net Pension Liability as Percentage of Covered Payroll	573.96%	538.08%	544.77%	509.00%	437.01%	411.16%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no 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:

Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017

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

There were no changes in assumptions.

\* Fiscal year 2015 was the first year of implementation. Additionally, fiscal year 2021 was the first year the City's Safety Plan was converted from an Agent Multiple Plan to a Cost Sharing Plan, and therefore only six years are shown.

**CITY OF VERNON  
SCHEDULE OF PENSION CONTRIBUTIONS – SAFETY PLAN  
LAST TEN FISCAL YEARS \***

Fiscal Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Contractually Required Contribution (Actuarially Determined)	\$ 8,258,888	\$ 7,650,585	\$ 7,834,050	\$ 7,011,540
Contributions in Relation to the Actuarially Determined Contributions	<u>(8,258,888)</u>	<u>(7,650,585)</u>	<u>(7,834,050)</u>	<u>(7,011,540)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 5,630,861	\$ 7,618,673	\$ 11,770,766	\$ 13,737,311
Contributions as a Percentage of Covered Payroll	146.67%	100.42%	66.56%	51.04%
Notes to Schedule:				
Valuation Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.625%	2.625%	2.625%	2.75%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	7.25% (3)	7.25% (3)	7.25% (3)	7.375% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

- (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) 3.0% at 50, 3.0% at 55, and 2.7% at 57  
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\* Fiscal year 2015 was the first year of implementation and therefore only eight years are shown.

**CITY OF VERNON  
SCHEDULE OF PENSION CONTRIBUTIONS – SAFETY PLAN (CONTINUED)  
LAST TEN FISCAL YEARS \***

Fiscal Year Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution (Actuarially Determined)	\$ 6,109,373	\$ 5,476,196	\$ 5,116,412	\$ 4,147,441
Contributions in Relation to the Actuarially Determined Contributions	<u>(6,109,373)</u>	<u>(5,476,196)</u>	<u>(5,116,412)</u>	<u>(4,147,441)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 14,292,273	\$ 13,879,896	\$ 12,971,888	\$ 12,740,785
Contributions as a Percentage of Covered Payroll	42.75%	39.45%	39.44%	32.55%

Notes to Schedule:

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:	Entry Age	Entry Age	Entry Age	Entry Age
Actuarial Cost Method	(1)	(1)	(1)	(1)
Amortization Method	Fair Value	Fair Value	Fair Value	(1)
Asset Valuation Method				15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

- (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) 3.0% at 50, 3.0% at 55, and 2.7% at 57
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\* Fiscal year 2015 was the first year of implementation and therefore only eight years are shown.

**CITY OF VERNON**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**LAST TEN FISCAL YEARS \***

Fiscal Year End	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
<b>Total OPEB Liability:</b>				
Service Cost	\$ 303,057	\$ 565,922	\$ 549,137	\$ 1,204,747
Interest on Total OPEB Liability	1,682,954	1,699,197	1,641,230	2,063,052
Differences Between Expected and Actual Experience	(677,446)	206,148	-	(6,680,583)
Assumption Changes	66,075	579,724	(124,861)	(7,657,196)
Change of Benefit Terms	-	(800,265)	-	-
Benefit Payments	(1,199,826)	(1,222,538)	(1,158,450)	(1,006,087)
Net Change in Total OPEB Liability	174,814	1,028,188	907,056	(12,076,067)
Total OPEB Liability - Beginning of Year	27,215,028	26,186,840	25,279,784	37,355,851
Total OPEB Liability - End of Year (a)	<u>\$ 27,389,842</u>	<u>\$ 27,215,028</u>	<u>\$ 26,186,840</u>	<u>\$ 25,279,784</u>
<b>Plan Fiduciary Net Position:</b>				
Contributions - Employer	\$ 3,131,526	\$ 3,915,406	\$ 2,989,393	\$ 2,065,407
Net Investment Income	2,084,288	44,684	258,220	65,276
Benefit Payments and the Implied Subsidy Benefit Payments	(1,199,826)	(1,222,538)	(1,158,450)	(1,006,087)
Administrative Expenses	(2,958)	(2,563)	(629)	(808)
Other Deductions	-	-	-	(1,400)
Net Change in Plan Fiduciary Net Position	4,013,030	2,734,989	2,088,534	1,122,388
Plan Fiduciary Net Position - Beginning of Year	7,003,178	4,268,189	2,179,655	1,057,267
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 11,016,208</u>	<u>\$ 7,003,178</u>	<u>\$ 4,268,189</u>	<u>\$ 2,179,655</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 16,373,634</u>	<u>\$ 20,211,850</u>	<u>\$ 21,918,651</u>	<u>\$ 23,100,129</u>
<b>Plan Fiduciary Net Position as a Percentage of the</b>				
Total OPEB Liability	40.22%	25.73%	16.30%	8.62%
Covered - Employee Payroll	\$ 31,702,877	\$ 31,958,957	\$ 35,182,647	\$ 33,496,565
Net OPEB Liability as Percentage of Covered - Employee Payroll	51.65%	63.24%	62.30%	68.96%

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

Fiscal year end June 30, 2018 is the first year of implementation; therefore, there are no previous GASB 75 actuarial reports for comparison.

Fiscal year end June 30, 2019: Discount rate for the implicit subsidy liability was changed from 3.56% to 6.5% based on updated expectations of long-term returns on trust assets and updated valuation methods.

Fiscal year end June 30, 2020: Medical trend rates were updated to exclude Affordable Care Act's Excise Tax on high-cost health insurance plan due to its repeal.

Fiscal year end June 30, 2021: Discount rate for the implicit subsidy liability was changed from 6.5% to 6.25% based on updated expectations of long-term returns on trust assets and updated valuation methods. Inflation rate changed from 2.50% to 2.25%.

Fiscal year end June 30, 2022: Medical trend rates have been updated by actual premium increase from 2021 to 2022.

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

**CITY OF VERNON  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
LAST TEN FISCAL YEARS \***

Fiscal Year End	June 30, 2018
Measurement Date	June 30, 2017
Total OPEB Liability:	
Service Cost	\$ 1,166,825
Interest on Total OPEB Liability	1,879,025
Differences Between Expected and Actual Experience	-
Assumption Changes	(770,716)
Change of Benefit Terms	-
Benefit Payments	(838,818)
Net Change in Total OPEB Liability	1,436,316
Total OPEB Liability - Beginning of Year	35,919,535
Total OPEB Liability - End of Year (a)	\$ 37,355,851
Plan Fiduciary Net Position:	
Contributions - Employer	\$ 1,898,138
Net Investment Income	(2,049)
Benefit Payments	
and the Implied Subsidy Benefit Payments	(838,818)
Administrative Expenses	(4)
Other Deductions	-
Net Change in Plan Fiduciary Net Position	1,057,267
Plan Fiduciary Net Position - Beginning of Year	-
Plan Fiduciary Net Position - End of Year (b)	\$ 1,057,267
Net OPEB Liability - Ending (a)-(b)	\$ 36,298,584
Plan Fiduciary Net Position as a Percentage of the	
Total OPEB Liability	2.83%
Covered - Employee Payroll	\$ 33,511,114
Net OPEB Liability as Percentage of	
Covered - Employee Payroll	108.32%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

Fiscal year end June 30, 2018 is the first year of implementation; therefore, there are no previous GASB 75 actuarial reports for comparison.

Fiscal year end June 30, 2019: Discount rate for the implicit subsidy liability was changed from 3.56% to 6.5% based on updated expectations of long-term returns on trust assets and updated valuation methods.

Fiscal year end June 30, 2020: Medical trend rates were updated to exclude Affordable Care Act's Excise Tax on high-cost health insurance plan due to its repeal.

Fiscal year end June 30, 2021: Discount rate for the implicit subsidy liability was changed from 6.5% to 6.25% based on updated expectations of long-term returns on trust assets and updated valuation methods. Inflation rate changed from 2.50% to 2.25%.

Fiscal year end June 30, 2022: Medical trend rates have been updated by actual premium increase from 2021 to 2022.

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

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

Fiscal Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially Determined Contribution	\$ 1,538,693	\$ 1,538,693	\$ 1,931,700	\$ 2,692,868	\$ 2,692,868
Contributions in Relation to the Actuarially Determined Contributions	<u>(2,933,295)</u>	<u>(3,131,526)</u>	<u>(3,915,406)</u>	<u>(2,989,393)</u>	<u>(2,065,407)</u>
Contribution Deficiency (Excess)	<u>\$ (1,394,602)</u>	<u>\$ (1,592,833)</u>	<u>\$ (1,983,706)</u>	<u>\$ (296,525)</u>	<u>\$ 627,461</u>
Covered - Employee Payroll	\$ 31,702,877	\$ 31,702,877	\$ 31,958,957	\$ 35,182,647	\$ 33,496,565
Contributions as a Percentage of Covered - Employee Payroll	9.25%	9.88%	12.25%	8.50%	6.17%

Notes to Schedule:

Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2018	6/30/2017
----------------	-----------	-----------	-----------	-----------	-----------

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	27 Years	27 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	(4)	(4)	(3)	(3)	(2)
Investment Rate of Return	6.25%	6.25%	6.50%	7.00%	7.00%
Mortality	(6)	(6)	(6)	(6)	(5)

- (1) Level percentage of payroll, closed.
- (2) 8.50% trending down to 5.00%.
- (3) 6.90% trending down to 4.00%.
- (4) 6.70% trending down to 3.8%.
- (5) CalPERS December 2014 experience study
- (6) CalPERS December 2017 experience study

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



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.