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, 2024

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Vernon
Vernon Public Utilities
For the Year Ended June 30, 2024

Table of Contents

This page intentionally left blank.

City of VERNON CALIFORNIA

Message from the General Manager

Vernon Public Utilities (VPU) is more than just a provider of essential utility services. We are a dedicated partner invested in the stability and growth of the Vernon community. We understand that businesses seeking to establish or expand in Vernon require not only reliable and competitively priced utilities, but also a responsive and forward-thinking utility partner. VPU is committed to meeting these needs while maintaining a strong financial and operational foundation to support the long-term stability and growth of the City of Vernon.

In line with our commitment to evolve and adapt, we are actively supporting a transition towards clean commerce in Vernon. This involves strategically targeting growth and investing in critical infrastructure, while supporting our financial and operational goals.

Over the past year, we have achieved significant milestones that demonstrate our dedication to this strategy:

- **Completion of the Prime Substation ahead of schedule and on budget:** Enhancing our transmission and distribution system to meet growing demands, especially the data center industry.
- **Planning the expansion of connections with Southern California Edison:** Building an even more robust energy grid with increased capacity, ensuring access to diverse energy resources, while meeting customer growth needs.
- **Development and adoption of the VPU Financial Reserves Policy:** Reinforcing our long-term financial stability.
- **Establishment and implementation of the 5-year capital infrastructure plan:** Guiding strategic investments in our electric system to support future growth and maintain industry best reliability.
- **Completion of the 2024 Cost-of-Service Study:** Ensuring competitive rates and maintaining VPU's high standards of reliability.
- **Completion of the 2024 Integrated Resources Plan:** Charting a course for a sustainable, affordable energy future.
- **Completion of the City's Sustainability Plan:** Aligning VPU operations with broader community sustainability goals.

These achievements underscore VPU's commitment to navigating utility challenges and ensuring the continued resilience and growth of our services.

Furthermore, we are proud to announce that in April 2024, Standard & Poor's upgraded VPU's credit rating to A- from BBB+. This upgrade cites "improved risk management practices including, for example, hedging," and is a testament to our strong financial management. The improved credit rating, along with VPU's stable outlook, presents various opportunities for VPU, which includes accessing more favorable financing terms and reducing our cost of capital; and broadening our pool of potential energy counterparties to support new avenues for growth and enhancing our financial health.

VPU is dedicated to being a proactive partner in building a thriving and sustainable future for Vernon. We look forward to continuing to work with all stakeholders to achieve our shared goals.

Sincerely,

Todd Dusenberry

General Manager of Public Utilities

VPU At A Glance

Electric

Number of customers: 2,044
Service area in square miles: 5.2
Number of distribution miles: 176
Number of poles: 3606
Number of substations: 8
Peak Day MW: 194
Current Year Peak Day in MW: 176

Water

Number of customers: 860
Service area in square miles: 4.8
Number of miles of water mains: 49
Number of wells: 7
Total Reservoir Capacity in Gallons: 16.6M
Number of Booster Stations: 3
Peak Day in Acre Feet: 26.7
Current Year Peak Day in Acre Feet: 19.3

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: 6,822,598
Current Year Peak Day in MMBTu: 5,515,886

Fiber

Number of customers: 86
Service area in square miles: 5.2
Number of circuit miles: 2,495
Average Daily Peak in Mbps: 400
Current Year Peak Day in Gbps: 1.35

ELECTRIC FUND

Introduction

Vernon Public Utilities (VPU) is committed to providing the Vernon community with reliable, safe, and competitive energy while also achieving California's clean energy goals. As a publicly owned utility, VPU is focused on its customers, responsible operations, and a sustainable future. This commitment is reflected in its transparent operations, competitive rates, and policies tailored to the community's needs. By embracing emerging technologies and strategic opportunities, VPU is building a full-service utility that will shape a sustainable energy future for Vernon in partnership with the local community.

Awards

Since 2016, VPU has maintained its Reliable Public Power Provider (RP3) designation from the American Public Power Association (APPA) for its excellence in reliability. APPA designates the RP3 award to utilities that demonstrate exceptional proficiency in four key areas: safety, reliability, workforce development, and system improvement.

VPU has earned the highest designation for the RP3 award – Diamond Level –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 currently one of only 113 of the more than 2,000 public power utilities across the United States to achieve Diamond Level RP3 designation.

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.

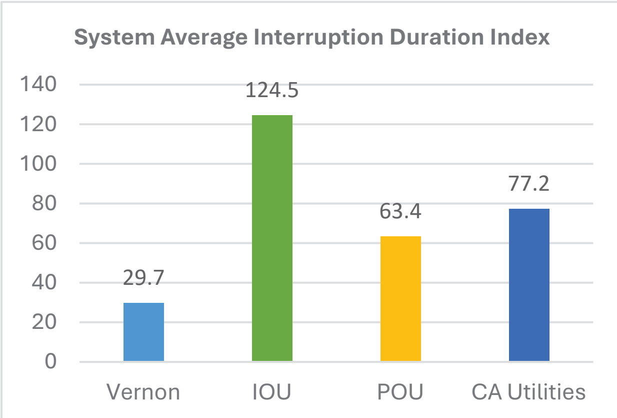
Reliability Indicators

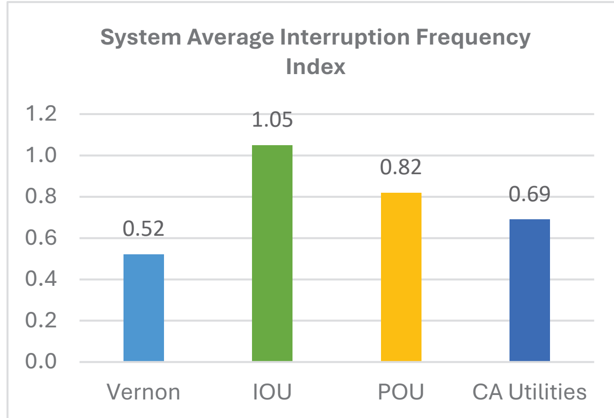
VPU tracks three reliability indicators that the electric utility industry uses to assess and improve the performance of power distribution systems.

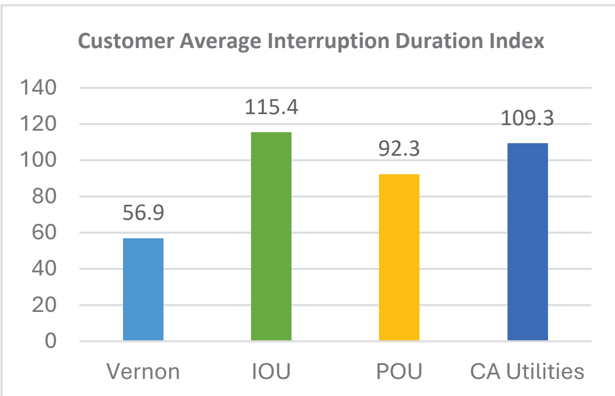
System Average Interruption Frequency Index (SAIFI) - represents the average number of power outages an average customer experiences in a year.

System Average Interruption Duration Index (SAIDI) - measures the average amount of time that an average customer experiences power outages in a year.

Customer Average Interruption Duration Index (CAIDI) - measures the average length of time it takes for a customer's power to be restored after an outage.





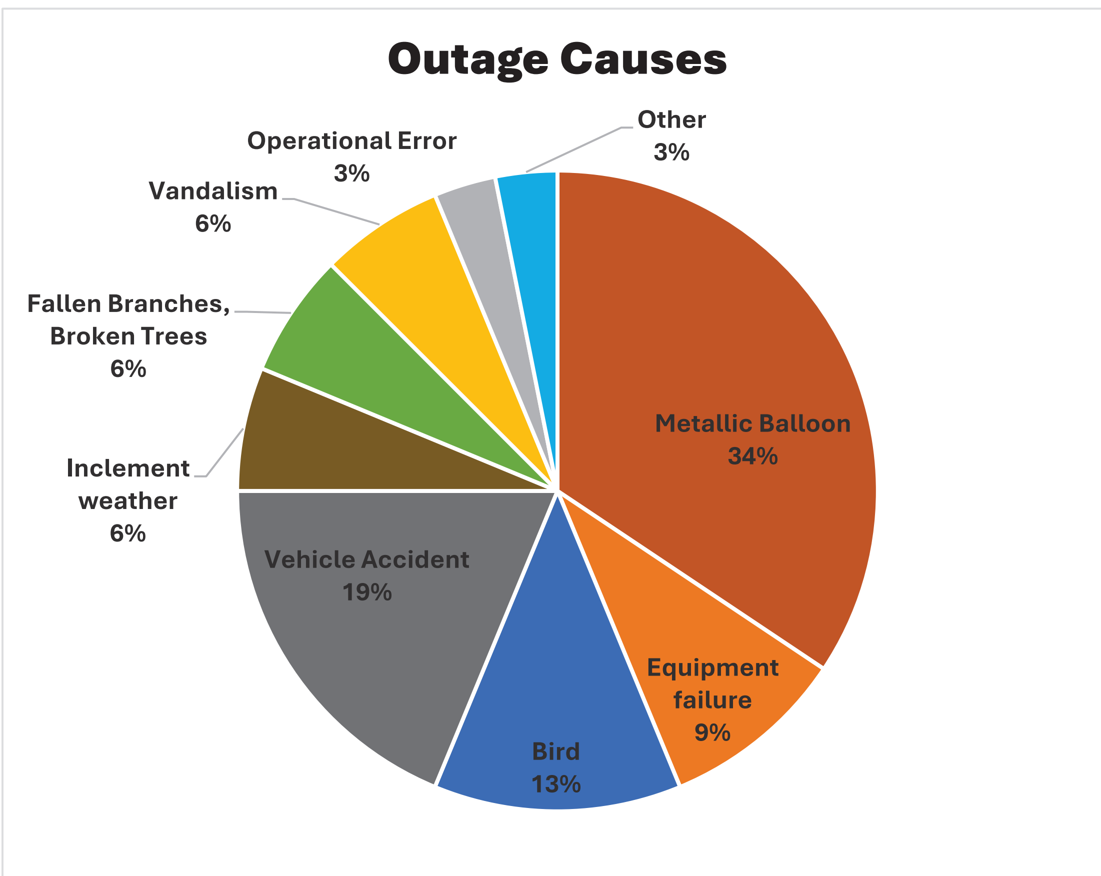


VPU leverages data and industry benchmarks to improve service quality, minimize downtime, and ensure a reliable power supply. VPU benchmarks its performance against data from the U.S. Energy Information Administration (EIA) to ensure alignment with industry standards and best practices.

For the data year of 2023, VPU's average customer experienced 0.52 outages for 29.7 minutes. The restoration time was approximately 56.9 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

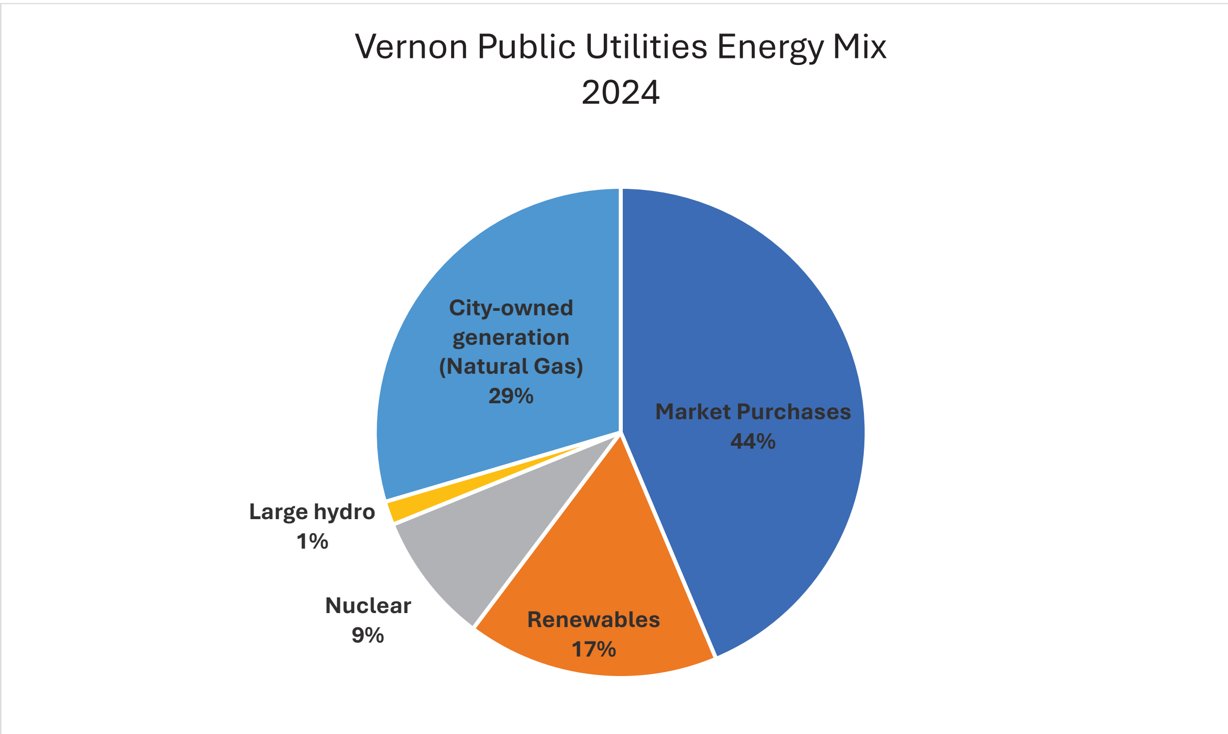
Virtually all outages in the City of Vernon are from accidental causes. Contact with metallic balloons is the primary cause of outages. The Other category includes single instances of storm damage, direct strike, and equipment damage.



Energy Resources

VPU is actively shifting its energy generation portfolio to comply with state mandates for renewable energy and zero-carbon sources. Currently, VPU participates in the California Independent System Operator (CAISO) wholesale energy markets, and its energy mix is summarized in the chart below.

To meet California's ambitious goals, VPU has an updated Integrated Resource Plan, approved by City Council in October 2023, with a state mandated goal of increasing renewable energy generation to 60% by 2030. This plan reflects VPU's commitment to a cleaner energy future for Vernon.



Distribution System Capital Improvement Plan

Vernon's electric utility is committed to providing reliable and sustainable power. To achieve this, VPU is investing significantly in its infrastructure through a Five-Year Capital Improvement Plan (CIP). This plan, updated annually, focuses on key upgrades to the distribution system that:

- **Improve reliability:** Proactive programs like replacing aging wood poles and upgrading conductors enhance the stability of the electrical grid, minimizing outages.
- **Increase safety:** Modernizing equipment and transitioning to higher voltage lines (7kV to 16kV) reduces risk of outages associated with vehicles, weather and foreign objects.
- **Enhance flexibility:** New substations along with equipment upgrades on a number of circuits prepares the system to support future energy demands.
- **Reduce environmental impact**: VPU is actively working to minimize its carbon footprint. This includes replacing equipment that uses sulfur hexafluoride (SF6) with more eco-friendly alternatives.

Most notably, VPU completed the Prime Substation for the development of Prime Data Center ahead of schedule and under budget. VPU's dedication to system improvements ensures a reliable and sustainable electric grid, supporting the City's growth and providing superior service to its customers. The estimated budget for the Fiscal Year 2024-25 CIP is $20 million, demonstrating our commitment to critical infrastructure.

WATER FUND

Introduction

The VPU Water Division has been working for over a century to ensure that this critical infrastructure is able to provide safe, dependable, and affordability priced water to more than 800 customers, distributing around 1.4 billion gallons of water annually.

To accomplish its mission, the VPU Water Division proactively maintains the water infrastructure, responds to any issues as soon as possible, and proactively plans for the future needs of the water system in order to guarantee that the water delivered meets the highest quality and service standards. By prioritizing reliability, sustainability, and affordability, the VPU Water Division ensures that the Water Fund continues to succeed financially and operationally.

Reliability

With a network of 7 Wells, 3 pumping 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 mitigate water loss, and a state-of-the-art real-time water quality analyzer.

Capital Projects

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; new reservoir mixing systems; 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.

GAS FUND

Introduction

The VPU Gas Division provides reliable and competitive natural gas service to Vernon residents and businesses. Our commitment to safety and customer service has earned national recognition, and our team of experts are available 24/7.

VPU Gas operates a state-of-the-art system delivering natural gas to over 125 customers, including residential, commercial, and industrial customer. Customers can save money and reduce their environmental impact with VPU's gas rebates and incentives for energy-saving upgrades. VPU's skilled technicians ensure the safety and reliability of our system with prompt leak detection and repair. VPU's gas division maintain a strong safety record through rigorous pipeline inspections, a robust Integrity Management Plan, and annual joint training with local emergency responders.

Awards

In 2021, the division received the APGA Safety Management Excellence Award, which highlights comprehensive and effective safety management systems. Furthermore, the division has been honored with the APGA Safety Award for six continuous years: 2018, 2020, 2021, 2022, 2023, and 2024. This consistent recognition of excellence in safety practices underscores the VPU Gas Division's dedication to maintaining a safe working environment and prioritizing the well-being of its employees and the community.

Gas Energy Efficiency Rebate

The VPU Gas Division supports its commercial and industrial gas customers in their efforts to decrease energy consumption and greenhouse gas (GHG) emissions through 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 fleet for lower or zero-emission vehicles and forklifts.

FIBER OPTICS FUND

The VPU Fiber Optics Division offers high-speed fiber optic internet service to residents and businesses in Vernon. VPU's 2023 network upgrades deliver bidirectional speeds up to 1GB with a 100GB system capacity, exceeding AT&T speeds by up to 5 times. VPU fiber offers dedicated service lines, 24/7 technical support, consistent bi-directional high-speed connection, and 99.9% uptime, ensuring a reliable and high-performance connection. Dark fiber leases are also available. Recent upgrades have been made keeping in mind the future growth of the fiber system and to meet the system needs of our customers.

This page intentionally left blank.

THE PUN GROUP
ACCOUNTANTS & ADVISORS

200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

www.pungroup.cpa

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 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, 2024, 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, 2024, 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 out 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, 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, 2024, the changes in its financial position, or where applicable. 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 - Pensions, 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 January 15, 2025 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.

The Pun Group, LLP

Santa Ana, California
January 15, 2025

This page intentionally left blank.

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, 2024. 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 financial statements* provide additional information essential to fully understanding the data provided in the financial statements.

FINANCIAL HIGHLIGHTS

Net Position

The table below summarizes the VPU's net position as of the current fiscal year, which ended June 30, 2024, and the prior fiscal year, which ended June 30, 2023. The current year's summary details can be found on pages 14-15 of this report.

City of Vernon
Vernon Public Utilities
Net Position
June 30, 2024 and 2023

	2024	2023	$Variance
Assets			
Current and other assets	$ 215,839,326	$ 194,344,122	$ 21,495,204
Restricted and other assets	36,614,904	39,505,815	(2,890,911)
Capital assets	457,552,314	465,066,379	(7,514,065)
Total assets	710,006,544	698,916,316	11,090,228
Deferred Outflows of Resources	15,587,385	17,300,862	(1,713,477)
Liabilities			
Current liabilities	73,762,316	79,213,504	(5,451,188)
Long term liabilities	334,159,365	395,093,373	(60,934,008)
Total liabilities	407,921,681	474,306,877	(66,385,196)
Deferred Inflows of Resources	1,988,057	3,210,139	(1,222,082)
Net Position			
Net investment in capital assets	216,779,121	191,510,736	25,268,385
Restricted for debt service	31,509,213	34,116,035	(2,606,822)
Restricted for AB1890	2,754,353	2,933,017	(178,664)
Unrestricted (deficit)	64,641,505	10,140,374	54,501,131
Total net position	$ 315,684,192	$ 238,700,162	$ 76,984,030

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 $315.7 million (*net position*).

The category of the VPU's net position with the largest balance totaling $216.8 million represents resources that are invested in capital assets.

FINANCIAL HIGHLIGHTS (Continued)

The second category, unrestricted (deficit) totaling $64.6 million, represents the unrestricted net position that is expected to be used for future projects or other purposes.

The third category of net positions, restricted for debt services totaling $31.5 million, represents resources that are subject to external restrictions on how they can be used, in this case, bond debt.

The remaining category of the VPU's net position, totaling $2.8 million is for the Electric Fund's Public Benefits program under AB 1890.

Activities, Net Position

- The total current assets increased by $21.5 million from the prior year while restricted and other assets decreased by $2.9 million.
- Capital assets decreased by $7.5 million from the prior year.
- Current liabilities decreased by $5.5 million from the prior year. Long-term liabilities also decreased by $60.9 million from the prior year, primarily due to a decrease in bonds payable of $61.5 million.
- The VPU's total net position increased by $77.0 million from the prior year primarily due to an increase in the unrestricted (deficit) of $54.5 million, an increase in the net investment in capital assets of $25.3 million, and a decrease in funds restricted for debt service of $2.6 million.

FINANCIAL HIGHLIGHTS (Continued)

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 17 of this report.

City of Vernon
Vernon Public Utilities
Changes in Net Position
June 30, 2024 and 2023

	2024	2023	$Variance
Operating Revenues			
Charges for services	$ 225,563,403	$ 262,570,096	$ (37,006,693)
Operating Expenses			
Cost of sales	$ 119,937,427	$ 170,552,713	$ (50,615,286)
Depreciation	25,037,099	24,226,844	810,255
Total operating expenses	144,974,526	194,779,557	(49,805,031)
Operating income	80,588,878	67,790,539	12,798,339
Nonoperating revenues (expenses)			
Intergovernmental	-	-	-
Investment income	7,622,930	4,713,298	2,909,632
Net decrease in fair value of investments	119,187	(1,626)	120,813
Interest expense	(10,979,826)	(14,742,214)	3,762,388
Capital contribution	300,000	-	300,000
Transfer Out	(382,111)	(491,542)	109,431
Gain (loss) on disposition of assets	(285,027)	(989,157)	704,130
Net nonoperating revenues (expenses)	(3,604,848)	(11,511,241)	7,906,393
Change in net position	76,984,030	56,279,298	20,704,732
Net position - beginning of year	238,700,162	182,420,864	56,279,298
Net position - end of year	315,684,192	238,700,162	76,984,030

The VPU's operating income of $80.5 million, less nonoperating revenues (expenses) of $3.6 million, resulted in an increase in net position of $77.0 million during the current year. This increase is primarily due to lower operating expenses, lower interest expenses, and higher investment income for FY 2023-24.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2024, the VPU's investment in capital assets amounted to $457.6 million (net of accumulated depreciation). This investment includes land, intangible assets, construction in progress, buildings, utility system improvements, and machinery and equipment.

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

Outstanding Debt

As of June 30, 2024, the following Electric Fund debt remains outstanding:

- $35,750,000 City of Vernon Electric System Revenue Bonds, 2008 Taxable Series A
- $4,170,000 City of Vernon Electric System Revenue Bonds, 2012 Taxable Series B
- $65,660,000 City of Vernon Electric System Revenue Bonds, 2015 Taxable Series A
- $19,305,000 City of Vernon Electric System Revenue Bonds, 2020 Series A
- $132,100,000 City of Vernon Electric System Revenue Bonds, 2021 Taxable Series A
- $47,380,000 City of Vernon Electric System Revenue Bonds, 2022 Taxable Series A

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

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

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

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

The City of Vernon Electric System Revenue Bonds, 2021 Series A were issued to provide funds: (i) to pay the costs of the acquisition by the City of Vernon of a 134-megawatt natural gas-fired generating facility located within the city limits on the 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 cots of issuance of the 2021 Bonds.

The City of Vernon Electric System Revenue Bonds, 2022 Series A were issued to (i) refund and defease all 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) to pay costs of issuance of the 2022 Bonds.

As of June 30, 2024, the following Water Fund debt remains outstanding:

- $14,085,000 City of Vernon Water System Revenue Bonds, 2020 Taxable Series A
- $941,860 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, 2024, the ratings on all Electric System Revenue Bonds of the City are Baa1/Stable by Moody's and A-/Stable by S&P. The rating on the Water System Revenue Bonds is A-/Stable by S&P.

Additional information on the Electric Fund'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 2024-25 operating and capital budgets.

- VPU is committed to providing dependable, high-quality electric, water, natural gas, and fiber services at competitive rates and the highest standards for reliability.
- VPU continues to respond to inflation and supply chain issues, including higher operating and capital costs, to maintain infrastructure investment, and 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 multi-year rate strategy which was approved by the City Council in August 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 additional revenues and savings for the City.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the FY 2023-24 financial results for the VPU's electric, gas, water, and fiber optics utilities of the City of Vernon. Questions concerning the fund's financial results can be addressed to the Finance Department, City of Vernon, 4305 Santa Fe Avenue, Vernon, California, 90058.

FINANCIAL STATEMENTS

City of Vernon
Vernon Public Utilities
Statement of Net Position
June 30, 2024

ASSETS		
Current assets:		
Cash and cash equivalents	$	143,348,120
Investments		32,869,966
Accounts receivable, net		12,799,174
Interest receivable		216,721
Accrued unbilled revenue		25,257,794
Due from the City of Vernon		700
Prepaid items		796,891
Inventory		569,092
Total current assets		215,858,458
Noncurrent assets:		
Restricted cash and investments		31,852,647
Prepayment to Southern California Public Power Authority		956,471
Deposits		3,786,653
Capital assets:		
Capital assets, not being depreciated		72,191,942
Capital assets, being depreciated, net		385,201,081
Intangible assets, being amortized, net		159,292
Total capital assets, net		457,552,315
Total noncurrent assets		494,148,086
Total assets		710,006,544
DEFERRED OUTFLOWS OF RESOURCES		
Pension related		13,425,619
Other postemployment benefits related		632,386
Deferred charges on refunding		1,529,380
Total deferred outflows of resources		15,587,385

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Vernon
Vernon Public Utilities
Statement of Net Position (Continued)
June 30, 2024

LIABILITIES	
Current liabilities:	
Accounts payable	11,336,852
Accrued wages and benefits	320,900
Accrued interest payable	6,220,663
Customer deposits payable	605,173
Subscription liabilities, due within one year	36,537
Compensated absences, due within one year	432,655
Bonds payable, due within one year	54,670,000
Note payable, due within one year	139,535
Total current liabilities	73,762,315
Noncurrent liabilities:	
Subscription liabilities, due in more than one year	37,912
Compensated absences, due in more than one year	865,310
Bonds payable, due in more than one year	291,757,421
Note payable, due in more than one year	802,325
Net pension liability	37,505,550
Net other postemployment benefits liability	3,190,847
Total noncurrent liabilities	334,159,365
Total liabilities	407,921,680
DEFERRED INFLOWS OF RESOURCES	
Pension related items	1,153,810
Other postemployment benefits related items	834,246
Total deferred inflows of resources	1,988,056
NET POSITION	
Net investment in capital assets	216,779,121
Restricted for:	
Debt service	31,509,213
Assembly Bill 1890	2,754,353
Unrestricted	64,641,506
Total net position	$ 315,684,193

(Concluded)

See accompanying Notes to the Basic Financial Statements.

This page intentionally left blank.

City of Vernon
Vernon Public Utilities
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024

OPERATING REVENUES:	
Charges for services	$ 225,563,403
Total operating revenues	225,563,403
OPERATING EXPENSES:	
Cost of sales	119,937,426
Depreciation and amortization expense	25,037,099
Total operating expenses	144,974,525
OPERATING INCOME	80,588,878
NONOPERATING REVENUES (EXPENSES):	
Investment income	7,622,930
Net increased in fair value of investments	119,187
Interest expense	(10,979,826)
Loss on disposal of assets	(285,027)
Total nonoperating revenues (expenses)	(3,522,736)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	77,066,142
CAPITAL CONTRIBUTIONS AND TRANSFERS:	
Capital contribution	300,000
Transfers out to the City of Vernon	(40,524)
Transfers out	(341,587)
Total nonoperating revenues (expenses)	(82,111)
CHANGE IN NET POSITION	76,984,031
NET POSITION:	
Beginning of year, as restated (Note 12)	238,700,162
End of year	$ 315,684,193

See accompanying Notes to the Basic Financial Statements.

City of Vernon
Vernon Public Utilities
Statement of Cash Flows
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers and users	$	220,353,519
Cash paid to suppliers for goods and services		(101,458,377)
Cash paid to employees for services		(16,997,318)
Net cash provided by operating activities		101,897,824
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfer to the City		(341,587)
Receipt from other funds		734,244
Payment to other funds		(3,771,274)
Net cash (used in) noncapital financing activities		(3,378,617)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets		(17,435,055)
Principal paid on long-term debt		(52,278,617)
Interest paid on long-term debt		(18,438,312)
Net cash (used in) capital and related financing activities		(88,151,984)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment to acquire investments		(32,207,689)
Receipt from matured investments		29,144,009
Interest received		7,994,980
Net cash provided by investing activities		4,931,300
Net increase in cash and ash equivalents		15,298,523
CASH AND CASH EQUIVALENTS:		
Beginning of year		159,902,244
End of year	$	175,200,767
CASH AND CASH EQUIVALENTS:		
Cash and investment	$	143,348,120
Restricted cash and investment		31,852,647
Total cash and cash equivalents	$	175,200,767
NONCASH:		
Capital contribution	$	300,000

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Vernon
Vernon Public Utilities
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2024

OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$	80,588,878
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		25,037,099
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		1,961,525
(Increase) decrease in accrued unbilled revenue		(5,485,886)
(Increase) decrease in inventories and prepaid items		4,706,767
(Increase) decrease in customer deposits		(1,685,523)
(Increase) decrease in deferred outflows of resources related to pension		973,387
(Increase) decrease in deferred outflows of resources related to OPEB		538,108
Increase (decrease) in accounts payable		(4,060,639)
Increase (decrease) in accrued wages and benefits		(101,851)
Increase (decrease) in deposits payable		(55,770)
Increase (decrease) in compensated absences		147,981
Increase (decrease) in net pension liabilities		1,142,784
Increase (decrease) in OPEB liabilities		(586,953)
Increase (decrease) in deferred inflows of resources related to pension		(666,110)
Increase (decrease) in deferred inflows of resources related to OPEB		(555,973)
Total adjustment		21,308,946
Net cash provided by operating activities	$	101,897,824

(Concluded)

See accompanying Notes to the Basic Financial Statements.

This page intentionally left blank.

NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Vernon
Vernon Public Utilities
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

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 fairly present 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 significant accounting policies of the VPU 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. Each of the City's utilities, namely the electric, gas, water, and fiber optics utilities, was 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. 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.

B. Basis of Accounting and Measurement Focus

The VPU's financial statements are reported 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.

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 $1,085,869 of June 30, 2024. 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.

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 12 for further information regarding SCPPA.

Note 1 – Summary of Significant Accounting Policies (Continued)

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 water wells, pumping stations, electric generation, transmission, and distribution improvement assets. 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.

Assets	Years
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.

L. Subscription Liabilities

The City recognizes subscription liabilities with an initial, individual value of $15,000 or more with a subscription term greater than one year in the government-wide and proprietary fund financial statements. Variable payments based on future performance of the City or usage of the underlying asset are not included in the measurement of the subscription liability.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the lease term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Note 1 – Summary of Significant Accounting Policies (Continued)

M. 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.

N. 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, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

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.

O. 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, 2023
Measurement Period	July 1, 2022 to June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

O. 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.

P. 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.

Q. 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.

R. Implementation of New GASB Pronouncements

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this statement did not have a significant effect on City's fiscal year ending June 30, 2024.

Note 2 – Cash, Cash Equivalents, and Investments

The VPU has the following cash and investments at June 30, 2024:

Cash and cash equivalents	$	143,348,120
Investments		32,869,966
Restricted cash and investments		31,852,647
Total cash and investments	$	208,070,733

The VPU's cash and investments at June 30, 2024, in more detail:

Cash and cash equivalents:		
Equity in pooled cash	$	41,249,904
Deposits with financial institutions		11,213,655
Local Agency Investment Fund		668,410
Money Market Funds		90,216,151
Total cash and cash equivalents		143,348,120
Investments:		
US Treasury Bills		9,864,900
U.S. Government Sponsored Enterprise Securities		20,558,943
Negotiable Certificates of Deposit		2,446,123
Total investments		32,869,966
Investments with fical agents:		
Money Market Funds		31,852,647
Total	$	208,070,733

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.

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

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[1]	Maximum Investments in One Issuer
United States Treasury Bills, Bonds and Notes	5 Years	None	None
United States Government Sponsored Agency Securities	5 Years	None	None
Local Agency Bonds	5 Years	None	None
California State and Local Agency Bonds	5 Years	30%	None
Negotiable Certificates of Deposit	5 Years	30%	None
Corporate Notes	5 Years	30%	None
Non-Government issued Mortgage-backed pass-through securities, collateralized Mortgage obligations and Asset-backed securities	5 Years	20%	None
Repurchasement Agreement	1 year	None	None
Banker's Acceptance Notes	180 Days	40%	30%
Commercial Paper	270 Days	25%	10% of the issuer outstanding paper
Reverse Repurchase Agreements	92 Days	20%	None
Mutual Funds	N/A	20%	10% of the issuer outstanding paper
Local Agency Investment Fund (LAIF)	N/A	None	None

N/A - Not Applicable

[1] 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, 2024, the VPU had $668,410 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.

D. Fair Value Measurement

At June 30, 2024, 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, 2024:

Investment Type	Measurement Input: Quoted Prices in Active Market for Identical Assets (Level 1)	Measurement Input: Significant Other Observable Inputs (Level 2)	Uncategorized	Total
U.S. Treasury Bills	$ 9,864,900	$ -	$ -	$ 9,864,900
U.S. Government Sponsored				
Enterprise Securities	-	20,312,804	-	20,312,804
Negotiable Certificates of Deposit*	-	2,692,262	-	2,692,262
Investments with fiscal agents:				
Money Market Funds	-	-	31,852,647	31,852,647
Total	$ 9,864,900	$ 23,005,066	$ 31,852,647	$ 64,722,613

* Priced based on significant observable inputs.

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

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, 2024, the VPU had the following investment maturities:

	Remaining Maturity			
Investment Type	1 Year or Less	1 Year to 3 Years	3 Years to 5 Years	Total
U.S. Treasury Bills	$ 9,864,900	$ -	$ -	$ 9,864,900
U.S. Government Sponsored				
Enterprise Securities	-	4,960,600	15,352,204	20,312,804
Negotiable Certificates of Deposit	248,529	1,948,747	494,986	2,692,262
Investments with fiscal agents:				
Money Market Funds	31,852,647	-	-	31,852,647
Total	$ 41,966,076	$ 6,909,347	$ 15,847,190	$ 64,722,613

<u>*Credit Risk*</u> – 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, 2024 for each investment type:

Investment Type	Fair Value at June 30, 2024	Minimum Legal Rating	AAA	Other	Not Required to be Rated
U.S. Treasury Bills	$ 9,864,900	AAA	$ 9,864,900	$ -	$ -
U.S. Government Sponsored					
Enterprise Securities	20,312,804	AAA	20,312,804	-	-
Negotiable Certificates of Deposit	2,692,262	N/A	-	-	2,692,262
Investments with fiscal agents:					
Money Market Funds	31,852,647	AAA	31,852,647	-	-
Total	$ 64,722,613		$ 62,030,351	$ -	$ 2,692,262

N/A - Not Required

<u>*Concentration of Credit Risk*</u>

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 bankers' 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.

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

E. Risk Disclosures (Continued)

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, 2024, 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, 2024 are as follows:

Accounts Receivable	$ 13,885,043
Less: Allowance for Uncollectible Accounts	(1,085,869)
Total accounts Receivable, Net	$ 12,799,174

Note 4 – Interfund Transactions

A. Due From City of Vernon

Due from the City in the amount of $700 resulted from lending of cash for temporary purposes. All balances are expected to be reimbursed within the subsequent year.

Note 5 – Capital Assets

A summary of changes in the capital assets for the VPU for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Deletions	Transfers	Balance June 30, 2024
Capital assets, not being depreciated:					
Electric utility - Land	$ 13,193,594	$ -	$ -	$ -	$ 13,193,594
Water utility - Water	467,640	-	-	-	467,640
Electric utility - Intangibles - Environmental credits	4,050,644	142,236	(160,763)	-	4,032,117
Electric utility - Construction in progress	46,593,725	1,569,419	-	(133,182)	48,029,962
Water utility - Construction in progress	10,643,631	1,401,036	-	(5,576,038)	6,468,629
Fiber Optic utility - Construction in progress	266,172	437,340	-	(703,512)	-
Total capital assets, not being depreciated	75,215,406	3,550,031	(160,763)	(6,412,732)	72,191,942
Capital assets, being depreciated:					
Electric utility - Production plant	212,821,719	384,106	-	-	213,205,825
Electric utility - Transmission plant	3,616,464	-	(43,519)	-	3,572,945
Electric utility - Distribution plant	279,609,429	12,671,247	(827,808)	-	291,452,868
Electric utility - General plant	9,961,395	388,781	(31,079)	167,776	10,486,873
Water utility plant	26,707,369	357,132	(685,145)	5,490,730	31,870,086
Gas utility plant	27,185,791	59,340	-	-	27,245,131
Fiber Optic utility plant	3,916,539	228,439	-	703,512	4,848,490
Total capital assets, being depreciated	563,818,706	14,089,045	(1,587,551)	6,362,018	582,682,218
Less accumulated depreciation for:					
Electric utility - Production plant	(33,668,388)	(14,294,111)	-	-	(47,962,499)
Electric utility - Transmission plant	(2,520,742)	(73,858)	43,179	-	(2,551,421)
Electric utility - Distribution plant	(100,170,962)	(8,490,036)	710,111	-	(107,950,887)
Electric utility - General plant	(6,786,111)	(444,635)	31,079	(14,290)	(7,213,957)
Water utility plant	(15,404,929)	(708,447)	678,917	24,480	(15,409,979)
Gas utility plant	(12,512,991)	(704,888)	-	-	(13,217,879)
Fiber Optic utility plant	(2,903,610)	(270,905)	-	-	(3,174,515)
Total accumulated depreciation	(173,967,733)	(24,986,880)	1,463,286	10,190	(197,481,137)
Total capital assets, being depreciated, net	389,850,973	(10,897,835)	(124,265)	6,372,208	385,201,081
Intangible assets, being amortized					
Electric utility - Right-to-use subscription assets	-	209,511	-	-	209,511
Total intangible assets, being amortized	-	209,511	-	-	209,511
Less accumulated amortization for:					
Electric utility - Right-to-use subscription assets	-	(50,219)	-	-	(50,219)
Total accumulated amortization	-	(50,219)	-	-	(50,219)
Total intangible assets, being amortized, net	-	159,292	-	-	159,292
Business-type activities capital assets, net	$ 465,066,379	$ (7,188,512)	$ (285,028)	$ (40,524)	$ 457,552,315

The VPU's total depreciation expense for the year was $25,037,099, broken down as follows:

Electric Fund	$ 23,352,859
Gas Fund	704,888
Water Fund	708,447
Fiber Optics Fund	270,905
Total depreciation and amortization expense	$ 25,037,099

Note 6 – Long-Term Debt

The following is a summary of changes in VPU's long-term liabilities for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due within One Year	Due in More Than One Year
Business-Type activities						
Public Borrowings:						
Revenue Bonds:						
2008 Taxable Revenue Bonds - Series A - Electric	$ 36,870,000	$ -	$ (1,120,000)	$ 35,750,000	$ 1,220,000	$ 34,530,000
2012 Taxable Revenue Bonds - Series B - Electric	5,340,000	-	(1,170,000)	4,170,000	1,305,000	2,865,000
2015 Taxable Revenue Bonds - Series A - Electric	89,180,000	-	(23,520,000)	65,660,000	24,585,000	41,075,000
2020 Taxable Revenue Bonds - Series A - Electric	19,305,000	-	-	19,305,000	-	19,305,000
2021 Taxable Revenue Bonds - Series A - Electric	153,435,000	-	(21,335,000)	132,100,000	22,400,000	109,700,000
2022 Taxable Revenue Bonds - Series A - Electric	52,070,000	-	(4,690,000)	47,380,000	4,885,000	42,495,000
2020 Taxable Revenue Bonds - Series A - Water	14,350,000	-	(265,000)	14,085,000	275,000	13,810,000
Total Revenue Bonds	370,550,000	-	(52,100,000)	318,450,000	54,670,000	263,780,000
Unamortized Premiums/(Discounts):						
2008 Taxable Revenue Bonds - Series A - Electric	(1,962)	-	131	(1,831)	-	(1,831)
2012 Taxable Revenue Bonds - Series B - Electric	(53,190)	-	16,797	(36,393)	-	(36,393)
2015 Taxable Revenue Bonds - Series A - Electric	(741,124)	-	355,739	(385,385)	-	(385,385)
2020 Taxable Revenue Bonds - Series A - Electric	6,177,255	-	(438,622)	5,738,633	-	5,738,633
2021 Taxable Revenue Bonds - Series A - Electric	19,449,520	-	(5,784,588)	13,664,932	-	13,664,932
2022 Taxable Revenue Bonds - Series A - Electric	9,447,039	-	(947,247)	8,499,792	-	8,499,792
2020 Taxable Revenue Bonds - Series A - Water	516,753	-	(19,080)	497,673	-	497,673
Total Unamortized Premiums/(Discounts)	34,794,291	-	(6,816,870)	27,977,421	-	27,977,421
Total Public Offering	405,344,291	-	(58,916,870)	346,427,421	54,670,000	291,757,421
Direct Borrowing:						
Water Replenishment District Note Payable	1,081,395	-	(139,535)	941,860	139,535	802,325
Total Direct Borrowing	1,081,395	-	(139,535)	941,860	139,535	802,325
Subscription liabilities	-	113,531	(39,082)	74,449	36,537	37,912
Compensated absences	1,149,984	945,752	(797,771)	1,297,965	432,655	865,310
Total business-Type activities	$ 407,575,670	$ 1,059,283	$ (59,893,258)	$ 348,741,695	$ 55,278,727	$ 293,462,968

$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, 2024, was $35,750,000.

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 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,720,000	2,517,729	4,237,729
2030-2034	11,215,000	9,975,782	21,190,782
2035-2039	17,235,000	3,955,480	21,190,480
Total	$ 35,750,000	$ 27,825,588	$ 63,575,588

$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, 2024, was $4,170,000.

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

Year Ending June 30,	Principal	Interest	Total
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	$ 4,170,000	$ 413,388	$ 4,583,388

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, 2024, was $65,660,000.

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

Year Ending June 30,	Principal	Interest	Total
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
	$ 65,660,000	$ 4,242,715	$ 69,902,715

$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) 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, 2024, was $19,305,000.

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

Year Ending June 30,	Principal	Interest	Total
2025	$ -	$ 965,250	$ 965,250
2026	-	965,250	965,250
2027	-	965,250	965,250
2028	-	965,250	965,250
2029	1,525,000	927,125	2,452,125
2030-2034	8,885,000	3,378,875	12,263,875
2035-2038	8,895,000	917,375	9,812,375
Total	$ 19,305,000	$ 9,084,375	$ 28,389,375

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 are 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, 2024, was $132,100,000.

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

Year Ending June 30,	Principal	Interest	Total
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	$ 132,100,000	$ 17,493,125	$ 149,593,125

$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 are 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, 2024, was $47,380,000.

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 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,000,000	1,525,500	2,525,500
2030-2034	5,825,000	6,803,125	12,628,125
2035-2039	7,475,000	5,149,125	12,624,125
2040-2042	16,710,000	1,281,000	17,991,000
Total	$ 47,380,000	$ 22,309,500	$ 69,689,500

$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, 2024, was $14,085,000.

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

Year Ending June 30,	Principal	Interest	Total
2025	$ 275,000	$ 549,350	$ 824,350
2026	-	542,475	542,475
2027	-	542,475	542,475
2028	-	542,475	542,475
2029	-	542,475	542,475
2030-2034	1,985,000	2,365,000	4,350,000
2035-2039	2,180,000	1,834,625	4,014,625
2040-2044	2,680,000	1,354,550	4,034,550
2045-2049	3,180,000	829,325	4,009,325
2050-2051	3,785,000	198,713	3,983,713
Total	$ 14,085,000	$ 9,301,463	$ 23,386,463

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, 2024, was $941,860.

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
2025	$ 139,535	$ -	$ 139,535
2026	139,535	-	139,535
2027	139,535	-	139,535
2028	139,535	-	139,535
2029	139,535	-	139,535
2030-2031	244,185	-	244,185
Total	$ 941,860	$ -	$ 941,860

Subscription liabilities

The City entered into subscription agreements with various vendors for software. The agreement expires on October 18, 2026, with an interest rate of 3.76%.

The future annual subscription payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 36,537	$ 2,802	$ 39,339
2026	37,912	1,427	39,339
Total	$ 74,449	$ 4,229	$ 78,678

Compensated Absences

The balance outstanding at June 30, 2024, was $1,297,965. Refer to note 7 for more information of these liabilities.

Note 6 – Long-Term Debt (Continued)

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 of June 30, 2024, this fund has a balance of $42,427,616.

Right to Accelerate Upon Default

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

Credit Ratings

As of June 30, 2024, the ratings on all Electric System Revenue Bonds are Baa1 stable Moody's and A- stable by S&P and the ratings on all Water System Revenue Bonds are A- by S&P.

Note 7 – Compensated Absences

Under certain circumstances and according 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, 2024:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due within One Year	Due in More Than One Year
Compensated absences	$ 1,149,984	$ 945,752	$ (797,771)	$ 1,297,965	$ 432,655	$ 865,310

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.

Note 8 – Risk Management (Continued)

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.

The insurance limits for the fiscal year 2024 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
Excess Liability - Malburg Generating Station	$100,000,000	-
		$1.5 Million Presumptive Loss
Property - Power Generating	$100,000,000	Various
Property - Residential	$7,950,653	$2,500
Property - Municipal	$59,614,930	$25,000
Property - Malburg Generating Station	$200,000,000	-
Commercial Property/EQ and FL	$50,000,000	-
Government Crime	$1,000,000	$25,000
Premise Pollution/Environmental Impairment	$5,000,000	$25,000
	$5,000,000 per Claim	$50,000 Utility Locs.
		$100,000 Natural Gas Pipeline
Cyber Liability	$5,000,000	$100,000
Auto Physical Damage	$10,000,000	$5,000
Residential Property Insurance	$7,950,653	$2,500
Terrorism	$100 Million Property Terrorism	$0
	$5 Million Terrorism Liability	
	$5 Million Active Shooter	
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, 2022 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.

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:

	Miscellaneous	
	Classic	**PEPRA**
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 (FY23-24)	8.00%	7.00%
Required employer contribution rate (FY23-24)	13.17%	13.17%
Required employer contribution rate (FY22-23)	11.50%	11.50%

	Safety	
	Classic	**PEPRA**
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	3%, 50 yrs	2.0% - 2.7% 50 yrs - 57 yrs respectively
Required employee contribution rate (FY23-24)	9.00%	14.50%
Required employer contribution rate (FY23-24)	27.40%	19.78%
Required employer contribution rate (FY21-22)	23.39%	20.70%

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.

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 6.0 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, 2024, the VPU's share of employer contributions made to the plans was $3,652,586.

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, 2023, using an annual actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, 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[1]	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

[1]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.

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[1]	Assumed Asset Allocation	Real Return[1,2]
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%	

[1] An expected inflation of 2.30% used for this period.

[2] 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.

Note 9 – Pension Plan (Continued)

B. Net 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, 2022 and 2023 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 6/30/22 (Valuation Date)	$ 118,447,456	$ 82,084,690	$ 36,362,766	23.05%
Balance at 6/30/23 (Measurement Date)	117,990,817	80,485,267	37,505,550	22.06%
Net Changes during 2022-2023	(456,639)	(1,599,423)	1,142,784	-0.99%

Pension Expense and Deferred Outflows and Inflows of Resources

For the measurement period ended June 30, 2023, the VPU recognized its proportionate share of the aggregate pension expense of the plans which totaled $6,127,390. At June 30, 2024, 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	$ 3,652,586	$ -
Changes of assumptions	1,814,407	-
Difference between expected and actual experienc	2,650,225	(147,473)
Net difference between projected and actual earning on pension plan investments	4,863,225	-
Adjustment due to differences in proportions	298,711	(242,348)
Difference between City contributions and proportionate share of contribution	146,465	(763,989)
Total	$ 13,425,619	$ (1,153,810)

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)

$3,652,586 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, 2025. 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
2024	$	2,899,537
2025		1,856,383
2026		3,725,644
2027		137,659
Thereafter		-
Total	$	8,619,223

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	$	20,973,993	$	14,042,669	$	8,376,089
Safety Plan	$	32,968,442	$	23,462,881	$	15,691,408

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, 2024, the VPU had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2024.

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, 2024, the VPU's proportionate share of contribution made to the trust was $303,541, and $406,942 for retiree premiums, resulting in a total contribution of $710,483.

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, 2023, 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, 2023, was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry-age normal, level percent of pay
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	5.10%
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 6.50% non-Medicare / 5.40% Medicare decreasing gradually to an ultimate rate of 3.73% by 2076

Change in assumptions

In 2023, there were no changes in assumptions.

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%	6.80%
Fixed Income	23.00%	3.70%
Global Real Estate (REITs)	20.00%	6.00%
Treasury Inflation Protected Securities (TIPS)	5.00%	2.80%
Commodities	3.00%	3.40%
Total	100.00%	

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, 2022 and 2023 was as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)	Proportionate Share
Balance at June 30, 2022 (Measurement Date)	6,299,907	2,522,107	3,777,800	23.05%
Balance at June 30, 2023 (Measurement Date)	6,105,296	2,914,449	3,190,847	22.06%
Net changes during 2022-23	$ (194,611)	$ 392,342	$ (586,953)	-0.99%

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:

Plan's Net OPEB Liability		
Discount Rate -1% (5.00%)	Current Discount Rate (6.00%)	Discount Rate +1 % (7.00%)
$ 3,877,798	$ 3,190,847	$ 2,613,840

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 healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

Plan's Net OPEB Liability		
Healthcare Cost Trend Rate - 1%	Healthcare Cost Trend Rate	Healthcare Cost Trend Rate + 1%
$ 2,900,145	$ 3,190,847	$ 3,475,081

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

For the year ended June 30, 2024, the VPU recognized its proportionate share of the OPEB expense of $135,290. At June 30, 2024, the VPU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after measurement period	$ 297,316	$ -
Changes in assumptions	141,760	(305,989)
Difference between expected and actual experience	15,755	(528,257)
Net difference between projected and actual earning on OPEB plan investments	177,556	-
Total	$ 632,387	$ (834,246)

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 $297,316 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, 2025. 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 Ending June 30	Deferred Outflows/(Inflows) of Resources
2024	$ (433,804)
2025	(58,343)
2026	63,810
2027	(42,586)
2027	(21,673)
Thereafter	(6,579)
Total	$ (499,175)

Payable to the OPEB Plan

At June 30, 2024, the VPU had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2024.

Note 11 – Net Investment in Capital Assets

The investment in capital assets for VPU is calculated as follows:

		Enterprise Funds			
	Total VPU	**Electric**	**Gas**	**Water**	**Fiber Optics**
Total capital assets, net	$ 457,552,315	$ 418,454,712	$ 14,027,252	$ 23,396,376	$ 1,673,975
Unspent capital debt proceed	343,434	333,109	-	10,325	-
Deferred loss on refunding debt	916,388	916,388	-	-	-
Retention payable	(240,101)	-	-	(240,101)	-
Capital related debt	(241,792,915)	(226,268,382)	-	(15,524,533)	-
Net investment in capital assets	$ 216,779,121	$ 193,435,827	$ 14,027,252	$ 7,642,067	$ 1,673,975

Note 12 – Prior Period Adjustment

The beginning net position was restated to report prepaid items previously recognized as expense. The effect of correcting that error is shown in the table below:

	Vernon Public Utilities	Electric Enterprise Fund
Beginning, as previously reported	$ 233,381,550	$ 210,480,341
Prepaid items	5,318,612	5,318,612
Beginning, as restated	$ 238,700,162	$ 215,798,953

Note 13 – 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 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:

<u>*Palo Verde Project*</u>

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 2024 was $3,339,783. The City expects no significant increases in costs related to its nuclear resources.

Note 13 – Southern California Public Power Authority (Continued)

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 2024 was $5,132,242.

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 2024 was $2,921,584.

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 2024 was $3,090,085.

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 2024 was $616,011.

Note 13 – Southern California Public Power Authority (Continued)

B. Power Purchase Commitments (Continued)

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 2024 was $319,879.

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 was 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. The City's proportionate share of costs during fiscal year 2024 was $5,003,685.

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, 2024

Last Ten Fiscal Years

California Public Employees' Retirement System Defined Pension Plan

Fiscal year	2015	2016	2017	2018	2019
Measurement period	2013-14	2014-15	2015-16	2016-17	2017-18
VPU's proportion of the net pension liability	15.41%	15.27%	15.41%	15.55%	14.86%
VPU's proportionate share of the net pension liability	$ 12,115,347	$ 11,682,868	$ 14,675,830	$ 17,052,279	$ 16,866,107
Covered payroll[1]	$ 3,636,006	$ 3,734,153	$ 2,026,477	$ 4,210,103	$ 4,577,147
VPU's proportionate share of the net pension liability as a percentage of covered payroll	333.20%	312.87%	724.20%	405.03%	368.49%
VPU Fiduciary Net Position as a percentage of the total pension liability	77.73%	78.15%	78.91%	77.85%	77.68%

1 Includes one year’s payroll growth using 2.80 percent payroll growth assumption for fiscal years ended June 30, 2022 and 2023; 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 2023-24 were derived from the June 30, 2021 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	2.300%
Salary increases	varies by entry age and service
Payroll Growth	2.800%
Investment rate of return	6.8% 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, 2024

Last Ten Fiscal Years

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

Fiscal year	2020	2021	2022	2023	2024
Measurement period	2018-19	2019-20	2020-21	2021-22	2022-23
VPU's proportion of the net pension liability	15.47%	16.99%	18.82%	23.05%	22.06%
VPU's proportionate share of the net pension liability	$ 18,692,374	$ 22,982,998	$ 16,563,816	$ 36,362,766	$ 37,505,550
Covered payroll[1]	$ 4,418,536	$ 4,203,972	$ 3,902,610	$ 4,967,127	$ 5,471,270
VPU's proportionate share of the net pension liability as a percentage of covered payroll	423.04%	546.70%	424.43%	732.07%	685.50%
VPU Fiduciary Net Position as a percentage of the total pension liability	76.15%	74.79%	85.45%	69.30%	68.21%

City of Vernon
Vernon Public Utilities
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions
For the Year Ended June 30, 2024

Last Ten Fiscal Years

California Public Employees' Retirement System Defined Pension Plan

Fiscal year	2015	2016	2017	2018	2019
Measurement period	2013-14	2014-15	2015-16	2016-17	2017-18
VPU's Allocation Percentage	15.41%	15.27%	15.41%	15.55%	14.86%
Actuarially determined contribution	$ 999,787	$ 1,272,412	$ 1,403,235	$ 1,475,490	$ 1,622,690
Contributions in relation to the actuarially determined contribution	(999,787)	(1,272,412)	(1,403,235)	(1,475,490)	(1,622,690)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll[1]	$ 3,767,567	$ 4,025,399	$ 4,210,103	$ 4,577,147	$ 4,418,536
Contributions as a percentage of covered payroll	26.54%	31.61%	33.33%	32.24%	36.72%

1 Includes one year's payroll growth using 2.80 percent payroll growth assumption for fiscal years ended June 30, 2022 and 2023; 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 2023-24 were derived from the June 30, 2021 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	2.300%
Salary increases	varies by entry age and service
Payroll Growth	2.800%
Investment rate of return	6.8% 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, 2024

Last Ten Fiscal Years

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

Fiscal year	2020	2021	2022	2023	2024
Measurement period	2018-19	2019-20	2020-21	2021-22	2022-23
VPU's Allocation Percentage	15.47%	16.99%	18.82%	23.05%	22.06%
Actuarially determined contribution	$ 1,908,522	$ 2,145,491	$ 2,674,893	$ 3,717,613	$ 3,652,586
Contributions in relation to the actuarially determined contribution	(1,908,522)	(2,145,491)	(2,674,893)	(3,717,613)	(3,652,586)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll[1]	$ 4,203,972	$ 3,902,610	$ 4,967,127	$ 5,471,270	$ 5,624,466
Contributions as a percentage of covered payroll	45.40%	54.98%	53.85%	72.81%	64.94%

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, 2024

Last Ten Fiscal Years[1]

Other Postemployment Benefits ("OPEB") Plan

Fiscal year	2018	2019	2020	2021	2022
Measurement period	2016-17[1]	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%

1 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, 2024

Last Ten Fiscal Years[1]

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

Fiscal year	2023	2024
Measurement period	2021-22	2022-23
VPU's proportion of the net OPEB liability	23.05%	22.06%
VPU's proportionate share of the net OPEB liability	$ 3,777,800	$ 3,190,847
Covered - employee payroll	$ 5,850,485	$ 5,401,408
VPU's proportionate share of the net OPEB liability as a percentage of covered - employee payroll	64.57%	59.07%
VPU's fiduciary net position as a percentage of the total OPEB liability	40.03%	47.74%

City of Vernon
Vernon Public Utilities
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other Postemployment Benefits
For the Year Ended June 30, 2024

Last Ten Fiscal Years[1]

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)	$ 67,199	$ (44,064)	$ (306,934)	$ (270,568)	$ (262,413)
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%

[1] 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 2023-204 were derived from the June 30, 2022 funding valuation report.

<u>Methods and assumptions used to determine contribution rates:</u>

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll
Amortization period	30 years
Inflation	2.30%
Discount Rate	6.00%
Payroll Growth	2.80%
Healthcare trend rates	7.00%, trending down to 3.73%
Rate of return on assets	5.10%

City of Vernon
Vernon Public Utilities
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other Postemployment Benefits (Continued)
For the Year Ended June 30, 2024

Last Ten Fiscal Years[1]

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

Fiscal year	2023	2024
Actuarially determined contribution	$ 323,302	$ 303,541
Contributions in relation to the actuarially determined contribution	(717,178)	(686,282)
Contribution deficiency (excess)	$ (393,876)	$ (382,741)
Covered-employee payroll	$ 5,644,571	$ 5,401,408
Contributions as a percentage of covered-employee payroll	12.71%	12.71%

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

City of Vernon
Vernon Public Utilities
Combining Statement of Net Position
June 30, 2024

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Eliminating Entry	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ 115,622,939	$ 16,258,268	$ 11,070,299	$ 396,614	$ -	$ 143,348,120
Investments	24,215,847	246,139	8,407,980	-	-	32,869,966
Accounts receivable, net	10,888,312	668,881	1,197,167	44,814	-	12,799,174
Interest receivable	216,631	-	90	-	-	216,721
Accrued unbilled revenue	22,289,345	947,384	2,021,065	-	-	25,257,794
Due from other funds	700	-	-	-	-	700
Prepaid items	791,171	-	5,720	-	-	796,891
Inventory	569,092	-	-	-	-	569,092
Total current assets	174,594,037	18,120,672	22,702,321	441,428	-	215,858,458
Noncurrent assets:						
Restricted cash and investments	31,831,023	-	21,624	-	-	31,852,647
Advances to other funds	33,219,430				(33,219,430)	-
Prepayment to Southern California Public Power Authority	956,471	-	-	-	-	956,471
Deposits	3,786,653	-	-	-	-	3,786,653
Capital assets:						
Capital assets, not being depreciated	65,255,673	-	6,936,269	-	-	72,191,942
Capital assets, being depreciated, net	353,039,747	14,027,252	16,460,107	1,673,975	-	385,201,081
Intangible assets, being amortized, net	159,292	-	-	-		159,292
Total capital assets	418,454,712	14,027,252	23,396,376	1,673,975	-	457,552,315
Total noncurrent assets	488,248,289	14,027,252	23,418,000	1,673,975	(33,219,430)	494,148,086
Total assets	662,842,326	32,147,924	46,120,321	2,115,403	(33,219,430)	710,006,544
DEFERRED OUTFLOW OF RESOURCES						
Pension related	10,797,601	813,690	1,801,182	13,146	-	13,425,619
Other postemployment benefits related	508,599	38,327	84,841	619	-	632,386
Deferred charges on refunding	1,529,380	-	-	-	-	1,529,380
Total deferred outflow of resources	12,835,580	852,017	1,886,023	13,765	-	15,587,385

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Vernon
Vernon Public Utilities
Combining Statement of Net Position (Continued)
June 30, 2024

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Eliminating Entry	Total
LIABILITIES						
Current liabilities:						
Accounts payable	10,131,900	141,565	830,205	233,182	-	11,336,852
Accrued wages and benefits	289,388	14,780	16,732	-	-	320,900
Accrued interest payable	5,988,903	-	231,760	-	-	6,220,663
Customer deposits payable	397,627	13,558	193,988	-	-	605,173
Subscription liabilities, due within one year	36,537	-	-	-	-	36,537
Compensated absences, due within one year	384,050	8,773	39,557	275	-	432,655
Bonds payable, due within one year	54,395,000	-	275,000	-	-	54,670,000
Note payable, due within one year	-	-	139,535	-	-	139,535
Total current liabilities	71,623,405	178,676	1,726,777	233,457	-	73,762,315
Noncurrent liabilities:						
Advances from other funds	-	28,745,823	-	4,473,607	(33,219,430)	-
Subscription liabilities, due in more than one year	37,912	-	-	-	-	37,912
Compensated absences, due in more than one year	768,099	17,544	79,115	552	-	865,310
Bonds payable, due in more than one year	277,449,748	-	14,307,673	-	-	291,757,421
Note payable, due in more than one year	-	-	802,325	-	-	802,325
Net pension liability	30,163,971	2,273,110	5,031,749	36,720	-	37,505,550
Net other postemployment benefits liability	2,566,250	193,389	428,084	3,124	-	3,190,847
Total noncurrent liabilities	310,985,980	31,229,866	20,648,946	4,514,003	(33,219,430)	334,159,365
Total liabilities	382,609,385	31,408,542	22,375,723	4,747,460	(33,219,430)	407,921,680
DEFERRED INFLOWS OF RESOURCES						
Pension related	927,956	69,929	154,795	1,130	-	1,153,810
Other postemployment benefits related	670,945	50,561	111,923	817	-	834,246
Total deferred inflows of resources	1,598,901	120,490	266,718	1,947	-	1,988,056
NET POSITION						
Net investment in capital assets	193,435,827	14,027,252	7,642,067	1,673,975	-	216,779,121
Restricted for:						
Debt service	31,497,914	-	11,299	-	-	31,509,213
Assembly Bill 1890	2,754,353	-	-	-	-	2,754,353
Unrestricted (deficit)	63,781,526	(12,556,343)	17,710,537	(4,294,214)	-	64,641,506
Total net position	$ 291,469,620	$ 1,470,909	$ 25,363,903	$ (2,620,239)	$ -	$ 315,684,193

(Concluded)

See accompanying Notes to the Basic Financial Statements.

This page intentionally left blank.

City of Vernon
Vernon Public Utilities
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Eliminating Entry	Total
OPERATING REVENUES:						
Charges for services	$ 201,709,947	$ 14,091,453	$ 9,259,134	$ 502,869	$ -	$ 225,563,403
Total operating revenues	201,709,947	14,091,453	9,259,134	502,869	-	225,563,403
OPERATING EXPENSES:						
Cost of sales	98,104,480	14,034,561	7,097,861	700,524	-	119,937,426
Depreciation and amortization expense	23,352,859	704,888	708,447	270,905	-	25,037,099
Total operating expenses	121,457,339	14,739,449	7,806,308	971,429	-	144,974,525
OPERATING INCOME	80,252,608	(647,996)	1,452,826	(468,560)	-	80,588,878
NONOPERATING REVENUES (EXPENSES):						
Investment income	6,041,671	648,183	928,649	4,427	-	7,622,930
Net increase in fair value of investments	118,048	1,139	-	-	-	119,187
Interest expense	(10,441,577)	-	(538,249)	-	-	(10,979,826)
Loss on disposal of assets	(278,800)	-	(6,227)	-	-	(285,027)
Total nonoperating revenues (expenses)	(4,560,658)	649,322	384,173	4,427	-	(3,522,736)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	75,691,950	1,326	1,836,999	(464,133)	-	77,066,142
CAPITAL CONTRIBUTIONS AND TRANSFERS:						
Capital contributions	300,000	-	-	-	-	300,000
Capital contributions to the City of Vernon	-	-	(40,524)	-	-	(40,524)
Transfers in	20,304	-	-	-	(20,304)	-
Transfers out	(341,587)	-	(20,304)	-	20,304	(341,587)
Total capital contributions and transfers	(21,283)	-	(60,828)	-	-	(82,111)
CHANGE IN NET POSITION	75,670,667	1,326	1,776,171	(464,133)	-	76,984,031
NET POSITION:						
Beginning of year, as restated (Note 12)	215,798,953	1,469,583	23,587,732	(2,156,106)	-	238,700,162
End of year	$ 291,469,620	$ 1,470,909	$ 25,363,903	$ (2,620,239)	$ -	$ 315,684,193

See accompanying Notes to the Basic Financial Statements.

City of Vernon
Vernon Public Utilities
Combining Statement of Cash Flows
For the Year Ended June 30, 2024

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash receipts from customers and users	$ 197,670,410	$ 13,692,058	$ 8,499,943	$ 491,108	$ 220,353,519
Cash paid to suppliers for goods and services	(82,959,998)	(12,834,837)	(5,202,325)	(461,217)	(101,458,377)
Cash paid to employees for services	(13,860,976)	(1,060,322)	(2,061,020)	(15,000)	(16,997,318)
Net cash provided by (used in) operating activities	100,849,436	(203,101)	1,236,598	14,891	101,897,824
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers to other City funds	(341,587)	-	-	-	(341,587)
Receipt from other funds	715,961	-	18,247	36	734,244
Payment to other funds	(2,953,813)	(659,281)	(110,329)	(47,851)	(3,771,274)
Net cash (used in) noncapital financing activities	(2,579,439)	(659,281)	(92,082)	(47,815)	(3,378,617)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(14,951,769)	(59,340)	(1,758,167)	(665,779)	(17,435,055)
Principal paid on long-term debt	(51,874,082)	-	(404,535)	-	(52,278,617)
Interest paid on long-term debt	(17,875,462)	-	(562,850)	-	(18,438,312)
Net cash (used in) capital and related financing activities	(84,701,313)	(59,340)	(2,725,552)	(665,779)	(88,151,984)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payment to acquire investments	(23,554,565)	(245,000)	(8,408,124)	-	(32,207,689)
Receipt from matured investments	29,144,009	-	-	-	29,144,009
Interest received	6,404,739	648,183	937,631	4,427	7,994,980
Net cash provided by investing activities	11,994,183	403,183	(7,470,493)	4,427	4,931,300
Net increase (decrease) in cash and cash equivalents	25,562,867	(518,539)	(9,051,529)	(694,276)	15,298,523
CASH AND CASH EQUIVALENTS:					
Beginning of year	121,891,095	16,776,807	20,143,452	1,090,890	159,902,244
End of year	$ 147,453,962	$ 16,258,268	$ 11,091,923	$ 396,614	$ 175,200,767
CASH AND CASH EQUIVALENTS:					
Cash and investment	$ 115,622,939	$ 16,258,268	$ 11,070,299	$ 396,614	$ 143,348,120
Restricted cash and investment	31,831,023	-	21,624	-	31,852,647
Total cash and cash equivalents	$ 147,453,962	$ 16,258,268	$ 11,091,923	$ 396,614	$ 175,200,767
NONCASH ITEMS:					
Capital contribution	$ 300,000	$ -	$ -	$ -	$ 300,000

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Vernon
Vernon Public Utilities
Combining Statement of Cash Flows (Continued)
For the Year Ended June 30, 2024

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Total
OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income	$ 80,252,608	$ (647,996)	$ 1,452,826	$ (468,560)	$ 80,588,878
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	23,352,859	704,888	708,447	270,905	25,037,099
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	2,704,179	(477,243)	(253,650)	(11,761)	1,961,525
(Increase) decrease in accrued unbilled revenue	(5,058,193)	77,848	(505,541)	-	(5,485,886)
(Increase) decrease in inventories and prepaid items	4,708,157	-	(1,390)	-	4,706,767
(Increase) decrease in customer deposits	(1,685,523)	-	-	-	(1,685,523)
(Increase) decrease in deferred outflows of resources related to pension	905,897	47,069	19,827	594	973,387
(Increase) decrease in deferred outflows of resources related to OPEB	442,777	31,644	63,189	498	538,108
Increase (decrease) in accounts payable	(3,921,798)	88,023	(449,363)	222,499	(4,060,639)
Increase (decrease) in accrued wages and benefits	(80,385)	(6,326)	(15,140)	-	(101,851)
Increase (decrease) in deposits payable	(12,870)	-	(42,900)	-	(55,770)
Increase (decrease) in compensated absences	148,015	(16,533)	16,206	293	147,981
Increase (decrease) in net pension liabilities	608,351	99,378	433,034	2,021	1,142,784
Increase (decrease) in OPEB liabilities	(504,342)	(32,444)	(49,686)	(481)	(586,953)
Increase (decrease) in deferred inflows of resources related to pension	(551,273)	(38,864)	(75,366)	(607)	(666,110)
Increase (decrease) in deferred inflows of resources related to OPEB	(459,023)	(32,545)	(63,895)	(510)	(555,973)
Total adjustment	20,596,828	444,895	(216,228)	483,451	21,308,946
Net cash provided by (used in) operating activities	$ 100,849,436	$ (203,101)	$ 1,236,598	$ 14,891	$ 101,897,824

(Concluded)

See accompanying Notes to the Basic Financial Statements.

This page intentionally left blank.