Annual Financial Report

Fiscal Year Ended June 30, 2018

CITY OF VERNON Fiscal Year Ended June 30, 2018

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City of Vernon, California Finance Department

April 24, 2019 To the Honorable Mayor and City Council Vernon, California

In accordance with the Charter of the City of Vernon (City), please accept submission of the Annual Financial Report for the fiscal year ended June 30, 2018. Responsibility for the accuracy of the data, completeness, and fairness of the presentation, including all disclosures, rests with the City. We believe the data included is accurate in all material aspects, and is presented in a manner designed to fairly set forth the financial position and operational achievements of the City, as measured by the financial activity of its various funds. In addition, all disclosures necessary to enable the reader to gain a maximum understanding of the City's financial activities have been included.

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

ECONOMIC CONDITION AND OUTLOOK

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

Vernon is the industrial heart of Southern California. Major manufacturers, processors and distributors have made Vernon their home for more than a century. Vernon businesses employ more than 50,000 men and women from nearby communities throughout the Greater Los Angeles area. There are 1,800 businesses that call Vernon home. These include food processors, fashion apparel manufacturers, furniture manufacturers, electronics manufacturers, paper products producers and business logistics companies. Familiar firms with significant operations in Vernon include Farmer John, Whole Foods, Seven for All Mankind, and Tapatío Hot Sauce.

Vernon is a key contributor to the diverse Los Angeles County economy. After several years of slow and steady growth, the economy is finally shifting into a higher gear as it continues to recover from the impact of the most recent recession. Job growth is contributing to the flourishing local economy, as well as at the state and national levels. Vernon is largely industrial and does not maintain an unemployment rate tally of its small population. However, the unemployment rate of adjacent communities is currently 4.6%, which is slightly higher than the State of California's average unemployment rate of 4.1%, and the national average unemployment rate of 3.7%. The occupancy rate of the City 's central business district ranges between 96% and 98%.

The City will continue to build on the successes and achievements realized in the current year and remains committed to serving its customers. The City's main revenue sources consisting of utilities fees, property and parcel taxes, business license taxes, and sales and use tax, have all sustained steady growth this year. As the City moves into fiscal year 2019, we are optimistic about continued growth but will remain attentive to the prevailing economic climate and mindful of managing enhanced services within the limits of our adopted budget.

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

Vernon's Fashionable Business Resources

Vernon serves a major center for Southern California's fashion industry. Vernon is home to more than 10% of fashion-related jobs in Los Angeles County. The fashion industry accounts for nearly 15% of Vernon's businesses. The availability of specialized office and warehouse space in Vernon makes the City a top site for apparel, textile design, storage and manufacturing companies in the fashion industry. More than 265 fashion industry companies engaged in design, dyeing, cutting, sewing, importing and distribution are located in Vernon. Fashion industry businesses prosper in Vernon because they do not need to leave Vernon to connect with most of their key business partners. Fashion industry companies have quick access to Los Angeles, Orange County and the Inland Empire for their product distribution channels and can easily utilize national and international trade routes through nearby freeways, railroads and ports. Vernon's low taxes, lower cost power and water rates, and business-friendly municipal services are why the fashion industry calls Vernon its home.

Powering Business Competitiveness

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

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

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

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

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

Safeguarding the Environment

Vernon is one of four cities in the State of California with a health department. Vernon's Health and Environmental Control Department regulates industrial operations conducted in the City.

Since Vernon maintains a municipal health authority, local businesses are able to deal directly with the City health department officials to address important environmental issues, which help businesses streamline the monitoring and enforcement of health-related Federal laws, and State, LA County and Municipal ordinances, rules and regulations.

Vernon is focused on protecting the environment. Accordingly, Vernon has in place strict ordinances governing the practices of heavy manufacturers, food processors, garment manufacturers, and hazardous waste storage and disposal. Each function in a manner that allows the City to effectively serve the community in protecting public health.

Vernon manages several special programs and operations to safeguard the public's health and safety, and protect the City's environment. Among these are the following: Certified Unified Program Agency, Accidental Release Prevention, Animal/Vector Control, Food Inspection Program, Garment Manufacturing Program, Hazardous Materials Monitoring, Hazardous Waste, Public/Employee Health Education, Solid Waste Management, Storm Water Control, Above Ground Storage Tank Inspection, Underground Storage Tank Inspection, and Water Quality programs. Each of these programs is designed to ensure a safe environment for residents and the business community.

Public Safety

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

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

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

The Vernon Fire Department continues to be the leader in "exclusively Industrial" firefighting among its peers and has been awarded a Class 1 Public Classification rating by the Insurances Services Office (ISO), an organization that independently evaluates municipal fire protection efforts in communities throughout the United States. The Class 1 rating is the highest possible score that agencies in California can receive. A total of 10 such departments in California and 58 departments nationally have achieved this prestigious, significant ranking. Vernon Fire Department team members are public servant oriented and take immense pride in the superior service provided to the community.

The City maintains four stations within the City's five square-miles that enable its firefighters and paramedics to achieve an average emergency response time of three minutes. Vernon's firefighters are highly trained to manage complex emergency incidents and equipped to deal with industrial fires and toxic hazards. The Fire Department consists of seven main Divisions which are key to its successful operation: Fire Suppression, Emergency Medical Services (EMS), Emergency Management, Fire Apparatus & Equipment, Training & Safety, Hazardous Materials and Administration. These divisions function in a manner that allows the department to effectively serve the community in emergency and non-emergency situations.

Vernon's Police and Fire Departments serve as a major emergency response and disaster preparedness resource for the Greater Los Angeles region. Vernon works closely with L.A. County and municipal public safety agencies in neighboring cities to offer essential public safety resources and assistance at times of an emergency through mutual aid agreements. Vernon consistently provides more police and fire emergency response mutual aid coverage than that which the City requests through these agreements. Vernon's specialized emergency service of hazardous materials and search-and-rescue units frequently lend their expertise at major public safety incidents throughout Southern California.

MAJOR INITIATIVES

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

1. Vernon is very committed to meeting its debt service coverages. In order to address the budget deficit historically present in the General Fund, the City placed on the ballot a measure to increase the Utility Users Tax from 1% to 6% which passed in April 2018. The passage of this measure will

- effectively eliminate operating transfers from its enterprise activities to the General Fund. To minimize the burden on the business community, an equivalent discount has been provided to Vernon's electric, gas, water, and fiber optics utility customers.
- 2. Vernon is committed to maintaining fiscal accountability and presenting an accurate financial picture of its financial conditions. Over the last 10 years, Vernon worked hard to develop a Geographic Information System (GIS) to visualize, question, analyze and interpret data to understand relationships, patterns, and trends associated with its capital assets. While the GIS project is still on-going, Vernon concurrently retained Epic Land Solutions, Inc. to conduct an infrastructure valuation of Vernon capital assets mapped out within the GIS system. The outcome of the study verified many capital assets owned by Vernon that were not historically reflected as an asset on its books, indicating that those capital assets were historically expensed as opposed to being capitalized. As a result of the study, Vernon's governmental infrastructure value was increased by \$194.2 million in the prior year. While the increase in the infrastructure value has increased depreciation expense, Vernon believes in presenting an accurate financial picture to its community in order to make sound decisions together to better plan its future.
- 3. Vernon has the capacity to expand its services as new businesses emerge and as existing businesses flourish and expand. An attractive, business friendly approach is extended to customers in the form of discounts that are available for large electricity consumers. Revenue sharing mechanisms have also been implemented to help stimulate both growth and retention. The City's Good Governance and Reform initiatives provide a tangible demonstration of the overarching commitment to sound governance and best business practices.
- 4. Vernon is a party to a long-term pre-paid natural gas agreement with Citigroup Energy, Inc. ("CEI"), which obligates Vernon to take natural gas for 15 years (from 2006 to 2021). At the end of 2015, the credit rating of Citigroup, Inc., CEI's parent and guarantor under the pre-paid agreement ("Citigroup"), was downgraded. Vernon believed this downgrade triggered a credit support obligation under the agreement. CEI and Citigroup disagreed. In March 2016, the City brought an action for declaratory relief in federal district court against, among others, Citigroup and CEI, alleging that the defendants had breached the pre-paid agreement. In August 2016, the parties entered into a confidential settlement agreement and ended the litigation. Under the terms of the settlement agreement, Vernon does not believe it has any exposure under the pre-paid agreement should either CEI or Citigroup fail to perform.
- 5. Based upon the City's electric debt service schedule, there will be a significant reduction in debt service starting in 2027. With input from business and residential communities, the City continues to evaluate its position and initiatives to ensure that electric rates remain competitive and that infrastructure needs are being addressed.
- 6. The inherent governance challenges in the City, due to a very small residential population, continues to be addressed by its residents, businesses, Chamber of Commerce, and City Council. Over the past 5 years, the public has become much more engaged in the political process and continues to keep a watchful eye on all important issues facing the City. The disincorporation controversy raised by assembly bill 46 in 2011 has been addressed with the whole-hearted adoption of key reforms and comprehensive implementation of best practices in all City operations.

- 7. The State of California Joint Legislative Audit Committee (JLAC) is no longer pursuing the disincorporation of the City. Vernon has addressed all outstanding JLAC recommendations effective July 2017. Emphatically committed to good governance and transparency, the City is proud of its success in satisfying each reform that JLAC recommended. As a result, the City moves forward with clear, concise, and comprehensive policies and procedures that uphold best practices.
- 8. The shutdown of the Exide recycled battery plant operation has been and will continue to be under State of California oversight. The Department of Toxic Substances Control is completely responsible for monitoring the site and all related cleanup on a continual basis. The State of California has established funding for the Exide plant cleanup effort collected through a fee on each battery recycled along with any restitution from Exide which remains a global company. There is no direct impact on City operations and Exide does not pose a concern to existing Vernon businesses.
- 9. Vernon's electric rates remain competitive, and in many cases, lower than adjacent municipal and investor owned utilities. However, in many respects, Vernon's electric utility services continue to outperform its neighboring peers thanks to a higher reliability rating and greater customer satisfaction. In fact, VPU's electric reliability ranked in the top 10% nationwide in a recent benchmarking study.

FINANCIAL INFORMATION

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

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

BUDGETARY CONTROLS

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

RELEVANT FINANCIAL POLICIES

Over the years, through sound fiscal management, the City has positioned itself well to weather economic downturns, create a positive atmosphere for economic development, and allow flexibility in addressing budgetary challenges. As of June 30, 2018, the City's overall total net position was \$192.8 million. This consisted of a positive governmental net position of \$62.4 million and business-type net position of \$130.4 million. By continuing to develop sound fiscal management plans, the City intends to maintain an overall positive net position.

ACKNOWLEDGMENTS

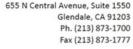
The preparation of this report on a timely basis is a team effort involving many dedicated people across the entire organization. I would like to extend a special thanks to the talented finance professionals throughout the City, led by Masami Higa, Assistant Finance Director and Joaquin Leon, Deputy City Treasurer. Appreciation is also expressed to Carlos Fandino, City Administrator; Hema Patel, City Attorney; Kelly Nguyen, General Manager of Public Utilities; Michael Earl, Human Resource Director, and Diana Figueroa, Administrative Analyst.

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

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

Respectfully submitted,

William Fox Finance Director





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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vernon, California (the City), as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

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

Basis for Qualified Opinion

As disclosed in Note 5, the City hired a professional firm to perform an inventory and a valuation of the City's utility infrastructure assets in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, and GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, to determine the amount of any unreported utility infrastructure assets and to prepare an infrastructure asset listing to be maintained by the City. The valuation is on-going as of the date of this report. While management expects the amount to be significant, management is unable to determine the estimated amount of unreported utility infrastructure assets as of June 30, 2018. Adjustments if any, will not have an impact on the City's cash flows.

Qualified Opinions

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 13, the beginning balance of the City's net position has been restated to retroactively reflect the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB) and the transfer of land from the Successor Agency. As a result of these adjustments, the City's beginning net position was reduced by \$11,416,734. Our opinion is not modified with respect to this matter.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 24 and budgetary comparison information and funded status of pension and other postemployment benefits plans on pages 84 through 91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2019, 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.

Glendale, California

Varguer & Company LLP

April 24, 2019

CITY OF VERNON, CALIFORNIA Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018 (Unaudited)

As management of the City of Vernon ("the City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements

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

The *statement of net position* presents information on all of the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The government-wide financial statements include not only the City of Vernon (known as the *primary government*), but also blended component units. Certain blended component units, although legally separate entities are, in substance, part of the primary government's operations and are included as part of the primary government. Fiduciary funds are not presented in the government-wide financial statements as the resources are not available to support City programs. The government-wide financial statements can be found on pages 25-26 of this report.

Fund financial statements

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

Governmental funds

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

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

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund (see pages 84 and 85).

The basic governmental funds financial statements can be found on pages 27 and 29 of this report.

Proprietary funds

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Vernon Public Utilities. Segment information for each of the Electric, Gas, Water, and Fiber Optics utilities are presented in Note 11 on pages 76-78 of this report.

The basic proprietary funds financial statements can be found on pages 31-33 of this report.

Fiduciary funds

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

The basic fiduciary funds financial statements can be found on pages 34-35 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-83 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City's Net Position

The table below summarizes the City's net position as of June 30, 2018 and June 30, 2017. The details of the current year's summary can be found on page 25 of this report.

City of Vernon Net Position June 30, 2018 and 2017

	Governmen	tal Activities	Bus iness-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other as sets	\$ 10,888,031	\$ 3,183,665	\$ 241,619,236	\$ 243,109,674	\$252,507,267	\$246,293,339
Restricted assets	3,925,089	4,209,844	28,051,380	32,793,332	31,976,469	37,003,176
Capitalassets	179,158,883	179,389,591	234,115,783	231,294,182	413,274,666	410,683,773
Totalassets	193,972,003	186,783,100	503,786,399	507,197,188	697,758,402	693,980,288
Deferred Outflows of Resources:						
Deferred amount on refunding	-	-	8,418,636	10,927,489	8,418,636	10,927,489
Deferred outflows related to pensions	21,317,660	20,668,345	3,963,204	3,835,296	25,280,864	24,503,641
Deferred outflows related to other						
postemplo yment benefits	1,831,287	-	265,528	-	2,096,815	-
	23,148,947	20,668,345	12,647,368	14,762,785	35,796,315	35,431,130
Lia bilitie s :						
Current liabilities	7,916,237	7,940,716	50,138,430	43,164,408	58,054,667	51,105,124
Long-term liabilities	145,297,301	118,063,616	318,053,620	343,287,331	463,350,921	461,350,947
To tal lia bilitie s	153,213,538	126,004,332	368,192,050	386,451,739	521,405,588	512,456,071
Deferred Inflows of Resources:						
Deferred inflows related to pensions	902,360	3,685,604	193,152	741,420	1,095,512	4,427,024
Deferred inflows related to other						
postemplo yment benefits	608,342	-	67,810	-	676,152	-
Deferred gain from sale of						
generation assets	-	-	17,619,222	23,024,857	17,619,222	23,024,857
	1,510,702	3,685,604	17,880,184	23,766,277	19,390,886	27,451,881
Net Position						
Net investment in capital assets	176,689,072	178,181,004	155,342,824	15 1,98 1,027	332,031,896	330,162,031
Restricted	3,925,089	1,258,832	-	-	3,925,089	1,258,832
Unrestricted	(118,217,451)	(101,678,327)	(24,981,291)	(40,239,070)	(143,198,742)	(141,917,397)
Total net position	\$ 62,396,710	\$ 77,761,509	\$ 130,361,533	\$ 111,741,957	\$ 192,758,243	\$ 189,503,466

Note: The 2017 information presented above were not restated to reflect the effect of GASB 75 implementation.

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$192,758,243 (net position).

The category of the City's net position with the largest balance totaling \$332,031,896 (172.0%) represents resources that are invested in capital assets, net of related debt.

The second largest category of net position, totaling \$3,925,089 (2.0%) represents the City's restricted assets, which is restricted for grants.

The last remaining category of net position, totaling (\$143,198,742) (-74.0%) represents a deficit in unrestricted net position that is expected to be recovered from the City's future revenues.

Governmental activities, net position:

- Current and other assets increased \$7,704,366 from the prior year mainly due to an increase in cash and investments of \$7,056,205.
- Restricted assets decreased \$284,755 from the prior year mainly due to a decrease in restricted cash and investments.
- Capital assets decreased \$230,708 from the prior year, net of depreciation of \$5,304,097, mainly due to depreciation.
- Deferred outflows of resources for pension costs increased \$649,315 from the prior year mainly due to a change in current year's contribution to the pension that will be applied as a reduction in net pension liability in the next fiscal year, or other items arising from changes in actuarial assumptions, difference between actual and projected experiences, difference between actual and projected investment gains/losses, or changes in a fund's proportionate share of the net pension liability..
- Deferred outflows of resources for other postemployment benefits (OPEB) increased \$1,831,287 from the prior year due to the implementation of GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Deferred outflows of resources for other postemployment benefits represents current year contribution to the OPEB plan that will be applied as a reduction in net OPEB liability in the next fiscal year, or other items arising from changes in actuarial assumptions, difference between actual and projected experiences, difference between actual and projected investment gains/losses, or changes in a fund's proportionate share of the net OPEB liability.
- Current liabilities decreased \$24,479 from the prior year mainly due to increase in accounts payable of \$232,550 and current portion of long-term liabilities of \$325,813 offset by a decrease in accrued wages and benefits of \$723,216.
- Long-term liability increased \$27,233,685 from the prior year mainly due to an increase other postemployment benefits liability of \$13,944,878 and increase in net pension liability of \$12,063,886.

- Deferred inflows of resources for pension actuarial decreased \$2,783,244 from the prior year due to changes in total pension liability that are to be recognized as an increase in pension expenses in future fiscal years. These balances arise from changes in actuarial assumptions, difference between actual and projected experiences, difference between actual and projected investment gains/losses, or changes in the fund's proportionate share of the plan's net pension liability.
- Deferred inflows of resources for OPEB increased \$608,342 from the prior year due to the implementation of GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These balances arise from changes in actuarial assumptions, difference between actual and projected experiences, difference between actual and projected investment gains/losses, or changes in the fund's proportionate share of the OPEB liability.
- Net investment in capital assets decreased \$1,491,932 from the prior year which is equivalent to the decrease in capital assets, net of capital lease obligations during the current year.
- Restricted net position increased \$2,666,257 from the prior year mainly due to restricted designation placed on employee flexible spending account, street improvement account, and Vernon Community Fund account. In the prior year, only the public safety Asset Forfeiture Funds account was designated as restricted.
- Unrestricted net deficit increased \$16,539,124 from the prior year mainly due to current year's decrease in net position of \$4,344,256 and a prior-period adjustment of \$11,911,927 to beginning net position for implementation of GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Business-type activities, net position:

- Current and other assets decreased \$1,490,438 from the prior year mainly due to a decrease in prepaid natural gas of \$28,549,572 offset by an increase in cash and investments of \$22,802,600 and increase in receivables, net of allowances, of \$4,613,186.
- Restricted assets decreased by \$4,741,952 from the prior year mainly due to a decrease in restricted cash and investment for debt service reserves.
- Capital assets increased \$2,821,601 from the prior year mainly due to a net increase in construction in progress of \$5,946, an increase in utility plants of \$16,242,813, net of depreciation of \$8,390,690, and a decrease in land of \$5,036,467 (See Note 5).
- Deferred outflows of resources for deferred amount on bond refunding decreased \$2,508,853 from the prior year for amortization to interest expense during the current year (See Notes 6 and 7).
- Deferred outflows of resources related to pensions increased \$127,908 from the prior year mainly due to a change in current year's contribution to the pension that will be applied as a reduction in net pension liability in the next fiscal year, or other items arising from changes in actuarial assumptions, difference between actual and projected experiences, difference between actual and projected investment gains/losses, or changes in a fund's proportionate share of the net pension liability.

- Deferred outflows of resources related to other postemployment benefits increased \$265,528 due to the implementation of GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Deferred outflows of resources for other postemployment benefits represents current year contribution to the OPEB plan that will be applied as a reduction in net OPEB liability in the next fiscal year, or other items arising from changes in actuarial assumptions, difference between actual and projected experiences, difference between actual and projected investment gains/losses, or changes in a fund's proportionate share of the net OPEB liability.
- Current liabilities increased \$6,974,022 mainly due to an increase in accounts payable of \$3,605,321 and bonds payable, net, of \$3,490,037.
- Long-term liabilities decreased \$25,233,711 from the prior year due to debt service and amortization of bond premium and discounts (See Notes 6 and 7).
- Deferred inflows of resources related to pension decreased \$548,268 from the prior year due to changes in total pension liability that are to be recognized as an increase in pension expenses in future fiscal years. These balances arise from changes in actuarial assumptions, difference between actual and projected experiences, difference between actual and projected investment gains/losses, or changes in the fund's proportionate share of the plan's net pension liability.
- Deferred inflows of resources related to OPEB increased \$67,810 due to the implementation of GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These balances arise from changes in actuarial assumptions, difference between actual and projected experiences, difference between actual and projected investment gains/losses, or changes in the fund's proportionate share of the OPEB liability.
- Deferred inflows of resources for deferred gain from sale of generation assets decreased \$5,405,635 from the prior year due to amortization to capacity expense during the current year.
- Net investment in capital assets increased \$3,361,797 from the prior year which is equivalent to the increase in capital assets, net of capital bonds payable.
- Unrestricted net deficit decreased \$15,257,779 from the prior year due primarily to positive results of current year's activities of \$18,898,679.

Changes in Net Position

The table below summarizes the City's changes in net position between the current and prior fiscal year. The details of the current year's changes in net position can be found on page 26 of this report.

City of Vernon Changes in Net Position For the Fiscal Years Ended June 30, 2018 and 2017

	Governmen	tal Activities	Business-ty	pe Activities	To	tals
	2018	2017	2018 2017		2018	2017
Revenues:						
Program Revenues						
Charges for services	\$ 9,152,207	\$ 7,885,075			\$ 9,152,207	\$ 7,885,075
Vernon Public Utilities			\$ 222,093,902	\$ 223,988,452	222,093,902	223,988,452
Operating and capital grants and						
contributions	2,445,648	2,318,740	-	-	2,445,648	2,318,740
General Revenues						
Taxes	26,099,844	24,929,710	-	-	26,099,844	24,929,710
State allocations	7,639,092	6,081,507	-	-	7,639,092	6,081,507
Investment income (loss)	22,456	66,058	1,174,333	341,770	1,196,789	407,828
Gain (loss) on sale of land and assets	596,803	230	792,378	(37,704)	1,389,181	(37,474)
Other revenues	683,753	833,162	329,385	40,773	1,013,138	873,935
Total revenues	46,639,803	42,114,482	224,389,998	224,333,291	271,029,801	266,447,773
Expenses						
Governmental activities						
General government	13,838,940	12,392,825	_	_	13,838,940	12,392,825
Public safety	37,948,209	23,549,746	_	_	37,948,209	23,549,746
Public works	11,329,781	8,666,951	_	-	11,329,781	8,666,951
Health services	2,053,574	1,601,600	_	-	2.053,574	1,601,600
Interest on long-term debt	40,971.00	44,810.00	_	-	40,971.00	44,810.00
Business-type activities		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			-,-	,
Vernon Public Utilities			213,742,347	206,960,714	213,742,347	206,960,714
Total expenses	65,211,475	46,255,932	213,742,347	206,960,714	278,953,822	253,216,646
Change in net position before transfers	(18,571,672)	(4,141,450)	10,647,651	17,372,577	(7,924,021)	13,231,127
Transfers						
Transfers from the Successor Agency	-	-	22,595,532	-	22,595,532	-
Interfund transfers	14,344,504	13,121,515	(14,344,504)	(13,121,515)	-	-
Net transfers	14,344,504	13,121,515	8,251,028	(13,121,515)	22,595,532	-
Change in net position	(4,227,168)	8,980,065	18,898,679	4,251,062	14,671,511	13,231,127
Net position - beginning of year, as restated	66,623,878	68,781,444	111,462,854	107,490,895	178,086,732	176,272,339
Net position - end of year	\$ 62,396,710	\$ 77,761,509	\$ 130,361,533	\$ 111,741,957	\$ 192,758,243	\$ 189,503,466

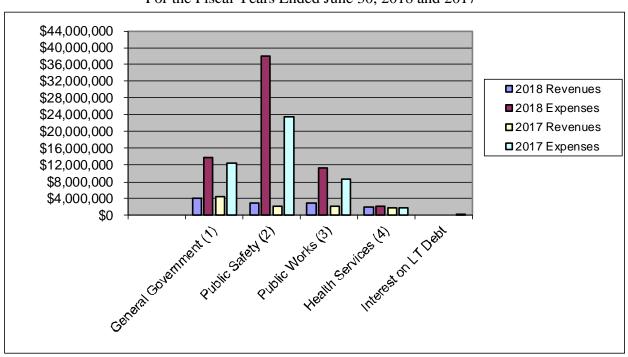
Note: The 2017 information presented above were not restated to reflect the effect of GASB 75 implementation.

Governmental activities' net position decreased by \$4,227,168 and business-type activities' net position increased by \$18,898,679 for a net increase of \$14,671,511 for the City. The decrease in the governmental activities was caused by the governmental activities reporting a \$18,571,672 decrease in net position before transfers and a \$14,344,504 transfer in from the business-type activities.

Governmental activities, changes in net position:

Governmental activities decreased the City's net position by \$4,227,168. This is lower by \$13,207,233 as comparted to the prior year's increase in the City's net position of \$8,980,065.

Expenses and Program Revenues — Governmental Activities For the Fiscal Years Ended June 30, 2018 and 2017

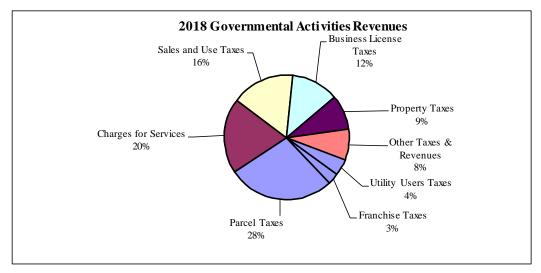


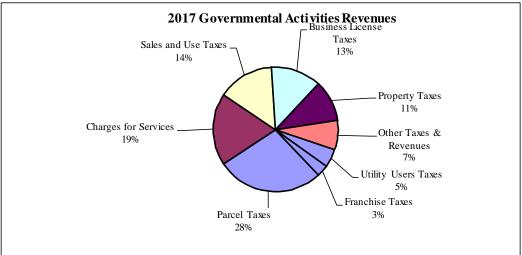
Governmental activities consist of the following departments:

m. Information Technology

(1) General Government:	(2) Public Safety	(3) Public Works	(4) Health Services
a. City Council	a. Police	a. Community Services Administration	a. Health
b. City Administrator	b. Fire	 Building Department 	b. Health - Solid Waste
c. City Clerk	c. Civil Defense	c. Street Lighting	c. Health - Hazardous Material
d. Finance	d. Fire - Hazardous Material	d. Street Operations	
e. Treasurer		e. City Garage	
f. Purchasing		f. City Warehouse	
g. Community Promotion		g. City Housing	
h. City Attorney		h. Industrial Development	
i. Risk Management			
j. Human Resources			
k. City Building			
I. Parcel Tax			

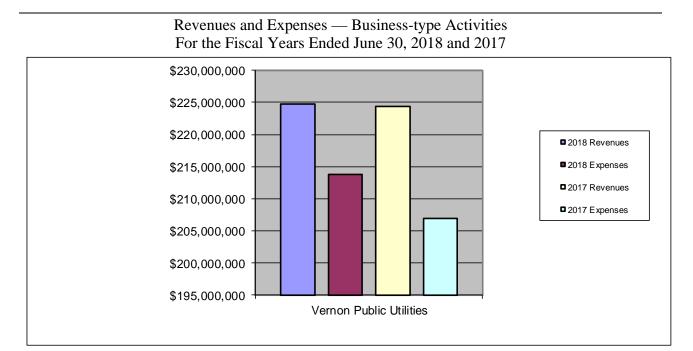
Revenues by Source — Governmental Activities For the Fiscal Years Ended June 30, 2018 and 2017



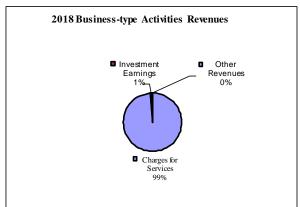


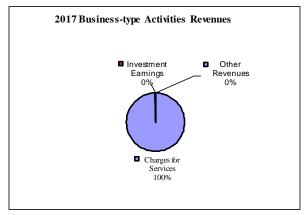
Business-type activities, changes in net position:

Business-type activities increased the City's net position by \$10,647,651 before transfers which is a \$6,724,926 decrease from the prior year. The key reason for this decrease was an increase in cost of sales of \$7,798,248 and a decrease in charges for services of \$1,894,550, offset by a decrease in interest expense of \$1,314,009, increase in investment income of \$832,563, and an increase in gain on sale of assets of \$830,082.



Revenues by Source — Business-type Activities For the Fiscal Years Ended June 30, 2018 and 2017





FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

The fund accounting financial statements can be found on pages 27 and 29 of this report.

Governmental funds

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

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balances deficit of \$2,765,996 (See page 27), a decrease of \$8,092,314 from the prior year. Approximately 23.7% of total fund balance amount, \$654,497, constitutes *nonspendable fund balance*, which are amounts that are not in a spendable form or are required to be maintained intact. Approximately 141.9% of the total fund balance amount, \$3,925,089, constitutes *restricted fund balance*, which are amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The remainder of the fund balance amount, (\$7,345,582), is an *unassigned* fund balance deficit to indicate that it is the residual classification that is not contained in the other classifications.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the total fund balance deficit was \$2,765,996 (See page 27). At the end of the current fiscal year, the total fund balance deficit was 5.1% as compared to the total expenditures for the year.

Proprietary funds

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

Unrestricted net position for the Vernon Public Utilities at the end of the year amounted to a deficit of \$24,981,291 (See page 31). These deficit balances in unrestricted net position are primarily due to the proprietary funds being heavily invested in capital assets for which it has not yet recovered the cost of capital invested. The proprietary funds expect to eliminate these deficit balances through increased future revenues.

Total increase in net position for the Vernon Public Utilities was \$18,898,679 (See page 32). Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND AND BUDGETARY HIGHLIGHTS

For the current year, the General Fund's total positive variance between the final budgeted amounts and actual amount of change in fund balance was \$8,857,581. The key reasons for this variance were due to higher actual revenues than projected of \$4,007,517, proceeds from capital lease of \$1,378,312 and lower actual expenditures than budgeted of \$4,095,768, offset by lower other financing sources from sale of property of \$103,197 and transfers in of \$520,819.

For the current year, the General Fund's total positive variance between the final budgeted estimated revenues and actual revenues were \$4,007,517. The key reasons for this variance were actual revenues over estimated revenues of \$1,588,555 of taxes, \$1,508,050 of licenses and permits, and \$910,573 of other revenues.

For the current year, the General Fund's total positive variance between the final budgeted amount and actual amount for expenditures was \$4,095,768. The key reasons for this variance were excess appropriations of \$1,316,807 for capital outlay, \$1,553,669 for general government, and \$1,209,165 for public works.

For the current year, the General Fund's total positive variance between the final budgeted amounts and actual amount for other financing sources was \$754,296. The key reason for this variance were proceeds from the capital lease of \$1,378,312 offset by the deficiency of revenues over estimated revenues of \$103,197 for sale of property and \$520,819 for transfers in.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$413,274,666 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building, utilities system improvements, machinery and equipment, infrastructure such as roads, and intangible assets such as environmental emission credits. The total increase in the City's investment in capital assets for the current fiscal year was \$20,705,606, plus restatement of land of \$774,296, less write-off of construction in progress of \$157,755, less sale of land of \$5,036,467, less depreciation of \$13,694,787, for a net increase of \$2,590,893 (See Note 5).

Major capital asset events during the current fiscal year included the following:

• In the current year, the Vernon Public Utilities added \$9,165,689 to its utility plants (net of accumulated depreciation).

There were no significant construction commitments outstanding as of June 30, 2018.

Additional information on the City's capital assets can be found in Note 5 on pages 53-55 of this report.

Outstanding debt

As of June 30, 2018, the following debt remains outstanding:

- \$40,980,000 City of Vernon Electric System Revenue Bonds, 2008 Taxable Series A
- \$116,575,000 City of Vernon Electric System Revenue Bonds, 2009 Series A
- \$37,640,000 City of Vernon Electric System Revenue Bonds, 2012 Series A
- \$35,100,000 City of Vernon Electric System Revenue Bonds, 2012 Taxable Series B
- \$111,720,000 City of Vernon Electric System Revenue Bonds, 2015 Taxable Series A

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, 2009 Series A were issued to provide funds to (i) refinance certain obligations payable from the City's Electric System Revenues, (ii) fund a deposit to the Debt Service Reserve Fund, and (iii) to pay costs of issuance of the 2009 Bonds.

The City of Vernon Electric System Revenue Bonds, 2012 Series A were issued to provide funds to (i) pay a portion of the costs of certain capital improvements to the City's Electric System, (ii) to provide for capitalized interest on the 2012 Series A Bonds, and (iii) to pay costs of issuance of the 2012 Series A Bonds.

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

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

As of June 30, 2018, the ratings on all Electric System Revenue Bonds of the City has not changed from the prior year with an A- rating by S&P and Baa3 rating by Moody's.

Additional information on the City's long-term debt can be found in Note 6 on pages 55-60 of this report.

ECONOMIC FACTORS AND NEW YEAR'S BUDGET AND RATES

These factors were considered in preparing the City's budget for the 2019 fiscal year.

- The City is strictly industrial and does not maintain an unemployment rate study of its small population. However, the unemployment rate of adjacent communities is currently 4.6%, which is slightly higher than the State of California's average unemployment rate of 4.1%, and the national average unemployment rate of 3.7%.
- The occupancy rate of the City's central business district changed from 98.0% to 96.4% during the current year.
- Inflationary trends in the region compare favorably to national indices.
- The occupancy rate of the City's central business district ranges between 96% and 98%.

CURRENTLY KNOWN FACTS

Moody's Baa3 ratings on all Electric System Revenue Bonds of the City has not changed from the prior year. On April 3, 2019, S&P revised its rating from A- to BBB+.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Vernon, 4305 Santa Fe Avenue, Vernon, California, 90058.

Statement of Net Position June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 8,133,390	\$ 133,689,156	\$ 141,822,546
Receivables, net of allowances of \$1,088,000			
for business-type activities	2,100,144	11,724,773	13,824,917
Accrued unbilled revenue	-	10,518,994	10,518,994
Accrued interest receivable	=	123,026	123,026
Escrow deposits	-	940,000	940,000
Inventories	654,497	=	654,497
Prepaid expenses	-	1,762,641	1,762,641
Prepaid natural gas	=	82,860,646	82,860,646
Restricted cash and investments	3,925,089	28,051,380	31,976,469
Capital assets:			
Nondepreciable	63,251,785	61,295,532	124,547,317
Depreciable, net	115,907,098	172,820,251	288,727,349
Total assets	193,972,003	503,786,399	697,758,402
DEFERRED OUTFLOWS OF RESOURCES:			
Current deferred outflows of resources:			
Deferred amount on refunding	-	2,508,853	2,508,853
Noncurrent deferred outflows of resources:			
Deferred outflows related to pensions	21,317,660	3,963,204	25,280,864
Deferred outflows related to other postemployment benefits	1,831,287	265,528	2,096,815
Deferred amount on refunding		5,909,783	5,909,783
Total deferred outflows of resources	23,148,947	12,647,368	35,796,315
LIABILITIES:			
Accounts payable	3,051,705	11,910,180	14,961,885
Due to Successor Agency	38,454	-	38,454
Accrued wages and benefits	1,627,945	523,007	2,150,952
Customer deposits and funds held for others	248,591	788,625	1,037,216
Bond interest payable	-	8,051,741	8,051,741
Current portion of long-term liabilities:			
Bonds payable, net	-	28,550,125	28,550,125
Capital lease obligation	238,928	-	238,928
Claims payable	1,135,815	-	1,135,815
Compensated absences	1,574,799	314,752	1,889,551
Noncurrent liabilities:			
Internal balances	12,612,421	(12,612,421)	-
Postemployment benefit liability	32,411,109	3,887,475	36,298,584
Bonds payable, net	-	309,096,783	309,096,783
Capital lease obligation	2,230,883	-	2,230,883
Claims payable	2,271,629	-	2,271,629
Compensated absences	3,149,599	629,504	3,779,103
Net pension liability	92,621,660	17,052,279	109,673,939
Total liabilities	153,213,538	368,192,050	521,405,588
DEFERRED INFLOWS OF RESOURCES:			
Current deferred inflows of resources:			
Deferred inflows related to pensions	902,360	193,152	1,095,512
Deferred inflows related to other postemployment benefits	608,342	67,810	676,152
Deferred gain from sale of generation assets	-	3,687,769	3,687,769
Noncurrent deferred inflows of resources:			
Deferred gain from sale of generation assets		13,931,453	13,931,453
Total deferred inflows of resources	1,510,702	17,880,184	19,390,886
NET POSITION:			
Net investment in capital assets	176,689,072	155,342,824	332,031,896
Restricted for:			
Employee Flexible Spending Account	28,873	-	28,873
Street Improvements	2,823,292	-	2,823,292
Vernon Community Fund	1,067	-	1,067
Asset forfeiture funds	1,071,857	-	1,071,857
Unrestricted (deficit)	(118,217,451)	(24,981,291)	(143,198,742)
Total net position	\$ 62,396,710	\$ 130,361,533	\$ 192,758,243

THE CITY OF VERNON, CALIFORNIA Statement of Activities For the Fiscal Year Ended June 30, 2018

Net	Ex	nense	(2	Revenues	and
TACE		pense)	revenues	and

			D D		Change in Not Recition			
			Program Revenues			Change in Net Position		
		or .	Operating	Capital		Business-		
	_	Charges for	Grants and	Grants and	Governmental	type		
	Expenses	Services	Contributions	Contributions	Activities	Activities	Total	
FUNCTION/PROGRAM ACTIVITIES:								
Governmental activities:								
General government	\$ 13,838,940	\$ 3,925,959	\$ 120,040	\$ -	\$ (9,792,941)	\$ -	\$ (9,792,941)	
Public safety	37,948,209	769,562	2,079,773	-	(35,098,874)	-	(35,098,874)	
Public works	11,329,781	2,515,515	-	221,843	(8,592,423)	-	(8,592,423)	
Health services	2,053,574	1,941,171	23,992	=	(88,411)	-	(88,411)	
Interest on long-term debt	40,971				(40,971)		(40,971)	
Total governmental activities	65,211,475	9,152,207	2,223,805	221,843	(53,613,620)		(53,613,620)	
Business-type activities:								
Vernon Public Utilities	213,742,347	222,093,902	-	-	-	8,351,555	8,351,555	
Total business-type activities	213,742,347	222,093,902	-			8,351,555	8,351,555	
Total	\$ 278,953,822	\$ 231,246,109	\$ 2,223,805	\$ 221,843	(53,613,620)	8,351,555	(45,262,065)	
	General revenues:							
	Property taxes				4,180,208	-	4,180,208	
	Parcel taxes				12,833,305	_	12,833,305	
	Utility users taxes				2,014,994	_	2,014,994	
	Franchise taxes				1,356,474	_	1,356,474	
	Business license tar	res			5,703,749	_	5,703,749	
	Other license taxes				11,114	_	11,114	
	Investment income				22,456	1,154,353	1,176,809	
		value of investments			22,430	19,980	19,980	
	State contribution -				7,639,092	17,700	7,639,092	
	Gain on sale of asse				596,803	792,378	1,389,181	
	Other revenues	715			683,753	192,316	683,753	
					065,755	220.205		
	Legal settlement				-	329,385	329,385	
	Transfers from the Su	ccessor Agency			-	22,595,532	22,595,532	
	Transfers				14,344,504	(14,344,504)		
	Total general r	evenues and transfers			49,386,452	10,547,124	59,933,576	
	Change in	net position			(4,227,168)	18,898,679	14,671,511	
	NET POS	TION, BEGINNING C	OF YEAR, RESTATE	D	66,623,878	111,462,854	178,086,732	
	NET POS	TION, END OF YEAR	₹		\$ 62,396,710	\$ 130,361,533	\$ 192,758,243	

THE CITY OF VERNON, CALIFORNIA Balance Sheet

Balance Sheet Governmental Funds June 30, 2018

	General
	Fund
ASSETS:	
Cash and investments	\$ 8,133,390
Receivables	2,100,144
Inventories	654,497
Restricted cash and investments	 3,925,089
Total assets	\$ 14,813,120
LIABILITIES:	
Accounts payable	\$ 3,051,705
Accrued wages and benefits	1,627,945
Due to Successor Agency	38,454
Advance from other funds	12,612,421
Customer deposits and funds held for others	 248,591
Total liabilities	 17,579,116
FUND BALANCES:	
Nonspendable:	
Inventories	654,497
Restricted for:	
Employee Flexible Spending Account	28,873
Street Improvements	2,823,292
Vernon Community Fund	1,067
Asset forfeiture funds	1,071,857
Unassigned	 (7,345,582)
Total fund balances	 (2,765,996)
Total liabilities, deferred inflows of resources, and fund balances	\$ 14,813,120

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Activities June 30, 2018

Fund balances - governmental fund (page 27)	\$ (2,765,996)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.	179,158,883
Deferred pension cost are not financial resources and therefore are not reported in the governmental fund.	21,317,660
Deferred outflows related to other postemployment benefits are not current resources and therefore are not reported in the government fund.	1,831,287
Deferred inflows related to other postemployment benefits are not current obligations and therefore are not reported in the government fund.	(608,342)
Deferred inflows related to pensions are not current obligations and therefore are not reported in the government fund.	(902,360)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental fund.	(4,724,398)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government fund.	
Net pension liability	(92,621,660)
Other postemployment benefit liability	(32,411,109)
Capitalized lease obligation	(2,469,811)
Claims payable	 (3,407,444)
Net position of governmental activities (page 25)	\$ 62,396,710

THE CITY OF VERNON, CALIFORNIAStatement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2018

	General Fund
REVENUES:	
Taxes	\$ 32,457,249
Special assessments	1,247,423
Licenses and permits	3,351,484
Fines, forfeitures and penalties	270,928
Investment income	22,456
Intergovernmental revenues	2,479,061
Charges for services	4,772,516
Other revenues	1,441,883
Total revenues	46,043,000
EXPENDITURES:	
Current:	
General government	11,404,496
Public safety	29,997,035
Public works	6,726,932
Health services	1,842,749
Capital outlay:	, ,
General government	162,512
Public safety	2,015,710
Public works	2,120,871
Total expenditures	54,270,305
Deficiency of revenues over expenditures	(8,227,305)
Other financing sources:	
Sale of property	596,803
Capital lease	1,378,312
Transfers in	 14,344,504
Total other financing sources	 16,319,619
NET CHANGE IN FUND BALANCE	8,092,314
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	 (10,858,310)
FUND BALANCES (DEFICITS), END OF YEAR	\$ (2,765,996)

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Governmental Activities

For the Fiscal Year Ended June 30, 2018

Net change in fund balances - total governmental fund (page 29)		\$ 8,092,314
Amounts reported for governmental activities in the statement of activities are different because:		
Expenditures for capital assets	\$ 4,299,093	
Less current year depreciation	 (5,304,097)	(1,005,004)
Pension contribution after measurement date was reported as expenditure in the		
governmental fund but deferred in the Statement of Net Position		
Change in pension contribution		649,315
Principal payment of long term debt uses current financial resources but is not reported		
in the statement of activities.		
Principal payment of capital lease obligation		117,088
Some expenses reported in the Statement of Activities do not require the use of current		
financial resources and therefore are not reported as expenditure in the governmental		
fund:		
Change in net pension liability		(12,063,886)
Change in deferred inflows related to pensions		2,783,244
Change in deferred outflows related to other postemployment benefits		178,992
Change in deferred inflows related to other postemployment benefits		(608,342)
Change in long-term compensated absences		(149,240)
Change in net postemployment benefits other than pension obligation		(380,656)
Change in capital lease obligation		(1,378,312)
Change in claims payable		 (462,681)
Change in net position of governmental activities (page 26)		\$ (4,227,168)

Statement of Fund Net Position Proprietary Funds June 30, 2018

Current assets: Current as		Vernon Public Utilities
Carban aniwestments \$ 133,689,156 Cash and investments \$ 133,689,159 Accounts receivable, net of allowances of \$1.088,000 11,724,773 Accrued interest receivable 123,026 Escrow deposits 940,000 Prepaid natural gas 28,549,572 Total current assets 28,051,380 Restricted cash and investments 28,051,380 Advances to other funds 12,612,421 Prepaid expenses 1,762,641 Prepaid antural gas 54,311,074 Capital assets: 172,820,251 Nondepreciable, net 61,295,532 Depreciable, net 172,820,251 Total assets 516,398,820 DEFERRED OUTFLOWS OF RESOURCES: 2508,853 Current deferred outflows of resources: 25,508,853 Deferred amount on refunding 3,963,204 Deferred outflows related to opensions 3,963,204 Deferred outflows related to other postemployment benefit liability 265,528 Deferred amount on refunding 5,909,783 Total deferred outflows of resources 11,910,18 Accrued wa	ASSETS:	
Accounts receivable, net of allowances of \$1,088,000 11,724,773 Accrued interest receivable 123,050 Escrow deposits 940,000 Prepaid natural gas 28,549,572 Total current assets 185,545,521 Noncurrent assets 28,051,380 Restricted cash and investments 28,051,380 Advances to other funds 12,612,421 Prepaid expenses 54,311,074 Capital assets: 54,311,074 Nondepreciable 61,295,532 Depreciable, net 172,820,251 Total assets 516,398,820 DEFERRED OUTFLOWS OF RESOURCES: Current deferred outflows of resources: 2,508,853 Deferred dufflows related to pensions 3,963,204 Deferred outflows related to pensions 3,963,204 Deferred outflows related to pensions 12,647,368 Deferred aumount on refunding 5,509,783 Total deferred outflows of resources 12,647,368 LABILITIES: 11,910,180 Current liabilities: 25,500,278 Accounts payable 11,910,180		
Accrued unbilled revenue 10,518,90 Accrued linterest receivable 213,026 Escrow deposits 94,000 Prepaid natural gas 28,549,572 Total current assets 185,545,521 Noncurrent assets: 28,013,380 Advances to other funds 12,612,421 Prepaid expenses 1,762,641 Prepaid natural gas 54,311,074 Prepaid natural gas 54,311,074 Prepaid natural gas 54,311,074 Prepaid natural gas 54,311,074 Prepaid natural gas 61,295,532 Depreciable, net 72,280,251 Total assets 330,853,299 Total assets 330,853,299 Total assets 516,398,820 Deferred amount on refunding 2,508,853 Deferred amount on refunding 3,963,204 Deferred outflows of resources: Deferred outflows related to other postemployment benefit liability 265,528 Deferred amount on refunding 5,909,783 Total deferred outflows of resources 11,910,180 Accounts payable 11,910,180 Accrued wages and benefits 523,007 Customer deposits 788,625 Bond interest payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total converted tibilities: 314,752 Deferred gain from sale of generation assets 309,906,783 Total current liabilities 330,666,041 Total liabilities 330,666,041 Total liabilities 330,666,041 Total liabilities 19,018 Deferred gain from sale of generation assets 3,081,741 Deferred gain from sale of generation assets 3,087,799 Deferred gain from sale of generation assets 3,087,799 Deferred gain from sale of generation assets 3,087,801 Deferred inflows related to other postemployment benefit liability 3,887,475 Deferred gain from sale of generation assets 3,081,801 Deferred gain from sale of generation assets 3,081,801	Cash and investments	\$ 133,689,156
Escrow deposits 123,026 Escrow deposits 940,000 Prepaid natural gas 28,549,572 Total current assets 185,545,521 Noncurrent assets: 28,051,380 Restricted cash and investments 28,051,380 Advances to other funds 12,612,421 Prepaid expenses 1,762,641 Prepaid antural gas 54,311,074 Capital assets: Nondepreciable 61,295,532 Depreciable, net 172,820,251 Total assets 516,398,820 DEFERRED OUTFLOWS OF RESOURCES: Current deferred outflows of resources: 2,508,853 Deferred amount on refunding 2,508,853 Noncurrent deferred outflows of resources: 3,963,204 Deferred outflows related to pensions 3,963,204 Deferred outflows related to other postemployment benefit liability 26,558,258 Total deferred amount on refunding 5,509,783 Total deferred outflows of resources 11,910,180 LABILITIES: 30,000,783 Current liabilities: 323,007 Accrued wages and benefit	Accounts receivable, net of allowances of \$1,088,000	11,724,773
Pepaid natural gas 28.549.572 Total current assets 28.549.572 Total current assets 28.549.572 Total current assets 28.549.572 Total current assets 28.051.380 Advances to other funds 12.612.471 Pepaid expenses 12.612.471 Pepaid expenses 54.311.074 Pepaid assets: 54.311.074 Pepaid natural gas 54.311.074 Pepaid natural deferred outflows of resources: 25.08.853 Pepaid natural deferred outflows of resources: 25.08.853 Pepaid natural deferred outflows of resources 25.08.853 Pepaid natural deferred outflows of resources 25.08.853 Pepaid natural deferred outflows of resources Pepaid natural deferred outflows of resources 25.08.853 Pepaid natural deferred outflows of resources 25.08.853 Pepaid natural deferred natural gas Pepaid natural deferred natural gas Pepaid natural deferred natural gas Pepaid natural	Accrued unbilled revenue	10,518,994
Prepaid natural gas	Accrued interest receivable	123,026
Noncurrent assets: Restricted cash and investments 28,051,380 Advances to other funds 12,612,421 Prepaid expenses 1,762,641 Prepaid natural gas 54,311,074 Capital assets: 172,820,251 Total noncurrent assets 318,853,295 Total assets 516,398,820 Defreciable, net 718,880,884 Total assets 718,820,251 Total assets 719,051,251 Total current liabilities 719,052,279 Total current liabilities 719,052,279 Total noncurrent liabilities 719,052,279 Total noncurrent liabilities 719,052,279 Total noncurrent liabilities 719,052,279 Total noncurrent deferred outlows of resources 719,052,279 Deferred ainflows also of generation assets 719,31,52 Deferred ainflows also of generation assets 719,31,52 Total deferred inflows of resources 719,31,52 Deferred again from sale of generation assets 719,31,52 Total deferred inflows of resources 719,31,52 Deferred and from sale of generation assets 719,31,52 Total deferred ainflows of resources 719,31,52 Deferred and from sale of generation	Escrow deposits	940,000
Noncurrent assets: Restricted cash and investments 28.051,380 Advances to other funds 12.612,421 Prepaid expenses 1,762,641 Prepaid assets: 54.311,074 Capital assets: 61.295,532 Nondepreciable 61.295,532 Total noncurrent assets 330,853,299 Total assets 516,398,820 Total assets 516,398,820 Total assets 516,398,820 Total effered outflows of resources: 516,398,820 DEFERRED OUTFLOWS OF RESOURCES: 52.08,853 Noncurrent deferred outflows of resources: 52.09,783 Deferred amount on refunding 2.508,853 Noncurrent deferred outflows of resources: 52.09,783 Total deferred outflows of resources: 52.09,783 Total deferred outflows of resources: 52.09,783 Total deferred outflows of resources 52.09,783 Total deferred inflows of resources 52.09,783 Customer deposits 52.09,783 Total poncurrent liabilities 52.09,783 Total oncurrent liabilities 52.09,783 Total noncurrent liabilities 52.09,783		
Restricted cash and investments 28,01,380 Advances to other funds 12,612,421 Prepaid expenses 1,762,641 Prepaid natural gas 54,311,074 Capital assets: 61,295,532 Nondepreciable, net 172,820,251 Total noncurrent assets 330,853,299 Total assets 516,398,820 DEFERRED OUTFLOWS OF RESOURCES: Current deferred outflows of resources: 3,063,204 Deferred amount on refunding 3,063,204 Deferred outflows related to pensions 3,963,204 Deferred outflows related to other postemployment benefit liability 265,528 Deferred amount on refunding 5,909,783 Total deferred outflows of resources 11,910,180 Current liabilities: Current liabilities: Accounts payable 11,910,180 Accounts payable 11,910,180 Accured wages and benefits 523,007 Customer deposits 523,007 Bond, payable, net 28,550,125 Compensated absences 314,752 Total current	Total current assets	185,545,521
Advances to other funds	Noncurrent assets:	
Prepaid expenses 1.76,26.41 Prepaid natural gas 54,311,074 Capital assets: 61,295,532 Nondepreciable, net 172,820,251 Total noncurrent assets 330,853,299 Total assets 516,398,820 DEFERRED OUTFLOWS OF RESOURCES: Current deferred outflows of resources: Deferred amount on refunding 3,963,204 Deferred outflows related to pensions 3,963,204 Deferred outflows related to other postemployment benefit liability 265,528 Deferred amount on refunding 5,909,783 Total deferred outflows of resources 12,647,368 LIABILITIES: Current liabilities: Accounts payable 11,910,180 Accounts payable 11,910,180 Accounts payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities 309,096,783 Compensated absences 309,096,783 Compensated absences 309,096,783 Compensated absences 309,0	Restricted cash and investments	28,051,380
Prepaid natural gas 54,311,074 Capital assets: 161,295,532 Depreciable, net 172,820,251 Total noncurrent assets 330,853,299 Total assets 516,398,820 DEFERRED OUTFLOWS OF RESOURCES: Current deferred outflows of resources: 3,963,204 Deferred amount on refunding 2,508,853 Noncurrent deferred outflows of resources: 3,963,204 Deferred outflows related to other postemployment benefit liability 265,528 Deferred amount on refunding 5,909,783 Total deferred outflows of resources 12,647,368 ILABILITIES:	Advances to other funds	12,612,421
Capital assets:	• •	
Nondepreciable 61,295,532 Depreciable 172,820,251 Total noncurrent assets 330,853,299 Total assets 516,398,820 DEFERRED OUTFLOWS OF RESOURCES:		54,311,074
Depreciable, net		54.005.500
Total assets 330,853,299 Total assets 516,398,820 DEFERRED OUTFLOWS OF RESOURCES: 2,508,853 Current deferred outflows of resources: 2,508,853 Noncurrent deferred outflows of resources: 3,963,204 Deferred outflows related to other postemployment benefit liability 265,528 Deferred amount on refunding 5,990,783 Total deferred outflows of resources 12,647,368 LIABILITIES: Total deferred outflows of resources Current liabilities: 36,200 Accorust payable 11,910,180 Accrued wages and benefits 523,007 Customer deposits 788,625 Bond interest payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities: 309,096,783 Compensated absences 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Not pension liabilities 330,666,041 Total inabilities 330,666,041 Deferred gain from sale o		
DEFERRED OUTFLOWS OF RESOURCES: Current deferred outflows of resources: Deferred amount on refunding 2,508,853 3,663,204 3,663		
DEFERRED OUTFLOWS OF RESOURCES: Current deferred outflows of resources: Deferred amount on refunding 2,508,853 Noncurrent deferred outflows of resources: Deferred outflows related to pensions 3,963,204 Deferred outflows related to other postemployment benefit liability 265,528 Deferred amount on refunding 5,909,783 Total deferred outflows of resources 11,2647,368 LIABILITIES: Current liabilities: Accounts payable 11,910,180 Accrued wages and benefits 523,007 Customer deposits 788,625 Bond interest payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities: Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities: 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Note pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 330,866,041 Total liabilities 330,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: Deferred gain from sale of generation assets 13,931,453 Total deferred inflows related to other postemployment benefit liability 67,810 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources 17,880,184 NET POSITION: Net investment in capital assets 155,342,824 Unrestricted (deficit) (24,981,291)		
Current deferred outflows of resources: Deferred amount on refunding 3,508,853 Noncurrent deferred outflows resources: 26,528 Deferred outflows related to pensions 3,963,204 Deferred outflows related to other postemployment benefit liability 265,528 Deferred amount on refunding 5,909,783 Total deferred outflows of resources 12,647,368 LIABILITIES:	Total assets	310,398,820
Deferred amount on refunding		
Noncurrent deferred outflows of resources: Deferred outflows related to pensions 3,963,204 Deferred outflows related to other postemployment benefit liability 265,528 Deferred amount on refunding 5,909,783 Total deferred outflows of resources 11,910,180 Accounts payable 11,910,180 Accounts payable 523,007 Customer deposits 528,007 Customer deposits 58,625 Bond interest payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities: 309,096,783 Noncurrent liabilities: 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liabilities 330,666,041 Total liabilities 330,666,041 Total liabilities 3,687,769 Noncurrent deferred inflows of resources: Deferred gain from sale of generation assets 3,687,769 Noncurrent deferred inflows related to other postemployment benefit liability 67,810 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows related to other postemployment benefit liability 67,810 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources: 17,880,184 NET POSITION: Net investment in capital assets 155,342,824 Unrestricted (deficit) (24,981,291)		2.500.052
Deferred outflows related to pensions 3,963,204 Deferred outflows related to other postemployment benefit liability 265,528 Deferred amount on refunding 5,909,783 Total deferred outflows of resources 12,647,368 LIABILITIES: Current liabilities: Accounts payable 11,910,180 Accrued wages and benefits 523,007 Customer deposits 788,625 Bond interest payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities: 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Not pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: 2 Current deferred inflows of resources: 9 Deferred gain from sale of generation assets 3,687,769 Noncurrent deferred inflows related to pensions 193,152 Deferred gain from sale of generatio	E Company of the Comp	2,508,853
Deferred outflows related to other postemployment benefit liability 265,528 Deferred amount on refunding 5,909,783 Total deferred outflows of resources 12,647,368 LIABILITIES: Current liabilities: 11,910,180 Accounts payable 11,910,180 Accrued wages and benefits 523,007 Customer deposits 788,625 Bond interest payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities 50,138,430 Noncurrent liabilities: 309,096,783 Bonds payable, net 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liabilities 330,666,041 Total liabilities 330,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: 36,887,769 Deferred gain from sale of generation assets 3,687,769 Noncurrent deferred inflows of resources: 193,152 Deferred inflows related to other postemploym		3 063 204
Deferred amount on refunding 5,909,783 Total deferred outflows of resources 12,647,368 LIABILITIES:	_	
Total deferred outflows of resources LIABILITIES: Current liabilities: Accounts payable 11,910,180 Accounted wages and benefits 523,007 Customer deposits 788,625 Bond interest payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities: 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 330,666,041 Total person liability 1,7,052,279 Total noncurrent liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: 3687,769 Deferred gain from sale of generation assets 3,687,769 Noncurrent deferred inflows of resources: 193,152 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows related to other postemployment benefit liability <		
Current liabilities: 11,910,180 Accounts payable 11,910,180 Accrued wages and benefits 523,007 Customer deposits 788,625 Bond interest payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities: 50,138,430 Noncurrent liabilities: 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: 3,687,769 Noncurrent deferred inflows of resources: 193,152 Deferred inflows related to pensions 193,152 Deferred inflows related to other postemployment benefit liability 67,810 Deferred inflows of resources 13,931,453 Total deferred inflows of resources 13,931,453 Total deferred inflows of resources 13,931,453 Total defe	E	
Current liabilities: 11,910,180 Accounts payable 11,910,180 Accrued wages and benefits 523,007 Customer deposits 788,625 Bond interest payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities: 50,138,430 Noncurrent liabilities: 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: 3,687,769 Noncurrent deferred inflows of resources: 193,152 Deferred inflows related to pensions 193,152 Deferred inflows related to other postemployment benefit liability 67,810 Deferred inflows of resources 13,931,453 Total deferred inflows of resources 13,931,453 Total deferred inflows of resources 13,931,453 Total defe	LIADII FRIES.	
Accounts payable 11,910,180 Accrued wages and benefits 523,007 Customer deposits 788,625 Bond interest payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities 50,138,430 Noncurrent liabilities: 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: 2 Current deferred inflows of resources: 3,687,769 Noncurrent deferred inflows of resources: 193,152 Deferred inflows related to pensions 193,152 Deferred inflows related to other postemployment benefit liability 67,810 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources 17,880,184 NET POSITION: 155,342,824 Unrestricted (deficit) (24,981,291)		
Accrued wages and benefits 523,007 Customer deposits 788,625 Bond interest payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities 309,096,783 Ronds payable, net 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: Deferred gain from sale of generation assets 3,687,769 Noncurrent deferred inflows of resources: 193,152 Deferred inflows related to pensions 193,152 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources 13,931,453 Total deferred inflows of resources 17,880,184 NET POSITION: 155,342,824 Unrestricted (deficit) (24,981,291)		11,910,180
Bond interest payable 8,051,741 Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities 50,138,430 Noncurrent liabilities: 309,096,783 Bonds payable, net 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: Deferred gain from sale of generation assets 3,687,769 Noncurrent deferred inflows of resources: 193,152 Deferred inflows related to other postemployment benefit liability 67,810 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources 17,880,184 NET POSITION: 155,342,824 Unrestricted (deficit) (24,981,291)		523,007
Bonds payable, net 28,550,125 Compensated absences 314,752 Total current liabilities 50,138,430 Noncurrent liabilities: 309,096,783 Bonds payable, net 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: Deferred gain from sale of generation assets 3,687,769 Noncurrent deferred inflows related to pensions 193,152 Deferred inflows related to other postemployment benefit liability 67,810 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources 17,880,184 NET POSITION: 17,880,184 Net investment in capital assets 155,342,824 Unrestricted (deficit) (24,981,291)	Customer deposits	788,625
Compensated absences 314,752 Total current liabilities 50,138,430 Noncurrent liabilities: 309,096,783 Bonds payable, net 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: Deferred gain from sale of generation assets 3,687,769 Noncurrent deferred inflows of resources: 193,152 Deferred inflows related to pensions 193,152 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources 17,880,184 NET POSITION: Net investment in capital assets 155,342,824 Unrestricted (deficit) (24,981,291)	Bond interest payable	8,051,741
Total current liabilities 50,138,430 Noncurrent liabilities: 309,096,783 Bonds payable, net 629,504 Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: 3,687,769 Noncurrent deferred inflows of resources: 193,152 Deferred inflows related to pensions 193,152 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources 13,931,453 Total deferred inflows of resources 17,880,184 NET POSITION: 155,342,824 Net investment in capital assets 155,342,824 Unrestricted (deficit) (24,981,291)	Bonds payable, net	28,550,125
Noncurrent liabilities: Bonds payable, net 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: Deferred gain from sale of generation assets 3,687,769 Noncurrent deferred inflows of resources: Deferred inflows related to pensions 193,152 Deferred inflows related to other postemployment benefit liability 67,810 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources 17,880,184 NET POSITION: Net investment in capital assets 155,342,824 Unrestricted (deficit) (24,981,291)	Compensated absences	314,752
Bonds payable, net 309,096,783 Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources:	Total current liabilities	50,138,430
Compensated absences 629,504 Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources:		
Other postemployment benefit liability 3,887,475 Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources:	Bonds payable, net	309,096,783
Net pension liability 17,052,279 Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources:		
Total noncurrent liabilities 330,666,041 Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: Deferred gain from sale of generation assets 3,687,769 Noncurrent deferred inflows of resources: Deferred inflows related to pensions 193,152 Deferred inflows related to other postemployment benefit liability 67,810 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources 17,880,184 NET POSITION: Net investment in capital assets 155,342,824 Unrestricted (deficit) (24,981,291)		
Total liabilities 380,804,471 DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: Deferred gain from sale of generation assets 3,687,769 Noncurrent deferred inflows of resources: Deferred inflows related to pensions 193,152 Deferred inflows related to other postemployment benefit liability 67,810 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources 17,880,184 NET POSITION: Net investment in capital assets 155,342,824 Unrestricted (deficit) (24,981,291)	•	
DEFERRED INFLOWS OF RESOURCES: Current deferred inflows of resources: Deferred gain from sale of generation assets Noncurrent deferred inflows of resources: Deferred inflows related to pensions Deferred inflows related to other postemployment benefit liability 67,810 Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources 17,880,184 NET POSITION: Net investment in capital assets 155,342,824 Unrestricted (deficit) (24,981,291)	Total noncurrent liabilities	330,666,041
Current deferred inflows of resources: Deferred gain from sale of generation assets Noncurrent deferred inflows of resources: Deferred inflows related to pensions Deferred inflows related to other postemployment benefit liability For such that the such	Total liabilities	380,804,471
Deferred gain from sale of generation assets Noncurrent deferred inflows of resources: Deferred inflows related to pensions Deferred inflows related to other postemployment benefit liability Deferred gain from sale of generation assets Total deferred inflows of resources NET POSITION: Net investment in capital assets Unrestricted (deficit) 3,687,769 193,152 193,152 13,931,453 17,880,184	DEFERRED INFLOWS OF RESOURCES:	
Noncurrent deferred inflows of resources: Deferred inflows related to pensions Deferred inflows related to other postemployment benefit liability Officer gain from sale of generation assets Total deferred inflows of resources NET POSITION: Net investment in capital assets Unrestricted (deficit) 193,152 67,810 13,931,453 17,880,184	Current deferred inflows of resources:	
Deferred inflows related to pensions Deferred inflows related to other postemployment benefit liability Deferred gain from sale of generation assets Total deferred inflows of resources NET POSITION: Net investment in capital assets Unrestricted (deficit) 193,152 67,810 13,931,453 17,880,184	Deferred gain from sale of generation assets	3,687,769
Deferred inflows related to other postemployment benefit liability Deferred gain from sale of generation assets Total deferred inflows of resources NET POSITION: Net investment in capital assets Unrestricted (deficit) 167,810 13,931,453 17,880,184 17,880,184 155,342,824 (24,981,291)		
Deferred gain from sale of generation assets 13,931,453 Total deferred inflows of resources 17,880,184 NET POSITION: Net investment in capital assets Unrestricted (deficit) 155,342,824 (24,981,291) Net investment in capital assets 155,342,824 Unrestricted (deficit) (24,981,291)	1	
Total deferred inflows of resources 17,880,184 NET POSITION:		
NET POSITION: Net investment in capital assets Unrestricted (deficit) 155,342,824 (24,981,291)	e e	
Net investment in capital assets 155,342,824 Unrestricted (deficit) (24,981,291)	Total deferred inflows of resources	17,880,184
Unrestricted (deficit) (24,981,291)	NET POSITION:	
		155,342,824
Total net position \$ 130,361,533		
	Total net position	\$ 130,361,533

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Fiscal Year Ended June 30, 2018

	 Vernon Public Utilities
OPERATING REVENUES:	
Charges for services	\$ 222,093,902
Total operating revenues	 222,093,902
OPERATING EXPENSES:	
Cost of sales	183,142,153
Depreciation	8,390,690
Total operating expenses	 191,532,843
Operating income	 30,561,059
NONOPERATING REVENUE (EXPENSES):	
Investment income	1,154,353
Net increase in fair value of investments	19,980
Interest expense	(22,209,504)
Gain on sale of assets	792,378
Legal settlement	 329,385
Total nonoperating revenue (expenses), net	 (19,913,408)
Income before transfers	10,647,651
TRANSFERS:	
Transfers from the Successor Agency	22,595,532
Transfers out	 (14,344,504)
Net transfers	 8,251,028
Change in net position	18,898,679
Net position, beginning of the year, as restated	111,462,854
Net position, end of the year	\$ 130,361,533
*	

Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2018

	Vernon Public Utilities
Cash flows from operating activities:	
Cash received from customers	\$ 248,376,941
Cash paid to suppliers for goods and services	(172,588,215)
Cash paid to employees for services	(9,490,076)
Net cash provided by operating activities	66,298,650
Cash flows from noncapital financing activities:	
Transfers from the Successor Agency	22,595,532
Transfers to City	(14,344,504)
Advance (from) to City	322,410
Collection of note receivable	125,416
Net cash provided by noncapital financing activities	8,698,854
Cash flows from capital and related financing activities:	(25.015.000)
Repayment of bonds	(25,815,000)
Bond interest paid	(22,761,049)
Sale of land	5,828,846
Acquisition and construction of capital assets, net	(16,324,589)
Net cash used in capital and related financing activities	(59,071,792)
Cash flows from investing activities:	
Purchases and sales of investments, net	2,248,979
Investment income	1,031,327
Net cash provided by investing activities	3,280,306
Net increase in cash and cash equivalents	19,206,018
Cash and cash equivalents, beginning of year	143,133,778
Cash and cash equivalents, end of year	\$ 162,339,796
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 30,561,059
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	8,390,690
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(4,613,186)
Accrued unbilled revenue	479,625
Accrued interest receivable	(123,026)
Prepaid expenses	(125,363)
Prepaid natural gas	28,549,572
Deferred outflows of resources	2,115,417
Increase (decrease) in:	
Accounts payable	3,525,705
Accrued wages and benefits	523,007
Customer deposits	(139,924)
Compensated absences	141,378
Other postemployment benefit liability	523,340
Net pension liability	2,376,449
Deferred inflows of resources	(5,886,093)
Net cash provided by operating activities	\$ 66,298,650
Reconciliation of cash and cash equivalents to	
Statement of Net Position:	
Cash and investments	\$ 133,689,156
Noncurrent restricted cash and investments	28,051,380
Total	161,740,536
Add: LAIF	599,260
Total cash and cash equivalents	\$ 162,339,796
Noncash Capital, Investing and Financing Activities:	
Acquisition of capital assets in accounts payable	\$ 585,129
Increase in fair value of investments	19,980

THE CITY OF VERNON, CALIFORNIA

Statement of Fiduciary Net Position Fiduciary Fund June 30, 2018

	Vernon edevelopment Successor Agency Fund
ASSETS:	
Current assets:	
Cash and investments	\$ -
Taxes receivable	22,364
Due from City	38,454
Other receivable	 4,259
Total current assets	 65,077
Noncurrent assets:	
Restricted cash and investments	 24,098,771
Total noncurrent assets	 24,098,771
Total assets	 24,163,848
LIABILITIES:	
Accounts payable	270
Customer deposits	42,968
Bond interest	982,917
Long-term liabilities:	
Due within one year:	
Bonds payable, net	2,580,435
Total current liabilities	3,606,590
Due in more than one year:	
Bonds payable, net	48,028,631
Total noncurrent liabilities	48,028,631
Total liabilities	 51,635,221
NET POSITION:	
Total net position held in trust for dissolution of	
former Redevelopment Agency	\$ (27,471,373)

THE CITY OF VERNON, CALIFORNIAStatement of Changes in Fiduciary Net Position Fiduciary Fund For the Fiscal Year Ended June 30, 2018

	Vernon	
	Redevelopment	
		Successor
		Agency
		Fund
ADDITIONS:		
Property tax increment	\$	6,090,946
Investment earnings		135,122
Net increase in fair value of investments		3,291
Total additions		6,229,359
DEDUCTIONS:		
Community development		414,611
Interest on long-term debt		3,009,516
Transfers to the City		22,595,532
Total deductions		26,019,659
Change in net position		(19,790,300)
Net position, beginning of the year, restated		(7,681,073)
Net position, end of the year	\$	(27,471,373)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City was incorporated on September 16, 1905 as a General Law City. Effective July 1, 1988, the City became a Charter City. The City operates under a Council-City Administrator form of government. As required by generally accepted accounting principles, the accompanying basic financial statements present the City of Vernon (primary government) and its component units, entities for which the primary government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with the data of the primary government. As of June 30, 2018, the City had no blended component units or any discretely presented component units.

Basis of Presentation

Government-wide Financial Statements

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

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

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

The City reports one major governmental fund:

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

The City reports one major enterprise fund:

The *Vernon Public Utilities* accounts for the maintenance and operations of the City's electric, gas, water, and fiber optics utility plants. Revenues for these funds are primarily from charges for services. Segment information pertaining to each utility administered by the Vernon Public Utilities can be found in Note 11.

The City reports one fiduciary fund:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

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

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

For the government-wide financial statements and proprietary fund financial statements, under GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, the City applies all applicable GASB pronouncements as well as any applicable pronouncements of the FASB and AICPA pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Deposits and Investments

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

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

Receivables/Payables

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

Proprietary fund trade receivables are shown net of an allowance for uncollectible accounts. Allowances for uncollectibles were \$1,088,000 as of June 30, 2018. Utility customers are billed monthly. The estimated value of services provided, but unbilled at year-end, has been included in the accompanying financial statements.

Inventories

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

Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. Capital assets include intangible assets with indefinite lives and public domain (infrastructure) general capital assets consisting of certain improvements including roads and bridges, sidewalks, curbs and gutters, and traffic light system. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimated useful lives are as follows:

	10 to 50 years
Utility plant and buildings	25 to 50 years
Improvements	10 to 20 years
Machinery and equipment	3 to 35 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the changes in financial position. Interest expense associated with construction of capital assets is capitalized during the construction phase up until the capital asset is substantially complete and ready for its intended use for both taxable and tax-exempt securities. For tax-exempt securities, interest income on unspent bond proceeds is also capitalized during the construction phase.

Compensated Absences

Accumulated vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for accrued vacation is recorded in the governmental funds only to the extent that such amounts have matured (i.e., as a result of employee resignations and retirements). Upon termination of employment, the City will pay the employee all accumulated vacation leave at 100% of the employee's base hourly rate.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63 and 65, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resource is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Long-term Obligations

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

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

Fund Balance

Effective July 1, 2010, the City adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In the fund financial statements, the governmental fund balance is classified in the following categories:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, its City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: ordinance).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned Fund Balance – the residual classification for the General Fund and includes all amounts not contained in the other classifications. Governmental funds report residual negative balances as unassigned fund balance.

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

Encumbrances

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

Use of Estimates

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

Property Taxes

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

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

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2018, the City adopted the following new Statement of the Governmental Accounting Standards Board (GASB):

GASB statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB are also addressed in this Statement. Refer also to Note 10.

NOTE 2 – CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

		Primary	Fiduciary
	(Government	 Fund
Cash and investments	\$	141,822,546	\$ -
Restricted cash and investments		31,976,469	24,098,771
Total cash and investments	\$	173,799,015	\$ 24,098,771

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$ 1,300	\$ -
Deposits with financial institutions	73,433,163	12,827,998
Investments	100,364,552	11,270,773
Total cash and investments	\$ 173,799,015	\$ 24,098,771

The City's Investment Policy

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

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

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

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

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

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

Authorized	Maximum	Maximum Percentage	Maximum Investment	Minimum
Investment Type	Maturity	of Portfolio*	in One Issuer	Rating
Securities of the U.S. Government, or its Agencies	5 years	None	None	None
Certain Asset-Backed Securities	5 years	None	None	AA
Certificates of Deposit	5 years	30%	None	None
Bankers' Acceptances	180 days	40%	30%	None
Commercial Paper	270 days	25%	10%	P-1
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreements	92 days	20%	None	None
Medium-Term Notes	5 years	30%	None	A
Mutual Funds Investing in Eligible Securities	N/A	20%	10%	AAA
Money Market Mutual Funds	N/A	20%	10%	AAA
Mortgage Pass-Through Securities	5 years	20%	None	AA
State Administered Pool Investment	N/A	None	\$50 million	None

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

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

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

		Maximum	Maximum	
Authorized	Maximum	Percentage	Investment	Minimum
Investment Type	Maturity	of Portfolio	in One Issuer	Rating
Securities of the U.S. Government, or its Agencies	None	None	None	None
Certain Asset-Backed Securities	None	None	None	AA
Certificates of Deposit	None	None	None	None
Bankers' Acceptances	1 year	None	None	None
Commercial Paper	None	None	None	P-1
Money Market Mutual Funds	N/A	None	None	AAA
State Administered Pool Investment	N/A	None	\$50 million	None
Investment Contracts	None	None	None	None

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

	Investment Maturities (in Months)						
Investment Type	Fair Value as of June 30, 2018		Less than 12 Months		13 - 24 Months	25 - 60 Months	% of Total
Primary Government:							
Money Market Funds	\$ 99,765,292	\$	99,765,292	\$	- \$	-	99.4%
Local Agency Investment Fund	 599,260		599,260		-	-	0.6%
Total Investments	\$ 100,364,552	\$	100,364,552	\$	- \$	_	100.0%
Fiduciary Fund:							
Money Market Funds	\$ 11,172,075	\$	11,172,075	\$	- \$	-	99.1%
Local Agency Investment Fund	 98,698		98,698		-	-	0.9%
Total Investments	\$ 11,270,773	\$	11,270,773	\$	- \$	-	100.0%

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

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

	Minimum	Actual	Fair	%
	Required	Credit Rating	Value as of	of
	Rating	Moody's / S&P	June 30, 2018	Total
Primary Government:				
In custody of Treasurer:				
Cash on hand	N/A	N/A	\$ 1,300	0.0%
Deposits with financial institutions	N/A	N/A	73,432,096	42.3%
Local Agency Investment Fund	None	Not Rated	599,260	0.3%
Total in custody of Treasurer			74,032,656	42.6%
In custody of Trustee:				
Deposits with financial institutions	N/A	N/A	1,067	0.0%
Money Market Funds	Aaa / AAA	Aaa / AAA	99,765,292	57.4%
Total in custody of Trustee			99,766,359	57.4%
Total cash and investments held by Trea	surer and Trustee		\$ 173,799,015	100.0%
Fiduciary Fund:				
In custody of Treasurer:				
Deposits with financial institutions	N/A	N/A	\$ 12,827,998	53.2%
Local Agency Investment Fund	None	Not Rated	98,698	0.4%
Total in custody of Treasurer			12,926,696	53.6%
In custody of Trustee:				
Money Market Funds	Aaa / AAA	Aaa / AAA	11,172,075	46.4%
Total in custody of Trustee			11,172,075	46.4%
Total cash and investments held by Trea	surer and Trustee		\$ 24,098,771	100.0%

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The City's Investment Policy places no limit on the amount the City may invest in any one issuer excluding a 10% limitation on commercial paper, mutual funds, and money market mutual funds and a 30% limitation on bankers' acceptances. The City's Investment Policy also places no limit on the amount of debt proceeds held by a bond trustee that the trustee may invest in one issuer that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's Investment Policy. As of June 30, 2018, there were no investments held by the City that exceeded 5% in any one issuer, excluding mutual funds and U.S. Treasury securities.

Custodial Credit Risk

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

At year-end, the carrying amount of the City's and Fiduciary Fund's deposits were \$73,433,163 and \$12,827,998, respectively. The bank balances were \$73,058,622 and \$12,827,998, respectively. The difference between the bank balances and the carrying amounts represents outstanding checks and deposits in transit. As of June 30, 2018, none of City's or Fiduciary Fund's deposits with financial institutions in excess of the federal depository insurance limit were held in uncollaterized accounts. \$72,808,622 and \$12,577,998 were collateralized by the pledging financial institution as required by Section 53652 of the California Government Code.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Local Agency Investment Fund (LAIF)

The City and Fiduciary Fund also maintained cash balances with the State of California Local Agency Investment Fund (LAIF) amounting to \$599,260 and \$98,698, respectively, as of June 30, 2018. LAIF is an external investment pool sponsored by the State of California. These pooled funds approximate fair value. The administration of LAIF is provided by the California State Treasurer and regulatory oversight is provided by the Pooled Money Investment Board and the Local Investment Advisory Board. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the City's position in the pool.

The total amount invested by all public agencies in LAIF as of June 30, 2018 was \$35.34 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA) whose balance was \$88.82 billion as of June 30, 2018. Of this amount, 1.89% was invested in structures notes and asset-backed securities. PMIA is not SEC-registered, but is required to invest according to California State Code. The weighted average maturity of PMIA investments was 0.53 years as of June 30, 2018. LAIF does not maintain a credit rating.

Fair Value Measurement

During the fiscal year ended June 30, 2016, the City implemented GASB Statement No. 72, Fair Value Measurement and Application. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

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

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

The following table represents the City's fair value hierarchy for its financial assets measured at fair value on a recurring basis:

Investments by fair value level	Fair value	tue measurement using icant other observable inputs (Level 2)
Money Market Funds	\$ 110,937,367	\$ 110,937,367
Total	110,937,367	\$ 110,937,367
Uncategorized:		
Local Agency Investment Fund	697,958	
Total investments measured at fair value	\$ 111,635,325	

NOTE 3 - RECEIVABLES

The City's receivables at June 30, 2018 are as follows:

		Total
Receivables -	General	Governmental
Governmental Activities:	 Fund	Activities
Accounts receivables	\$ 256,651	\$ 256,651
Taxes	1,761,436	1,761,436
Notes or loans	20,508	20,508
Other	 61,549	61,549
Total receivables	 2,100,144	\$ 2,100,144
	Vernon	Total
Receivables -	Public	Business-type
Business-type Activities:	 Utilities	Activities
Accounts receivables	\$ 12,812,773	\$12,812,773
Less: Allowances for uncollectible accounts	 (1,088,000)	(1,088,000)
Total receivables, net	\$ 11,724,773	\$11,724,773

NOTE 4 – INTERFUND TRANSACTIONS

The following tables summarize the City's interfund balances and transactions at June 30, 2018:

Advances to/from other funds

Receivable Fund	Payable Fund	Amount
Vernon Public Utilities	General Fund	\$ 12,612,421
		\$ 12,612,421

Transactions between funds commonly occur in the normal course of business for services received or furnished (accounting, management, engineering, and legal services) and occasionally to fund capital projects on behalf of one another such as the City's natural gas system and the development of the City's base load electric generating station. The above balances represent interfund borrowings payable beyond one year.

Transfers

Transfers In	Transfers Out	Amount
General Fund	Vernon Public Utilities	\$ 14,344,504
		\$ 14,344,504

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and for the payment of in-lieu franchise taxes.

During the current year, the Vernon Public Utilities transferred a total of \$14,344,504 to the General Fund consisting of \$4,239,557 of in-lieu franchise taxes and \$10,104,947 of operating transfers.

NOTE 5 – CAPITAL ASSETS

Capital asset activity of governmental activities for the fiscal year ended June 30, 2018 was as follows:

	Balance				
	June 30, 2017				Balance
	As Restated	Restated Additions		Reclassification	June 30, 2018
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 62,140,108	\$ -	\$ -	\$ -	\$ 62,140,108
Construction in Progress	2,025,465	420,568	-	(1,334,356)	1,111,677
Total capital assets, not being depreciated	64,165,573	420,568		(1,334,356)	63,251,785
Capital assets, being depreciated					
Infrastructure	154,429,759	1,612,410	-	335,017	156,377,186
Building and Improvements	16,682,901	-	-	-	16,682,901
Improvements Other Than Buildings	11,185,649	-	-	-	11,185,649
Machinery and Equipment	29,015,802	2,266,115		999,339	32,281,256
Total capital assets, being depreciated	211,314,111	3,878,525		1,334,356	216,526,992
Less accumulated depreciation for:					
Infrastructure	(61,223,628)	(3,339,552)	-	-	(64,563,180)
Building and Improvements	(7,641,411)	(392,810)	-	-	(8,034,221)
Improvements Other Than Buildings	(4,993,250)	(295,029)	-	-	(5,288,279)
Machinery and Equipment	(21,457,508)	(1,276,706)			(22,734,214)
Total accumulated depreciation	(95,315,797)	(5,304,097)	_		(100,619,894)
Total capital assets, being depreciated, net					
Infrastructure	93,206,131	(1,727,142)	-	335,017	91,814,006
Building and Improvements	9,041,490	(392,810)	-	-	8,648,680
Improvements Other Than Buildings	6,192,399	(295,029)	-	-	5,897,370
Machinery and Equipment	7,558,294	989,409	_	999,339	9,547,042
Total	115,998,314	(1,425,572)		1,334,356	115,907,098
Governmental activities capital assets, net	\$ 180,163,887	\$ (1,005,004)	\$ -	\$ -	\$ 179,158,883

Depreciation expense was charged to governmental functions as follows:

General government	\$ 786,056
Public safety	918,453
Public works	3,595,142
Health services	4,446
Total depreciation expense - governmental functions	\$ 5,304,097

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Capital asset activity of business-type activities for the fiscal year ended June 30, 2018 was as follows:

		Balance						Balance
	Ju	me 30, 2017	Additions	Deletions	Reclassifica	tion	J	une 30, 2018
Business-type activities:					•			
Capital assets, not being depreciated:								
Land - Electric	\$	9,276,596	\$ -	\$ (5,036,467)	\$	-	\$	4,240,129
Land - Water		467,640	-	-		-		467,640
Intangibles - Environmental credits - Electric		1,197,988	-	-		-		1,197,988
Construction in Progress - Electric		54,707,485	-	(155,446)	(88)	3,666)		54,463,373
Construction in Progress - Water		765,010	163,701	(2,309)				926,402
Total capital assets, not being depreciated		66,414,719	 163,701	(5,194,222)	(88	3,666)		61,295,532
Capital assets, being depreciated								
Production Plant - Electric		16,189,303	-	-		-		16,189,303
Transmission Plant - Electric		4,888,113	-	-		-		4,888,113
Distribution Plant - Electric		199,851,044	15,720,941	-	88	3,666		215,660,651
General Plant - Electric		8,736,892	415,200	-		-		9,152,092
Water Utility Plant		20,500,613	-	-		-		20,500,613
Gas Utility Plant		26,269,561	76,699	-		-		26,346,260
Fiber Optic Utility Plant		4,095,028	29,972	-		-		4,125,000
Total capital assets, being depreciated		280,530,554	16,242,812	-	88	3,666		296,862,032
Less accumulated depreciation for:								
Production Plant - Electric		(8,911,346)	(461,537)	-		-		(9,372,883)
Transmission Plant - Electric		(3,050,327)	(95,726)	-		-		(3,146,053)
Distribution Plant - Electric		(74,500,343)	(6,106,183)	-		-		(80,606,526)
General Plant - Electric		(4,398,972)	(395,673)	-		-		(4,794,645)
Water Utility Plant		(14,273,751)	(350,695)	-		-		(14,624,446)
Gas Utility Plant		(8,213,830)	(756,278)	-		-		(8,970,108)
Fiber Optic Utility Plant		(2,302,522)	(224,598)	-		-		(2,527,120)
Total accumulated depreciation		(115,651,091)	(8,390,690)	-				(124,041,781)
Total capital assets, being depreciated, net								
Production Plant - Electric		7,277,957	(461,537)	-		-		6,816,420
Transmission Plant - Electric		1,837,786	(95,726)	-		-		1,742,060
Distribution Plant - Electric		125,350,701	9,614,758	-	88	3,666		135,054,125
General Plant - Electric		4,337,920	19,527	-		-		4,357,447
Water Utility Plant		6,226,862	(350,695)	-		-		5,876,167
Gas Utility Plant		18,055,731	(679,579)	-		-		17,376,152
Fiber Optic Utility Plant		1,792,506	(194,626)	-		-		1,597,880
Total		164,879,463	7,852,122	-	88	3,666		172,820,251
Business-type activities capital assets, net	\$	231,294,182	\$ 8,015,823	\$ (5,194,222)	\$	-	\$	234,115,783

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

Electric Fund	\$ 7,059,119
Gas Fund	756,278
Water Fund	350,695
Fiber Optics Fund	224,598
Total depreciation expense - business-type functions	\$ 8,390,690

NOTE 5 – CAPITAL ASSETS (CONTINUED)

The City hired a professional firm to perform an inventory and a valuation of the City's utility infrastructure assets in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, and GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, to determine the amount of unreported utility infrastructure assets and to prepare a complete infrastructure asset listing to be maintained by the City. The valuation is on-going. While management expects the amount to be significant, management is unable to determine the estimated amount of unreported utility infrastructure assets as of June 30, 2018.

NOTE 6 – LONG-TERM OBLIGATIONS

There were no new bond issued during fiscal year 2018. As of June 30, 2018, outstanding debt obligations consisted of the following:

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

At June 30, 2018, \$40,980,000 remained outstanding. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The debt service remaining on the bonds is \$88,746,569, payable through fiscal 2039. For the current year, debt service and total electric revenues were \$3,975,935 and \$172,227,536, respectively. Under the Indenture of Trust dated September 1, 2008, interest and principal on the bonds are payable from Net Revenues (or Revenues less Operation and Maintenance Expenses) and/or amounts in the Light and Power Enterprise (as those terms are defined in the Indenture of Trust). The City of Vernon Electric System Revenue Bonds, 2008 Taxable Series A were issued to provide funds to (i) finance the cost of certain capital improvements to the City's Electric System, (ii) fund a deposit to the Debt Service Reserve Fund, and (iii) to pay costs of issuance of the 2008 Bonds.

\$419,400,000 Electric System Revenue Bonds (2009 Series A)

At June 30, 2018, \$116,575,000 remained outstanding. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The debt service remaining on the bonds is \$128,410,803, payable through fiscal 2022. For the current year, debt service and total electric revenues were \$31,994,575 and \$172,227,536, respectively. Under the Indenture of Trust dated September 1, 2008, 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, 2009 Series A were issued to provide funds to (i) refinance certain obligations payable from the City's Electric System Revenues, (ii) fund a deposit to the Debt Service Reserve Fund, and (iii) to pay costs of issuance of the 2009 Bonds.

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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

At June 30, 2018, \$37,640,000 remained outstanding. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The debt service remaining on the bonds is \$77,194,408, payable through fiscal 2042. For the current year, debt service and total electric revenues were \$2,031,394 and \$172,227,536, respectively. Under the Indenture of Trust dated September 1, 2008, 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 Series A were issued to provide funds to (i) pay a portion of the costs of certain capital improvements to the City's Electric System, (ii) to provide for capitalized interest on the 2012 Series A Bonds, and (iii) to pay costs of issuance of the 2012 Series A Bonds.

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

At June 30, 2018, \$35,100,000 remained outstanding. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The debt service remaining on the bonds is \$49,874,414, payable through fiscal 2027. For the current year, debt service and total electric revenues were \$2,222,900 and \$172,227,536, respectively. Under the Indenture of Trust dated September 1, 2008, interest and principal on the bonds are payable from Net Revenues (or Revenues less Operation and Maintenance Expenses) and/or amounts in the Light and Power Enterprise (as those terms are defined in the Indenture of Trust). The City of Vernon Electric System Revenue Bonds, 2012 Taxable Series B were issued to provide funds to (i) refund the \$28,680,000 aggregate principal amount of 2009 Bonds maturing on August 1, 2012, (ii) to pay a portion of the Costs of the 2012 Project, and (iii) to pay costs of issuance of the 2012 Taxable Series B Bonds.

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

At June 30, 2018, \$111,720,000 remained outstanding. The bonds are special obligation bonds which are secured by an irrevocable pledge of electric revenues payable to bondholders. The debt service remaining on the bonds is \$144,490,085, payable through fiscal 2027. For the current year, debt service and total electric revenues were \$5,087,518 and \$172,227,536, respectively. Under the Indenture of Trust dated September 1, 2008, 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.

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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

Bonds	Maturity	Fixed Interest Rates	Annual Principal Installments	 Original Issue Amount	Outstanding at une 30, 2018
City of Vernon Electric System Revenue Bonds, 2008 Taxable Series A	07/01/38	7.400% - 8.590%	To begin 07/01/10: \$265,000 - \$4,065,000	\$ 43,765,000	\$ 40,980,000
City of Vernon Electric System Revenue Bonds, 2009 Series A	08/01/21	5.125%	To begin 08/01/09: \$5,000,000 - \$44,895,000	419,400,000	116,575,000
City of Vernon Electric System Revenue Bonds, 2012 Series A	08/01/41	5.000% - 5.500%	To begin 08/01/27: \$1,075,000 - \$7,120,000	37,640,000	37,640,000
City of Vernon Electric System Revenue Bonds, 2012 Taxable Series B	08/01/26	6.250% - 6.500%	To begin 08/01/22: \$6,165,000 - \$7,940,000	35,100,000	35,100,000
City of Vernon Electric System Revenue Bonds, 2015 Taxable Series A	08/01/26	4.050% - 4.850%	To begin 08/01/23: \$15,295,000 - \$22,540,000	\$ 111,720,000	\$ 111,720,000
Premium					155,524
Discounts					(4,523,616)
Total Revenue Bonds				\$ 647,625,000	\$ 337,646,908

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

As of June 30, 2018, annual debt service requirements of business-type activities to maturity are as follows:

Electric System Revenue Bonds 2008 Taxable Series A Fiscal year ending June 30: Principal Interest* 480,000 3,496,710 2020 795,000 3,444,805 2021 865,000 3,373,508 2022 945,000 3,295,768 2023 1,025,000 3,211,157 2024-2028 6,700,000 14,495,629 2029-2033 10,899,424 10,290,000 2034-2038 15,815,000 5,374,976 2039 174,592 4,065,000 40,980,000 47,766,569 Total requirements

^{*}As of June 30, 2018, debt service for 2008 Series A was calculated based upon fixed coupon rates of 7.400% and 8.590%.

		Electric System Revenue Bonds 2009 Series A						
	Fiscal year ending June 30:		Principal		Interest*			
2019		\$	28,825,000	\$	5,235,828			
2020			29,755,000		3,734,716			
2021			31,085,000		2,175,691			
2022			26,910,000		689,569			
Total requirements		\$	116,575,000	\$	11,835,803			

^{*}As of June 30, 2018, debt service for 2009 Series A was calculated based upon fixed coupon rate of 5.125%.

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Electric System Revenue Bonds 2012 Series A

	2012 Series A						
Fiscal year ending June 30:	 Principal						
2019	\$ -	\$	2,031,394				
2020	-		2,031,394				
2021	-		2,031,394				
2022	-		2,031,394				
2023	-		2,031,394				
2024-2028	1,075,000		10,130,095				
2029-2033	6,270,000		9,132,888				
2034-2038	8,140,000		7,258,094				
2039-2042	 22,155,000		2,876,362				
	\$ 37,640,000	\$	39,554,408				

^{*}As of June 30, 2018, debt service was calculated based upon the fixed coupon rates of the bonds ranging from 5.000% to 5.500%.

	Electric System Revenue Bonds 2012 Taxable Series B						
Fiscal year ending June 30:	Pri	ncipal		Interest*			
2019	\$	-	\$	2,222,900			
2020		-		2,222,900			
2021		-		2,222,900			
2022		-		2,222,900			
2023		6,165,000		2,030,244			
2024-2027	2	28,935,000		3,852,570			
Total requirements	\$ 3	35,100,000	\$	14,774,414			

^{*}As of June 30, 2018, debt service was calculated based upon the fixed coupon rates of the bonds ranging from 6.250% to 6.500%.

		Electric System Revenue Bonds 2015 Taxable Series A							
	Fiscal year ending June 30:		Principal		Interest*				
2019	-	\$	-	\$	5,087,518				
2020			-		5,087,518				
2021			-		5,087,518				
2022			-		5,087,518				
2023			22,540,000		4,580,368				
2024-2027			89,180,000		7,839,647				
Total requirements		\$	111,720,000	\$	32,770,085				

^{*}As of June 30, 2018, debt service was calculated based upon the fixed coupon rates of the bonds ranging from 4.050% to 4.850%.

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Changes in long-term liabilities

The following is a summary of long-term liabilities transactions for the fiscal year ended June 30, 2018:

		Balance				Balance]	Due Within
	J	une 30, 2017	 Additions	Reductions	J	une 30, 2018		One Year
Governmental activities:								
Postemployment benefit liability	\$	18,466,231	\$ 14,325,534	\$ (380,656)	\$	32,411,109	\$	-
Claims payable		2,944,763	1,444,269	(981,588)		3,407,444		1,135,815
Compensated absences		4,575,158	1,674,293	(1,525,053)		4,724,398		1,574,799
Capital lease obligation		1,208,587	1,378,312	(117,088)		2,469,811		238,928
Net pension liability		80,557,774	 19,244,472	(7,180,586)		92,621,660		
	\$	107,752,513	\$ 38,066,880	\$ (10,184,971)	\$	135,634,422	\$	2,949,542
Business-type activities:								
Bonds payable	\$	367,830,000	\$ -	\$ (25,815,000)	\$	342,015,000	\$	29,305,000
Bond premium		162,237	-	(6,713)		155,524		6,713
Bond discount		(5,285,204)	-	761,588		(4,523,616)		(761,588)
Postemployment benefit liability		3,364,135	521,732	1,608		3,887,475		-
Compensated absences		802,878	409,004	(267,626)		944,256		314,752
Net pension liability		14,675,830	 5,491,216	 (3,114,767)		17,052,279		
	\$	381,549,876	\$ 6,421,952	\$ (28,440,910)	\$	359,530,918	\$	28,864,877

NOTE 7 – RISK MANAGEMENT

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

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

The insurance limits for fiscal year 2017-18 are as follows (amounts in thousands):

Insurance Type	Program Limits	Deductible / SIR (self-insured retention)
Excess Liability Insurance	\$20,000	\$2,000 SIR per occurrence
D & O Employment Practice	\$ 2,000	\$250 SIR non-safety; safety \$250
Excess Workers Compensation	\$ 50	\$1,000 SIR per occurrence
Property Insurance	\$241,000	\$ various up to \$500
Employee Dishonest – Crime	\$ 1,000	\$ 25
Pollution – Site Owned	\$ 5,000	\$ 25
Pollution – Haulers	\$ 5,000	\$ 25

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

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

	Fiscal Year Ended June 30			ane 30
		2018		2017
Claims payable, beginning of fiscal year	\$	2,944,763	\$	3,313,445
Incurred claims and change in estimates		1,444,269		38,132
Claims payments		(981,588)		(406,814)
Claims payable, end of fiscal year	\$	3,407,444	\$	2,944,763
1 .	\$		\$	

NOTE 8 – PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions – All full-time safety (police and fire personnel) and miscellaneous personnel and temporary or part-time employees who have worked a minimum of 1,000 hours in a fiscal year are eligible to participate in the City's agent multiple-employer defined benefit pension Safety and Miscellaneous Plans administered by the California Public Employees' Retirement System (CalPERS) that acts as a common investment and administrative agent for participating public entities within the State of California. Benefits vest after five years of service. Employees who retire at the minimum retirement age with five years of credited service are entitled to retirement benefits. Monthly retirement benefits are based on a percentage of an employee's average compensation for his or her highest consecutive 12 or 36 months of compensation for each year of credited service.

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

NOTE 8 – PENSION PLANS (CONTINUED)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous		
	Prior to	On or after	
Hire date	January 1, 2013	January 1, 2013	
Benefit formula	2.7% @ 55	2.0% @ 62	
Benefit vesting schedule	5 years service	5 years service	
Benefit payments	monthly for life	monthly for life	
Retirement age	50	52	
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%	
Required employee contribution rates	8.00%	5.75%	
Required employer contribution rates	23.829%	23.829%	
	Safe	ety	
	Prior to	On or after	
Hire date	January 1, 2013	January 1, 2013	
Benefit formula	3% @ 50	2.7% @ 57	
Benefit vesting schedule	5 years service	5 years service	
Benefit payments	monthly for life	monthly for life	
Retirement age	50	50	
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%	
Required employee contribution rates	9.00%	11.00%	
Required employer contribution rates	41.677%	41.677%	

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	163	258
Inactive employees entitled to but not yet receiving benefits	179	116
Active employees	159	107
Total	501	481

NOTE 8 – PENSION PLANS (CONTINUED)

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the 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 the difference between the actuarially determined rate and the contribution rate of employees.

B. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety		
Valuation Date	30-Jun-16	30-Jun-16		
Measurement Date	30-Jun-17	30-Jun-17		
Actuarial Cost Method	Entry Age Normal Cos t Method			
Actuarial Assumptions:				
Discount Rate	7.15%	7.15%		
Inflation	2.75%	2.75%		
Payroll Growth	3.00%	3.00%		
Projected Salary Increase	Varies by Entry Age and Service (1)	Varies by Entry Age and Service (1)		
Investment Rate of Return 7.50% (2)		7.50% (2)		
	Derived using	Derived using		
Mortality Rate Table (3)	CalPERS'	CalPERS'		
	Membership Data for	Membership Data for		
	all Funds	all Funds		

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS's specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

NOTE 8 – PENSION PLANS (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was changed from 7.65% to 7.15% for each Plan.

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.15 percent used for the June 30, 2017 measurement date is without reduction of pension plan administrative expense.

The long-term expected rate of return on pension plan investments was determined using a buildingblock 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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 PERF fund. The expected rate of return was set by calculating the 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 8 – PENSION PLANS (CONTINUED)

C. Changes in the Net Pension Liability

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

Miscellaneous Plan:

	_	Increase (Decrease)				
		Total Pension		Plan Fiduciary		Net Pens ion
	_	Liability		Net Position		Liability/(Asset)
Balance at June 30, 2016	\$_	138,474,660	\$	109,267,771	\$	29,206,889
Changes in the year:						
Service cost		2,432,788		-		2,432,788
Interest on the total pension liability		10,383,859		-		10,383,859
Change of assumptions		9,321,776		-		9,321,776
Difference between expected and actual experience		(711,339)		-		(711,339)
Net plan to plan resource movement		-		1,118		(1,118)
Contribution - employer		-		3,629,603		(3,629,603)
Contribution - employees		-		1,245,990		(1,245,990)
Net investment income		-		11,857,647		(11,857,647)
Benefit payments, including refunds of employee						
contributions		(6,145,366)		(6,145,366)		=
Administrative expense		-		(161,327)		161,327
Other miscellaneous income	_	-		-		-
Net changes	-	15,281,718		10,427,665		4,854,053
Balance at June 30, 2017 (measurement date)	\$	153,756,378	\$	119,695,436	\$	34,060,942

NOTE 8 – PENSION PLANS (CONTINUED)

Safety Plan:

	_	Increase (Decrease)				
		Total Pension Plan Fiduciary			Net Pens ion	
	_	Liability	_	Net Position	_	Liability/(Asset)
Balance at June 30, 2016	\$_	226,594,916	\$_	160,568,201	\$ _	66,026,715
Changes in the year:						
Service cos t		4,144,398		-		4,144,398
Interest on the total pension liability		16,898,830		-		16,898,830
Changes of assumptions		14,134,794		-		14,134,794
Difference between expected and actual experience		(1,380,683)		-		(1,380,683)
Net plan to plan resource movement		-		(1,118)		1,118
Contribution - employer		-		5,476,196		(5,476,196)
Contribution - employee		-		1,212,646		(1,212,646)
Net investment income		-		17,760,401		(17,760,401)
Benefit payments, including refunds of employee						
contributions		(10,147,899)		(10,147,899)		-
Administrative expense		-		(237,068)		237,068
Other miscellaneous income	_	-	_	-	_	-
Net changes	_	23,649,440	_	14,063,158	_	9,586,282
Balance at June 30, 2017 (measurement date)	\$_	250,244,356	\$_	174,631,359	\$_	75,612,997

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability \$	56,893,214	\$ 110,033,151
Current Discount Rate	7.15%	7.15%
Net Pension Liability \$	34,060,942	\$ 75,612,997
1% Increase	8.15%	8.15%
Net Pension Liability \$	15,508,327	\$ 47,422,654

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 8 – PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2018, the City recognized pension expense of \$10,331,600. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows		Deferred Inflows
	_	of Resources	_	of Resources
Pension contributions subsequent to measurement date	\$	7,826,501	\$	-
Changes of Assumptions		12,596,882		-
Differences between Expected and Actual Experiences		371,291		(1,095,512)
Net differences between projected and actual earnings on				
plan investments	_	4,486,190	_	-
Total	\$	25,280,864	\$	(1,095,512)

The \$7,826,501 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended			
June 30	Miscellaneous	Safety	Total
2019	\$3,247,294	\$5,625,989	\$8,873,283
2020	4,744,286	2,802,758	7,547,044
2021	1,011,237	1,032,939	2,044,176
2022	(821,732)	(1,283,920)	(2,105,652)

E. Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - Retiree medical and dental benefits are established through the City's Fringe Benefits and Salary Resolution as well as individual memoranda of understanding between the City and the City's various employee bargaining groups.

Benefits Provided - Generally, the City will provide a postemployment benefit plan for the employee only to those who retire at age sixty (60) or later with twenty (20) years of continuous uninterrupted service up to the age of sixty-five (65). Alternatively, employees who retire before the age of sixty (60) with twenty (20) years of continuous uninterrupted service, will be permitted to pay their medical and dental premium cost and upon reaching the age of fifty (50), the City will pay the premium for the medical and dental plans until they reach the age of sixty-five (65).

Resolution 2011-129 provided lifetime medical benefits to Police Management employees and their spouses, who have been employed as sworn safety personnel for a minimum of twenty (20) years and a minimum of ten (10) years of that services has been with the City of Vernon. Resolution 2011-127 sets forth the Memorandum of Understanding of the Vernon Police Officers' Benefit Association, provided lifetime medical benefits to those employees and their spouses, who have been employed as sworn safety personnel for a minimum of twenty (20) years and a minimum of ten (10) years of that service has been with the City of Vernon. Resolution 2012-217 granted specific retiree medical benefits to employees who retire during the 2012-2013 fiscal year in order to provide an incentive for early retirement whereby the City authorized the payment of medical and dental insurance premiums for eligible retiring employees and their eligible dependents with at least ten (10) years of service plus 5% for each additional full year of service above the ten (10) years of service, and that this offer be extended as an option to safety and safety management groups, at their discretion, in addition to the related options provided in the Vernon Firefighters Association Memorandum of Understanding and the Vernon Police Officers' Benefit Association Memorandum of Understanding. Resolution 2013-06 declared that the retiree medical benefits which had not been a vested right for employees will continue to be non-vested right for employees who continue to be employed by the City on or after July 1, 2013 but will become a vested right for those who retire during the 2012-2013 fiscal year. The City's plan is considered a substantive OPEB plan and the City recognizes cost in accordance with GASB Statement No 75. The City may terminate its unvested OPEB in the future.

Funding Policy and Contributions - The City has established an irrevocable OPEB trust with assets dedicated towards 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.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Net OPEB Liability - The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017.

Employees Covered by Benefit Terms

At January 1, 2017 (the valuation date), the following employees were covered by the benefit terms:

Category	Count
Active employees	266
Inactive employees or beneficiaries currently receiving benefit payments	82
Inactive employees entitled to but not yet receiving benefit payment	=

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

The total OPEB liability for the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions

Funding Method	Entry age Normal Cost, level percent of pay
Inflation	2.75%
Salary increases	3.25% annual increases
Long-term return on assets	7%, net of investment expenses
Discount Rate	6.5% for explicit liabilities; 2.92% for implicit subsidy
	as of June 20, 2016 and 3.56% as of June 30,2017
Municipal Bond Index Rates	2.92% as of June 30, 2016 and 3.56% as of June 30, 2017
Healthcare cost trend rates	8.5% in the first year, trending down to 5% in 2025 and later

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Discount Rate - The discount rate used to measure the total OPEB liability was 6.5% for the explicit subsidy portion of the liability and the Fidelity Municipal Bond AA 20-year Maturity Yield rates of 2.92% for the implicit subsidy liability.

Change in the Net OPEB Liability

	Increases (Decreases)							
		Total OPEB	Plan Fiduciary	Net OPEB				
		Liability	Net Position	Liability				
Balance at June 30, 2016	\$	35,919,535 \$	\$	35,919,535				
Changes for the year:								
Service cost		1,166,825	-	1,166,825				
Interest on the total OPEB liability		1,879,025	-	1,879,025				
Investment income		-	(2,049)	2,049				
Difference between actual and expected experience		-	-	-				
Changes in assumptions		(770,716)	-	(770,716)				
Contribution - employer		-	1,898,138	(1,898,138)				
Benefit payments		(838,818)	(838,818)	-				
Administrative expenses			(4)	4				
Net Changes		1,436,316	1,057,267	379,049				
Balance at June 30, 2017 (measurement date)	\$	37,355,851 \$	1,057,267 \$	36,298,584				

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the City's Net OPEB Liability if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Current Discount							
	 1% Decrease		Rate		1% Increase			
Net OPEB liability	\$ 41,714,285	\$	36,298,584	\$	31,863,856			

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the City's Net OPEB Liability if it were calculated using a healthcare cost trend rates that is 1% point lower or 1% point higher than the current rate:

		Current Healthcare Cost						
	-	1% Decrease	-	Trend Rate		1% Increase		
Net OPEB liability	\$	34,116,994	\$	36,298,584	\$	40,292,058		

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$2,951,698. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		Deferred	Deferred				
		Outflows of	Inflows of				
	_	Resources	Resources				
Contributions subsequent to measurement date	\$	2,095,177	\$ -				
Net difference between projected and actual							
earnings on investments		1,638					
Changes of assumptions	_	-	676,152				
	\$_	2,096,815	\$ 676,152				

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Deferred Outflows/
Ending June 30	Inflows of Resources
2019	\$ (94,156)
2020	(94,156)
2021	(94,156)
2022	(94,157)
2023	(94,566)
Thereafter	(203,323)
	\$ (674,514)

NOTE 10 – DEFICITS IN FUND EQUITY

The General Fund has a fund balance deficit of \$2,765,996 at June 30, 2018, which management expects to eliminate by future revenue increases, cost reduction and transfers from other funds.

NOTE 11 – VERNON PUBLIC UTILITIES OPERATIONS AND COMMITMENTS

Asset Sale

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

Bicent has agreed to sell the capacity and the energy of the MGS to the City on the terms set forth in a Power Purchase Tolling Agreement, by and between the City and Bicent, dated as of April 10, 2008 (the "PPTA"). In addition, Bicent has acquired the benefits and burdens of the City's interest in the Hoover Uprating Project (described below) on the terms set forth in the Hoover Contract for Differences ("CFD"), between Bicent (California) Hoover LLC, a Delaware limited liability company ("BCH") and the City, dated as of April 10, 2008 (the "Hoover Differences Contract"). Pursuant to the Bicent Agreement, Bicent has assigned its rights and obligations with respect to the MGS to its affiliate, Bicent (California) Malburg LLC, a Delaware limited liability company ("BCM"). Pursuant to the Bicent Agreement, Bicent has assigned its rights and obligations with respect to the economic benefits and burdens of the Hoover Uprating Project to its affiliate, BCH. The City treated the PPTA as an asset lease-back transaction due to a 30 year ground lease between the City and BCM by deferring most of the gain from the sale of MGS to be amortized over the 15 year life of the PPTA. The City also deferred the gain from the CFD to be amortized over the 10 year life of the CFD. As of June 30, 2018, a deferred gain of \$17,619,222 remains to be amortized over the life of the PPTA and CFD, which will be amortized in proportion to the capacity payments the City will be making under the PPTA and CFD (See Note 12 for disclosure on uncertainties).

NOTE 11 – VERNON PUBLIC UTILITIES OPERATIONS AND COMMITMENTS (CONTINUED)

Project Commitments

A. Southern California Public Power Authority

In 1980, the City entered into a joint powers agreement with nine (9) Southern California cities and an irrigation district to form the Southern California Public Power Authority (the "Authority"). The Authority's purpose is the planning, financing, acquiring, constructing and operating of projects that generate or transmit electric energy.

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

Between 1983 and 2008, the Authority issued \$3.266 billion in debt of Power Project Revenue Bonds for the Station to finance the bonds and the purchase of the Authority's share of the Station and related transmission rights. The bonds are not obligations of any member of the Authority or public agency other than the Authority. Under a power sales contract with the Authority, the City is obligated on a "take or pay" basis for its proportionate share of power generated, as well as to make payments for its proportionate share of the operating and maintenance expenses of the Station, debt service on the bonds and any other debt, whether or not the project or any part thereof or its output is suspended, reduced or terminated. The City took its proportionate share of the power generated and its proportionate share of costs during fiscal year 2018 was \$9,730,666. The City expects no significant increases in costs related to its nuclear resources.

NOTE 11 – VERNON PUBLIC UTILITIES OPERATIONS AND COMMITMENTS (CONTINUED)

Power Purchase Commitments

As of June 30, 2018 under the Bicent Agreements, the City had the following long-term commitments to purchase power subject to certain conditions:

Fiscal Year Ending June 30,	Amount*
2019	\$ 34,904,231
2020	34,904,231
2021	34,904,231
2022	34,904,231
2023	27,146,619
	\$166,763,543

^{*}Commitments under the PPTA and CFD, net of amortization of deferred gain.

Vernon Public Utilities

Ordinance No. 1242, adopted May 16, 2017, requires each utility of the City to be independent with its assets, liabilities, and equities segregated, budgeted, and accounted for in separate funds. Ordinance No. 1240, adopted March 21, 2017, consolidates all utilities-related services under the management of the stand-alone entity "Vernon Public Utilities" for better oversight and management of the day-to-day activities of such independent utilities. Each of the City's utilities, namely the electric, gas, water, and fiber optics utilities, 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.

A. Segment Information

All utilities of the City are reported under the Vernon Public Utilities. However, investors in the debt rely solely on the revenue generated by the individual activities for repayment. Financial information of each utilities administered by the Vernon Public Utilities are presented below:

NOTE 11 – VERNON PUBLIC UTILITIES OPERATIONS AND COMMITMENTS (CONTINUED)

		Electric Fund		Gas Fund		Water Fund	Fi	ber Optics Fund		Vernon Public Utilities
ASSETS:										
Current assets:		120 541 222	Φ.	2 252 205		1 250 222	•	105 101	•	122 (00 15)
Cash and investments	\$	129,561,232	\$	2,373,287 975,057	\$	1,259,233	\$	495,404 27,374	\$	133,689,156
Accounts receivable, net of allowances of \$1,088,000 Accrued unbilled revenue		10,144,789 9,503,092		689,157		577,553 326,745		27,374		11,724,773 10,518,994
Accrued interest receivable				069,137		320,743		-		123,026
Escrow deposits		123,026 940,000		-		-		-		940,000
Prepaid natural gas		28,549,572		_		-		-		28,549,572
Total current assets		178,821,711		4,037,501	_	2,163,531		522,778		185,545,521
Total carrent assets		170,021,711		4,037,301	_	2,103,331		322,770		100,040,021
Noncurrent assets:										
Restricted cash and investments		28,051,380		-		-		-		28,051,380
Advances to other funds		27,656,458		-		11,311,300		-		38,967,758
Prepaid expenses		1,762,641		-		-		-		1,762,641
Prepaid natural gas		54,311,074		-		-		-		54,311,074
Capital assets:										
Nondepreciable		59,901,490		-		1,394,042		-		61,295,532
Depreciable, net		147,970,053		17,376,152		5,876,166		1,597,880		172,820,251
Total noncurrent assets		319,653,096		17,376,152		18,581,508		1,597,880		357,208,636
Total assets		498,474,807		21,413,653		20,745,039		2,120,658		542,754,157
DEFERRED OUTFLOWS OF RESOURCES:		170,171,007		21,113,033		20,7 10,000		2,120,000	-	312,731,137
Current deferred outflows of resources:		2 500 052								2 500 052
Deferred amount on refunding		2,508,853		-		-		-		2,508,853
Noncurrent deferred outflows of resources:		2 (02 002		201 212		071.076		27.214		2.062.204
Deferred outflows related to pensions		2,682,802		281,312		971,876		27,214		3,963,204
Deferred outflows related to other postemployment benefit liability		138,836		2,520		124,172		-		265,528
Deferred amount on refunding	_	5,909,783		202.022	_	1.096.048	_	- 27.21.4		5,909,783
Total deferred outflows of resources		11,240,274	_	283,832	_	1,096,048		27,214		12,647,368
LIABILITIES:										
Current liabilities:										
Accounts payable		9,653,697		1,592,495		650,107		13,881		11,910,180
Accrued wages and benefits		377,382		36,466		103,059		6,100		523,007
Customer deposits		482,577		13,558		292,490		_		788,625
Bond interest payable		8,051,741		-		-		_		8,051,741
Bonds payable, net		28,550,125		_		-		_		28,550,125
Compensated absences		242,396		12,692		51,441		8,224		314,752
Total current liabilities		47,357,918		1,655,211		1,097,097		28,205		50,138,430
Noncurrent liabilities:				22 027 611				4 217 726		26.255.227
Advances from other funds		200 007 702		22,037,611		-		4,317,726		26,355,337
Bonds payable, net		309,096,783		25 294		102,881		16 447		309,096,783
Compensated absences		484,791		25,384		,		16,447		629,504
Other postemployment benefit liability		2,333,037		71,824		1,482,614		127.165		3,887,475
Net pension liability Total noncurrent liabilities		11,622,798	-	1,201,528	_	4,100,788		127,165		17,052,279
	-	323,537,409		23,336,347		5,686,283		4,461,338		357,021,378
Total liabilities		370,895,327		24,991,558		6,783,380		4,489,543		407,159,808
DEFERRED INFLOWS OF RESOURCES:										
Current deferred inflows of resources:										
Deferred gain from sale of generation assets		3,687,769		_		_		_		3,687,769
Noncurrent deferred inflows of resources:		-,-5,,,,,								-,,,,,,,
Deferred inflows related to pensions		106,567		16,401		71,917		(1,733)		193,152
Deferred inflows related to other post employment benefit liability		42,949		1,334		23,527		- (2,733)		67,810
Deferred gain from sale of generation assets		13,931,453		-		-		_		13,931,453
Total deferred inflows of resources	_	17,768,738	_	17,735	_	95,444		(1,733)		17,880,184
			_	,						
NET POSITION:										
Net investment in capital assets		129,098,635		17,376,102		7,270,207		1,597,880		155,342,824
Unrestricted (deficit)		(8,047,619)		(20,687,910)	_	7,692,056		(3,937,818)		(24,981,291)
Total net position	\$	121,051,016	\$	(3,311,808)	\$	14,962,263	\$	(2,339,938)	\$	130,361,533

NOTE 11 – VERNON PUBLIC UTILITIES OPERATIONS AND COMMITMENTS (CONTINUED)

	Electric Fund	Gas Fund	Water Fund	Fiber Optics Fund	Vernon Public Utilities
OPERATING REVENUES:					
Charges for services	\$ 172,227,536	\$ 39,834,679	\$ 9,392,814	\$ 638,873	\$ 222,093,902
Total operating revenues	172,227,536	39,834,679	9,392,814	638,873	222,093,902
OPERATING EXPENSES:					
Cost of sales	136,363,703	38,556,447	7,861,103	360,900	183,142,153
Depreciation	7,059,119	756,278	350,695	224,598	8,390,690
Total operating expenses	143,422,822	39,312,725	8,211,798	585,498	191,532,843
Operating income	28,804,714	521,954	1,181,016	53,375	30,561,059
NONOPERATING REVENUE (EXPENSES):					
Investment income	1,151,127	1,430	1,796	-	1,154,353
Net increase in fair value of investments	19,980	-	-	-	19,980
Interest expense	(22,209,504)	-	-	-	(22,209,504)
Gain on sale of assets	792,378	-	-	-	792,378
Legal settlement	329,385				329,385
Total nonoperating revenue (expenses), net	(19,916,634)	1,430	1,796		(19,913,408)
Income before transfers	8,888,080	523,384	1,182,812	53,375	10,647,651
TRANSFERS:					
Transfers from the Successor Agency	22,595,532	-	-	-	22,595,532
Transfers out	(14,344,504)				(14,344,504)
Net transfers	8,251,028				8,251,028
Change in net position	17,139,108	523,384	1,182,812	53,375	18,898,679
Net position, beginning of the year, as restated	103,911,908	(3,835,192)	13,779,451	(2,393,313)	111,462,854
Net position, end of the year	\$ 121,051,016	\$ (3,311,808)	\$ 14,962,263	\$ (2,339,938)	\$ 130,361,533

NOTE 11 – VERNON PUBLIC UTILITIES OPERATIONS AND COMMITMENTS (CONTINUED)

		Electric Fund	(Gas Fund		Water Fund	Fib	er Optics Fund		Vernon Public Utilities
Cash flows from operating activities:										
Cash received from customers		198,527,002		40,054,403		9,164,968	\$	630,568	\$	248,376,941
Cash paid to suppliers for goods and services	(130,018,007)		(38,192,692)		4,197,361)		(180,155)		(172,588,215)
Cash paid to employees for services		(6,199,885)		(791,680)		2,346,940)		(151,571)		(9,490,076)
Net cash provided by operating activities	-	62,309,110		1,070,031		2,620,667	-	298,842		66,298,650
Cash flows from noncapital financing activities:										
Transfers from the Successor Agency		22,595,532		-		-		-		22,595,532
Transfers to City		(14,344,504)		-		-		-		(14,344,504)
Advance (from) to City		(518,887)		1,198,328		(333,849)		(23,182)		322,410
Collection of note receivable	-	125,416	-	1 100 220		(222.040)	-	(22.102)		125,416
Net cash provided by (used in) noncapital financing activities	-	7,857,557		1,198,328		(333,849)		(23,182)		8,698,854
Cash flows from capital and related financing activities:										
Repayment of bonds		(25,815,000)		-		-		-		(25,815,000)
Bond interest paid		(22,761,049)		-		-		-		(22,761,049)
Sale of land		5,828,846		- (50.5.5)		- (440, 470)		(22,402)		5,828,846
Acquisition and construction of capital assets, net		(15,768,872)		(72,765)		(449,470)		(33,482)		(16,324,589)
Net cash used in capital and related financing activities		(58,516,075)	-	(72,765)		(449,470)		(33,482)	-	(59,071,792)
Cash flows from investing activities:										
Purchases and sales of investments, net		2,629,958		176,430		(579,911)		22,502		2,248,979
Investment income		1,028,101		1,430		1,796				1,031,327
Net cash provided by investing activities		3,658,059		177,860		(578,115)		22,502		3,280,306
Net increase in cash and cash equivalents		15,308,651		2,373,454		1,259,233		264,680		19,206,018
Cash and cash equivalents, beginning of year		142,903,221		(167)				230,724		143,133,778
Cash and cash equivalents, end of year	\$	158,211,872	\$	2,373,287	\$	1,259,233	\$	495,404	\$	162,339,796
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: Operating income Adjustments to reconcile operating income	_\$	28,804,714	\$	521,954	\$	1,181,016	_\$	53,375	_\$	30,561,059
to net cash provided by operating activities: Depreciation Changes in operating assets and liabilities:		7,059,119		756,278		350,695		224,598		8,390,690
Decrease (increase) in:										
Accounts receivable		(5,501,162)		919,880		(25,161)		(6,743)		(4,613,186)
Accrued unbilled revenue		1,221,410		(689,157)		(52,628)		-		479,625
Accrued interest receivable		(123,026)		-		-		-		(123,026)
Prepaid expenses and deposits		(125,363)		-		-		-		(125,363)
Prepaid natural gas Deferred outflows of resources		28,549,572		(10,000)		(150.057)		(1.562)		28,549,572
Increase (decrease) in:		2,278,035		(10,999)		(150,057)		(1,562)		2,115,417
Accounts payable		3,645,496		(414,800)		282,454		12,555		3,525,705
Accrued wages and benefits		377,382		36,466		103,059		6,100		523,007
Customer deposits		10,420		-		(150,344)		-		(139,924)
Compensated absences		100,001		(4,619)		35,289		10,707		141,378
Other postemployment benefit liability		60,496		(167,492)		652,837		(22,501)		523,340
Net pension liability		1,708,979		157,528		480,937		29,005		2,376,449
Deferred inflows of resources		(5,756,963)		(35,008)		(87,430)		(6,692)		(5,886,093)
Net cash provided by operating activities	\$	62,309,110	\$	1,070,031	\$:	2,620,667	\$	298,842	\$	66,298,650
Reconciliation of cash and cash equivalents to Statement of Net Position:				2 252 225				405.404	•	100 400 154
Cash and investments	\$	129,561,232	\$	2,373,287	\$	1,259,233	\$	495,404	\$	133,689,156
Noncurrent restricted cash and investments	-	28,051,380		- 272 227		1 250 222		405 404		28,051,380
Total Add: LAIF		157,612,612 599,260		2,373,287		1,259,233		495,404		161,740,536
Total cash and cash equivalents	\$	158,211,872	\$	2,373,287	\$	1,259,233	\$	495,404	\$	599,260 162,339,796
Total Casil and Casil equivalents	<u> </u>	1.00,411,074	Φ	4,313,401	φ.	1,437,433	φ	473,404	φ	102,339,790
Noncash Capital, Investing and Financing Activities: Acquisition of capital assets in accounts payable Increase in fair value of investments	\$	473,014 19,980	\$	90,259	\$	16,684	\$	5,172	\$	585,129 19,980
increase in fair value of investments		1,7,700		-		-		-		17,700

NOTE 11 – VERNON PUBLIC UTILITIES OPERATIONS AND COMMITMENTS (CONTINUED)

B. Pledged Revenues

The Light and Power Enterprise has pledged future electric revenues for the repayment of its revenue bonds (See Note 6 regarding long-term obligations).

NOTE 12 – CONTINGENCIES

As of June 30, 2018, a number of lawsuits and claims were pending against the City that arose in the normal course of operations. Management estimates that certain pending lawsuits and claims may result in additional liabilities of approximately \$500,000.

On March 12, 2009, the County of Los Angeles and the Los Angeles County Flood Control District (collectively "County") filed a claim against the City. The County sought "indemnification" and purported to seek payment of "money" of an unknown amount contingent upon whether the County was held liable in a separate lawsuit brought against the County. To date, there has been no adjudication or judgment against the County in that lawsuit. On April 15, 2009, the County purported to supplement its initial claim. The City rejected the claim filed by the County. To date, no further action has been initiated by the County and management believes the ultimate impact on the financial position of the City, if any, will not be material to the financial statements.

Uncertainties

Sale of Generation and Transmission Assets

The financial and operational effects of the 2008 sale of generation and transmission assets, while reducing the electric system's debt burden and providing liquidity, puts the utility at some risks in terms of increased fixed-charge obligations and long-term power resource uncertainty.

NOTE 13 – RESTATEMENT OF BEGINNING NET POSITION

The beginning balance of City's net position has been restated to reflect the following adjustments:

	Governmental	Business-type	
	Activities	Total	
Net position at June 30, 2017, as previously reported	\$ 77,761,509	\$ 111,741,957	\$ 189,503,466
Prior period adjustments			
Implementation of GASB 75 - Accounting and			
Financial Reporting for Postemployment			
Benefits Other Than Pensions	(11,911,927)	(279,103)	(12,191,030)
Adjustment to reflect transfer of land from			
Successor Agency to the City	774,296		774,296
Net position at June 30, 2017, as restated	\$ 66,623,878	\$ 111,462,854	\$ 178,086,732

NOTE 14 – GASB PRONOUNCEMENTS

Pronouncements Issued but Not yet Effective:

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

- GASB Statement No. 83 Certain Asset Retirement Obligations
- GASB Statement No. 84 Fiduciary Activities
- GASB Statement No. 85 Omnibus 2017
- GASB Statement No. 86 Certain Debt Extinguishment Issues
- GASB Statement No. 87 Leases
- GASB Statement No. 88 Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- GASB Statement No. 89 Accounting for Interest Cost Incurred before the End of a Construction Period

NOTE 15 – SUBSEQUENT EVENTS

The City has evaluated events or transactions that occurred subsequent to the balance sheet date through April 24, 2019, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that, except as noted below, no other subsequent matters required disclosure or adjustment to the accompanying financial statements.

On April 3, 2019, S&P lowered its long-term rating and underlying rating to "BBB+" from "A-" on Vernon, California's previously issued electric system revenue bonds, issued on behalf of Vernon Public Utilities (VPU; formerly Vernon Light and Power).

NOTE 16 – SUCCESSOR AGENCY DISCLOSURES

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

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

Capital Assets

Effective February 1, 2012, due to AB 1X 26, Redevelopment Agencies throughout California has been dissolved. The activities of the dissolved Vernon Redevelopment Agency have been recorded in the Vernon Redevelopment Successor Agency fiduciary fund. In accordance with the Successor Agency's long-range plan to wind down the affairs of the Successor Agency, all capital assets of the Successor Agency were written-off during the current year except for one parcel of land of \$774,296 which was transferred over to the City restricted for government purpose use.

Long-term Liabilities

The long-term liabilities of the Successor Agency at June 30, 2018 were as follows:

		Balance					Balance	Due Within
	Ju	ine 30, 2017	Additions	Reductions		Ju	ine 30, 2018	One Year
Bonds payable	\$	53,175,000	\$ -	\$	(2,365,000)	\$	50,810,000	\$ 2,580,000
Bond premium		414,249	-		(44,344)		369,905	44,345
Bond discount		(614,749)	-		43,910		(570,839)	(43,910)
	\$	52,974,500	\$ -	\$	(2,365,434)	\$	50,609,066	\$ 2,580,435

NOTE 16 – SUCCESSOR AGENCY DISCLOSURES (CONTINUED)

Long-term Liabilities (Continued)

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

At June 30, 2018, \$37,285,000 remained outstanding. The bonds are special obligation bonds and are payable from the pledged tax revenues and amounts on deposit in the reserve account. The debt service remaining on the bonds is \$56,414,624, payable through fiscal 2036. For the current year, debt service amounted to \$3,172,544. The bonds were issued to (i) finance various redevelopment projects, in or benefiting the Agency's Industrial Redevelopment Project area, (ii) fund the reserve requirement for the Series 2005 Bonds, and (iii) pay costs of issuance of the Series 2005 Bonds. Debt service was calculated at the actual fixed rates of the coupons ranging from 4.00% to 5.25%.

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

At June 30, 2018, \$13,525,000 remained outstanding. The bonds are special obligation bonds and are payable from the pledged tax revenues and amounts on deposit in the reserve account. The debt service remaining on the bonds is \$21,215,162, payable through fiscal 2031. For the current year, debt service amounted to \$2,241,938. The bonds were issued to (i) finance the acquisition of one or more parcels of land, and certain redevelopment projects, in or benefiting the Agency's Industrial Redevelopment Project area, (ii) fund a deposit to the reserve account sufficient to meet the reserve requirement, and (iii) pay costs of issuance of the Series 2011 Bonds. Debt service was calculated at the actual fixed rates of the coupons ranging from 6.50% to 9.25%.

The following schedule shows the debt service requirements to maturity for the bonds as of June 30, 2018:

Year					
Ending					
June 30,	_	Principal	 Interest	. <u>-</u>	Total
2019	\$	2,580,000	\$ 2,914,359	\$	5,494,359
2020		2,825,000	2,748,006		5,573,006
2021		3,105,000	2,556,113		5,661,113
2022		3,385,000	2,344,225		5,729,225
2023		1,845,000	2,174,497		4,019,497
2024-2028		11,985,000	8,842,920		20,827,920
2029-2033		15,275,000	4,483,666		19,758,666
2034-2036	_	9,810,000	756,000	_	10,566,000
Total	\$_	50,810,000	\$ 26,819,786	\$_	77,629,786

NOTE 16 – SUCCESSOR AGENCY DISCLOSURES (CONTINUED)

Restatement of Beginning Net Position

The beginning balance of the Agency's net position has been restated to reflect the following adjustments:

	Successor			
	Agency			
Net position at June 30, 2017, as previously reported	\$	6,178,955		
Prior period adjustments				
Adjustment to write off the remaining capital				
assets of the Successor Agency in accordance				
with the approved long-range plan		(13,085,732)		
Adjustment to reflect transfer of land from				
Successor Agency to the City		(774,296)		
Net position at June 30, 2017, as restated	\$	(7,681,073)		



CITY OF VERNON, CALIFORNIA General Fund Budgetary Comparison Schedule Year Ended June 30, 2018

						ariance with inal Budget
	 Budgeted			Actual	Positive	
	 Original		Final	-	Amounts	 (Negative)
REVENUES:						
Taxes	\$ 30,868,694	\$	30,868,694	\$	32,457,249	\$ 1,588,555
Special assessments	1,025,000		1,025,000		1,247,423	222,423
Licenses and permits	1,843,434		1,843,434		3,351,484	1,508,050
Fines, forfeitures and penalties	200,300		200,300		270,928	70,628
Investement income	77,000		77,000		22,456	(54,544)
Intergovernmental revenues	2,432,646		2,432,646		2,479,061	46,415
Charges for services	5,057,099		5,057,099		4,772,516	(284,583)
Other revenues	 531,310		531,310		1,441,883	 910,573
Total revenues	 42,035,483		42,035,483		46,043,000	 4,007,517
EXPENDITURES:						
General government	12,958,165		12,958,165		11,404,496	1,553,669
Public safety	29,718,074		29,718,074		29,997,035	(278,961)
Public works	7,936,097		7,936,097		6,726,932	1,209,165
Health services	2,137,837		2,137,837		1,842,749	295,088
Capital outlay	5,615,900		5,615,900		4,299,093	1,316,807
Total expenditures	58,366,073		58,366,073		54,270,305	4,095,768
Deficiency of revenues over expenditures	 (16,330,590)		(16,330,590)		(8,227,305)	 8,103,285
OTHER FINANCING SOURCES:						
Sale of property	700,000		700,000		596,803	(103,197)
Capital lease	-		-		1,378,312	1,378,312
Transfers in	14,865,323		14,865,323		14,344,504	(520,819)
Total other financing sources	15,565,323		15,565,323		16,319,619	754,296
NET CHANGE IN FUND BALANCE	(765,267)		(765,267)		8,092,314	8,857,581
FUND BALANCE, BEGINNING OF YEAR	 (10,858,310)		(10,858,310)		(10,858,310)	 <u> </u>
FUND BALANCE, END OF YEAR	\$ (11,623,577)	\$	(11,623,577)	\$	(2,765,996)	\$ 8,857,581

Note to Required Supplementary Information June 30, 2018

NOTE 1 – BUDGET

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

- An annual budget is adopted by the City Council that provides for the general operation of the City. The budget includes authorized expenditures and estimated revenues of the General Fund;
- The budget is adopted on a modified accrual basis and formally integrated into the accounting system and employed as a management control device during the year;
- Encumbrances, which are commitments related to executory contracts for goods and services, are recorded to assure effective budgetary control and accountability;
- Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are reported as committed fund balance for subsequent year expenditures. Unencumbered appropriations lapse at year-end;
- Excess expenditures over appropriations are financed by beginning fund balance. The final budgeted amounts used in the accompanying General Fund budgetary comparison schedule include any amendments made during fiscal year 2018. Encumbrances carried forward from the prior year are reflected in the original budget.

For the current year, the General Fund's total positive variance between the final budgeted amounts and actual amount of change in fund balance was \$8,857,581. The key reasons for this variance was due to higher actual revenues than projected of \$4,007,517, lower actual expenditures than budgeted of \$4,095,768 and proceeds from capital lease of \$1,378,312, offset by lower other financing sources from sale of property of \$103,197 and transfers in of \$520,819.

For the current year, the General Fund's total positive variance between the final budgeted estimated revenues and actual revenues were \$4,007,517. The key reasons for this variance was actual revenues over estimated revenues of \$1,588,555 of taxes, \$1,508,050 of licenses and permits, and \$910,573 of other revenues.

For the current year, the General Fund's total positive variance between the final budgeted amount and actual amount for expenditures was \$4,095,768. The key reasons for this variance were excess appropriations of \$1,316,807 for capital outlay, \$1,553,669 of general government, and \$1,209,165 of public works.

For the current year, the General Fund's total positive variance between the final budgeted amounts and actual amount for other financing sources was \$754,296. The key reason for this variance was the proceeds from the capital lease of \$1,378,312 offset by deficiency of revenues over estimated revenues of \$103,197 of sale of property and \$520,819 of transfers in.

Schedule of Changes in the Net Pension Liability and Related Ratios Miscellaneous Plan Last 10 Years*

	Measurement Period							
	2016-2017 2015-2016					2014-2015		2013-2014
Total Pension Liability								
Service cost	\$	2,432,788	\$	2,129,659	\$	1,962,270	\$	1,955,694
Interest on total pension liability		10,383,859		9,969,103		9,447,012		9,609,274
Changes of benefit terms		-		-		-		-
Changes of assumptions		9,321,776		-		(2,466,126)		-
Differences between expected and actual experience		(711,339)		1,046,363		(9,700,904)		-
Benefit payments, including refunds of employee contributions		(6,145,366)		(5,748,657)		(5,680,624)		(2,388,449)
Net change in total pension liability		15,281,718		7,396,468		(6,438,372)		9,176,519
Total pension liability - beginning		138,474,660		131,078,192		137,516,564		128,340,045
Total pension liability - ending (a)		153,756,378		138,474,660		131,078,192		137,516,564
Plan fiduciary net position								
Contributions - employer		3,629,603		3,140,644		2,340,002		1,825,732
Contributions - employee		1,245,990		1,095,824		1,054,426		1,015,741
Net investment income ¹		11,857,647		583,692		2,337,855		16,045,243
Benefit payments, including refunds of employee contributions		(6,145,366)		(5,748,657)		(5,680,624)		(2,388,449)
Plan to plan resource movement		1,118		(780)		18		-
Administrative expense		(161,327)		(67,200)		(124,052)		
Net change in plan fiduciary net position		10,427,665		(996,477)		(72,375)		16,498,267
Plan fiduciary net position - beginning		109,267,771		110,264,248		110,336,623		93,838,356
Plan fiduciary net position - ending (b)		119,695,436		109,267,771		110,264,248		110,336,623
Net pension liability - ending (a)-(b)	\$	34,060,942	\$	29,206,889	\$	20,813,944	\$	27,179,941
Plan fiduciary net position as a percentage of the total pension liability		77.85%		78.91%		84.12%		80.24%
Covered - employee payroll	\$	13,440,076	\$	13,150,103	\$	11,708,057	\$	11,084,188
Net pension liability as percentage of covered - employee payroll		253.43%		222.10%		177.77%		245.21%

^{*} Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

¹ 2013-14 Net of administrative expenses.

Schedule of Changes in the Net Pension Liability and Related Ratios Safety Plan Last 10 Years*

	Measurement Period							
	2016-2017 2015-2016					2014-2015	:	2013-2014
Total Pension Liability								
Service cost	\$	4,144,398	\$	3,454,025	\$	3,388,157	\$	3,448,760
Interest on total pension liability		16,898,830		16,325,879		15,777,736		15,255,372
Changes of benefit terms		-		-		-		-
Changes of assumptions		14,134,794		-		(3,878,396)		-
Differences between expected and actual experience		(1,380,683)		(2,430,394)		(2,400,883)		-
Benefit payments, including refunds of employee contributions		(10,147,899)		(9,736,302)		(9,470,058)		(9,639,123)
Net change in total pension liability		23,649,440		7,613,208		3,416,556		9,065,009
Total pension liability - beginning		226,594,916		218,981,708		215,565,152		206,500,143
Total pension liability - ending (a)		250,244,356		226,594,916		218,981,708		215,565,152
Plan fiduciary net position								
Contributions - employer		5,476,196		5,116,412		4,147,441		3,234,539
Contributions - employee		1,212,646		1,222,561		1,167,329		1,092,012
Net investment income ¹		17,760,401		760,559		3,525,241		24,855,525
Benefit payments, including refunds of employee contributions		(10,147,899)		(9,736,302)		(9,470,058)		(9,639,123)
Plan to plan resource movement		(1,118)		780		24		-
Administrative expense		(237,068)		(99,525)		(191,323)		-
Net change in plan fiduciary net position		14,063,158		(2,735,515)		(821,346)		19,542,953
Plan fiduciary net position - beginning		160,568,201		163,303,716		164,125,062		144,582,109
Plan fiduciary net position - ending (b)		174,631,359		160,568,201		163,303,716		164,125,062
Net pension liability - ending (a)-(b)	\$	75,612,997	\$	66,026,715	\$	55,677,992	\$	51,440,090
Plan fiduciary net position as a percentage of the total pension liability		69.78%		70.86%		74.57%		76.14%
Covered - employee payroll	\$	13,879,896	\$	12,971,888	\$	12,740,785	\$	12,510,920
Net pension liability as percentage of covered - employee payroll		544.77%		509.00%		437.01%		411.16%

^{*} Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

¹ 2013-14 Net of administrative expenses.

Schedule of Pension Contributions Miscellaneous Plan Last 10 Years*

	Reporting Period						
	2017-2018	_	2016-2017	_	2015-2016		2014-2015
Actually determined contributions Contributions in relation to the actuarially determined contributions Contribution deficiency / (excess)	\$ 3,629,603 (3,629,603)	\$ \$_	3,140,644 (3,140,644)	\$	2,340,002 (2,340,002)	\$	1,825,732 (1,825,732)
Covered-Employee Payroll	\$ 13,440,076	\$_	13,150,103	\$	11,708,057	\$	11,084,188
Contributions as a percentage of Covered-Employee Payroll	27.01%	_	23.88%	-	19.99%		16.47%
Notes to Schedule: Valuation date	6/30/2016		6/30/2015		6/30/2014		6/30/2013

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-2018 were from the June 30, 2014 funding valuation report.

Actuarial Cost Method Entry age normal

Amortization method / Period For details, see June 30, 2014 Funding Valuation Report.

Asset valuation method Market Value of Assets. For details, see June 30, 2014 Funding Valuation Report

Inflation 2.75%

Salary increases Varies by Entry Age and Service

Payroll Growth 3.00%

Investment rate of return 7.50%, net of pension plan investment expense and administrative expenses; includes inflation Retirement age

The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period

from 1997 to 2011.

Mortality The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period

from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected

mortality improvement using Scale BB published by the Society Actuaries.

^{*} Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

Schedule of Pension Contributions Safety Plan Last 10 Years*

		Reporting Period						
	_	2017-2018	_	2016-2017	_	2015-2016		2014-2015
Actually determined contributions	\$	5,476,196	\$	5,116,412	\$	4,147,441	\$	3,234,539
Contributions in relation to the actuarially determined contributions	_	(5,476,196)		(5,116,412)	_	(4,147,441)	_	(3,234,539)
Contribution deficiency / (excess)	\$	-	\$	-	\$	-	\$	-
	_						_	
Covered-Employee Payroll	\$_	13,879,896	\$	12,971,888	\$_	12,740,785	\$_	12,510,920
	_	_	_			_		_
Contributions as a percentage of Covered-Employee Payroll	_	39.45%		39.44%		32.55%		25.85%
	_	_	_			_		
Notes to Schedule:								
Valuation date		6/30/2016		6/30/2015		6/30/2014		6/30/2013

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-2018 were from the June 30, 2014 funding valuation report.

Amortization method / Period For details, see June 30, 2014 Funding Valuation Report.

Asset valuation method Market Value of Assets. For details, see June 30, 2014 Funding Valuation Report

Inflation 2.75%

Salary increases Varies by Entry Age and Service

Payroll Growth 3.00%

Investment rate of return 7.50%, net of pension plan investment expense and administrative expenses; includes inflation Retirement age The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period

from 1997 to 2011.

Mortality The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period

from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected

mortality improvement using Scale BB published by the Society Actuaries.

^{*} Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

Schedule of Changes in Net OPEB Liability and Related Ratios Last 10 Years*

	2018
Total OPEB Liability	
Service cost	\$ 1,166,825
Interest on total OPEB liability	1,879,025
Changes of assumptions	(770,716)
Benefit payments, including refunds of employee contributions	(838,818)
Net change in total OPEB liability	1,436,316
Total OPEB liability - beginning	35,919,535
Total OPEB liability - ending (a)	37,355,851
Plan fiduciary net position	
Contributions - employer	1,898,138
Net investment income	(2,049)
Benefit payments, including refunds of employee contributions	(838,818)
Administrative expense	(4)
Net change in plan fiduciary net position	1,057,267
Plan fiduciary net position - beginning	
Plan fiduciary net position - ending (b)	1,057,267
Net OPEB liability - ending (a)-(b)	\$ 36,298,584
Plan fiduciary net position as a percentage of the total OPEB liability	2.83%

^{*} Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

Schedule of OPEB Contributions Last 10 Years*

	2018
Actually determined contributions (ADC)	\$1,830,943
Contributions in relation to the actuarially determined contributions	(1,716,846)
Deficiency in contribution	\$ 114,097

Notes to Schedule:

Valuation date January 1, 2017 Measurement date June 30, 2017

Actuarial cost method Entry age normal cost, level percent of pay

Amortization method Closed period Amortization period 19 years

Asset valuation method Market value 3/31/18, projected to 6/30/18

Inflation 2.50%

Healthcare trend rates 7.00%, trending down to 3.94%

PEMHCA trend rate 3.00% Rate of return on assets 7.00%

Mortality rate CalPERS rates
Retirement rates CalPERS rates

Other information The ADC does not take into account the implicit subsidy

^{*}Fiscal year 2018 was the first year of implementation, therefore, only one year is presented.