

**Vernon Public Utilities  
(The Electric, Gas, Water and  
Fiber Optics Enterprise Funds of  
the City of Vernon)**

Vernon, California

**Financial Statements and  
Independent Auditors' Reports**

*For the Year Ended June 30, 2023*





**City of Vernon  
Vernon Public Utilities  
For the Year Ended June 30, 2023**

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## Message from the General Manager

***Our Mission continues to focus on providing the lowest electric rates in California by 2030.***

Vernon Public Utilities (VPU) goes beyond simply offering a full suite of utility services, including electricity, water, gas, and fiber optic services. We work to ensure that electricity is available when our customers need it, that customers have a safe, clean, and reliable drinking water supply, that there is an affordable and safe supply of natural gas, and that our fiber services offer fast speeds at competitive rates.

As a publicly owned utility entrusted with the well-being of the Vernon community, VPU dedicates itself to responsive customer care, dependable operations, and the pursuit of a thriving and sustainable future. Maintaining a strong financial and operational position is always of utmost importance to us. We achieve these goals by actively supporting an evolution from Vernon's legacy industrial customer base to innovative clean commerce, developing a roadmap for targeted growth, continuing infrastructure investment, and meeting strategic financial and operational goals.

### Clean Commerce

- Attract businesses and industries committed to environmentally friendly practices to locate in Vernon, creating a vibrant and synergistic clean business hub.
- Incentivize and develop programs to support businesses that reduce our carbon footprint, practice energy efficiency, and are transitioning to clean transportation.
- The City continues to procure renewable energy solutions such as wind and solar combined with battery storage to power its operations and reduce the number of traditional fuel sources in Vernon's resource portfolio per State mandates.

### Growth Strategy

- Over the last several years, the City has pursued a clean commerce growth strategy. In June 2024, a new data center is scheduled to commence commercial operations in Vernon, bringing high-demand energy needs, reducing traffic congestion and vehicle emissions, and replacing legacy customers who have relocated their operations. At full capacity, the data center demand is estimated to be 33 MW of continually connected load in Fiscal Year 2025-26. Our pre-planned commitment to provide capital improvement investments of critical infrastructure in our transmission and distribution networks has been key to meeting the operational needs of this new industry in Vernon. VPU and the City have the unique ability to get these new development projects to market in the shortest time possible.
- Actively attracting clean hydrogen businesses to Vernon will create new jobs, bolster the local economy, and position the City as a leader in this game-changing fuel technology.
- Significantly expanding our network of electric vehicle charging stations over the past year supports the growing demand for sustainable transportation, attracts



environmentally conscious customers, and assists customers in meeting clean fleet compliance mandates. Through a public-private partnership with Tesla, VPU has been able to provide charging in a previously dark area of the City giving confidence to the Los Angeles basin EV driver to extend range and to cover an area that has been underdeveloped.

#### Infrastructure Investment

- VPU continues to implement a five-year capital plan with continued investment in wood utility pole replacement, reconductoring, and voltage conversion projects, and environmentally conscious circuit breaker and switch replacements as well as a customer-funded Data Center substation.
- The Water Fund continues to implement major capital investments that began in Fiscal Year 2019-20. These capital projects include Well 22, the first new groundwater well since 1989, Well and Reservoir rehabilitation, and an entirely new Supervisory Control and Data Acquisition System along with electrical service upgrades to ensure reliability. This estimated eight-year capital program represents an investment of almost \$30 million.
- VPU's Fiber Division is upgrading the existing fiber optics network system to facilitate faster speeds, higher reliability, and the future growth of the fiber system.

#### Meeting Financial and Operational Goals

- In August 2023, the City Council approved VPU's long-term rate strategy, which included reasonable electric growth estimates, reinforced our commitment to competitive base rates, a stable Energy Cost Adjustment Billing Factor, and the development of a comprehensive Financial Reserves Policy that supports financial stability, ensuring that we can navigate future challenges and make necessary investments while continuing to provide reliable and affordable services.
- Additionally, we are pleased to announce the completion of our Integrated Resource Plan adopted by the City Council in October 2023. VPU collaborated with its many stakeholders to develop a plan that outlines our strategy for meeting the future energy needs of our community while ensuring reliability, affordability, and sustainability.
- VPU continues to optimize the operating profile of the Malburg Generating Station which has resulted in savings to the City as well as meeting the operating requirements of the California Independent System Operator.

I am confident that VPU is well-positioned for the future and meeting the evolving needs of our customers. We are committed to providing our customers with the responsive, reliable, and affordable services they have come to expect while transitioning toward a new era of strategic load growth and a sustainable clean energy future.

Sincerely,

A blue ink signature of Todd Dusenberry.

Todd Dusenberry  
General Manager

# VPU At A Glance



## Electric

Number of customers: 1,833  
Service area in square miles: 5.2  
Number of distribution miles: 119  
Number of poles: 3606  
Number of substations: 8  
Peak Day MW: 194  
Current Year Peak Day in MW: 189.5



## Water

Number of customers: 1,087  
Service area in square miles: 4.8  
Number of miles of water mains: 49  
Number of wells: 7  
Total Reservoir Capacity in Millions of Gallons: 16.6  
Number of Booster Stations: 3  
Peak Day in Acre Feet: 26.4  
Current Year Peak Day in Acre Feet: 20.4



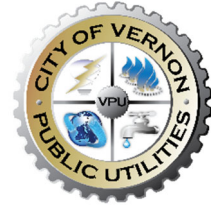
## Gas

Number of customers: 125  
Service area in square miles: 5.2  
Number of distribution miles: 44.3  
Number of transmission miles: 7.3  
Peak Day in MMBTu: 6,822,597.6  
Current Year Peak Day in MMBTu: 31,618.8



## Fiber

Number of customers: 81  
Service area in square miles: 5.2  
Number of circuit miles: 2,445  
Average Daily Peak in Mbps: 350  
Current Year Peak Day in Mbps: 516



# ELECTRIC FUND

## Introduction

Vernon Public Utilities (VPU) remains dedicated to its core mission of providing reliable, safe, and affordable energy while meeting California's clean energy goals. VPU is building a full-service utility that embraces emerging technologies and capitalizes on strategic opportunities.

VPU goes beyond electricity, offering water, natural gas, and fiber optic services. As a publicly owned utility, it prioritizes customer focus, responsible operations, and a sustainable future for the Vernon community. With local control, VPU ensures transparency, competitive rates, and tailored policies to serve the community's needs. In partnership with the local community, VPU is shaping a sustainable energy future for Vernon.

## Awards

The American Public Power Association (APPA) designates Reliable Public Power Provider recognition (RP3) to utilities that demonstrate exceptional proficiency in four key areas: safety, reliability, workforce development, and system improvement. Consistent with its mission, VPU strives for excellence in these areas.

APPA has awarded VPU its highest – Diamond Level – RP3 designation for three consecutive terms, encompassing nine years from 2016 to 2025. VPU earned these honors by providing exceptionally reliable and safe electric service. VPU is one of only 26 of the more than 2,000 public power utilities across the United States to achieve Diamond Level RP3 designation from 2022 to 2025. APPA also awarded VPU the Safety Award for Excellence every year since 2018, recording no reportable safety incidents for 2023.

## Reliability

VPU emphasizes operational reliability as a cornerstone of its strategic vision. VPU utilizes IEEE's beta methodology to track reliability metrics to assess and enhance the resilience and dependability of VPU's services. By tracking and analyzing key reliability indicators, VPU proactively identifies areas for improvement, allocates resources effectively, and implements targeted strategies to maintain an unwavering commitment to providing consistent and uninterrupted power supply to its valued customers.



## Three Reliability Indicators

VPU tracks three reliability indicators that the electric utility industry uses to assess and improve the performance of power distribution systems.

### System Average Interruption Frequency Index (SAIFI)

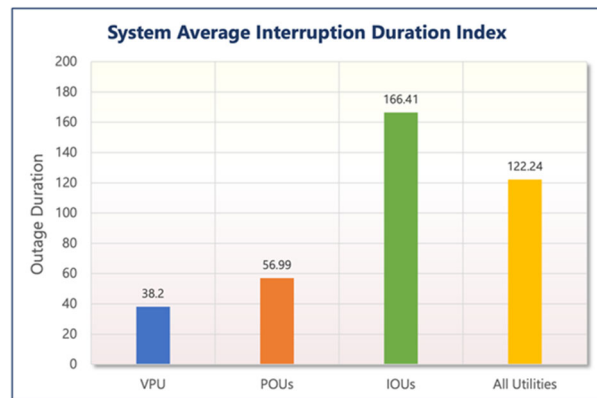
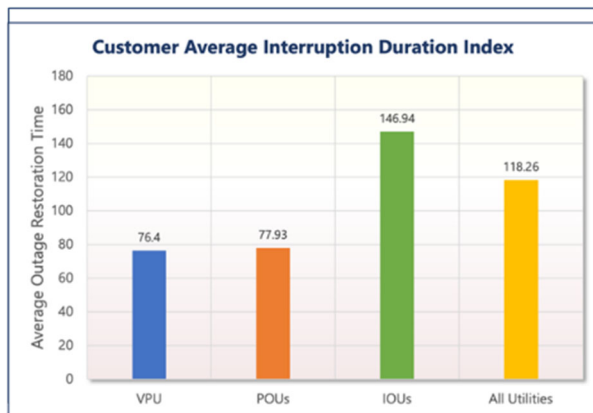
Quantifies the frequency of power outages per customer within a year.

### System Average Interruption Duration Index (SAIDI)

Measures the duration of power outages experienced by the average customer over a year.

### Customer Average Interruption Duration Index (CAIDI)

Provides the average time it takes to restore power after an outage, calculated by dividing SAIDI by SAIFI.

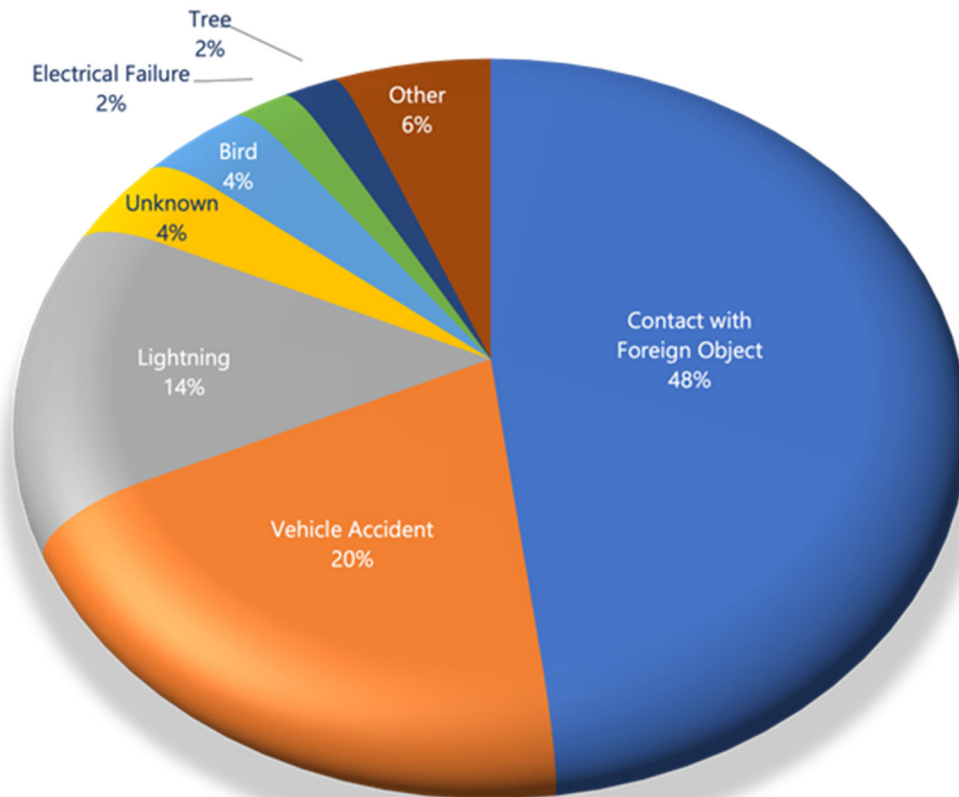


VPU leverages data and industry benchmarks to improve service quality, minimize downtime, and ensure a reliable power supply. VPU benchmarks its performance against data from the U.S. Energy Information Administration (EIA) to ensure alignment with industry standards and best practices.

For the data year 2021, VPU's average customer experienced 0.5 outages for 38.2 minutes. The restoration time was approximately 76.4 minutes. These metrics place VPU among the top 25 percent of the electric industry in reliability. Being in the top quartile of electric utility reliability benchmarking signifies VPU's commitment to excellence, ensuring that the utility consistently delivers dependable service, promotes customer satisfaction, and contributes positively to the overall health of the community it serves.

## Cause of Outages

Virtually all outages in the City of Vernon are from accidental causes. Contact with metallic balloons is the primary cause of outages (indicated as a “foreign object” in the chart below). The Other category includes single instances of storm damage, direct strike, and equipment damage.

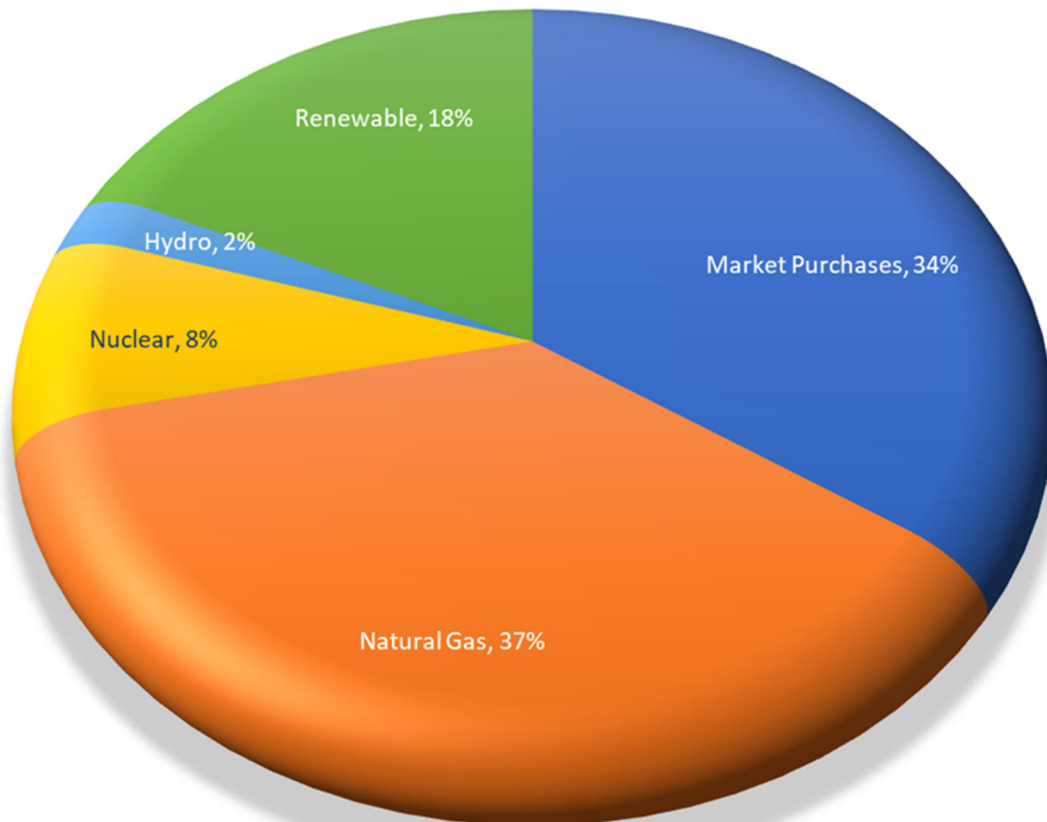


## Energy Resources

VPU's generation portfolio continues to evolve with state mandates for renewable energy and zero-carbon generation. Vernon participates in the CAISO wholesale energy markets under a metered subsystem agreement (MSSA). Five years ago, natural gas generation from MGS and market purchases supplied approximately 59 percent of VPU's energy resource mix. The remaining energy came from 7.7 percent nuclear, 1.6 percent large hydroelectric, and approximately 32 percent renewables.

One of VPU's central goals of the updated Integrated Resource Plan, approved by the City Council in October 2023, is to increase its renewable generation penetration to 60 percent by 2030 as directed by California statute. The chart below shows VPU's Fiscal Year (FY) 2022-23 Energy Resource Mix.

**2023 Energy Resource Mix**



## Natural Gas Resources

### Malburg Generating Station (MGS)

MGS is a 139 MW combined-cycle (CC) plant in the City of Vernon. MGS includes two Siemens GTX100 natural gas-fired combustion turbine generators (CTGs) and a steam turbine generator (STG). MGS has duct burners, evaporative inlet air coolers, and filters that enable the units to achieve higher levels of power output in selected modes of operation.



### H. Gonzales Generating Station

#### Units 1 & 2

The H. Gonzales Generating Station Unit 1 and Unit 2, located within the City of Vernon, is a natural gas-fueled facility powered by two Allison 571-KA combustion turbines (CTs), each rated at 5.75 MW, operating solely as peaking units. Both CT units began commercial operation in 1988. Each unit is restricted by air quality regulators to run on natural gas for no more than six hours per day.



## Zero-Emission Resources

### Palo Verde Nuclear Station

The Palo Verde Nuclear Generating Station (PVNGS) is in Tonopah, Arizona, approximately 55 miles west of Phoenix. It generates the largest capacity of electricity in the United States, with the second-largest rated capacity. The plant consists of three nuclear electric generating units totaling 3,937 MW. In 1981, VPU signed a “take or pay” contract with the Southern California Public Power Authority (SCPPA) for 11 MW of power from Palo Verde. Under the Power Purchase Agreement (PPA), VPU must pay for its proportionate share of power generated and operating and maintenance expenses, regardless of the amount of power taken.



### Hoover Dam Hydroelectric Power Plant

The Hoover Dam Hydroelectric Power Plant is located on the Arizona-Nevada border, approximately 25 miles southeast of Las Vegas. This hydropower plant is part of the larger Hoover Dam facility, which was completed in 1935 and controls the flow of the Colorado River. The Hoover Dam facility consists of 17 generating units and two service generating units with a total installed capacity of 2,080 MW. In 1987, Vernon entered a PPA to purchase 22 MW of firm capacity from the Western Area Power Administration (WAPA). SCPPA and other contractor allocations of Hoover power have been extended for 50 years beyond the PPA’s original expiration in 2017, which now expires in 2067.



## Renewable Energy Resources

### Puente Hills Landfill Gas Plant

The Puente Hills Landfill Gas-to-Energy facility is a 46 MW conventional Rankine Cycle Steam Power Plant that uses landfill gas as fuel to generate electricity. The Los Angeles County Sanitation District (LACSD) constructed the facility and began full commercial operation in January 1987.

SCPPA entered a PPA with LACSD for 43 MW of generating capacity from the facility. VPU, through SCPPA, is entitled to 10 MW of renewable capacity from the facility. The PPA expires on December 31, 2030.



### Astoria II Solar Photovoltaic Facility

The Astoria II Solar PV facility is sited on approximately 840 acres between Los Angeles and Kern Counties, and interconnects with the CAISO system at the SCE Whirlwind Substation. The City of Vernon, in conjunction with five other SCPPA municipal utilities, participated in a PPA with Recurrent Energy to purchase the output from the Astoria II Solar facility for 20 years. The PPA entitled Vernon to 20 MW of capacity from January 2017 to December 2021. Starting in January 2022 and extending until the PPA's expiration in December 2036, VPU is entitled to 30 MW of power.



Antelope DSR 1 Solar PV Facility

The Antelope DSR 1 Solar PV facility is in the City of Lancaster, Los Angeles County. It was developed by the Sustainable Power Group (sPower) and came online in December 2016. Through SCPPA, VPU owns a PPA with Antelope DSR 1 LLC (a subsidiary of sPower) for 25 MW of output, 50 percent of the facility’s 50 MW capacity, through December 31, 2036. In conjunction with the solar facility, the cities of Riverside and Vernon negotiated an energy storage option in the PPA, which provides for the potential to design, build, and operate an energy storage facility at the site when economically feasible.



Desert Harvest 2 REC Solar PV Project

On December 17, 2020, SCPPA executed a PPA with EDF Renewables for 70 MW of solar PV capacity from the Desert Harvest 2 Solar PV project. The project is a fixed-tilt PV system that interconnects at the Marketplace substation and is located on 1,200 acres of Bureau of Land Management (BLM) land in Desert Center, California. The REC + Index agreement serves the cities of Anaheim, Burbank, and Vernon.

VPU is entitled to 17.14 percent of the Project’s output or about 12 MW. This PPA, which expires at the end of 2045, only provides renewable energy credits (RECs).



### Daggett Solar PV and BESS Project

The Daggett Solar plus BESS project is a single-axis tracker 65 MW solar with a 33 MW 4-hour Lithium-Ion BESS. The commercial operation date (COD) was December 12, 2023. The project, located in the City of Daggett in San Bernardino County, is a portion of an approximately 482 MW solar PV facility. The project is being developed by Clearway Energy Group and is owned by Daggett Solar Power 2 LLC.

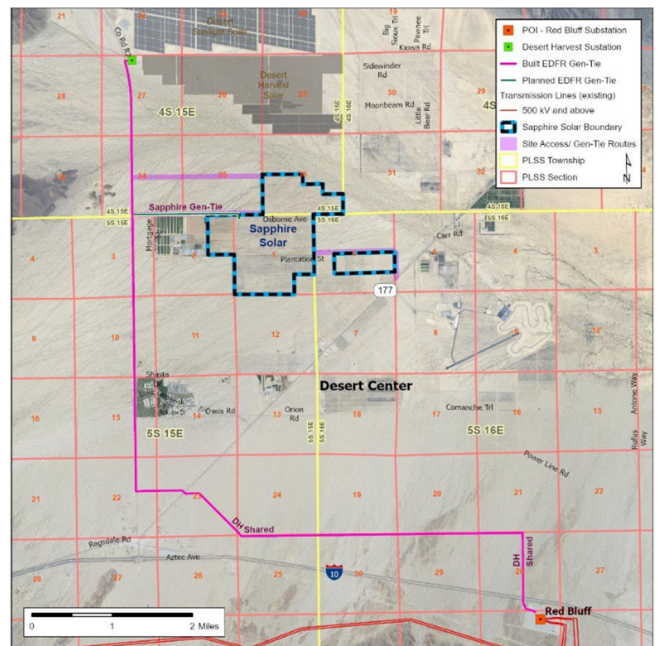
On June 24, 2022, SCPPA executed a PPA for 65 MW for the cities of Vernon and Cerritos. The PPA entitles VPU to 60 MW of solar PV output and 30 MW of energy storage. The PPA expires on December 31, 2044.



### Sapphire Solar and BESS Project

The Sapphire Solar project is a solar PV and BESS facility being developed by EDF Renewables. Located on 1,140 acres of private land in Riverside County, the project will generate 117 MW of solar power paired with a 59 MW 4-hour Lithium-Ion BESS with a total capacity of 236 MWh.

The project will interconnect on an existing Desert Harvest transmission line and deliver to the CAISO System. The bundled energy products include renewable energy, RECs, Resource Adequacy, and other energy attributes. The estimated COD is December 31, 2026. VPU has executed a PPA for 39 MW of solar output combined with 19.67 MW of BESS. The PPA expires on December 1, 2046.





# Distribution System Capital Improvement Plan

Investing in infrastructure is crucial for a reliable electric utility. As such, Vernon proactively assesses its distribution system, identifying opportunities to bolster reliability, enhance safety, optimize efficiency, and increase operational flexibility. These upgrades will ensure a robust and adaptable electric distribution system, powering a brighter future for the City and its customers.

For the past three years, from 2020 through 2023, VPU has been working on a distribution Capital Improvement Plan (CIP) focused on strengthening its infrastructure to prevent outages and grid resiliency to sustain reliability and maintain high service quality.

The result is VPU's Five-Year CIP, which is updated as part of the annual budget process. The plan focuses on infrastructure upgrades to help achieve a strategic vision that addresses its five-square-mile service territory and the unique industrial characteristics that make up the City. The plan defined strategies that involve in-depth evaluation of the condition of the electric system, performing detailed engineering analysis of distribution system capability and performance, and listed construction and upgrade projects to help transform the system into an intelligent, increasingly automated, and technologically advanced electric system.



The CIP addresses the key areas and construction required for replacements or upgrades. The success of the CIP results in the improved electric system reliability provided to the City of Vernon residential and business customers. The plan also aims to reduce VPU's carbon footprint by removing greenhouse gas (GHG) emissions from the system. The plan includes replacing switches and circuit breakers that use sulfur hexafluoride (SF6) for insulation and

leverages new technologies for replacing and upgrading these units. The plan aims to increase system reliability for the local electric grid and environmental improvements for a sustainable future for the community. VPU estimates that the FY 2024-25 CIP is \$25 million.



## Customer Service

VPU continues to educate its business community on the importance of efficiency through its no-cost energy audit services. Over the years, businesses have successfully leveraged VPU's energy audit services to identify various efficiency opportunities. The utility's longstanding Custom Incentive Program has consistently provided incentives for commercial electric customers that implement efficiency upgrades that produce above building code savings. For FY 2022-23, VPU's energy efficiency programs generated 3,157 MWh of energy savings, along with \$212,934 of efficiency rebates issued to VPU customers for lighting retrofits and refrigeration control upgrades.

VPU has also been a key partner throughout the customer's electrification journey, providing incentives and expertise in the transition towards increased sustainability and GHG emission reduction. In particular, the utility issued electric vehicle and charger rebates for customers who switched to all-electric equipment. In July 2023, the utility also opened its first fast charging depot at 3805 S. Soto Street to support the growing number of electric vehicles on the road and help expand public charging infrastructure in the region.



VPU customers who are in the cold storage and food processing business sectors continue to explore refrigeration control upgrades to achieve energy savings. The optimization of refrigeration controls often involves system hardware and software upgrades to maximize efficiency. To help support these complex energy efficiency projects, VPU works with a third-party engineering consultant to conduct the evaluation, measurement, and verification studies to confirm the validity of the savings generated. In addition, LED Lighting retrofits continue to account for a majority of energy savings through VPU's Customized Incentive Program. Customers with 24/7 operations and large warehouses can realize significant savings by upgrading from non-LED to LED lighting technology.



## WATER FUND

### Introduction

The water supply in Vernon is extremely important for the well-being of the public, economic growth, and environmental sustainability. The VPU Water Division has been working for over a century to ensure that this critical infrastructure is able to provide safe, dependable, and affordable water services to more than 800 customers. They distribute around 1.8 billion gallons of water annually.

To accomplish its mission, the VPU Water Division consists of professionals who are dedicated to maintaining the water infrastructure, responding to any issues as soon as possible, and proactively planning for the future needs of the water system. Their knowledge and commitment guarantee that the water delivered meets the highest quality and service standards. By prioritizing reliability, sustainability, and affordability, the VPU Water Division team ensures that the Water Fund continues to succeed financially and operationally.



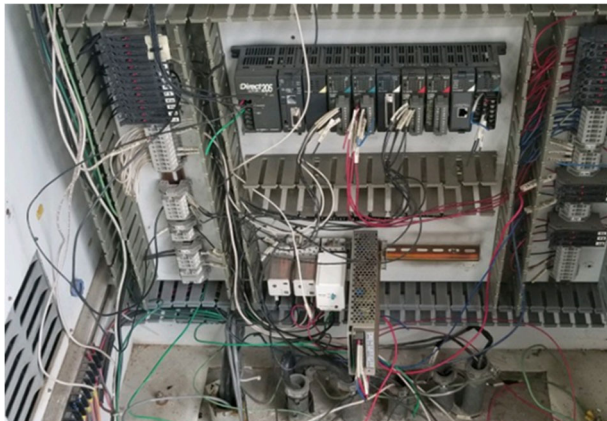
### Reliability

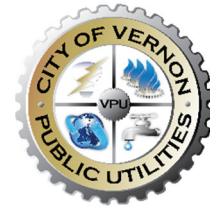
With a network of 7 Wells, 2 booster plants, and reservoirs with a total capacity of 16.6 million gallons spanning the City, as well as a direct connection to the Metropolitan Water District, the VPU Water Division ensures a consistent supply of high-quality water even during periods of peak demand or drought. This commitment to reliability is further bolstered by a comprehensive water quality monitoring program that meets rigorous Federal and State regulations.

The VPU Water Division pursues innovative technologies and best practices to ensure high-quality and reliable water service. This includes a bidirectional flushing program, valve exercising programs, prompt repair of leaks to save water loss, and a state-of-the-art real-time UV spectrometer water quality analyzer.

## Capital Improvement Plan

The Water Fund continues to implement major capital investments that began in FY 2019-20. The VPU Water Division has made significant capital investments in such projects as the construction of the first new groundwater well since 1989, Well 22; well and reservoir rehabilitation; and an entirely new Supervisory Control and Data Acquisition (SCADA) system along with electrical and fiber service upgrades to ensure the continued reliability of the Water system. This eight-year capital investment program represents a total investment of almost \$30 million.





## GAS FUND

### Introduction

The VPU Gas Division is a reliable and cost-effective natural gas provider for businesses and residents in Vernon. They operate a state-of-the-art natural gas distribution and transmission system that serves over 125 customers. The Division is committed to providing its customers safe, reliable, and affordable natural gas service and has been nationally recognized for its strong safety record. The VPU Gas Division is staffed with highly qualified technicians who are available 24/7 to respond to emergencies.

In addition to providing natural gas service, the VPU Gas Division offers various energy efficiency rebate programs and incentives to help customers reduce their GHG emissions.

The services offered by the VPU Gas Division include:

#### Natural Gas Service

Provides natural gas services to residential, commercial, and industrial customers.

#### Energy Efficiency Programs

Offers a variety of energy efficiency programs and incentives to help customers reduce their GHG emissions.

#### Leak Detection and Repair

A team of experienced technicians who can detect and repair leaks immediately to ensure the continued reliability and safety of customers.

### Awards

The VPU Gas Division has received the 2021 Safety Management Excellence Award and the Safety Award for calendar years 2018, 2020, 2021, and 2022 from the American Public Gas Association.

### Reliability

As the only public utility in the state with a high-pressure natural gas transmission pipeline and one of the largest public gas systems by volume in the United States, the VPU Gas Division performs an annual assessment of its Integrity Management Plan and routinely surveys its gas system for compliance with



regulatory requirements. Further, the VPU Gas Division annually conducts joint training with the Vernon Police Department and the Los Angeles County Fire Department to provide a continued overall understanding of the City's natural gas system.

## Capital Projects

During FY 2022-23, the VPU Gas Division updated its remote-access SCADA system by installing electronic recording devices (ERX) in each regulator station. This new system allows for live monitoring of transmission and distribution pressures, as well as monitoring of temperatures and alarms.

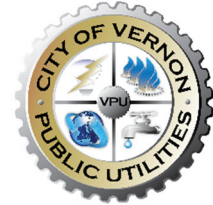
Additionally, the high-pressure transmission pipeline system at the Seville lateral underwent a guided-wave ultrasonic test, and some gouges were discovered. The system was swiftly repaired, and the lateral was placed back online.

Lastly, the VPU Gas Division conducted a systemwide inspection of all transmission and distribution valves. This critical project focused on maintenance to prevent valve leaks, as required by federal regulations.



## Gas Energy Efficiency Rebate

The VPU Gas Division is dedicated to supporting its commercial and industrial gas customers in their efforts to decrease energy consumption and GHG emissions. To achieve this, the division provides an Energy Efficiency Rebate Program, which assists customers in saving money, improving energy efficiency, and reducing GHG emissions. The rebate covers a wide range of projects, such as upgrading to high-efficiency equipment, implementing energy-saving retrofits, and replacing customer fleets for lower or zero-emission vehicles and forklifts.



# FIBER OPTICS FUND

## Introduction

The VPU Fiber Optics Division offers high-speed fiber optic internet service to residents and businesses in Vernon. The service is up to 5 times faster than AT&T and has a dedicated service line for businesses and residents. Fiber Internet includes 24-hour customer care technical support, consistent bi-directional high-speed connection, 99.9% up-time, and Dark Fiber connections for lease.



Vernon customers have access to a high-quality and reliable internet service, which is constantly monitored in real-time to ensure a stable connection. The dedicated support team is available 24/7 to swiftly resolve any issues that may arise. Customers are assured reliable connectivity and significantly faster internet speeds and bandwidth due to fiber optic cables.

Significant benefits of the VPU Fiber Optics Division services include:

### Smart Grid Infrastructure Support

Fiber optic networks support real-time data collection, fault detection, and remote control of grid components, improving grid stability and reducing power outages.

### Diversification of Revenue Streams and Community Development

Fiber-based internet services generate additional revenue for VPU and promote economic growth by attracting businesses to the City.

### Community Development and Economic Growth

Access to high-speed internet is essential for economic development and attracting businesses to the City. The VPU Fiber Optic Division is vital in bridging the digital divide by providing fiber-based internet services to underserved areas.



## Capital Projects

In 2023, the VPU Fiber Optics Division underwent a major upgrade of the entire fiber equipment system. This upgrade included the installation of cutting-edge technology and advanced equipment, resulting in faster internet speeds and higher reliability for customers. The upgraded system has significantly improved the data transmission rate, reducing latency and increasing bandwidth.



The fiber system upgrade was a strategic move by the VPU Fiber Optics Division to meet the growing demand for high-speed internet services. VPU's fiber upgrade significantly increased capacity, with the system now capable of handling 100 GB and offering customers up to 1GB fiber circuit service. With this upgrade, the fiber system is now capable of providing seamless and uninterrupted internet services to more customers, even during peak usage hours.

Moreover, the upgraded fiber system not only meets the current needs of customers but also secures the future growth of the fiber network. The new equipment and technology installed during the upgrade are designed to extend the life expectancy of the system and support future expansion and upgrades. The VPU Fiber Optics Division can confidently meet the increasing demand for high-speed internet services, ensuring the continued reliability and overall satisfaction of our customers.

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## INDEPENDENT AUDITORS' REPORT



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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Vernon Public Utilities (the "VPU") of the City of Vernon, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the VPU's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the VPU as of June 30, 2023, and the change in financial position, and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). 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 VPU and to meet our other ethical responsibilities, in accordance with the relevant requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, the financial statements present only the basic financial statements of the VPU and do not purport to, and do not present fairly the financial statements of the City as of June 30, 2023, the changes in its financial statements, or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

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

***Auditors' Responsibility 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 opinion. 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.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of the Contributions - Pension, the Schedule of Proportionate Share of the Net Other Postemployment Benefits Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

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

***Other Information***

Management is responsible for the other information included in this annual report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditors’ report thereon. Our opinion on the basic financial statements 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 February 8, 2024 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.



Santa Ana, California  
February 8, 2024

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The management of the Vernon Public Utilities (“VPU”), the electric, gas, water, and fiber optics utilities of the City of Vernon (the “City”), offers the following overview and analysis of the basic financial statements of the VPU for the fiscal year ending June 30, 2023. Management encourages readers to utilize information in the Management’s Discussion and Analysis (“MD&A”) in conjunction with the accompanying basic financial statements.

## **OVERVIEW OF BASIC FINANCIAL STATEMENTS**

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

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

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

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

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

City of Vernon, California  
Vernon Public Utilities  
Management's Discussion and Analysis (Unaudited) (Continued)  
June 30, 2023

**FINANCIAL HIGHLIGHTS**

***Net Position***

The table below summarizes VPU's net position as of the current fiscal year, which ended June 30, 2023, and the prior fiscal year, which ended June 30, 2022. The current year's summary details can be found on pages 18-19 of this report.

City of Vernon Vernon Public Utilities Net Position June 30, 2023 and 2022			
	2023	2022	\$ Variance
<b>Assets</b>			
Current and other assets	\$ 189,025,510	\$ 190,992,713	\$ (1,967,203)
Restricted and other assets	39,505,815	48,782,041	(9,276,226)
Capital assets	465,066,379	458,427,644	6,638,735
Total assets	693,597,704	698,202,398	(4,604,694)
<b>Deferred Outflows of Resources</b>	17,300,862	7,934,285	9,366,577
<b>Liabilities</b>			
Current liabilities	79,213,504	77,463,438	1,750,066
Long term liabilities	395,093,373	434,250,999	(39,157,626)
Total liabilities	474,306,877	511,714,437	(37,407,560)
<b>Deferred Inflows of Resources</b>	3,210,139	12,001,382	(8,791,243)
<b>Net Position</b>			
Net investment in capital assets	191,510,736	168,787,837	22,722,899
Restricted for debt service	34,116,035	32,836,544	1,279,491
Restricted for AB1890	2,933,017	-	2,933,017
Unrestricted (deficit)	4,821,762	(19,203,517)	24,025,279
<b>Total net position</b>	\$ 233,381,550	\$ 182,420,864	\$ 50,960,686



**City of Vernon, California**  
**Vernon Public Utilities**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**June 30, 2023**

---

The assets and deferred outflows of resources of the VPU exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$233,381,550 (net position).

The category of VPU's net position with the largest balance totaling \$191,510,736 represents resources that are invested in capital assets.

The second category, restricted for debt service totaling \$34,116,035, represents resources that are subject to external restrictions on how they can be used, in this case, bond debt.

The third category, restricted for AB1890 totals \$2,933,017, which is used for the electric fund public benefits obligations.

The remaining category of total net position totaling \$4,821,762 represents the unrestricted net position.

**Activities, Net Position**

- Total current assets decreased by (\$1,984,869) from the prior year mainly due to a decrease in cash and cash investments of (\$3,586,615) offset by an increase in accounts receivable, net of allowance, of \$498,361 and an increase in accrued unbilled revenue of \$745,944.
- Capital assets increased by \$6,638,735, net of depreciation, from the prior year mainly due to acquisitions of new equipment and facility improvements in the electric fund and water fund. Additional information can be found in Note 5 of this report.
- Total liabilities decreased by \$37,407,560 from the prior year, primarily due to a decrease in bonds payable of \$59,468,018 and offset by an increase of \$19,798,654 in the net pension liability.
- The VPU's total net position in fiscal year 2022-23 was \$233,381,550, which increased by \$50,960,686 from the prior year due to an increase in the net investment in capital assets by \$22,722,899, an increase in the funds restricted for debt service of \$1,279,491, restricted funds for AB 1890, the electric fund public benefits program, of \$2,933,017, and an increase of the unrestricted (deficit) position of \$24,025,279.

**City of Vernon, California**  
**Vernon Public Utilities**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**June 30, 2023**

***Changes in Net Position***

The table below summarizes the VPU's changes in net position over the current and prior fiscal years. The details of the current year's changes in net position can be found on page 21 of this report.

City of Vernon Vernon Public Utilities Net Position June 30, 2023 and 2022			
	<b>2023</b>	<b>2022</b>	<b>\$ Variance</b>
<b>Operating Revenues</b>			
Charges for services	\$ 262,570,096	\$ 238,570,758	\$ 23,999,338
<b>Operating Expenses</b>			
Cost of sales	175,871,325	170,314,573	5,556,752
Depreciation	24,226,844	17,904,210	6,322,634
<b>Total operating expenses</b>	200,098,169	188,218,783	11,879,386
<b>Operating income</b>	62,471,927	50,351,975	12,119,952
<b>Nonoperating revenues (expenses)</b>			
Intergovernmental	-	865,403	(865,403)
Investment income	4,713,298	285,622	4,427,676
Net decrease in fair value of investments	(1,626)	(8,231)	6,605
Interest expense	(14,742,214)	(14,163,484)	(578,730)
Transfer Out	(491,542)	-	(491,542)
Gain (loss) on disposition of assets	(989,157)	(2,315,926)	1,326,769
<b>Net nonoperating revenues (expenses)</b>	(11,511,241)	(15,336,616)	3,825,375
<b>Change in net position</b>	50,960,686	35,015,359	15,945,327
<b>Net position - beginning of year</b>	182,420,864	147,405,505	35,015,359
<b>Net position - end of year</b>	\$ 233,381,550	\$ 182,420,864	\$ 50,960,686

VPU's operating income of \$62,471,927, less non-operating expenses of \$11,511,241, resulted in a change in net position of \$50,960,686 during the current year. This change in net position is primarily due to higher billed electric fund revenue, the management and control of operating expenses, and higher investment income as a result of favorable market conditions.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

The VPU's investment in capital assets as of June 30, 2023 amounted to \$465,066,379 (net of accumulated depreciation and deletions). This investment in capital assets includes land, intangible assets, construction in progress, building, utilities system improvements, and machinery and equipment. The total increase in the VPU's investment in capital assets for the current fiscal year was \$6,638,735, net of depreciation and deletions.

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

### ***Outstanding Debt***

As of June 30, 2023, the following debt remains outstanding:

- \$36,870,000 City of Vernon Electric System Revenue Bonds, 2008 Taxable Series A
- \$5,340,000 City of Vernon Electric System Revenue Bonds, 2012 Taxable Series B
- \$89,180,000 City of Vernon Electric System Revenue Bonds, 2015 Taxable Series A
- \$19,305,000 City of Vernon Electric System Revenue Bonds, 2020 Taxable Series A
- \$153,435,000 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
- \$14,350,000 City of Vernon Water System Reserve Bonds, 2020 Taxable Series A

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

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

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

The City of Vernon Electric System Revenue Bonds, 2020 Taxable 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 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 Taxable 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 Taxable Series A, were issued to (i) refund and defease all the City's outstanding Electric System Revenue Bonds, 2012 Series A and a portion of the City's outstanding Electric System Revenue Bonds, 2012 Taxable Series B and (ii) to pay costs of issuance of the 2022 Bonds.

As of June 30, 2023, the following Water Fund debt remains outstanding:

- \$14,350,000 City of Vernon Water System Revenue Bonds, 2020 Taxable Series A
- \$1,081,395 City of Vernon agreement with the Water Replenishment District of Southern California

The City of Vernon Water System Revenue Bonds 2020, Taxable 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, 2023, the ratings on all Electric System Revenue Bonds of the City were BBB+/Stable by S&P and Baa1/Stable by Moody's. The rating on Water System Revenue Bonds is A-/Stable by S&P.

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

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

These factors were considered in preparing the VPU's FY 2023-24 operating and capital budgets.

- VPU is committed to providing dependable, high-quality electric, water, natural gas, and fiber services at the lowest competitive rates and the highest standards for reliability.
- VPU continues to respond to inflation and supply chain issues, including higher energy, natural gas, materials and supplies, chemicals, and construction costs to expand and maintain the generation, transmission, and distribution infrastructure to continue to provide exceptionally reliable service.
- In support of the City's business development plans, VPU continues to collaborate with City staff to attract new businesses and industries to Vernon, especially in the development of green commerce. VPU continues to implement its five-year capital plan as well as VPU's rate strategy that was approved by City Council in August 2023. City Council approved VPU's Integrated Resource Plan in October 2023. As part of managing VPU's operating expenses, VPU continues to optimize the operations of the Malburg Generating Station, which continues to result in savings for the City.

**REQUESTS FOR INFORMATION**

This report is designed to provide an overview of the VPU electric, gas, water, and fiber optics utilities of the City of Vernon. Questions concerning the financial results can be addressed to the Finance Department, City of Vernon, 4305 Santa Fe Avenue, Vernon, California, 90058.

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## **FINANCIAL STATEMENTS**

**City of Vernon**  
**Vernon Public Utilities**  
**Statement of Net Position**  
**June 30, 2023**

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**ASSETS**

Current assets:

Cash and investments	\$ 153,374,024
Accounts receivable, net	14,760,699
Interest receivable	376,475
Accrued unbilled revenue	19,771,908
Due from other government	8,829
Due from the City of Vernon	36
Prepaid items	163,337
Inventory	570,202
Total current assets	189,025,510

Noncurrent assets:

Restricted cash and investments	36,427,615
Prepayment to Southern California Public Power Authority	977,070
Deposits	2,101,130

Capital assets:

Capital assets, not being depreciated	75,215,406
Capital assets, being depreciated, net	389,850,973
Total capital assets, net	465,066,379

Total noncurrent assets	504,572,194
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<b>Total assets</b>	<b>693,597,704</b>
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**DEFERRED OUTFLOWS OF RESOURCES**

Pension related items	14,399,006
Other postemployment benefits related items	1,170,494
Deferred charges on refunding	1,731,362
<b>Total deferred outflows of resources</b>	<b>17,300,862</b>

(Continued)



**City of Vernon**  
**Vernon Public Utilities**  
**Statement of Net Position (Continued)**  
**June 30, 2023**

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**LIABILITIES**

Current liabilities:

Accounts payable	15,397,491
Accrued wages and benefits	422,751
Accrued interest payable	7,064,261
Due to other City funds	3,045,195
Customer deposits payable	660,943
Compensated absences - due within one year	383,328
Bonds payable - due within one year	52,100,000
Note payable - due within one year	139,535
<b>Total current liabilities</b>	<b>79,213,504</b>

Noncurrent liabilities:

Compensated absences - due within one year	766,656
Bonds payable - due within one year	353,244,291
Note payable - due within one year	941,860
Net pension liability	36,362,766
Net other postemployment benefits liability	3,777,800
<b>Total noncurrent liabilities</b>	<b>395,093,373</b>
<b>Total liabilities</b>	<b>474,306,877</b>

**DEFERRED INFLOWS OF RESOURCES**

Pension related items	1,819,920
Other postemployment benefits related items	1,390,219
<b>Total deferred inflows of resources</b>	<b>3,210,139</b>

**NET POSITION**

Net investment in capital assets	191,510,736
Restricted for:	
Debt service	34,116,035
Assembly Bill 1890	2,933,017
Unrestricted	4,821,762
<b>Total net position</b>	<b>\$ 233,381,550</b>

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**City of Vernon**  
**Vernon Public Utilities**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2023**

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**OPERATING REVENUES:**

Charges for services	\$ 262,570,096
<b>Total operating revenues</b>	<u>262,570,096</u>

**OPERATING EXPENSES:**

Cost of sales	175,871,325
Depreciation expense	<u>24,226,844</u>
<b>Total operating expenses</b>	<u>200,098,169</u>

**OPERATING INCOME**

62,471,927

**NONOPERATING REVENUES (EXPENSES):**

Investment income	4,713,298
Net decrease in fair value of investments	(1,626)
Interest expense	(14,742,214)
Transfers out to the City of Vernon	(491,542)
Loss on disposal of assets	<u>(989,157)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>(11,511,241)</u>

**CHANGE IN NET POSITION**

50,960,686

**NET POSITION:**

Beginning of year	<u>182,420,864</u>
End of year	<u><u>\$ 233,381,550</u></u>

**City of Vernon**  
**Vernon Public Utilities**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2023**

---

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash receipts from customers and users	\$ 260,426,084
Cash paid to suppliers for goods and services	(159,102,747)
Cash paid to employees for services	(16,660,655)
<b>Net cash provided by operating activities</b>	<b>84,662,682</b>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES:**

Transfer to the City	(491,542)
Receipt from other funds	7,203,122
Payment to other funds	(6,930,255)
<b>Net cash (used in) noncapital financing activities</b>	<b>(218,675)</b>

**CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES:**

Acquisition of capital assets	(31,907,031)
Proceed from sale of capital assets	52,295
Principal paid on long-term debt	(50,499,535)
Interest paid on long-term debt	(20,056,214)
<b>Net cash (used in) capital and related financing activities</b>	<b>(102,410,485)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest received	4,424,394
<b>Net cash provided by investing activities</b>	<b>4,424,394</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(13,542,084)</b>

**CASH AND CASH EQUIVALENTS:**

Beginning of year	203,343,723
End of year	\$ 189,801,639

**CASH AND CASH EQUIVALENTS:**

Cash and investment	\$ 153,374,024
Restricted cash and investment	36,427,615
<b>Total cash and cash equivalents</b>	<b>\$ 189,801,639</b>

(Continued)

**City of Vernon**  
**Vernon Public Utilities**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended June 30, 2023**

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**OPERATING INCOME TO NET CASH PROVIDED BY  
OPERATING ACTIVITIES:**

Operating income	\$ 62,471,927
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	24,226,844
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(498,361)
(Increase) decrease in accrued unbilled revenue	(745,944)
(Increase) decrease in inventories and prepaid items	(61,298)
(Increase) decrease in customer deposits	(899,707)
(Increase) decrease in deferred outflows of resources related to pension	(9,060,209)
(Increase) decrease in deferred outflows of resources related to OPEB	(508,351)
Increase (decrease) in accounts payable	(2,075,018)
Increase (decrease) in accrued wages and benefits	16,147
Increase (decrease) in deposits payable	160,775
Increase (decrease) in compensated absences	(68,421)
Increase (decrease) in net pension liabilities	19,798,654
Increase (decrease) in OPEB liabilities	696,887
Increase (decrease) in deferred inflows of resources related to pension	(8,603,550)
Increase (decrease) in deferred inflows of resources related to OPEB	(187,693)
Total adjustment	22,190,755
<b>Net cash provided by operating activities</b>	<b>\$ 84,662,682</b>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**City of Vernon**  
**Vernon Public Utilities**  
**Index to the Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2023**

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**City of Vernon**  
**Vernon Public Utilities**  
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**For the Year Ended June 30, 2023**

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**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies**

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

For additional information regarding the City, refer to the City’s annual financial report.

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

**A. Financial Reporting Entity**

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

**B. Basis of Accounting and Measurement Focus**

The VPU’s financial statements accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

VPU distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Electric, Gas, Water, and Fiber Optics Enterprise funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**C. Pooled Cash**

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

**D. Cash, Cash Equivalents and Investments**

For purposes of the statement of cash flows, the VPU considers all highly liquid investments (including restricted cash and investments) with an original maturity of three months or less when purchased to be cash equivalents. Investment transactions are recorded on the settlement date. Investments in nonparticipating interest-earning investment contracts are reported at cost and all other investments are reported at fair value.

**E. Fair Value Measurement**

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosure about fair value measurement. Investments, unless otherwise specified at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

**F. Interfund Transactions**

Outstanding short-term borrowing between funds are reported as “due from/to other funds City funds”. Long-term interfund loans are classified as “advances to/from other City funds” on the statement of net position.

**G. Receivables**

Trade receivables are shown net of an allowance for uncollectible accounts. Allowances for uncollectible accounts were \$1,207,483 of June 30, 2023. Utility customers are billed monthly. The estimated value of services provided, but unbilled at year-end has been included in the accompanying statement of net position.

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***H. Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements by using purchase method.

The VPU made a prepayment to Southern California Public Power Authority (“SCPPA”) for the VPU’s share of SCPPA’s payoff of the Hoover Center and Air Slots debt. This prepaid amount is amortized over the life of the debt based on the annual debt service obligations. See Note 11 for further information regarding SCPPA.

***I. Capital Assets***

Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Donated capital assets are valued at their acquisition value. 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.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method.

<u>Assets</u>	<u>Years</u>
Utility Plant	3-50

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

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

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represents consumption of net assets that applies to future periods.

Deferred Inflows of Resources represents acquisition of net assets that applies to future periods.

***K. Compensated Absences***

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

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***L. Long-Term Debt***

Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs except for any portion related to prepaid insurance were recognized as expense in the period incurred. Premium or discount not considered as part of the reacquisition price was amortized over the life of the bond.

***M. Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

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

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

The following timeframes are reported OPEB reporting:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**N. Postemployment Benefits Other than Pensions (OPEB) (Continued)**

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the sources of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**O. Net Position**

The VPU financial statements utilize a net position presentation. Net position is classified as follows.

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of retention payable and debt that are attributable to the acquisition, construction, or improvement of those assets, and related deferred outflows and inflows of resources, net of unspent debt proceeds.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the VPU’s policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

**P. Use of Estimates**

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

**Note 2 – Cash and Cash Equivalents**

The VPU has the following cash and investments at June 30, 2023:

Cash and investments	\$ 153,374,024
Restricted cash and investments	36,427,615
<b>Total cash and investments</b>	<b>\$ 189,801,639</b>

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 2 – Cash and Cash Equivalents (Continued)**

The VPU’s cash and investments at June 30, 2023, in more detail:

Equity in pooled cash	\$ 28,046,792
Deposits with financial institutions	9,802,498
Investments	151,952,349
<b>Total cash and investments</b>	<b>\$ 189,801,639</b>

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

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

**B. Investments**

Under the provisions of the City’s investment policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed*	Maximum Investments in One Issuer	Minimum Rating
United States Treasury Bills, Bonds and Notes	5 Years	None	None	None
State and Local Agency Bonds	5 Years	None	None	None
United States Government Sponsored Agency Securities	5 Years	None	None	None
Certain Asset-Backed Securities	5 Years	20%	None	AA
Negotiable Certificates of Deposit	5 Years	30%	None	None
Banker's Acceptance Notes	180 days	40%	30%	None
Commercial Paper	270 days	25%	10% of the issuer outstanding paper	A
Repurchasement Agreement	1 year	None	None	None
Reverse Repurchase Agreement	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-Backed Pass-Through Securities	5 Years	20%	None	AA
State Administered Pool Investment	N/A	None	\$75 Million	None

N/A - Not Applicable

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

**C. Local Agency Investment Fund (“LAIF”)**

The VPU is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. As of June 30, 2023, the VPU had \$636,435 invested in LAIF. The fair value of the VPU’s portion in the pool is the same as the value of the pool shares and reported at amortized cost.



**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 2 – Cash and Cash Equivalents (Continued)**

**D. Fair Value Measurement**

At June 30, 2023, investments are reported at fair value. The following table presents the fair value measurements of investments on a recurring basis and the levels with GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2023:

Investment Type	Measurement Input			Total
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Uncategorized	
Local Agency Investment Fund	\$ -	\$ -	\$ 636,435	\$ 636,435
Money Market Funds	-	-	85,179,474	85,179,474
US Treasury bills	29,402,775	-	-	29,402,775
Negotiable Certificates of Deposit*	-	496,620	-	496,620
Investment with fiscal agent:				
Money Market Funds	-	-	36,237,045	36,237,045
<b>Total</b>	<b>\$ 29,402,775</b>	<b>\$ 496,620</b>	<b>\$ 85,815,909</b>	<b>\$ 151,952,349</b>

\* Priced based on significant observable inputs.

**E. Risk Disclosures**

*Interest Rate Risk* - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments to a maximum maturity of five years. At June 30, 2023, the VPU had the following investment maturities:

Investment Type	Remaining Maturity (In Months)			Total
	1 Year or Less	1 Year to 3 Years	3 Years to 5 Years	
Local Agency Investment Fund	\$ 636,435	\$ -	\$ -	\$ 636,435
Money Market Funds	85,179,474	-	-	85,179,474
US Treasury bills	29,402,775	-	-	29,402,775
Negotiable Certificates of Deposit	-	247,137	249,483	496,620
Investment with fiscal agent:				
Money Market Funds	36,237,045	-	-	36,237,045
<b>Total</b>	<b>\$ 151,455,729</b>	<b>\$ 247,137</b>	<b>\$ 249,483</b>	<b>\$ 151,952,349</b>

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 2 – Cash and Cash Equivalents (Continued)**

**E. Risk Disclosures (Continued)**

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 (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating, by Standard and Poor’s and Moody’s at June 30, 2023 for each investment type:

Investment Type	Fair Value at June 30, 2023	Minimum Legal Rating	AAA	Other	Not Required to be Rated
Local Agency Investment Fund	\$ 636,435	Not Rated	\$ -	\$ -	\$ 636,435
Money Market Funds	85,179,474	AAA	85,179,474	-	-
US Treasury bills	29,402,775	N/A	29,402,775	-	-
Negotiable Certificates of Deposit	496,620	N/A	-	496,620	-
Investment with fiscal agent:					
Money Market Funds	36,237,045		36,237,045	-	-
<b>Total</b>	<b>\$ 151,952,349</b>		<b>\$ 150,819,294</b>	<b>\$ 496,620</b>	<b>\$ 636,435</b>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer excluding a 10% limitation on commercial papers, mutual funds, and money market mutual funds and a 30% limitation on banker’ acceptances. The City’s investment policy 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.

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of a third 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 investment or collateral securities that are in the possession of the third party. At June 30, 2023, none of the City’s deposits or investments were exposed to custodial credit risk.

**Note 3 – Accounts Receivable**

The VPU’s accounts receivable at June 30, 2023 are as follows:

Accounts Receivable	\$ 15,968,182
Less: Allowance for Uncollectible Accounts	(1,207,483)
Total accounts Receivable, Net	<u>\$ 14,760,699</u>

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 4 – Interfund Transactions**

**A. Due From/To Other City Funds**

Due to other City funds of \$3,045,195 and due from other City funds of \$36 resulted from borrowing of cash for temporary purposes. All balances are expected to be reimbursed within the subsequent year.

**B. Transfers From/To Other City Funds**

For the year ended June 30, 2023, the VPU transferred \$491,542 to the City’s General Fund for the reimbursement of Enterprise Resource Planning implementation costs.

**Note 5 – Capital Assets**

A summary of changes in the capital assets for the VPU for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
<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	4,774,583	160,763	(884,702)	-	4,050,644
Electric utility - Construction in progress	45,453,774	1,287,047	(137,328)	(9,768)	46,593,725
Water utility - Construction in progress	6,914,299	5,933,375	-	(2,204,043)	10,643,631
Fiber Optic utility - Construction in progress	-	266,172	-	-	266,172
<b>Total capital assets, not being depreciated</b>	<b>70,803,890</b>	<b>7,647,357</b>	<b>(1,022,030)</b>	<b>(2,213,811)</b>	<b>75,215,406</b>
<b>Capital assets, being depreciated:</b>					
Electric utility - Production plant	212,362,988	458,731	-	-	212,821,719
Electric utility - Transmission plant	3,616,464	-	-	-	3,616,464
Electric utility - Distribution plant	257,051,650	22,548,011	-	9,768	279,609,429
Electric utility - General plant	9,754,409	305,165	(98,179)	-	9,961,395
Water utility plant	23,730,271	787,837	(14,782)	2,204,043	26,707,369
Gas utility plant	27,200,594	-	(14,803)	-	27,185,791
Fiber Optic utility plant	3,756,609	159,930	-	-	3,916,539
<b>Total capital assets, being depreciated</b>	<b>537,472,985</b>	<b>24,259,674</b>	<b>(127,764)</b>	<b>2,213,811</b>	<b>563,818,706</b>
<b>Less accumulated depreciation for:</b>					
Electric utility - Production plant	(19,391,536)	(14,276,852)	-	-	(33,668,388)
Electric utility - Transmission plant	(2,443,189)	(77,553)	-	-	(2,520,742)
Electric utility - Distribution plant	(92,171,698)	(7,999,264)	-	-	(100,170,962)
Electric utility - General plant	(6,483,727)	(381,141)	78,757	-	(6,786,111)
Water utility plant	(14,844,199)	(575,512)	14,782	-	(15,404,929)
Gas utility plant	(11,821,433)	(706,361)	14,803	-	(12,512,991)
Fiber Optic utility plant	(2,693,449)	(210,161)	-	-	(2,903,610)
<b>Total accumulated depreciation</b>	<b>(149,849,231)</b>	<b>(24,226,844)</b>	<b>108,342</b>	<b>-</b>	<b>(173,967,733)</b>
<b>Total capital assets, being depreciated, net</b>	<b>387,623,754</b>	<b>32,830</b>	<b>(19,422)</b>	<b>2,213,811</b>	<b>389,850,973</b>
<b>Total Capital assets, net</b>	<b>\$ 458,427,644</b>	<b>\$ 7,680,187</b>	<b>\$ (1,041,452)</b>	<b>\$ -</b>	<b>\$ 465,066,379</b>

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 5 – Capital Assets (Continued)**

The VPU’s total depreciation expense for the year was \$24,226,844, broken down as follows:

Electric Fund	\$ 22,734,810
Gas Fund	706,361
Water Fund	575,512
Fiber Optics Fund	210,161
<b>Total depreciation expense</b>	<b>\$ 24,226,844</b>

**Note 6 – Long-Term Debt**

The following is a summary of changes in VPU’s long-term liabilities for the year ended June 30, 2023:

At June 30, 2023, the outstanding debt obligations were as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in More Than One Year
<b>Business-Type activities</b>						
<u>Public Borrowings:</u>						
<u>Revenue Bonds:</u>						
2008 Taxable Revenue Bonds - Series A - Electric	\$ 37,895,000	-	\$ (1,025,000)	\$ 36,870,000	\$ 1,120,000	\$ 35,750,000
2012 Taxable Revenue Bonds - Series B - Electric	11,505,000	-	(6,165,000)	5,340,000	1,170,000	4,170,000
2015 Taxable Revenue Bonds - Series A - Electric	111,720,000	-	(22,540,000)	89,180,000	23,520,000	65,660,000
2020 Taxable Revenue Bonds - Series A - Electric	19,305,000	-	-	19,305,000	-	19,305,000
2021 Taxable Revenue Bonds - Series A - Electric	173,815,000	-	(20,380,000)	153,435,000	21,335,000	132,100,000
2022 Taxable Revenue Bonds - Series A - Electric	52,070,000	-	-	52,070,000	4,690,000	47,380,000
2020 Taxable Revenue Bonds - Series A - Water	14,600,000	-	(250,000)	14,350,000	265,000	14,085,000
Total Revenue Bonds	420,910,000	-	(50,360,000)	370,550,000	52,100,000	318,450,000
<u>Unamortized Premiums/(Discounts):</u>						
2008 Taxable Revenue Bonds - Series A - Electric	(2,093)	-	131	(1,962)	-	(1,962)
2012 Taxable Revenue Bonds - Series B - Electric	(69,987)	-	16,797	(53,190)	-	(53,190)
2015 Taxable Revenue Bonds - Series A - Electric	(1,096,863)	-	355,739	(741,124)	-	(741,124)
2020 Taxable Revenue Bonds - Series A - Electric	6,615,877	-	(438,622)	6,177,255	-	6,177,255
2021 Taxable Revenue Bonds - Series A - Electric	25,999,586	-	(6,550,066)	19,449,520	-	19,449,520
2022 Taxable Revenue Bonds - Series A - Electric	10,179,957	-	(732,918)	9,447,039	-	9,447,039
2020 Taxable Revenue Bonds - Series A - Water	535,833	-	(19,080)	516,753	-	516,753
Total Unamortized Premiums/(Discounts)	42,162,310	-	(7,368,019)	34,794,291	-	34,794,291
Total Public Offering	463,072,310	-	(57,728,019)	405,344,291	52,100,000	353,244,291
<u>Direct Borrowing:</u>						
Water Replenishment District Note Payable	1,220,930	-	(139,535)	1,081,395	139,535	941,860
Total Direct Borrowing	1,220,930	-	(139,535)	1,081,395	139,535	941,860
Compensated absences	1,218,405	904,156	(972,577)	1,149,984	383,328	766,656
<b>Total business-Type activities</b>	<b>\$ 465,511,645</b>	<b>\$ 904,156</b>	<b>\$ (58,840,131)</b>	<b>\$ 407,575,670</b>	<b>\$ 52,622,863</b>	<b>\$ 354,952,807</b>

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

The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. 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. The total unpaid balance as of June 30, 2023, was \$36,870,000.

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 6 – Long-Term Debt (Continued)**

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

The future annual debt service requirements for the Taxable Revenue Bonds, Series 2008A-T are as followed:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,120,000	\$ 3,119,029	\$ 4,239,029
2025	1,220,000	3,018,526	4,238,526
2026	1,330,000	2,909,004	4,239,004
2027	1,450,000	2,789,603	4,239,603
2028	1,580,000	2,659,464	4,239,464
2029-2033	10,290,000	10,899,422	21,189,422
2034-2038	15,815,000	5,374,978	21,189,978
2039	4,065,000	174,592	4,239,592
Total	<u>\$ 36,870,000</u>	<u>\$ 30,944,618</u>	<u>\$ 67,814,618</u>

*\$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 fiscal year ended 2022, a portion of the Electric System Revenue Bonds were refunded with the issuance of the Electric System Revenue Bonds 2022 Series A. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. 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. The total unpaid balance as of June 30, 2023, was \$5,340,000.

The future annual debt service requirements for the Taxable Revenue Bonds, Series 2012B-T are as followed:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,170,000	\$ 302,613	\$ 1,472,613
2025	1,305,000	225,269	1,530,269
2026	1,390,000	140,181	1,530,181
2027	1,475,000	47,938	1,522,938
Total	<u>\$ 5,340,000</u>	<u>\$ 716,001</u>	<u>\$ 6,056,001</u>

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 6 – Long-Term Debt (Continued)**

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

The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. 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. The total unpaid balance as of June 30, 2023, was \$89,180,000.

The future annual debt service requirements for the Taxable Revenue Bonds, Series 2015A-T are as followed:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 23,520,000	\$ 3,596,938	\$ 27,116,938
2025	24,585,000	2,530,618	27,115,618
2026	25,780,000	1,341,193	27,121,193
2027	15,295,000	370,904	15,665,904
	<u>\$ 89,180,000</u>	<u>\$ 7,839,653</u>	<u>\$ 97,019,653</u>

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

The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. 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. The total unpaid balance as of June 30, 2023, was \$19,305,000.

The future annual debt service requirements for the Taxable Revenue Bonds, Series 2020A-T are as followed:

Year Ending June 30,	Principal	Interest	Total
2024	\$ -	\$ 965,250	\$ 965,250
2025	-	965,250	965,250
2026	-	965,250	965,250
2027	-	965,250	965,250
2028	-	965,250	965,250
2029-2033	8,450,000	3,812,250	12,262,250
2034-2038	10,855,000	1,411,125	12,266,125
Total	<u>\$ 19,305,000</u>	<u>\$ 10,049,625</u>	<u>\$ 29,354,625</u>

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 6 – Long-Term Debt (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. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The total unpaid balance as of June 30, 2023, was \$153,435,000.

The future annual debt service requirements for the Taxable Revenue Bonds, Series 2021A-T are as followed:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 21,335,000	\$ 7,405,125	\$ 28,740,125
2025	22,400,000	6,325,000	28,725,000
2026	23,530,000	5,190,875	28,720,875
2027	31,255,000	3,917,875	35,172,875
2028	54,915,000	2,059,375	56,974,375
Total	<u>\$153,435,000</u>	<u>\$ 24,898,250</u>	<u>\$178,333,250</u>

*\$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.

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, 2022 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.

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. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The total unpaid balance as of June 30, 2023, was \$52,070,000.

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 6 – Long-Term Debt (Continued)**

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

The future annual debt service requirements for the Taxable Revenue Bonds, Series 2022A-T are as followed:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 4,690,000	\$ 2,486,250	\$ 7,176,250
2025	4,885,000	2,246,875	7,131,875
2026	5,130,000	1,996,500	7,126,500
2027	5,405,000	1,733,125	7,138,125
2028	950,000	1,574,250	2,524,250
2029-2033	5,540,000	7,087,250	12,627,250
2034-2038	7,110,000	5,513,750	12,623,750
2039-2042	18,360,000	2,157,750	20,517,750
Total	<u>\$ 52,070,000</u>	<u>\$ 24,795,750</u>	<u>\$ 76,865,750</u>

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

The bonds are special obligation bonds which are secured by an irrevocable pledge of water revenues payable to bondholders. Under the Indenture of Trust dated May 6, 2020, interest and principal on the bonds are payable from Net Revenues (or Revenues less Operation and Maintenance Expenses) and/or amounts in the Water Enterprise (as those terms are defined in the Indenture of Trust). The total unpaid balance as of June 30, 2023, was \$14,350,000.

The future annual debt service requirements for the Taxable Revenue Bonds, Series 2020A-T are as followed:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 265,000	\$ 562,850	\$ 827,850
2025	275,000	549,350	824,350
2026	-	542,475	542,475
2027	-	542,475	542,475
2028	-	542,475	542,475
2029-2033	1,985,000	2,464,250	4,449,250
2034-2038	2,180,000	1,943,625	4,123,625
2039-2043	2,680,000	1,445,000	4,125,000
2044-2048	3,180,000	940,625	4,120,625
2049-2051	3,785,000	331,188	4,116,188
Total	<u>\$ 14,350,000</u>	<u>\$ 9,864,313</u>	<u>\$ 24,214,313</u>



**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 6 – Long-Term Debt (Continued)**

*Water Replenishment District 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. The total unpaid balance as of June 30, 2023, was \$1,081,395.

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.

The future annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 139,535	\$ -	\$ 139,535
2025	139,535	-	139,535
2026	139,535	-	139,535
2027	139,535	-	139,535
2028	139,535	-	139,535
2029-2031	383,720	-	383,720
Total	\$ 1,081,395	\$ -	\$ 1,081,395

*Compensated Absences*

The balance outstanding at June 30, 2023, was \$1,149,984. Refer to note 7 for more information of these liabilities.

**Expense Stabilization Fund**

The VPU maintains an Expense Stabilization Fund held by a Trustee in such amounts, at such times and from sources as shall be determined by the City in its sole discretion. If an Event of Default under the Indenture has occurred and is continuing, the Trustee shall transfer all moneys in this fund to the debt service interest account and principal account as provided in the Indenture.

Moneys on deposit in this Fund may be withdrawn by the City at any time that no Event of Default exists under the Indenture. As at June 30, 2023, this fund has a balance of \$40,161,516.

**Right to Accelerate Upon Default**

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

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 6 – Long-Term Debt (Continued)**

**Credit Ratings**

As of June 30, 2023, the ratings on all Electric System Revenue Bonds is Baa1 stable Moody’s and BBB+ stable by S&P and the ratings on all Water System Revenue Bonds is A- by S&P.

**Note 7 – Compensated Absences**

Under certain circumstances and accordingly to the negotiated labor agreements, VPU employees are allowed to accumulate annual leave.

The following is a summary of compensated absences payable transactions for the year ended June 30 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in More Than One Year
Compensated absences	\$ 1,218,405	\$ 904,156	\$ (972,577)	\$ 1,149,984	\$ 383,328	\$ 766,656

**Note 8 – Risk Management**

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

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

Starting in fiscal year 2010, the City chose to establish risk financing in the City’s General Fund, whereby assets are set aside for claim-litigation settlements associated with the abovementioned risks up to their self-insured retentions or policy deductibles. Athens Administrators Inc. is the third-party administrator for the City’s workers’ compensation program and they provide basic services for general liability claims and litigation.

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 8 – Risk Management (Continued)**

The insurance limits for the fiscal year 2023 are as follows:

Insurance Type	Program Limits	Deductible/SIR (Self-Insured Retention)
1st Excess Liability	\$5,000,000	\$2 Million \$3 Million Law Enforcement
2nd Excess Liability	\$5,000,000	\$5,000,000
3rd Excess Liability	\$5,000,000	\$10,000,000
4th Excess Liability	\$5,000,000	\$15,000,000
Excess Workers Compensation	\$50,000,000	\$1,000,000
Property - Power Generating	\$100,000,000	\$1.5 Million Presumptive Loss Various
Property - Residential	\$7,950,653	\$2,500
Property - Municipal	\$59,614,930	\$25,000
Commercial Propert/EQ and FL	\$50,000,000	-
Government Crime	\$1,000,000	\$25,000
Premise Pollution/Environmental Impairment	\$5,000,000 \$5,000,000 per Claim	\$25,000 \$50,000 Utility Locs.
Cyber Liability	\$5,000,000	\$100,000 Natural Gas Pipeline \$100,000
Auto Physical Damage	\$10,000,000	\$5,000
Residential Property Insurance	\$7,950,653	\$2,500
Terrorism	\$100 Million Property Terrorism \$5 Million Terrorism Liability \$5 Million Active Shooter	\$0
Special Events	\$2,000,000	\$1,000,000 Each Occurrence

**Note 9 – Pension Plan**

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

Plan Descriptions

The City contribution to the California Public Employees Retirement System (“CalPERS”), an agent multiple-employer defined benefit pension plan for miscellaneous employees and a cost-sharing multiple-employer defined benefit plan for safety employees. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2021 Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 9 – Pension Plan (Continued)**

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

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions under both plans are established by State Statute and City Resolution as follows:

	<b>Miscellaneous</b>	
	<b>Classic</b>	<b>PEPRA</b>
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 yrs	52 yrs
Monthly benefits, as a % of eligible compensation	2.0%-2.7%, 50 yrs -55 yrs, respectively	1.0%-2.0%, 52 yrs -62 yrs, respectively
Required employee contribution rate (FY22-23)	8.00%	6.25%
Required employer contribution rate (FY22-23)	11.50%	11.50%
Required employer contribution rate (FY21-22)	11.38%	11.38%
	<b>Safety</b>	
	<b>Classic</b>	<b>PEPRA</b>
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 yrs	50 yrs
Monthly benefits, as a % of eligible compensation	3%, 50 yrs	2.0% - 2.7% 50 yrs - 57 yrs repectively
Required employee contribution rate (FY22-23)	9.00%	13.75%
Required employer contribution rate (FY22-23)	23.39%	20.70%
Required employer contribution rate (FY21-22)	22.78%	22.78%

Benefits Provided

Participants are eligible for non-industrial disability retirement if they become disabled and have at least 5 years credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service years.

Industrial disability benefits are not offered to miscellaneous employees. The City provides industrial disability retirement benefits to safety employees only. The industrial disability retirement benefit is a monthly allowance equal to 50 percent of final compensation.

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 9 – Pension Plan (Continued)**

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

Benefits Provided (Continued)

An employee's beneficiary may receive the basic death benefit if the employee becomes deceased while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis up to 2 percent.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute to the difference between the actuarially determined rate and the contribution rate of employees. For the year ended Jun 30, 2023, the VPU's share of employer contributions made to the plans was \$3,716,823.

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

Assumptions

The net pension liability of each of the Plans is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection. Allowance floor on purchasing power applies, 2.30% thereafter

<sup>(1)</sup>The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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 November 2021 that can be found on the CalPERS website.

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 9 – Pension Plan (Continued)**

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

Asset Class <sup>1</sup>	Assumed Asset Allocation	Real Return <sup>1,2</sup>
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.80%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100%	

<sup>1</sup> An expected inflation of 2.30% used for this period.

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.90%. 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 the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 9 – Pension Plan (Continued)**

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

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

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

The VPU’s proportionate share of the aggregate net pension liability for the pension plans as of the measurement date ended June 30, 2021 and 2022 were as follows:

	Increase (Decrease)			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)	Proportionate Share
Balance at 6/30/21 (Valuation Date)	\$ 120,548,668	\$ 103,984,555	\$ 16,564,113	18.82%
Balance at 6/30/22 (Measurement Date)	118,447,456	82,084,690	36,362,766	23.05%
Net Changes during 2021-2022	(2,101,212)	(21,899,865)	19,798,653	4.23%

*Pension Expense and Deferred Outflows and Inflows of Resources*

For the measurement period ended June 30, 2022, the VPU recognized its proportionate share of the aggregate pension expense of the plans which totaled \$975,584. At June 30, 2023, the VPU reported its proportionate share of the aggregate deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after measurement period	\$ 3,717,613	\$ -
Changes of assumptions	3,332,750	(253,180)
Difference between expected and actual experience	1,112,127	-
Net difference between projected and actual earning on pension plan investments	5,542,226	-
Adjustment due to differences in proportions	694,290	-
Difference between City contributions and proportionate share of contribution	-	(1,566,740)
Total	\$ 14,399,006	\$ (1,819,920)

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 9 – Pension Plan (Continued)**

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

*Pension Expense and Deferred Outflows and Inflows of Resources (Continued)*

\$3,717,613 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2024. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period	
Ending June 30	Total
2023	\$ 2,660,594
2024	1,993,223
2025	877,654
2026	3,330,002
Total	<u>\$ 8,861,473</u>

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

The following presents the VPU’s proportionate share of the Plans’ combined net pension liability, calculated using a discount rate of 6.90%, as well as what the VPU’s proportionate share of the Plans’ combined net pension liability would be if it were calculated using a discount rate that is a 1-percentage point lower (5.90%) or a 1-percentage point higher (7.90%) than the current rate:

	VPU's Net Pension Liability/(Asset)		
	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous Plan	<u>\$ 19,895,594</u>	<u>\$ 13,048,026</u>	<u>\$ 7,456,988</u>
Safety Plan	<u>\$ 33,107,760</u>	<u>\$ 23,314,740</u>	<u>\$ 15,311,158</u>

*Pension Plan Fiduciary Net Position*

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

*Payable to the Pension Plan*

At June 30, 2023, the VPU had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2023.



**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 10 – Other Postemployment Benefits (“OPEB”)**

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

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

Benefits Provided

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 service have been with the City of Vernon. Resolution 2011-127 sets forth the MOU 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 MOU and the Vernon Police Officers’ Benefit Association MOU. 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.

Contributions

The City has established an irrevocable OPEB trust with assets dedicated to paying future retiree medical benefits. The City intends to contribute 100% or more of the actuarially determined contribution for the explicit subsidy liability only. The portion of the liability due to the implicit subsidy is not prefunded but is paid as benefits come due.

For the fiscal year ended June 30, 2023, the VPU’s proportionate share of contribution made to the trust was \$354,744, and \$362,434 for retiree premiums, resulting in a total contribution of \$717,178.

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 10 – Other Postemployment Benefits (“OPEB”) (Continued)**

***B. Net OPEB Liabilities, OPEB Expenses, and Deferred Outflows/Inflows of resources related to OPEB***

The OPEB liability was measured as of June 30, 2022, and total liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

*Significant Actuarial Assumptions Used for Total OPEB Liability*

The total OPEB liability, measured as of June 30, 2022, was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Asset Valuation Method	Market value of assets
Inflation	2.30%
Salary Increases	2.80% wage inflation plus seniority, merit, and promotion salary increases based on CalPERS Expenditure Study and Review of Actuarial Assumptions published in November 2021
Long Term return on Assets	6.00%
Discount Rate	6.00%
Mortality Improvement	CalPERS 2021 Experience Study; Project with MP Scale
Healthcare Trend	Based on 2022 Getzen model with in inflation rate of 7.00% non-Medicare / 5.50% Medicare decreasing gradually to an ultimate rate of 3.73% by 2075

*Change in assumptions*

Discount rate changed from 6.25% at June 30, 2021 to 6.00% at June 30, 2022. Healthcare trend rate assumption and mortality improvement scale were updated.

*Discount Rate*

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Long-Term Expected Rate of Return*

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	49.00%	4.50%
Fixed Income	23.00%	1.40%
Global Real Estate (REITs)	20.00%	3.70%
Treasury Inflation Protected Securities (TIPS)	5.00%	0.50%
Commodities	3.00%	1.10%
Total	100.00%	

\* Preliminary estimate, pending confirmation by CalPERS

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

**Note 10 – Other Postemployment Benefits (“OPEB”) (Continued)**

***B. Net OPEB Liabilities, OPEB Expenses, and Deferred Outflows/Inflows of resources related to OPEB (Continued)***

The VPU’s proportionate share of the net OPEB liability as of the measurement dates ended June 30, 2021 and 2022 was as follows:

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability/(Asset) (c) = (a) - (b)</b>	<b>Proportionate Share</b>
Balance at June 30, 2021	\$ 5,153,673	\$ 2,072,760	\$ 3,080,913	18.82%
Balance at June 30, 2022 (Measurement Date)	6,299,907	2,522,106	3,777,801	23.05%
Net changes during 2021-22	\$ 1,146,234	\$ 449,346	\$ 696,888	4.23%

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

The following presents the VPU’s proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1% point lower (5.00%) or 1% point higher (7.00%) than the current rate:

<b>Plan's Net OPEB Liability</b>		
<b>Discount Rate -1% (5.00%)</b>	<b>Current Discount Rate (6.00%)</b>	<b>Discount Rate +1 % (7.00%)</b>
\$ 4,493,670	\$ 3,777,800	\$ 3,177,646

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

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

<b>Plan's Net OPEB Liability</b>		
<b>Healthcare Cost Trend Rate - 1%</b>	<b>Healthcare Cost Trend Rate</b>	<b>Healthcare Cost Trend Rate + 1%</b>
\$ 3,503,535	\$ 3,777,800	\$ 4,043,154

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

For the year ended June 30, 2023, the VPU recognized its proportionate share of the OPEB credit of \$(161,730). At June 30, 2023, the VPU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contribution made after measurement period	\$ 717,178	\$ -
Changes in assumptions	190,784	(592,146)
Difference between expected and actual experience	24,230	(798,073)
Net difference between projected and actual earning on OPEB plan investments	238,302	-
Total	\$ 1,170,494	\$ (1,390,219)

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 10 –Other Postemployment Benefits (“OPEB”)**

***B. Net OPEB Liability, OPEB Expenses, and Deferred Outflows/Inflows of resources related to OPEB (Continued)***

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

The \$717,178 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, 2024. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Measurement Period	Deferred
Ending June 30	Outflows/(Inflows)
	of Resources
2023	\$ (450,496)
2024	(447,316)
2025	(54,953)
2026	72,699
2027	(38,486)
Thereafter	(18,351)
Total	<u>\$ (936,903)</u>

*Payable to the OPEB Plan*

At June 30, 2023, the VPU had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

**Note 11 – Southern California Public Power Authority**

The Southern California Public Power Authority (“SCPPA”) was formed in 1980 as a not for profit joint powers agency. SCPPA is currently comprised of 11 Southern California cities and an irrigation district. The SCPPA’s purpose is 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 1160 Nicole Ct Glendora, CA 91740.

***A. Take or Pay Contract***

The SCPPA’s interest of 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 SCPPA, is responsible for financing its share of construction and operating costs. The City has the following “take or pay” contract with the SCPPA:

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 11 – Southern California Public Power Authority (Continued)**

**A. Take or Pay Contract (Continued)**

*Palo Verde Project*

The SCPPA purchases a 5.91% interest in the Palo Verde Nuclear Generating Station (the “Station”), a nuclear-fired generating station near Phoenix, Arizona, from 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 SCPPA’s interest in the station.

Between 1983 and 2008, the SCPPA issued \$3.266 billion in debt of Power Project Revenue Bonds for the Station to finance the bonds and the purchase of the SCPPA’s share of the Station and related transmission right. The bonds are not obligations of any member of the SCPPA or public agency other than the SCPPA. Under a power sales contract with the SCPPA, the City is obliged 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 2023 was \$3,730,000. The City expects no significant increases in costs related to its nuclear resources.

**B. Power Purchase Commitments**

The SCPPA 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 of energy. The City has entered into power purchase agreements with the SCPPA related to the following projects:

*Astoria 2 Solar Project*

On July 23, 2014, the SCPPA 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 SCPPA, 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 for fiscal year 2023 was \$10,114,000.

*Puente Hills Landfill Gas-to-Energy Project*

On June 25, 2014, the SCPPA 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 SCPPA on January 1, 2017 for a term of 10 years. The City contacted to purchase 23.2558% of the output. The City’s proportional share of the costs during fiscal year 2023 was \$6,616,000.

**City of Vernon**  
**Vernon Public Utilities**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

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**Note 11 – Southern California Public Power Authority (Continued)**

***B. Power Purchase Commitments (Continued)***

*Antelope DSR 1 Solar Project*

On July 16, 2015, the SCPPA, 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's proportionate share of costs during fiscal year 2023 was \$6,124,000.

*Hoover Dam Hydroelectric Power Plant*

The Hoover Dam Hydroelectric Power Plant is located on the Arizona-Nevada border, approximately 25 miles southeast of Las Vegas. This hydropower plant is part of the larger Hoover Dam facility, which was completed in 1935 and controls the flow of the Colorado River. The Hoover Dam facility consists of 17 generating units and two service generating units with a total installed capacity of 2,080 MW. In 1987, Vernon entered a power purchase agreement to purchase 22 MW of firm capacity from the Western Area Power Administration. SCPPA and other contractor allocations of Hoover power have been extended for 50 years beyond the power purchase agreement's original expiration in 2017, which now expires in 2067. The City's proportionate share of costs during fiscal year 2023 was \$574,973.

*Desert Harvest 2 REC Solar PV Project*

On December 17, 2020, SCPPA executed a power purchase agreement with EDF Renewables for 70 MW of solar PV capacity from the Desert Harvest 2 Solar PV project. The project is a fixed-tilt PV system that interconnects at the Marketplace substation and is located on 1,200 acres of Bureau of Land Management land in Desert Center, California. The REC + Index agreement serves the cities of Anaheim, Burbank, and Vernon. VPU is entitled to 17.14 percent of the Project's output or about 12 MW. This power purchase agreement, which expires at the end of 2045, only provides renewable energy credits (RECs). The City's proportionate share of costs during fiscal year 2023 was \$627,755.

*Daggett Solar PV and BESS Project*

The Daggett Solar plus BESS project is a single-axis tracker 65 MW solar with a 33 MW 4-hour Lithium-Ion BESS. The commercial operation date was December 12, 2023. The project, located in the City of Daggett in San Bernardino County, is a portion of an approximately 482 MW solar PV facility. The project is being developed by Clearway Energy Group and is owned by Daggett Solar Power 2 LLC.

On June 24, 2022, SCPPA executed a PPA for 65 MW for the cities of Vernon and Cerritos. The PPA entitles VPU to 60 MW of solar PV output and 30 MW of energy storage. The power purchase agreement expires on December 31, 2044.

*Sapphire Solar Project*

On January 17, 2023, the SCPPA, entered into a power purchase agreement with EDF Renewables North America for 39 MW solar power and up to approximately 19.7 MW of battery storage with associated green attributes through the Sapphire Solar Project for a projected annual amount of \$6,665,000 over a 20-year term. The expected start date of the project is December 31, 2025.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**City of Vernon**  
**Vernon Public Utilities**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2023**

**Last Ten Fiscal Years<sup>1</sup>**

**California Public Employees' Retirement System Defined Pension Plan**

Fiscal year	2017	2018	2019	2020	2021
Measurement period	2015-16	2016-17	2017-18	2018-19	2019-20
VPU's proportion of the net pension liability	15.41%	15.55%	14.86%	15.47%	16.99%
VPU's proportionate share of the net pension liability	\$ 14,675,830	\$ 17,052,279	\$ 16,866,107	\$ 18,692,374	\$ 22,982,998
Covered payroll <sup>2</sup>	\$ 2,026,477	\$ 4,210,103	\$ 4,577,147	\$ 4,418,536	\$ 4,203,972
VPU's proportionate share of the net pension liability as a percentage of covered payroll	724.20%	405.03%	368.49%	423.04%	546.70%
VPU Fiduciary Net Position as a percentage of the total pension liability	78.91%	77.85%	77.68%	76.15%	74.79%

1 Fiscal year ended June 30, 2017 was the first fiscal year the City allocated a portion of the net pension liability to the VPU. Additional years of information will be displayed as it becomes available.

2 Includes one year's payroll growth using 2.80 percent payroll growth assumption for fiscal years ended June 30, 2022; 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-21; 3.00 percent payroll growth assumption for fiscal years ended June 30, 2015-17.

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were derived from the June 30, 2020 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll
Asset valuation method	Fair Market Value
Inflation	2.500%
Salary increases	varies by entry age and service
Payroll Growth	2.750%
Investment rate of return	7% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	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 include 15 years of projected mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.



**City of Vernon**  
**Vernon Public Utilities**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Proportionate Share of the Net Pension Liability and Related Ratios (Continued)**  
**For the Year Ended June 30, 2023**

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Last Ten Fiscal Years<sup>1</sup>

**California Public Employees' Retirement System Defined Pension Plan (Continued)**

	2022	2023
Fiscal year	2020-21	2021-22
Measurement period		
VPU's proportion of the net pension liability	18.82%	23.05%
VPU's proportionate share of the net pension liability	\$ 16,563,816	\$ 36,362,766
Covered payroll <sup>2</sup>	\$ 3,902,610	\$ 4,967,127
VPU's proportionate share of the net pension liability as a percentage of covered payroll	424.43%	732.07%
VPU Fiduciary Net Position as a percentage of the total pension liability	85.45%	69.30%

**City of Vernon  
Vernon Public Utilities  
Required Supplementary Information (Unaudited)  
Schedule of Contributions - Pensions  
For the Year Ended June 30, 2023**

**Last Ten Fiscal Years<sup>1</sup>**

**California Public Employees' Retirement System Defined Pension Plan**

Fiscal year	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 1,403,235	\$ 1,475,490	\$ 1,622,690	\$ 1,908,522	\$ 2,145,491
Contributions in relation to the actuarially determined contribution	(1,403,235)	(1,475,490)	(1,622,690)	(1,908,522)	(2,145,491)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll <sup>2</sup>	\$ 4,210,103	\$ 4,577,147	\$ 4,418,536	\$ 4,203,972	\$ 3,902,610
Contributions as a percentage of covered payroll	33.33%	32.24%	36.72%	45.40%	54.98%

1 Fiscal year ended June 30, 2017 was the first year the City allocated a portion of the net position to the VPU. Additional years will be displayed as it becomes available.

2 Includes one year's payroll growth using 2.80 percent payroll growth assumption for fiscal years ended June 30, 2022; 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-21; 3.00 percent payroll growth assumption for fiscal years ended June 30, 2015-17.

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were derived from the June 30, 2020 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll
Asset valuation method	Fair Market Value
Inflation	2.500%
Salary increases	varies by entry age and service
Payroll Growth	2.750%
Investment rate of return	7% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	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 include 15 years of projected mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

**City of Vernon**  
**Vernon Public Utilities**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions - Pensions (Continued)**  
**For the Year Ended June 30, 2023**

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Last Ten Fiscal Years<sup>1</sup>

**California Public Employees' Retirement System Defined Pension Plan (Continued)**

Fiscal year	2022	2023
Actuarially determined contribution	\$ 2,674,893	\$ 3,717,613
Contributions in relation to the actuarially determined contribution	(2,674,893)	(3,717,613)
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll <sup>2</sup>	\$ 4,967,127	\$ 5,106,207
Contributions as a percentage of covered payroll	53.85%	72.81%

**City of Vernon**  
**Vernon Public Utilities**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Proportionate Share of the Net Other Postemployment**  
**Benefits Liability and Related Ratios**  
**For the Year Ended June 30, 2023**

Last Ten Fiscal Years<sup>1</sup>

**Other Postemployment Benefits ("OPEB") Plan**

Fiscal year	2018	2019	2020	2021	2022
Measurement period	2016-17 <sup>1</sup>	2017-18	2018-19	2019-20	2020-21
VPU's proportion of the net OPEB liability	15.55%	14.86%	15.47%	16.99%	18.82%
VPU's proportionate share of the net OPEB liability	\$ 3,887,475	\$ 3,432,725	\$ 3,391,408	\$ 3,433,306	\$ 3,080,913
Covered - employee payroll	\$ 3,588,945	\$ 3,587,387	\$ 5,228,211	\$ 4,944,915	\$ 5,385,241
VPU's proportionate share of the net OPEB liability as a percentage of covered - employee payroll	108.32%	95.69%	64.87%	69.43%	57.21%
VPU's fiduciary net position as a percentage of the total OPEB liability	2.83%	8.62%	16.30%	25.70%	40.20%

<sup>1</sup> Historical information is presented only for measurement periods after GASB 75 was implemented in fiscal year of 2017-18 (measurement period of 2016-17). Additional years of information will be displayed as it becomes available.

**City of Vernon**  
**Vernon Public Utilities**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Proportionate Share of the Net Other Postemployment**  
**Benefits Liability and Related Ratios (Continued)**  
**For the Year Ended June 30, 2023**

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Last Ten Fiscal Years<sup>1</sup>

**Other Postemployment Benefits ("OPEB") Plan (Continued)**

Fiscal year	2023
Measurement period	2021-22
VPU's proportion of the net OPEB liability	23.05%
VPU's proportionate share of the net OPEB liability	\$ 3,777,800
Covered - employee payroll	\$ 5,850,485
VPU's proportionate share of the net OPEB liability as a percentage of covered - employee payroll	64.57%
VPU's fiduciary net position as a percentage of the total OPEB liability	40.03%

**City of Vernon**  
**Vernon Public Utilities**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions - Other Postemployment Benefits**  
**For the Year Ended June 30, 2023**

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**Last Ten Fiscal Years<sup>1</sup>**

**Other Postemployment Benefits ("OPEB") Plan**

Fiscal year	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 288,398	\$ 400,166	\$ 298,886	\$ 261,372	\$ 289,525
Contributions in relation to the actuarially determined contribution	(221,199)	(444,230)	(605,820)	(531,940)	(551,938)
Contribution deficiency (excess)	<u>\$ 67,199</u>	<u>\$ (44,064)</u>	<u>\$ (306,934)</u>	<u>\$ (270,568)</u>	<u>\$ (262,413)</u>
Covered-employee payroll	\$ 3,587,387	\$ 5,228,211	\$ 4,944,915	\$ 5,385,241	\$ 5,850,485
Contributions as a percentage of covered-employee payroll	6.17%	8.50%	12.25%	9.88%	9.43%

<sup>1</sup> Historical information is presented only for measurement periods after GASB 75 was implemented in fiscal year of 2017-18 (measurement period of 2016-17). Additional years of information will be displayed as it becomes available.

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were derived from the June 30, 2020 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll
Asset valuation method	Market valuation of assets
Discount Rate	6.25%
Payroll Growth	3.00%
General Inflation Rate	2.5% per year
Health Trend	5.6 in FY2023, step down 0.5% per year to 3.9% by 2076

**City of Vernon**  
**Vernon Public Utilities**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions - Other Postemployment Benefits (Continued)**  
**For the Year Ended June 30, 2023**

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Last Ten Fiscal Years<sup>1</sup>

**Other Postemployment Benefits ("OPEB") Plan (Continued)**

Fiscal year	2023
Actuarially determined contribution	\$ 323,302
Contributions in relation to the actuarially determined contribution	(717,178)
Contribution deficiency (excess)	\$ (393,876)
Covered-employee payroll	\$ 5,644,571
Contributions as a percentage of covered-employee payroll	12.71%

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**SUPPLEMENTARY INFORMATION**

**City of Vernon**  
**Vernon Public Utilities**  
**Combining Statement of Net Position**  
**June 30, 2023**

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Eliminating Entry	Total
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and investments	\$ 117,511,564	\$ 16,776,807	\$ 17,994,763	\$ 1,090,890	\$ -	\$ 153,374,024
Accounts receivable, net	13,592,491	191,638	943,517	33,053	-	14,760,699
Interest receivable	367,547	-	8,928	-	-	376,475
Accrued unbilled revenue	17,231,152	1,025,232	1,515,524	-	-	19,771,908
Due from other government	8,829	-	-	-	-	8,829
Due from other City fund	-	-	18,247	36	(18,247)	36
Prepaid expenses	159,007	-	4,330	-	-	163,337
Inventory	570,202	-	-	-	-	570,202
<b>Total current assets</b>	<b>149,440,792</b>	<b>17,993,677</b>	<b>20,485,309</b>	<b>1,123,979</b>	<b>(18,247)</b>	<b>189,025,510</b>
<b>Noncurrent assets:</b>						
Restricted cash and investments	34,278,926	-	2,148,689	-	-	36,427,615
Advances to other funds	33,926,562	-	-	-	(33,926,562)	-
Prepayment to Southern California Public Power Authority	977,070	-	-	-	-	977,070
Deposits	2,101,130	-	-	-	-	2,101,130
Capital assets:						
Capital assets, not being depreciated	63,837,963	-	11,111,271	266,172	-	75,215,406
Capital assets, being depreciated, net	362,862,804	14,672,800	11,302,440	1,012,929	-	389,850,973
Total capital assets	426,700,767	14,672,800	22,413,711	1,279,101	-	465,066,379
<b>Total noncurrent assets</b>	<b>497,984,455</b>	<b>14,672,800</b>	<b>24,562,400</b>	<b>1,279,101</b>	<b>(33,926,562)</b>	<b>504,572,194</b>
<b>Total assets</b>	<b>647,425,247</b>	<b>32,666,477</b>	<b>45,047,709</b>	<b>2,403,080</b>	<b>(33,944,809)</b>	<b>693,597,704</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>						
Pension related	11,703,498	860,759	1,821,009	13,740	-	14,399,006
Other postemployment benefits related	951,376	69,971	148,030	1,117	-	1,170,494
Deferred charges on refunding	1,731,362	-	-	-	-	1,731,362
<b>Total deferred outflow of resources</b>	<b>\$ 14,386,236</b>	<b>\$ 930,730</b>	<b>\$ 1,969,039</b>	<b>\$ 14,857</b>	<b>\$ -</b>	<b>\$ 17,300,862</b>

(Continued)

**City of Vernon**  
**Vernon Public Utilities**  
**Combining Statement of Net Position (Continued)**  
**June 30, 2023**

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Eliminating Entry	Total
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable	\$ 14,053,698	\$ 53,542	\$ 1,279,568	\$ 10,683	\$ -	\$ 15,397,491
Accrued wages and benefits	369,773	21,106	31,872	-	-	422,751
Accrued interest payable	6,826,980	-	237,281	-	-	7,064,261
Due to other funds	2,953,113	-	110,329	-	(18,247)	3,045,195
Customer deposits payable	410,497	13,558	236,888	-	-	660,943
Compensated absences, due within one year	334,712	14,283	34,155	178	-	383,328
Bonds payable, due within one year	51,835,000	-	265,000	-	-	52,100,000
Note payable, due within one year	-	-	139,535	-	-	139,535
<b>Total current liabilities</b>	<b>76,783,773</b>	<b>102,489</b>	<b>2,334,628</b>	<b>10,861</b>	<b>(18,247)</b>	<b>79,213,504</b>
<b>Noncurrent liabilities:</b>						
Advances from other funds	-	29,405,104	-	4,521,458	(33,926,562)	-
Compensated absences, due in more than one year	669,422	28,567	68,311	356	-	766,656
Bonds payable, due in more than one year	338,642,538	-	14,601,753	-	-	353,244,291
Note payable, due in more than one year	-	-	941,860	-	-	941,860
Net pension liability	29,555,620	2,173,732	4,598,715	34,699	-	36,362,766
Net other postemployment benefits liability	3,070,592	225,833	477,770	3,605	-	3,777,800
<b>Total noncurrent liabilities</b>	<b>371,938,172</b>	<b>31,833,236</b>	<b>20,688,409</b>	<b>4,560,118</b>	<b>(33,926,562)</b>	<b>395,093,373</b>
<b>Total liabilities</b>	<b>448,721,945</b>	<b>31,935,725</b>	<b>23,023,037</b>	<b>4,570,979</b>	<b>(33,944,809)</b>	<b>474,306,877</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension related	1,479,229	108,793	230,161	1,737	-	1,819,920
Other postemployment benefits related	1,129,968	83,106	175,818	1,327	-	1,390,219
<b>Total deferred inflows of resources</b>	<b>2,609,197</b>	<b>191,899</b>	<b>405,979</b>	<b>3,064</b>	<b>-</b>	<b>3,210,139</b>
<b>NET POSITION</b>						
Net investment in capital assets	167,320,725	14,672,800	8,238,110	1,279,101	-	191,510,736
Restricted for:						
Debt service	33,955,595	-	160,440	-	-	34,116,035
Assembly Bill 1890	2,933,017	-	-	-	-	2,933,017
Unrestricted (deficit)	6,271,004	(13,203,217)	15,189,182	(3,435,207)	-	4,821,762
<b>Total net position</b>	<b>\$ 210,480,341</b>	<b>\$ 1,469,583</b>	<b>\$ 23,587,732</b>	<b>\$ (2,156,106)</b>	<b>\$ -</b>	<b>\$ 233,381,550</b>

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**City of Vernon**  
**Vernon Public Utilities**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2023**

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Total
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 233,135,904	\$ 19,064,515	\$ 9,844,537	\$ 525,140	\$ 262,570,096
<b>Total operating revenues</b>	<u>233,135,904</u>	<u>19,064,515</u>	<u>9,844,537</u>	<u>525,140</u>	<u>262,570,096</u>
<b>OPERATING EXPENSES:</b>					
Cost of sales	151,898,323	17,474,385	6,226,053	272,564	175,871,325
Depreciation expense	22,734,810	706,361	575,512	210,161	24,226,844
<b>Total operating expenses</b>	<u>174,633,133</u>	<u>18,180,746</u>	<u>6,801,565</u>	<u>482,725</u>	<u>200,098,169</u>
<b>OPERATING INCOME</b>	<u>58,502,771</u>	<u>883,769</u>	<u>3,042,972</u>	<u>42,415</u>	<u>62,471,927</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income	4,198,611	181,160	327,529	5,998	4,713,298
Net decrease in fair value of investments	(1,626)	-	-	-	(1,626)
Interest expense	(14,190,777)	-	(551,437)	-	(14,742,214)
Transfers to the City of Vernon	(491,542)	-	-	-	(491,542)
Gain (loss) on disposal of assets	(1,004,046)	-	14,889	-	(989,157)
<b>Total nonoperating revenues (expenses)</b>	<u>(11,489,380)</u>	<u>181,160</u>	<u>(209,019)</u>	<u>5,998</u>	<u>(11,511,241)</u>
<b>CHANGE IN NET POSITION</b>	47,013,391	1,064,929	2,833,953	48,413	50,960,686
<b>NET POSITION:</b>					
Beginning of year	163,466,950	404,654	20,753,779	(2,204,519)	182,420,864
End of year	<u>\$ 210,480,341</u>	<u>\$ 1,469,583</u>	<u>\$ 23,587,732</u>	<u>\$ (2,156,106)</u>	<u>\$ 233,381,550</u>

**City of Vernon**  
**Vernon Public Utilities**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2023**

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash receipts from customers and users	\$ 230,220,383	\$ 19,668,732	\$ 9,900,629	\$ 636,340	\$ 260,426,084
Cash paid to suppliers for goods and services	(137,074,541)	(16,731,644)	(5,024,168)	(272,394)	(159,102,747)
Cash paid to employees for services	(13,451,748)	(1,141,181)	(2,053,190)	(14,536)	(16,660,655)
<b>Net cash provided by operating activities</b>	<b>79,694,094</b>	<b>1,795,907</b>	<b>2,823,271</b>	<b>349,410</b>	<b>84,662,682</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfer to the City	(491,542)	-	-	-	(491,542)
Receipt from other funds	61,570	6,178,906	294,880	667,766	7,203,122
Payment to other funds	(6,858,636)	(71,583)	-	(36)	(6,930,255)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(7,288,608)</b>	<b>6,107,323</b>	<b>294,880</b>	<b>667,730</b>	<b>(218,675)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	(24,759,717)	-	(6,721,212)	(426,102)	(31,907,031)
Proceed from sale of capital assets	37,406	-	14,889	-	52,295
Principal paid on long-term debt	(50,110,000)	-	(389,535)	-	(50,499,535)
Interest paid on long-term debt	(19,480,488)	-	(575,726)	-	(20,056,214)
<b>Net cash (used in) capital and related financing activities</b>	<b>(94,312,799)</b>	<b>-</b>	<b>(7,671,584)</b>	<b>(426,102)</b>	<b>(102,410,485)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received	3,914,187	181,160	323,049	5,998	4,424,394
<b>Net cash provided by investing activities</b>	<b>3,914,187</b>	<b>181,160</b>	<b>323,049</b>	<b>5,998</b>	<b>4,424,394</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(17,993,126)</b>	<b>8,084,390</b>	<b>(4,230,384)</b>	<b>597,036</b>	<b>(13,542,084)</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	169,783,616	8,692,417	24,373,836	493,854	203,343,723
End of year	<u>\$ 151,790,490</u>	<u>\$ 16,776,807</u>	<u>\$ 20,143,452</u>	<u>\$ 1,090,890</u>	<u>\$ 189,801,639</u>
<b>CASH AND CASH EQUIVALENTS:</b>					
Cash and investment	\$ 117,511,564	\$ 16,776,807	\$ 17,994,763	\$ 1,090,890	\$ 153,374,024
Restricted cash and investment	34,278,926	-	2,148,689	-	36,427,615
<b>Total cash and cash equivalents</b>	<b><u>\$ 151,790,490</u></b>	<b><u>\$ 16,776,807</u></b>	<b><u>\$ 20,143,452</u></b>	<b><u>\$ 1,090,890</u></b>	<b><u>\$ 189,801,639</u></b>

(Continued)

**City of Vernon**  
**Vernon Public Utilities**  
**Combining Statement of Cash Flows (Continued)**  
**For the Year Ended June 30, 2023**

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Total
<b>OPERATING INCOME TO NET CASH PROVIDED BY</b>					
<b>OPERATING ACTIVITIES:</b>					
Operating income	\$ 58,502,771	\$ 883,769	\$ 3,042,972	\$ 42,415	\$ 62,471,927
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	22,734,810	706,361	575,512	210,161	24,226,844
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(1,196,444)	388,462	198,421	111,200	(498,361)
(Increase) decrease in accrued unbilled revenue	(819,370)	215,755	(142,329)	-	(745,944)
(Increase) decrease in inventories and prepaid items	(56,968)	-	(4,330)	-	(61,298)
(Increase) decrease in customer deposits	(899,707)	-	-	-	(899,707)
(Increase) decrease in deferred outflows of resources related to pension	(7,687,121)	(463,477)	(903,730)	(5,881)	(9,060,209)
(Increase) decrease in deferred outflows of resources related to OPEB	(453,246)	(20,698)	(34,265)	(142)	(508,351)
Increase (decrease) in accounts payable	(1,774,693)	(161,580)	(135,694)	(3,051)	(2,075,018)
Increase (decrease) in accrued wages and benefits	35,859	(6,926)	(12,423)	(363)	16,147
Increase (decrease) in deposits payable	(14,929)	-	175,704	-	160,775
Increase (decrease) in compensated absences	(104,689)	17,719	18,258	291	(68,421)
Increase (decrease) in net pension liabilities	17,094,440	941,127	1,752,772	10,315	19,798,654
Increase (decrease) in OPEB liabilities	752,822	(3,431)	(51,573)	(931)	696,887
Increase (decrease) in deferred inflows of resources related to pension	(6,362,346)	(666,861)	(1,560,735)	(13,608)	(8,603,550)
Increase (decrease) in deferred inflows of resources related to OPEB	(57,095)	(34,313)	(95,289)	(996)	(187,693)
Total adjustment	21,191,323	912,138	(219,701)	306,995	22,190,755
<b>Net cash provided by operating activities</b>	<b>\$ 79,694,094</b>	<b>\$ 1,795,907</b>	<b>\$ 2,823,271</b>	<b>\$ 349,410</b>	<b>\$ 84,662,682</b>

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