PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 14, 2025

NEW ISSUE | **BOOK ENTRY ONLY**
NOT BANK QUALIFIED | **STANDARD & POOR'S RATING "AAA"**

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that, under existing State of Minnesota statutes, interest on the Bonds is exempt from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "Tax Exemption" herein for additional information.

CITY OF VICTORIA, MINNESOTA

$21,450,000*

General Obligation Capital Improvement Plan Bonds, Series 2025A

Dated Date: Date of Delivery (Estimated to be March 26, 2025) | **Interest Due: Each February 1 and August 1 Commencing February 1, 2026**

Principal is due on the dates and in the amounts as shown on the inside cover.

The General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds" or the "Issue") are being issued by the City of Victoria, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapter 475, as amended, including Minnesota Statutes, Section 475.521, as amended. Proceeds of the Bonds will be used to finance the construction of a fire station and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds will be valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest to the date of optional redemption.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2027. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing February 1, 2026. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be U.S. Bank Trust Company, National Association, St. Paul, Minnesota.

Proposals: Monday, February 24, 2025 10:00 A.M., Central Time
Award: Monday, February 24, 2025 6:30 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than $21,256,950 (99.10%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* A Good Faith Deposit (the "Deposit") in the amount of $429,000, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

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* Preliminary, subject to change.

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CITY OF VICTORIA, MINNESOTA

$21,450,000*

General Obligation Capital Improvement Plan Bonds, Series 2025A

Dated Date: Date of Delivery (Estimated to be March 26, 2025)

Interest Due: Each February 1 and August 1 Commencing February 1, 2026

*Maturity**	*Amount**	*Rate*	*Yield*	*Price*	*Maturity**	*Amount**	*Rate*	*Yield*	*Price*
2/1/2027	$530,000	_____%	_____%	_____	2/1/2040	$840,000	_____%	_____%	_____
2/1/2028	545,000	_____	_____	_____	2/1/2041	875,000	_____	_____	_____
2/1/2029	565,000	_____	_____	_____	2/1/2042	915,000	_____	_____	_____
2/1/2030	580,000	_____	_____	_____	2/1/2043	955,000	_____	_____	_____
2/1/2031	600,000	_____	_____	_____	2/1/2044	995,000	_____	_____	_____
2/1/2032	625,000	_____	_____	_____	2/1/2045	1,040,000	_____	_____	_____
2/1/2033	645,000	_____	_____	_____	2/1/2046	1,090,000	_____	_____	_____
2/1/2034	670,000	_____	_____	_____	2/1/2047	1,140,000	_____	_____	_____
2/1/2035	690,000	_____	_____	_____	2/1/2048	1,190,000	_____	_____	_____
2/1/2036	720,000	_____	_____	_____	2/1/2049	1,245,000	_____	_____	_____
2/1/2037	745,000	_____	_____	_____	2/1/2050	1,300,000	_____	_____	_____
2/1/2038	775,000	_____	_____	_____	2/1/2051	1,365,000	_____	_____	_____
2/1/2039	810,000	_____	_____	_____					

* Preliminary, subject to change.

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THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE MARCH 26, 2025.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERS MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER(S). NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE CITY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER(S).

WITHIN THE MEANING OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, THE INFORMATION INCLUDED IN THE PRELIMINARY OFFICIAL STATEMENT IS DEEMED FINAL BY THE ISSUER AS OF ITS DATE AND IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS, EXCEPT FOR THE OMISSION OF THE OFFERING PRICE(S), INTEREST RATE(S), SELLING COMPENSATION, AGGREGATE PRINCIPAL AMOUNT, PRINCIPAL AMOUNT PER MATURITY, DELIVERY DATE, RATING(S), OTHER TERMS OF THE ISSUE DEPENDING ON SUCH MATTERS, AND THE IDENTITY OF THE UNDERWRITER(S).

SUMMARY OF OFFERING

City of Victoria, Minnesota
$21,450,000 *
General Obligation Capital Improvement Plan Bonds, Series 2025A
(Book-Entry Only)

AMOUNT -	$21,450,000
ISSUER -	City of Victoria, Minnesota (the "City" or the "Issuer")
AWARD DATE -	February 24, 2025
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920
TYPE OF ISSUE -	General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds" or the "Issue")
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds") are being issued by the City of Victoria, Minnesota (the "City") pursuant to Minnesota Statutes, Chapter 475, as amended, including Minnesota Statutes, Section 475.521, as amended. Proceeds of the Bonds will be used to finance the construction of a fire station and to pay costs associated with issuance of the Bonds. The Bonds will be valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Authority and Purpose* as well as *Security/Sources and Uses of Funds* herein for additional information.
DATE OF ISSUE -	Date of Delivery (Estimated to be March 26, 2025)
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing February 1, 2026, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the "Record Date").

MATURITIES* -

2/1/27	$530,000	2/1/34	$670,000	2/1/40	$840,000	2/1/46	$1,090,000
2/1/28	545,000	2/1/35	690,000	2/1/41	875,000	2/1/47	1,140,000
2/1/29	565,000	2/1/36	720,000	2/1/42	915,000	2/1/48	1,190,000
2/1/30	580,000	2/1/37	745,000	2/1/43	955,000	2/1/49	1,245,000
2/1/31	600,000	2/1/38	775,000	2/1/44	995,000	2/1/50	1,300,000
2/1/32	625,000	2/1/39	810,000	2/1/45	1,040,000	2/1/51	1,365,000
2/1/33	645,000						

REDEMPTION -	The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest to the date of optional redemption. See *Description of the Bonds* herein for additional information.
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.
PAYING AGENT/REGISTRAR -	U.S. Bank Trust Company, National Association, St. Paul, Minnesota
TAX DESIGNATIONS -	NOT Private Activity Bonds - The Bonds are not "private activity bonds" as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). Not Bank Qualified Tax-Exempt Obligations - The City will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.
LEGAL OPINION -	Kennedy & Graven, Chartered, Minneapolis, Minnesota ("Bond Counsel")
BOND RATING -	The City received an underlying rating of "AAA" from S&P Global Ratings ("S&P"). See *Bond Rating* herein for additional information.
CLOSING -	Estimated to be March 26, 2025
PRIMARY CONTACTS -	Trisha Pollock, Assistant City Manager/Finance Director, City of Victoria, Minnesota 952-443-4217 Tammy Omdal, Managing Director, Northland Securities, Inc., 612-851-4964

* Preliminary, subject to change.

CITY OF VICTORIA, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials

	City Council	
Name	*Position*	*Term Expires*
Debra McMillan	Mayor	12/31/2028
Greg Evansky	Council Member	12/31/2026
Christian Pederson	Council Member	12/31/2028
Andy Reiff	Council Member	12/31/2026
Chad Roberts	Council Member	12/31/2028

Primary Contacts

Dana Hardie	City Manager
Trisha Pollock	Assistant City Manager/Finance Director
Alyssa Nelson	Assistant City Manager/Administrative Services
Claudia Ettesvold	City Clerk
Robert Vose - Kennedy & Graven, Chartered	City Attorney

BOND COUNSEL

Kennedy & Graven, Chartered
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

$21,450,000*
GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2025A

CITY OF VICTORIA, MINNESOTA
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals (also referred to herein as "bids") will be opened by the City's Assistant City Manager/Finance Director, or designee, on Monday, February 24, 2025, at 10:00 A.M., CT, at the offices of Northland Securities, Inc. (the Issuer's "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Monday, February 24, 2025 at 6:30 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:
a) submitted to the office of Northland Securities, Inc.,
b) emailed to PublicSale@northlandsecurities.com
c) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-4945, or
d) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:00 A.M., CT, on Monday, February 24, 2025. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:00 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the Issuer nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the Issuer to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds.

Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the Issuer through U.S. Bank Trust Company, National Association, St. Paul, Minnesota (the "Paying Agent/Registrar"), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of

* The Issuer reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The Issuer will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be March 26, 2025)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Minnesota Statutes Section 475.521, as amended. Proceeds will be used to finance the construction of a fire station and to pay costs associated with the issuance of the Bonds. The Bonds are payable from ad valorem taxes levied on all taxable property within the City. The full faith and credit of the Issuer is pledged to their payment and the Issuer has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing February 1, 2026, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

Year	Amount	Year	Amount	Year	Amount	Year	Amount	Year	Amount
2027	$530,000	2032	$625,000	2037	$745,000	2042	$915,000	2047	$1,140,000
2028	545,000	2033	645,000	2038	775,000	2043	955,000	2048	1,190,000
2029	565,000	2034	670,000	2039	810,000	2044	995,000	2049	1,245,000
2030	580,000	2035	690,000	2040	840,000	2045	1,040,000	2050	1,300,000
2031	600,000	2036	720,000	2041	875,000	2046	1,090,000	2051	1,365,000

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity*. All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

ESTABLISHMENT OF ISSUE PRICE (HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)

The winning bidder shall assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Issuer and Bond Counsel. All actions to be taken by the Issuer under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Issuer by the Issuer's Municipal Advisor and any notice or report to be provided to the Issuer may be provided to the Issuer's Municipal Advisor.

The Issuer intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) the Issuer shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
(2) all bidders shall have an equal opportunity to bid;
(3) the Issuer may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
(4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the Issuer shall promptly so advise the winning bidder. The Issuer may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the "Hold-the-Offering-Price Rule"). Bids will **not** be subject to cancellation in the event that the Issuer determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

(1) the close of the fifth (5th) business day after the award date; or
(2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the "10% Test"), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The Issuer acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. *"public" means any person other than an underwriter or a related party,*
2. *"underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).*
3. *a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and*
4. *"sale date" means the date that the Bonds are awarded by the Issuer to the winning bidder.*

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The Issuer reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the Issuer and shall be at the sole discretion of the Issuer. The successful bidder may not withdraw or modify its Proposal once submitted to the Issuer for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on or after February 1, 2034 are subject to redemption and prepayment at the option of the Issuer on February 1, 2033 and any date thereafter, at a price of par plus accrued interest to the date of optional redemption. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the Issuer and if only part of the

Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Kennedy & Graven Chartered, Bond Counsel. The legal opinion will be paid by the Issuer and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than $21,256,950 (99.10%) and accrued interest on the principal sum of $21,450,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Trisha Pollock, Assistant City Manager/Finance Director
Victoria City Hall
P.O. Box 36
1670 Stieger Lake Lane
Victoria, Minnesota 55386

A good faith deposit (the "Deposit") in the amount of $429,000 in the form of a federal wire transfer (payable to the order of the Issuer) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the Issuer may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The Issuer will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the Issuer. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the Issuer scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Issuer's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The Issuer will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the Issuer determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the Issuer agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The Issuer will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the Issuer, and notices of certain material events, as required by SEC Rule 15c2-12.

NOT BANK QUALIFIED

The Issuer will not designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the Issuer has requested and received a rating on the Bonds from a rating agency, the Issuer will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The Issuer reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: January 27, 2025

BY ORDER OF THE VICTORIA CITY COUNCIL

/s/ Trisha Pollock
Assistant City Manager/Finance Director

Additional information may be obtained from:
Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Telephone No.: 612-851-5900

EXHIBIT A

(ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED)

The undersigned, for and on behalf of [NAME OF PURCHASER/REPRESENTATIVE] (the [“Purchaser”] [“Representative,” on behalf of itself and other underwriters listed below (collectively, the “Underwriting Group”)], with respect to the sale and issuance of the General Obligation Capital Improvement Plan Bonds, Series 2025A (the “Bonds”), issued by the City of Victoria, Minnesota (the “Issuer”), in the original aggregate principal amount of $____________, certifies as follows:

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the [Purchaser] [Underwriting Group] are the prices listed in EXHIBIT A attached hereto (the “Expected Offering Prices”). The Expected Offering Prices are the prices of the Maturities of the Bonds used by the [Purchaser] [Underwriting Group] in formulating its bid to purchase the Bonds. Attached hereto as EXHIBIT B is a true and correct copy of the bid provided by the [Purchaser] [Underwriting Group] to purchase the Bonds.

(b) The [Purchaser] [Underwriting Group] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the [Purchaser] [Underwriting Group] constituted a firm offer to purchase the Bonds.

(d) Capitalized terms that are used herein that are otherwise not defined shall have the meanings assigned to such terms in Section 5 hereof.

2. Purchase Price. The [Purchaser] [Representative] acknowledges that it is purchasing the Bonds for an aggregate purchase price of $_______________ (par amount of Bonds of $__________, plus original issue premium of $_______, less original issue discount of $________, less [a Purchaser’s] [an underwriter’s] discount of $________), plus accrued interest in the amount of $____________.

3. Receipt of Bonds. The undersigned hereby acknowledges receipt of $____________ in original aggregate principal amount of the Bonds from the Issuer, fully executed and authenticated. [The [Purchaser] [Representative] has paid to [NAME OF INSURER] the sum of $______________ as a premium for an insurance policy for the Bonds.]

4. Representations. The representations set forth in this Certificate of Purchaser (the “Certificate”) are limited to factual matters only. Nothing in this Certificate represents the interpretation by the [Purchaser] [Representative] of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder. The undersigned understands that the foregoing information will be relied upon by: (i) the Issuer with respect to certain of the representations set forth in a tax certificate of the Issuer executed on the date hereof with respect to compliance with the federal income tax rules affecting the Bonds; and (ii) Kennedy & Graven, Chartered, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Information Return for Tax-Exempt Governmental Bonds, Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

5. Defined Terms.

(a) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate means, with respect to a purchaser of the Bonds, if the Underwriter and the purchaser are subject, directly or indirectly, to (i) more than fifty percent (50%) common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (ii) more than fifty percent (50%) common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (iii) more than fifty percent (50%) common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(c) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____________.

(d) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

IN WITNESS WHEREOF, the undersigned officer has executed this Certificate of Purchaser as of the date and year first written above.

[PURCHASER] [REPRESENTATIVE]

By ____

Name ____

Its ____

[Account Members:]

(ISSUE PRICE CERTIFICATE – HOLD THE PRICE)

The undersigned, for and on behalf of [NAME OF PURCHASER/REPRESENTATIVE] (the ["Purchaser"] ["Representative," on behalf of itself and other underwriters listed below (collectively, the "Underwriting Group"))],, with respect to the sale and issuance of the General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds"), by the City of Victoria, Minnesota (the "Issuer"), in the original aggregate principal amount of $_____________, certifies as follows:

1. Initial Offering Price for the Bonds.

(a) The [Purchaser] [Underwriting Group] offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in EXHIBIT A attached hereto (the "Initial Offering Prices"). A copy of the pricing wire or equivalent communication for the Bonds is attached hereto as EXHIBIT A. Capitalized terms used herein that are otherwise not defined shall have the meanings assigned to such terms in Section 5 hereof.

(b) As set forth in the Notice of Sale and the bid award, the [Purchaser has] [members of the Underwriting Group have] agreed in writing that, (i) for each Maturity of the Bonds, [it] [they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "Hold-the-Offering-Price Rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the Hold-the-Offering-Price Rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. Purchase Price. The [Purchaser] [Representative] acknowledges that it is purchasing the Bonds for an aggregate purchase price of $_______________ (par amount of Bonds of $__________, plus original issue premium of $_______, less original issue discount of $________, less [a Purchaser's] [an underwriter's] discount of $________).

3. Receipt of Bonds. The undersigned hereby acknowledges receipt of $_________ in original aggregate principal amount of the Bonds from the Issuer, fully executed and authenticated.

4. Representations. The representations set forth in this Certificate of Purchaser (the "Certificate") are limited to factual matters only. Nothing in this Certificate represents the interpretation by the [Purchaser] [Representative] of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder. The undersigned understands that the foregoing information will be relied upon by: (i) the Issuer with respect to certain of the representations set forth in a tax certificate of the Issuer executed on the date hereof with respect to compliance with the federal income tax rules affecting the Bonds; and (ii) Kennedy & Graven, Chartered, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Information Return for Tax-Exempt Governmental Bonds, Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

5. Defined Terms.

(a) "Holding Period" means, with respect to each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the [Purchaser has] [Underwriters have] sold at least ten percent (10%) of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) "Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate means, with respect to a purchaser of the Bonds, if the Underwriter and the purchaser are subject, directly or indirectly, to (i) more than fifty percent (50%) common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (ii) more than fifty percent (50%) common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (iii) more than fifty percent (50%) common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is ________________.

(e) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

IN WITNESS WHEREOF, the undersigned officer has executed this Certificate of Purchaser as of the date and year first written above.

[PURCHASER] [REPRESENTATIVE]

By ____

Name ____

Its ____

AUTHORITY AND PURPOSE

The General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds" or the "Issue") are being issued by the City of Victoria, Minnesota (the "City") pursuant to Minnesota Statutes, Chapter 475, as amended, including Minnesota Statutes, Section 475.521, as amended. Proceeds from issuance of the Bonds will be used to finance the construction of a fire station and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds will be valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

Sources and Uses of Funds

Following are the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds	
Par Amount of Bonds	$ 21,450,000*
Total Sources of Funds:	$ 21,450,000
Uses of Funds	
Deposit to Project Fund	$ 20,378,094
Costs of Issuance/Underwriter's Discount	309,763
Deposit to Capitalized Interest Fund	761,100
Rounding Amount	1,043
Total Uses of Funds:	$ 21,450,000

BONDHOLDERS' RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

Ratings Loss

S&P Global Ratings has assigned a rating of "AAA" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is

* Preliminary, subject to change.

no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Exemption and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

Pending Federal and State Tax Legislation

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Factors Beyond Issuer's Control

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be March 26, 2025), and will be issued as fully registered Bonds in the denominations of $5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2027. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February 1, 2026. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder of the Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof ("Authorized Denominations"). Individual purchasers ("Beneficial Owners") of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the "Record Date").

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect

Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City of Victoria takes no responsibility for the accuracy thereof.

FULL CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the City on or before Bond closing, the City has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the City to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Certificate* herein for additional information.

The City has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by _______ (the "Underwriter") at a purchase price of $_______, which is the par amount of the Bonds of $_______ less the Underwriter's discount of $_______, plus the original issue premium of $_________.

MUNICIPAL ADVISOR

The City has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc. and First National Bank of Omaha.

FUTURE FINANCING

The City does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The City received an underlying rating of "AAA" from S&P Global Ratings ("S&P"). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of S&P and any explanation of the significance of this rating may be obtained only from S&P. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S&P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

As of the date of this Official Statement, the City is not aware of any threatened or pending litigation that questions the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

CERTIFICATION

The City will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The City has always promptly met all payments of principal and interest on its indebtedness when due.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota ("Bond Counsel") as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

TAX EXEMPTION

General

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes, and, to the same extent, from taxable net income of individuals, estates and trusts for Minnesota income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. The opinion described above assumes the accuracy of certain representations and compliance by the Issuer with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that, under existing State of Minnesota statutes, interest on the Bonds is exempt from taxable net income of individuals, estates and trusts for Minnesota income tax purposes and is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts and estates.

Other Federal and State Tax Considerations

Interest on the Bonds may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds.

Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for a Subchapter S corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than a certain percentage of the gross receipts of such Subchapter S corporation is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of the holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b) of the Code).

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Proposed Changes in Federal and State Tax Law

From time to time, there are legislative proposals in Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

Not Bank Qualified Obligations

The City will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code related to the ability of financial institutions to deduct from income for federal tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

CITY OF VICTORIA, MINNESOTA

GENERAL INFORMATION

Location/Access/Transportation

The City of Victoria (the "City"), situated in Carver County, is located approximately 25 miles southwest of Minneapolis and is part of the Seven County Metropolitan Area. Chanhassen borders the City to the east, Chaska to the south, and Minnetonka and Shorewood to the north. Access is provided via U.S. Highway 212, State Highways 5 and 7, as well as County Roads 11 and 18.

Area

6,823 acres
(10.65 square miles)

Population

2000 Census	4,025	2020 Census	10,546
2010 Census	7,345	2024 City Estimate	12,700

Labor Force Data[1]

Comparative average labor force and unemployment rate figures for 2024 (through October) and year-end 2023 are listed below. Figures are not seasonally adjusted, and numbers of people are estimated by place of residence.

	October 2024		2023	
	Civilian Labor Force	*Unemployment Rate*	*Civilian Labor Force*	*Unemployment Rate*
Carver County	59,579	2.9%	59,767	2.4%
Minneapolis/St. Paul MSA	2,014,544	3.2	2,023,955	2.7
Minnesota	3,099,271	3.2	3,099,923	2.8

Income Data[2]

Comparative income levels are listed below for the City of Victoria, the State of Minnesota and the United States.

	City of Victoria	*State of Minnesota*	*United States*
Median Family Income	$207,763	$111,492	$96,922
Per Capita Income	74,043	46,957	43,289

City Government

Victoria, organized in 1915, is a Minnesota Statutory City. It has a mayor elected at large for a four-year term and four council members also elected at large for four-year terms. The professional staff is appointed and consists of a City Manager, Assistant City Manager/Finance Director, Assistant City Manager/Administrative Services, City Clerk, Consulting Attorney, and Consulting Engineer.

The City also operates the following business-type activities: water, sewer, and storm sewer utilities.

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[1] Source: Minnesota Department of Employment and Economic Development

[2] Source: 2019-2023 American Community Survey, U.S. Census Bureau.

Bargaining Units/Labor Contracts

There are no labor unions representing certain City employee groups.

Employee Pension Programs

The City employs 42 people, 34 full-time and 8 part-time, and 28 Volunteer Fire Fighters. The pension plan covers all eligible full and part-time employees.

The City participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters 353 and 356, which cover all full-time and certain part-time employees. PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. Benefits are established by State Statute and vest after three years of credited service. State Statute requires the City to fund current service pension cost as it accrues. Defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF (formerly "PERF") and PEPFF. That report may be obtained at www.mnpera.org, or by writing to PERA at 60 Empire Drive, #200, St. Paul, MN 55103-2088 or by calling 651-296-7460 or 800-652-9026.

The City makes annual contributions to the pension plans equal to the amount required by state statutes. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in 2023. PEPFF Plan members were required to contribute 11.8% of their annual covered salary in 2023. Effective January 1, 2023, State statute requires the City to contribute the following percentages of annual covered payroll: 7.50% for Coordinated Plan GERF members and 17.70% for PEPFF members.

Audited City contributions to GERF and PEPFF for the past five years have been as follows:

Year	*Amount*
2023	$225,067
2022	190,065
2021	164,531
2020	147,093
2019	130,890

The Victoria Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The plan is established and administered in accordance with Minnesota statutes, Chapter 353 G. The SVF provides lump-sum retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level per year of service approved by the City. The SVF is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed $109,415 in fire state aid to the plan on behalf of the Victoria Fire Department for the year ended December 31, 2023. The City had no required contribution as set by state statutes.

Other Postemployment Benefits (OPEB)

The City does not offer any other postemployment benefits to former or retired employees and has no liability with respect thereto.

Cash and Investment Balances as of November 30, 2024 (unaudited)

Fund Name	
General Fund	$3,117,200
Special Revenue Fund	1,373,618
Capital Projects Fund	7,617,475
Debt Service Fund	1,825,439
Enterprise Fund	14,497,483
Total	$28,431,215

General Fund Budget Summary

	2024 Budget	2024 Preliminary	2025 Budget
Revenues:			
Property Taxes	$6,800,000	$6,676,200	$7,930,000
Franchise Fees	60,000	35,945	48,000
Licenses and Permits	561,650	1,144,694	711,850
Intergovernmental Revenue	65,372	101,459	72,100
Charges for Services	523,572	951,708	600,393
Fines and Forfeits	8,500	5,418	8,500
Investment Income	30,000	136,816	80,000
Miscellaneous	1,500	21,512	2,500
Transfers In	0	0	0
Total Revenues	$8,050,594	$9,073,752	$9,453,343
Expenditures:			
General Government	$2,676,463	2,386,778	$2,838,619
Public Safety	2,007,292	1,896,766	2,137,133
Public Works	992,625	821,274	983,778
Recreation	999,675	808,749	745,623
Transfers Out	1,446,000	1,446,000	2,645,000
Total Expenditures	$8,122,055	$7,359,567	$9,350,153
Revenues Over (Under) Expenditures	($71,461)	$1,714,185	$103,190
Beginning Fund Balance (January 1)	$2,082,230	$2,082,230	$2,010,769*
Ending Fund Balance (December 31)	$2,010,769	$3,796,415	$2,113,959

* Based on 2024 Budget Ending Fund Balance

Residential Development

There are approximately 4,296 households located within the City. In addition, there have been 148 single-family homes constructed and 45 townhomes constructed within the past twelve months. The City has an orderly annexation agreement in place with Laketown Township which will allow for residential and commercial growth and has acquired 13.5 acres from the Three Rivers Park District which will allow for high density residential and retail/commercial growth. The status of residential subdivisions constructed or planned within the past three years and a portion of the current year is as follows:

Subdivision Name	*Total Number of Lots/Units*	*Number of Lots/Units Available*	*Units Completed*	*Year Planned or Constructed*
Marsh Hollow 1st	51	0	51	2022
Brookmoore 1st	27	1	26	2022
Brookmoore 2nd	23	0	23	2022
Marsh Hollow 2nd	59	0	59	2022
Shores of Marsh Lake	42	14	28	2022
Brookmoore 3rd	30	15	15	2023
Huntersbrook 2nd	40	20	20	2023
Marsh Hollow 3rd	55	6	49	2024
Marsh Hollow 4th	48	48	0	2024
Victoria Ridge	71	71	0	2024
Hunters Glen	21	4	17	2024
Roers Apartments #Units	125	125	0	2024
Huntersbrook Creekside 1st	20	5	15	2024
Huntersbrook Creekside 2nd	48	40	8	2024
Huntersbrook Creekside 3rd	10	10	0	2024
Huntersbrook Creekside 4th	3	3	0	2024
Olivine Apartment #Units	145	145	0	2025

In addition to the approved developments noted above, the City has another development project in progress just west of downtown. Amira (with developer United Properties) is proposing to develop a 147-unit active senior apartment building. Preliminary plat has been approved for this site. There is also another 164-unit apartment building planned as part of the Victoria Ridge development through Inland Development Group (with developer Doran Companies). The City Council is also reviewing responses to a Request for Proposals (RFP) that was issued in Fall of 2024 for phase II development of the 13.5-acre city-owned parcel. Three proposals were received for residential and commercial development for phase II development of Downtown West. The City Council is expected to enter into a Memorandum of Understanding with a developer for a mix of housing and commercial/retail development on the site with construction in spring 2026.

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Commercial/Industrial Development

Building construction and commercial/industrial development completed within the past three years and a portion of the current year have been as follows:

Name	*Product/Service*	*Description of Construction*	*Year Completed*
Fire Station Mezzanine	Public Safety	Remodel	2022
Huntersbrook Clubhouse	Association Amenity	Building/Pool	2022
City of Victoria	Library	Remodel	2022
Charlson Meadows	Non-Profit	Remodel	2023
City of Victoria	Park	Press Box	2023
City of Victoria	Utilities	Well House	2023
Marsh Hollow Club House	Amenity	Building/Pool	2023
Victoria Veterinary Hospital	Vet Clinic	Remodel/Addition	2024
Mt Olivet Church	Church	Remodel	2024
Waterbrook Church	Church	Addition	2024
Roers	Retail	New construction	2025

Building Permits

Building permits issued for the past five years have been as follows:

Year	*Commercial/ Industrial Number of Permits*	*Residential Number of Permits*	*Total Number of Permits*	*Total Permit Valuation*
2024	21	913	934	$135,228,904
2023	28	909	937	102,313,236
2022	27	961	988	63,081,138
2021	36	1,551	1,587	53,673,179
2020	29	1,464	1,493	58,193,414

Financial Institutions

Banking and financial services within the City are provided by Old National Bank and Hometown Bank.

Education

The City is served by three school districts: Independent School Districts No. 110, Waconia; No. 112, Eastern Carver County; and No. 276, Minnetonka. ISD No. 112 (the primary district serving the City) is located entirely within Carver County.

Major/Leading Employers

According to the City and Data Axle Reference Solutions, following are some of the major/leading employers within the City:

Name	*Product/Service*	*Number of Employees*[1]
Holy Family Catholic High School	Private School	142
ISD 112 – Victoria Elementary School	Public School	136
Winchester and Rye	Restaurant	76
City of Victoria	City Government	70
Hartman Companies	Landscaping	25
Floyd's Bar	Restaurant	25
Alphabet Junction Daycare	Daycare Center	22
Wolters Kluwer DBA NurseTim	Nursing School	21
Noble Lion	Restaurant	20
Mount Olivet Rolling Acres Inc	Care Center	18

Largest Taxpayers[2]

Following are ten of the largest taxpayers within the City:

Name	*Classification*	*2023/2024 Tax Capacity*	*Percent of Total Tax Capacity ($27,877,817)*[3]
CenterPoint Energy Minnegasco	Utility	$ 318,270	1.14%
Victoria Flats LLC	Residential	208,139	0.75
Bethesda Cornerstone Village	Residential	140,120	0.50
Individual	Residential	88,955	0.32
Individual	Residential	85,983	0.31
Individual	Residential	78,065	0.28
Marsh Hollow Owner LP	Residential/Land Only	73,047	0.26
Individual	Residential	64,654	0.23
Charles Cudd Co LLC	Residential	62,234	0.22
Tradition Victoria LLC	Residential	61,906	0.22
		$ 1,181,373	4.23%

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1 Includes full-time, part-time, and seasonal employees.

2 As reported by Carver County.

3 Before tax increment adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the "market value" of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called "estimated market value". This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The "taxable market value" is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at $76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of $30,400 at $76,000 of market value. For a homestead valued between $76,000 and $413,800, the exclusion is $30,400 minus nine percent of the valuation over $76,000. For a homestead valued at $413,800 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

Economic and Indicated Market Value

"Economic market value" and "indicated market value" reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the "full value" of property for taxation, after the deduction of legislative exclusions.

Net Tax Capacity

Property taxes are calculated on the basis of the "net tax capacity value". Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per $100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

Levy Limits

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies "to pay the costs of the principal and interest on bonded indebtedness" and "to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota" are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

Property Tax Classifications

		Class Rate Schedule		
Class	*Type of Property*	*2021/ 2022*	*2022/ 2023*	*2023/ 2024*
1a	Residential Homestead: First $500,000	1.00%	1.00%	1.00%
	Over $500,000	1.25	1.25	1.25
1c	Commercial seasonal-residential recreational- under 250 days and includes homestead			
	First $600,000	.50	.50	.50
	$600,001-2,300,000	1.00	1.00	1.00
	Over $2,300,000†	1.25	1.25	1.25
2a	Agricultural Homestead – House, Garage, One Acre:			
	First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First $1,880,000			
	Over $1,880,000			
	First $1,890,000	0.50	0.50	
	Over $1,890,000	1.00	1.00	
	First $2,150,000			0.50
	Over $2,150,000			1.00
	Agricultural Homestead Land[1]	1.00	1.00	1.00
2a	Non-Homestead Agricultural Productive Land*	1.00	1.00	1.00
2b	Non-Homestead Rural Vacant Land[2]	1.00	1.00	1.00
3a	Commercial/Industrial and Public Utility			
	First $150,000†	1.50	1.50	1.50
	Over $150,000†	2.00	2.00	2.00
4a	Apartment (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	Residential Non-Homestead (Single Unit)			
	First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
4c(1)	Seasonal Residential Recreational/Commercial†			
	(Resort): First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
4c(12)	Seasonal Residential Recreational†			
	Non-Commercial (Cabin): First $500,000*	1.00	1.00	1.00
	Over $500,000*	1.25	1.25	1.25
4d	Qualifying Low-Income Rental Housing			
	First $100,000		.75	.75
	Over $100,000		.25	.25
	First $174,000	.75		
	Over $174,000	.25		

† Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

1 Homestead remainder & non-homestead; includes structures.

2 Homestead remainder & non-homestead; includes minor ancillary structures.

CITY OF VICTORIA, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION[1]

Valuations

	Estimated Market Value 2023/2024	*Net Tax Capacity 2023/2024*
Real Property	$ 2,579,495,900	$ 27,558,669
Personal Property	15,957,400	319,148
Less Tax Increment Deduction	- - -	(384,645)
Fiscal Disparities[2]	- - -	
(Contribution to Pool)	- - -	(363,571)
Distribution from Pool	- - -	1,285,532
Total Adjusted Valuation	$ 2,595,453,300	$ 28,415,133

Valuation Trends (Real and Personal Property)

Levy Year/ Collection Year	*Economic Market Value*	*Sales Ratio*	*Estimated Market Value*	*Taxable Market Value*	*Tax Capacity Before Adjustments*	*Tax Capacity After Adjustments*
2023/2024	$2,706,209,918	96.05%	$2,595,453,300	$2,563,525,800	$27,877,817	$28,415,133
2022/2023	2,637,443,435	93.44	2,464,259,100	2,431,545,900	26,360,072	26,879,516
2021/2022	2,209,098,792	89.04	1,966,991,600	1,940,519,100	20,686,056	21,266,954
2020/2021	1,915,498,744	95.41	1,823,878,200	1,796,973,200	19,143,794	19,718,216
2019/2020	1,793,575,999	96.72	1,733,474,600	1,706,929,500	18,175,274	18,486,107

Breakdown of Valuations

2023/2024 Tax Capacity, Real and Personal Property (before tax increment and fiscal disparities adjustments):

Residential Homestead	$ 21,970,132	78.81%
Agricultural	5,687	0.02
Commercial & Industrial	627,369	2.25
Seasonal/Recreational	63,140	0.23
Residential Non-Homestead	4,892,341	17.55
Personal Property	319,148	1.14
Totals:	$ 27,877,817	100.00%

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[1] Property valuations, tax rates, and tax levies and collections are provided by Carver County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

[2] Fiscal Disparities Law The 1971 Legislature enacted a "fiscal disparities law" which allows all the Twin City Metropolitan Area Municipalities to share in commercial/industrial growth, regardless of where the growth occurred geographically. Forty percent (40%) of every metropolitan municipality's growth in commercial/industrial assessed valuation is pooled then redistributed to all municipalities on the basis of population and per capita valuation *after* the tax increment and fiscal disparity adjustments.

Tax Capacity Rates

Tax capacity rates for a City resident living in East Carver County School District for the past five-assessable/collection years have been as follows:

Levy Year/ Collection Year	*2019/2020 Tax Capacity Rates*	*2020/2021 Tax Capacity Rates*	*2021/2022 Tax Capacity Rates*	*2022/2023 Tax Capacity Rates*	*2023/2024 Tax Capacity Rates*
Carver County	35.179%	34.634%	34.170%	29.267%	30.106%
City of Victoria–Urban	31.043	32.226	31.249	27.375	28.438
ISD No. 112, Eastern Carver County	33.006	32.327	31.220	27.747	28.660
Metropolitan Council	0.590	0.628	0.637	0.544	0.649
Metro Mosquito Control	0.395	0.382	0.365	0.313	0.331
Minnehaha Creek Watershed No. 3	1.445	1.442	1.432	1.151	1.206
Victoria EDA	1.009	0.000	0.000	0.000	0.000
Carver County Rail Authority	0.101	0.099	0.109	0.088	0.091
Total	102.768%	101.738%	99.183%	86.485%	89.481%
Market Value Rates:					
ISD No. 112, Eastern Carver County	0.193378%	0.178884%	0.222360%	0.189911%	0.172004%

Tax Levies and Collections[1]

		Collected During Collection Year		Collected and/or Abated as of 5/20/24	
Levy/Collect	Net Levy	Amount	Percent	Amount	Percent
2023/2024	$8,032,893		In Process of Collection		
2022/2023	7,372,499	$7,359,026	99.82%	$7,368,844	99.95%
2021/2022	6,622,983	6,610,710	99.81	6,622,983	100.00
2020/2021	6,305,750	6,292,778	99.79	6,305,750	100.00
2019/2020	5,705,616	5,684,681	99.63	5,705,616	100.00

[1] 2023/2024 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Carver County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit[1]

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of February 2, 2025:

2023/2024 Estimated Market Value	$ 2,595,453,300
Multiplied by 3%	x .03
Statutory Debt Limit	$ 77,863,599
Less outstanding debt applicable to debt limit:	
$5,775,000 G.O. Abatement, Improvement and CIP Refunding Bonds, Series 2020A	$ 1,595,000
$21,450,000 G.O. Capital Improvement Plan Bonds, Series 2025A (this Issue)	21,450,000
Total applicable outstanding debt	23,045,000
Legal debt margin	$ 54,818,599

[1] Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of $1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than $1,000,000 are not subject to the statutory debt limit.

CITY OF VICTORIA, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of February 2, 2025 Plus This Issue)

		This Issue			
Purpose:	**G.O. Abatement, Improvement and CIP Refunding Bonds, Series 2020A**	**G.O. Capital Improvement Plan Bonds, Series 2025A**			
Dated:	08/18/20	03/26/25			
Original Amount:	$2,100,000	$21,450,000			
Maturity:	1-Feb	1-Feb	**TOTAL**	**TOTAL**	
Interest Rates:	2.00-4.00%		**PRINCIPAL:**	**PRIN & INT:**	
2025	$0	$0	$0	$44,850	2025
2026	140,000	0	140,000	940,450	2026
2027	145,000	530,000	675,000	1,606,998	2027
2028	150,000	545,000	695,000	1,603,608	2028
2029	155,000	565,000	720,000	1,605,025	2029
2030	160,000	580,000	740,000	1,601,890	2030
2031	165,000	600,000	765,000	1,603,920	2031
2032	165,000	625,000	790,000	1,604,920	2032
2033	170,000	645,000	815,000	1,604,695	2033
2034	170,000	670,000	840,000	1,603,398	2034
2035	175,000	690,000	865,000	1,600,493	2035
2036	0	720,000	720,000	1,427,868	2036
2037	0	745,000	745,000	1,424,788	2037
2038	0	775,000	775,000	1,424,988	2038
2039	0	810,000	810,000	1,428,213	2039
2040	0	840,000	840,000	1,424,193	2040
2041	0	875,000	875,000	1,423,493	2041
2042	0	915,000	915,000	1,425,868	2042
2043	0	955,000	955,000	1,426,065	2043
2044	0	995,000	995,000	1,424,045	2044
2045	0	1,040,000	1,040,000	1,424,768	2045
2046	0	1,090,000	1,090,000	1,427,968	2046
2047	0	1,140,000	1,140,000	1,428,373	2047
2048	0	1,190,000	1,190,000	1,425,933	2048
2049	0	1,245,000	1,245,000	1,426,193	2049
2050	0	1,300,000	1,300,000	1,423,923	2050
2051	0	1,365,000	1,365,000	1,428,473	2051
	$1,595,000	$21,450,000	$23,045,000	$38,235,390	
	(1)	(2)			

NOTE: 31% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the $5,775,000 General Obligation Abatement, Improvement and CIP Refunding Bonds, Series 2020A, consisting of $95,000 backed by special assessments, $3,580,000 backed by tax abatements and $2,100,000 backed by ad valorem taxes.

CITY OF VICTORIA, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of February 2, 2025)

Purpose:	**G.O. Improv. and Tax Increment Bonds Series 2016A**	**G.O. Permanent Improvement Revolving Fund Crossover Refunding, Series 2016B**	**G.O. Improvement Bonds, Series 2017A**	**G.O. Bonds, Series 2018A**	
Dated:	08/15/16	08/15/16	09/12/17	09/12/18	
Original Amount:	$2,950,000	$2,620,000	$1,205,000	$1,105,000	
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	
Interest Rates:	2.00%	1.50-2.00%	1.10-3.00%	3.00-3.125%	
2025	$0	$0	$0	$0	2025
2026	200,000	100,000	80,000	70,000	2026
2027	205,000	100,000	80,000	75,000	2027
2028	210,000	0	85,000	75,000	2028
2029	215,000	0	85,000	80,000	2029
2030	220,000	0	85,000	80,000	2030
2031	220,000	0	90,000	85,000	2031
2032	225,000	0	90,000	85,000	2032
2033	0	0	95,000	90,000	2033
2034	0	0	0	90,000	2034
2035	0	0	0	0	2035
2036	0	0	0	0	2036
2037	0	0	0	0	2037
2038	0	0	0	0	2038
2039	0	0	0	0	2039
	$1,495,000	$200,000	$690,000	$730,000	
	(1)			(2)	

GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS CONTINUED

Purpose:	G.O. Abatement, Improvement and CIP Refunding Bonds, Series 2020A	G.O. Bonds, Series 2021A	G.O. Improvement & Utility Revenue Bonds, Series 2023A			
Dated:	08/18/20	12/09/21	10/11/23			
Original Amount:	$95,000	$840,000	$810,000			
Maturity:	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	2.00-4.00%	4.00%	4.00-5.00%	PRINCIPAL:	PRIN & INT:	
2025	$0	$0	$0	$0	$66,694	2025
2026	5,000	110,000	40,000	605,000	730,263	2026
2027	5,000	115,000	40,000	620,000	728,788	2027
2028	5,000	110,000	45,000	530,000	622,725	2028
2029	5,000	110,000	45,000	540,000	617,200	2029
2030	5,000	110,000	50,000	550,000	611,319	2030
2031	5,000	0	50,000	450,000	497,238	2031
2032	5,000	0	55,000	460,000	494,925	2032
2033	10,000	0	55,000	250,000	274,319	2033
2034	10,000	0	60,000	160,000	177,006	2034
2035	10,000	0	60,000	70,000	82,700	2035
2036	10,000	0	65,000	75,000	85,000	2036
2037	0	0	70,000	70,000	77,200	2037
2038	0	0	70,000	70,000	74,400	2038
2039	0	0	75,000	75,000	85,606	2039
	$75,000	$555,000	$780,000	$4,525,000	$5,225,381	
	(3)	(4) (5)	(6)			

NOTE: 94% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the $3,610,000 General Obligation Bonds, Series 2016A, consisting of $2,950,000 backed by special assessments and $660,000 backed by tax increments resulting from increases in the taxable value of real property within Tax Increment Financing District No.1-5.

(2) This schedule represents a portion of the $2,110,000 General Obligation Bonds, Series 2018A, consisting of $1,105,000 backed by special assessments and $1,005,000 backed by tax increments.

(3) This schedule represents a portion of the $5,775,000 General Obligation Abatement, Improvement and CIP Refunding Bonds, Series 2020A, consisting of $95,000 backed by special assessments, $3,580,000 backed by tax abatements and $2,100,000 backed by ad valorem taxes.

(4) This schedule represents a portion of the $3,540,000 General Obligation Bonds, Series 2021A, consisitng of $2,700,000 backed by net sewer revenues and $840,000 backed by special assessments.

(5) These bonds current refunded the February 1, 2023 through February 1, 2030 maturities of the City's General Obligation Premanent Improvement Revolving Fund Bonds, Series 2013B on February 1, 2022, at a price of par plus accrued interest.

(6) This schedule represents a portion of the $3,650,000 General Obligation Improvement and Utility Revenue Bonds, Series 2023A, consisting of $2,840,000 backed by net sewer and water revenues and $810,000 backed by special assessments.

CITY OF VICTORIA, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS OR TAX ABATEMENT
(As of February 2, 2025)

Purpose:	**G.O. Improv. and Tax Increment Bonds Series 2016A**	**G.O. Tax Abatement and Refunding Bonds Series 2016C**	**G.O. Bonds Series 2018A**	**G.O. Abatement, Improvement and CIP Refunding Bonds, Series 2020A**			
Dated:	08/15/16	11/01/16	09/12/18	08/18/20			
Original Amount:	$660,000	$6,360,000	$1,005,000	$3,580,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	**TOTAL**	**TOTAL**	
Interest Rates:	2.00%	2.00-2.10%	3.00-3.125%	2.00-4.00%	**PRINCIPAL:**	**PRIN & INT:**	
2025	$0	$0	$0	$0	$0	$81,970	2025
2026	45,000	435,000	65,000	220,000	765,000	918,765	2026
2027	45,000	445,000	65,000	225,000	780,000	913,215	2027
2028	45,000	455,000	70,000	235,000	805,000	917,090	2028
2029	50,000	465,000	70,000	245,000	830,000	921,465	2029
2030	50,000	470,000	75,000	255,000	850,000	922,715	2030
2031	50,000	480,000	75,000	255,000	860,000	914,865	2031
2032	50,000	490,000	80,000	265,000	885,000	921,395	2032
2033	0	0	80,000	265,000	345,000	368,000	2033
2034	0	0	80,000	270,000	350,000	365,150	2034
2035	0	0	0	280,000	280,000	288,400	2035
2036	0	0	0	280,000	280,000	282,800	2036
	$335,000	$3,240,000	$660,000	$2,795,000	$7,030,000	$7,815,830	
	(1)		(2)	(3)			

NOTE: 96% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the $3,610,000 General Obligation Bonds, Series 2016A, consisting of $2,950,000 backed by special assessments and $660,000 backed by tax increments resulting from increases in the taxable value of real property within Tax Increment Financing District No.1-5.

(2) This schedule represents a portion of the $2,110,000 General Obligation Bonds, Series 2018A, consisting of $1,105,000 backed by special assessments and $1,005,000 backed by tax increments.

(3) This schedule represents a portion of the $5,775,000 General Obligation Abatement, Improvement and CIP Refunding Bonds, Series 2020A, consisting of $95,000 backed by special assessments, $3,580,000 backed by tax abatements and $2,100,000 backed by ad valorem taxes.

CITY OF VICTORIA, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of February 2, 2025)

Purpose:	**G.O. Bonds, Series 2021A**	**G.O. Improvement & Utility Revenue Bonds, Series 2023A**			
Dated:	12/09/21	10/11/23			
Original Amount:	$2,700,000	$2,840,000			
Maturity:	1-Feb	1-Feb	**TOTAL**	**TOTAL**	
Interest Rates:	2.00-4.00%	4.00-5.00%	**PRINCIPAL:**	**PRIN & INT:**	
2025	$0	$0	$0	$93,975	2025
2026	160,000	140,000	300,000	481,250	2026
2027	165,000	150,000	315,000	482,500	2027
2028	170,000	155,000	325,000	478,175	2028
2029	175,000	165,000	340,000	478,275	2029
2030	185,000	170,000	355,000	477,700	2030
2031	200,000	180,000	380,000	488,250	2031
2032	195,000	190,000	385,000	480,050	2032
2033	200,000	200,000	400,000	481,350	2033
2034	205,000	205,000	410,000	477,175	2034
2035	205,000	220,000	425,000	478,550	2035
2036	205,000	230,000	435,000	475,450	2036
2037	210,000	235,000	445,000	472,000	2037
2038	0	250,000	250,000	265,200	2038
2039	0	255,000	255,000	260,100	2039
	$2,275,000	$2,745,000	$5,020,000	$6,370,000	
	(1)	(2)			

NOTE: 72% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the $3,540,000 General Obligation Bonds, Series 2021A, consisitng of $2,700,000 backed by net sewer revenues and $840,000 backed by special assessments.

(2) This schedule represents a portion of the $3,650,000 General Obligation Improvement and Utility Revenue Bonds, Series 2023A, consisting of $2,840,000 backed by net sewer and water revenues and $810,000 backed by special assessments.

Indirect Debt*

Issuer	*2023/2024 Tax Capacity Value*[(1)]	*2023/2024 Tax Capacity Value in City*[(1)]	*Percentage Applicable in City*	*Outstanding General Obligation Debt*	*Taxpayers' Share of Debt*
Carver County	$ 233,454,753	$28,415,133	12.17%	$11,765,000	$ 1,431,801
ISD No. 110, Waconia	46,213,771	1,838,555	3.98	91,700,000	3,649,660
ISD No. 112, Eastern Carver Co. (Chaska)	136,782,116	22,322,723	16.32	107,818,000	17,595,898
ISD No. 276, Minnetonka	152,977,998	4,253,855	2.78	120,885,000	3,360,603
Metropolitan Council	6,313,906,529	28,415,133	0.45	5,025,000[(2)]	22,613
				Total Indirect Debt:	$ 26,060,575

(Remainder of page intentionally left blank)

* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness. Debt listed is as of February 2, 2025, unless otherwise noted.

(1) Tax Capacity Value is after tax increment deduction and fiscal disparity adjustments.

(2) Metropolitan Council has $5,025,000 of general obligation debt outstanding as of December 31, 2024. This debt is payable from ad valorem taxes levied on all taxable property within the Metropolitan Taxing District. This amount excludes $1,166,500,000 of general obligation debt payable from wastewater and sewer revenues, and lease agreements.

General Obligation Debt

Bonds secured by ad valorem taxes (includes this Issue)	$ 23,045,000
Bonds secured by special assessments	4,525,000
Bonds secured by tax increments/abatements	7,030,000
Bonds secured by water/sewer revenues	5,020,000
Subtotal	$ 39,620,000
Less bonds secured by water/sewer revenues	(5,020,000)
Direct General Obligation Debt	34,600,000
Add taxpayers' share of indirect debt	26,060,575
Direct and Indirect Debt	$ 60,660,575

Facts for Ratio Computations

2023/2024 Economic Market Value (real and personal property)	$2,706,209,918
Population (2024 City estimate)	12,700

Debt Ratios Excluding Revenue-Supported Debt

	Direct Debt	*Indirect Debt*	*Direct and Indirect Debt*
To Economic Market Value	1.28%	0.96%	2.24%
Per Capita	$2,724	$2,052	$4,776

APPENDIX A

Proposed Form of Legal Opinion

$21,420,000
CITY OF VICTORIA, MINNESOTA
GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS
SERIES 2025A

We have acted as bond counsel to the City of Victoria, Minnesota (the "Issuer") in connection with the issuance by the Issuer of its General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds"), originally dated the date hereof, and issued in the original aggregate principal amount of $21,420,000. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable against the Issuer, in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from ad valorem property taxes, but if necessary for the payment thereof additional ad valorem property taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Interest on the Bonds is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes and is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated ____________, 2025 at Minneapolis, Minnesota.

APPENDIX B

Continuing Disclosure Certificate

$21,420,000
CITY OF VICTORIA, MINNESOTA
GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS
SERIES 2025A

CONTINUING DISCLOSURE CERTIFICATE

_________, 2025

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Victoria, Minnesota (the "City") in connection with the issuance of its General Obligation Capital Improvement Plan Bonds, Series 2025A (the "Bonds") in the original aggregate principal amount of $21,420,000. The Bonds are being issued pursuant to resolutions adopted by the City Council of the City (the "Resolutions"). The Bonds are being delivered to _______________________, ____________, __________ (the "Purchaser") on the date hereof. Pursuant to the Resolutions, the City has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means annual financial statements of the City, prepared in accordance with GAAP as prescribed by GASB.

"Bonds" means the General Obligation Capital Improvement Plan Bonds, Series 2025A, issued by the City in the original aggregate principal amount of $21,420,000.

"City" means the City of Victoria, Minnesota, which is the obligated person with respect to the Bonds.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"EMMA" means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

"Final Official Statement" means the deemed Final Official Statement, dated ___________, 2025, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the fiscal year of the City.

"GAAP" means generally accepted accounting principles for governmental units as prescribed by GASB.

"GASB" means the Governmental Accounting Standards Board.

"Holder" means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

"Purchaser" means ______________________, ____________, __________.

"Repository" means EMMA, or any successor thereto designated by the SEC.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

"SEC" means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The City shall provide to the Repository not later than 12 months after the end of the Fiscal Year commencing with the year that ends December 31, 2024, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the City may be submitted separately from the balance of the Annual Report.

(b) If the City is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the City shall send a notice of that fact to the Repository and the MSRB.

(c) The City shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Economic and Financial Information – "Valuations," "Tax Capacity Rates," and "Tax Levies and Collections"
2. Summary of Debt and Debt Statistics

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material Events") with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The City shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the City shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the City's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the City shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The City's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The City may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the City delivers to the Repository an opinion of nationally-recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the City to the Repository of the proposed amendment and an opinion of nationally-recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF VICTORIA, MINNESOTA

By___________________________________
Its Mayor

By___________________________________
Its City Clerk

APPENDIX C

City's Financial Report

The following financial reports are excerpts from the annual financial report for the year ended December 31, 2023. The complete financial report for the year 2023 and the prior two years are available for inspection at the Victoria City Hall and the office of Northland Securities, Inc. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.

CITY OF VICTORIA

Annual Comprehensive Financial Report

For the Fiscal Year Ended December 31, 2023

City of Victoria

Victoria, Minn.

CITY OF VICTORIA
CARVER COUNTY, MINNESOTA

Annual Comprehensive
Financial Report

for the Fiscal Year Ended
December 31, 2023

Dana Hardie
City Manager

Report Prepared by
Trisha Pollock
Assistant City Manager-Finance Director

Member of Government Finance Officers Association
of the United States and Canada

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CITY OF VICTORIA

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Table of Contents (continued)

INTRODUCTORY SECTION

May 6, 2024

Honorable Mayor, Members of the Council, and Citizens of the
City of Victoria, Minnesota

It is an honor to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Victoria, Minnesota (the City), for the year ended December 31, 2023. This report was prepared in accordance with accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board (GASB) and meets the requirements of the Minnesota State Auditor's Office.

Management assumes full responsibility for the completeness and accuracy of all the information presented in this report. To provide a reasonable basis for making these representations, city management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and accurate in all material respects.

The City's financial statements have been audited by the firm of Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of independent certified public accountants. They have issued an unmodified (clean) opinion on the City's basic financial statements for the year ended December 31, 2023. The independent auditor's report appears in the financial section of this report.

The management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with the analysis.

PROFILE OF THE GOVERNMENT

The City was founded in the 1850s and incorporated in 1915. Located in Carver County, the City is approximately 25 miles southwest of the Minneapolis/St. Paul metropolitan area and serves an estimated population of 11,782.[1] The City is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statutes to extend its corporate limits by annexation, which it has done from time-to-time.

[1] U.S. Census Bureau 2020 Census results of 10,546 plus estimated added population of 354 in 2021, 484 in 2022 and 398 in 2023.

City of Lakes and Parks
1670 Stieger Lake Lane, P.O. Box 36
Victoria, MN 55386
(952) 443-4210
www.ci.victoria.mn.us

The City operates under the council-manager form of government. The five-member City Council is elected at-large on a nonpartisan basis. The mayor is elected to serve a four-year term. City Council members serve four-year staggered terms, with two council members elected every two years. Policymaking and legislative authority are vested in the City Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. The city manager is responsible for carrying out the policies and ordinances of the governing council, overseeing the day-to-day operations of the government, and hiring employees and professional staff.

The City's Economic Development Authority (EDA) was created in 1997 pursuant to Minnesota Statutes to carry out economic development and redevelopment consistent with policies established by the council. The EDA Board is comprised of all members of the City Council and includes the city manager as its executive director. The EDA is reported as a blended component unit of the City, and separate financial statements are not issued for this component unit.

The City provides its residents and businesses with a full range of municipal services consisting of police and fire protection, the construction and maintenance of streets and other infrastructure, snow removal, building inspections, a recreation center and several parks and trails for recreational activities, and general administrative services. In addition, the City operates three enterprises: a water utility, a sewer utility, and a storm water management utility.

The annual budget serves as the foundation for financial planning and control. The City Council formally adopts budgets for its General Fund, Victoria Recreation Center Special Revenue Fund, and its three Enterprise Funds: Water, Sewer, and Storm Water Management. All departments submit requests for appropriation to the city manager by June of each year. The city manager uses these requests as the starting point for developing a proposed budget. The City Council reviews ongoing drafts of the budget until a formal preliminary budget is presented to the City Council for review prior to September 30. The City Council adopts a preliminary tax levy and budgets for the General Fund, Victoria Recreation Center Special Revenue Fund, and enterprise funds by September 30 of each year. In December, a budget meeting is held, and a final tax levy and budget are adopted. The City Council also adopts a five-year Capital Improvement Plan (CIP) in December. Budgetary control for debt service funds is established by bond-sale resolution covenants.

The level of budgetary control (i.e., the level at which expenditures cannot exceed the appropriated amount) is established at the function level. Expenditures for departments that exceed appropriations are not authorized unless additional revenue sources or fund balances are identified and available. Unused appropriated expenditures lapse at year-end.

The City maintains stable financial operations, due to a history of conservative budgeting, maintenance of healthy reserves, the creation of a revenue stabilization fund, and a lack of reliance on state aid.

ECONOMIC CONDITION AND OUTLOOK

Because of its proximity to the Minneapolis/St. Paul metropolitan area, the City benefits from the employment opportunities offered in the regional economy and the relatively low unemployment rate. As of December 2023, the unemployment rate in Carver County was 2.1 percent, which is lower than the national average of 3.5 percent.

In the past year, the City has welcomed new and expanding businesses, including The Dog Nanny Boutique and Studio West Dance Studio. The City's sound fiscal policies and practices and community resiliency has resulted in the 2023 reaffirmation of its AAA rating from Standard & Poor's, which is the highest bond rating given to any government.

The City's population continues to grow. The following chart shows historical and projected population:

Year	Population	Increase
1990 Census	2,354	
2000 Census	4,025	71%
2010 Census	7,345	82%
2020 Census	10,546	44%
2030 Estimate	14,493	37%
2040 Estimate	18,493	28%

The City occupies 10.8 square miles, with an ultimate growth boundary of 32 square miles. The City continues to experience growth in its residential base and its orderly annexation agreement with Laketown Township will allow for substantial residential and commercial growth. The City acquired 13.5 acres from the Three Rivers Park District for expansion of the central business district. This land will provide opportunity for a mixed-use development of commercial/retail and high density residential. A final plat has been approved for a 145-unit market rate apartment building on approximately one acre of the 13.5-acre parcel with groundbreaking expected in 2024.

In 2023, the City had strong building permit growth. The chart below shows new home construction permits from 2015 through 2023:

Year	New Home Permits Issued
2023	210
2022	135
2021	140
2020	165
2019	173
2018	172
2017	198
2016	117
2015	81

The City also approved a 125-unit apartment building, which includes 8,700 square feet of commercial/retail space in its downtown area and 4 final plats that add 172 single-family homes in the City. The county assessor has estimated that market value for the City increased 5.5 percent, going from $2.46 billion at the beginning of 2023 to $2.59 billion at the end of 2023. New construction added $73 million in market value and an increase in existing properties added $60 million in market value.

LONG-TERM FINANCIAL PLANNING

The City has a long-term financial plan (LTFP) and updates it frequently. The LTFP incorporates City Council goals, such as General Fund balance and tax rates, projections for household and market value growth, and estimates for tax levies and capital replacement and projects to ensure long-term financial sustainability. The City uses the LTFP to project the impacts of capital projects, debt service, and budgets on taxpayers.

The City's five-year CIP is an essential part of the City's LTFP. To ensure timely replacement and addition of infrastructure and equipment, the City prepares long-term cost projections for the replacement and addition of city assets. The City identifies funding sources for the assets as well. The City Council approves the CIP when it approves final budgets in December.

COOPERATIVE PUBLIC SERVICE DELIVERY

The City is committed to working cooperatively with other cities, Carver County, and other stakeholders to carefully consider methods to deliver public services efficiently and effectively. The City realizes significant savings by participating with other entities. For example, the City:

- Contracts with Carver County for police, assessing, prosecution, and GIS services
- Participates in a Joint Powers Agreement with other cities for seal coating
- Shares ownership of street sweepers with the City of Carver and Carver County

RELEVANT FINANCIAL POLICIES

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" during the year ended December 31, 2011. With the implementation of the standard, the City revised its policy regarding General Fund balance reserves. The City plans to maintain a minimum unassigned fund balance in the General Fund of 30 percent of the subsequent year's General Fund budgeted expenditures less transfers. This provides for both cash flow needs, due to the timing of property tax settlements, and funding for emergency expenditures. Additionally, as of December 31, 2023, the City has set aside $1,172,500 in committed fund balance in the General Fund for revenue stabilization. This committed fund balance is available for use for building-related activities in the event of a building permit revenue shortfall or other unplanned building-related expenditures.

The City has adopted an investment policy for cash temporarily idle during the year. The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield. Except for cash in certain restricted and special funds, the City consolidates cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income is allocated to the various funds based on their respective participation and in accordance with accounting principles generally accepted in the United States of America.

Capital financing for most major improvements is provided through improvement bonds, revenue bonds, or general obligation bonds. Depending on the project, special assessments may be levied upon properties to share in the cost of the improvement. Special assessments are typically collected over a 15-year period and are used to help satisfy the improvement bond debt. The City has a comprehensive debt management policy which incorporates two self-imposed debt limits: net tax-supported debt cannot exceed 1.5 percent of estimated market value and the debt service portion of the levy cannot exceed 30.0 percent of the total levy.

MAJOR INITIATIVES

MAJOR PROJECTS AND INITIATIVES FOR 2023

The City's staff worked on many projects and initiatives in 2023, including:

- 2023 street reconstruction project
- Completion of the City's first eight outdoor pickleball courts
- Stieger Lake Lane West street reconstruction project
- Construction of a new lift station and well in the City's south growth area
- Preliminary design work for a new fire station
- Four new single-family home developments: Huntersbrook 2nd, Creekside 1st, Brookmore 2nd and 3rd, and Marsh Hollow
- 125-unit apartment building in downtown Victoria with 8,700 sq. ft. first floor commercial/retail space

MAJOR INITIATIVES FOR THE FUTURE

Every few years, the City Council adopts a multiyear strategic plan. The current plan is a three-year strategic plan, which identifies major priorities and initiatives around the following priorities:

- Service excellence
- Economic vitality
- Infrastructure and transportation
- Housing and community character
- Engagement and communication
- Public safety
- Recreation and culture
- Environmental sustainability

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended December 31, 2022. This is the 16th year that the City has received this prestigious award. To be awarded a Certificate of Achievement, the City needs to publish an easily readable and efficiently organized ACFR and satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. In addition, the City received its 3rd award from the GFOA for its Distinguished Budget Presentation for the 2023 budget year.

I wish to express my appreciation to the City Council and City Manager, Dana Hardie, for their continued support in planning and conducting the financial operations of the City in a responsible and progressive manner. I also thank the department directors for their assistance in compiling the information necessary for this report. Finally, I wish to acknowledge the City's independent auditor for its efficient and dedicated services in preparation of the ACFR.

Respectfully submitted,

Trisha Pollock

Trisha Pollock
Assistant City Manager-Finance Director | CPFO

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Victoria
Minnesota

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

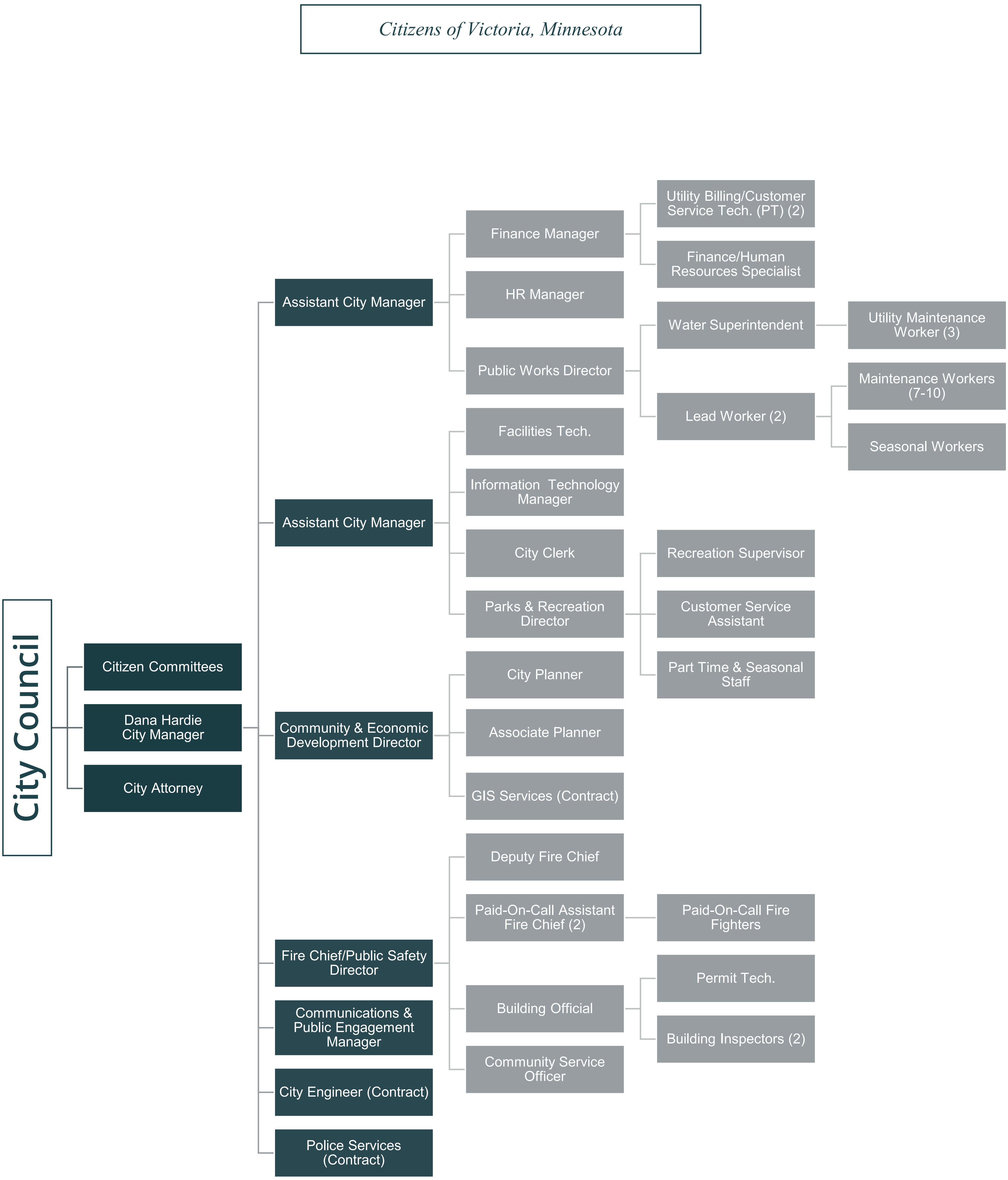
December 31, 2022

Christopher P. Morrill

Executive Director/CEO

CITY OF VICTORIA

ORGANIZATIONAL CHART



CITY OF VICTORIA

Elected Officials and Appointed Personnel
December 31, 2023

ELECTED OFFICIALS

		Term Expires
Deb McMillan	Mayor	December 31, 2024
Greg Evansky	Councilmember	December 31, 2026
Derek Gunderson	Councilmember	December 31, 2024
Andrew Reiff	Councilmember	December 31, 2026
Chad Roberts	Councilmember	December 31, 2024

APPOINTED PERSONNEL

Dana Hardie	City Manager
Trisha Pollock	Assistant City Manager-Finance Director
Alyssa Nelson	Assistant City Manager
Claudia Ettesvold	City Clerk

FINANCIAL SECTION

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Victoria, Minnesota

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

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 Victoria, Minnesota (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the General Fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

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

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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.

SUPPLEMENTARY INFORMATION

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

OTHER INFORMATION

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

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

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
May 6, 2024

As management of the City of Victoria, Minnesota (the City), we have provided readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, located earlier in this report.

FINANCIAL HIGHLIGHTS

- 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 $115,427,307 *(net position).* Of this amount, $22,693,238 *(unrestricted net position)* may be used to meet the City's ongoing obligations to citizens and creditors; $6,424,190 is restricted for specific purposes *(restricted net position);* and $86,309,879 represents the net investment in capital assets. The City's total net position increased $5,307,982 during the year ended December 31, 2023.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $16,089,847, a decrease of $168,096 in comparison with the prior year. Of the total fund balance, 9.4 percent, or $1,513,322, is available for spending at the City's discretion, 21.0 percent, or $3,374,150, is restricted for specific purposes, 27.1 percent, or $4,363,981, is committed, 38.8 percent, or $6,240,791, is assigned, and 3.7 percent, or $597,603, is nonspendable as it represents prepaid items and advances to other funds.

- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $2,082,230, or 31 percent, of total General Fund expenditures less transfers, based on 2024 budgeted expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information, in addition to the basic financial statements.

These financial statements include not only the City itself (known as the primary government), but also the Victoria Economic Development Authority (EDA). The EDA has been presented as a blended component unit in the City's financial statements in accordance with accounting principles generally accepted in the United States of America.

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 assets, liabilities, and deferred inflows/outflows of resources with the difference 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, or unused vacation leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by property taxes and intergovernmental revenues (*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, culture and recreation, and economic development. The business-type activities of the City include water, sewer, and storm water management.

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 two categories: governmental funds and proprietary 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 the 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 Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Victoria Recreation Center Special Revenue Fund, Debt Service Fund, and Permanent Improvement Revolving Capital Projects Fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and Victoria Recreation Center Special Revenue Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds – The City's only proprietary funds are 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 water, sewer, and storm water management operations.

The fund financial statements present information for each major enterprise fund in separate columns.

Notes to Basic Financial Statements – The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements, the financial section also presents required supplementary information, and the combining and individual fund statements and schedules (presented as supplementary information) referred to earlier in connection with nonmajor governmental funds, which are presented immediately following the basic financial statements.

Further, a statistical section has been included as part of the Annual Comprehensive Financial Report (ACFR) to facilitate additional analysis, and is the third and final section of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $115,427,307 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Victoria's Net Position

Table 1
Summary of Net Position
as of December 31, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	$ 26,846,417	$ 26,779,137	$ 13,182,643	$ 10,214,842	$ 40,029,060	$ 36,993,979
Capital assets	55,864,312	54,269,435	52,819,455	51,203,090	108,683,767	105,472,525
Total assets	$ 82,710,729	$ 81,048,572	$ 66,002,098	$ 61,417,932	$ 148,712,827	$ 142,466,504
Deferred outflows of resources						
Pension plan deferments	$ 1,130,233	$ 1,049,726	$ 77,187	$ 117,282	$ 1,207,420	$ 1,167,008
Total assets and deferred outflows of resources	$ 83,840,962	$ 82,098,298	$ 66,079,285	$ 61,535,214	$ 149,920,247	$ 143,633,512
Liabilities						
Other liabilities	$ 2,566,984	$ 1,686,540	$ 273,246	$ 380,908	$ 2,840,230	$ 2,067,448
Noncurrent liabilities	19,474,490	21,346,853	6,015,167	4,045,900	25,489,657	25,392,753
Total liabilities	$ 22,041,474	$ 23,033,393	$ 6,288,413	$ 4,426,808	$ 28,329,887	$ 27,460,201
Deferred inflows of resources						
Lease revenue for subsequent years	$ 5,311,609	$ 5,753,295	$ –	$ –	$ 5,311,609	$ 5,753,295
Pension plan deferments	789,527	296,745	61,917	3,946	851,444	300,691
Total deferred inflows of resources	$ 6,101,136	$ 6,050,040	$ 61,917	$ 3,946	$ 6,163,053	$ 6,053,986
Net position						
Net investment in capital assets	$ 37,942,091	$ 35,511,515	$ 48,367,788	$ 47,634,481	$ 86,309,879	$ 83,145,996
Restricted	6,424,190	6,494,082	–	–	6,424,190	6,494,082
Unrestricted	11,332,071	11,009,268	11,361,167	9,469,979	22,693,238	20,479,247
Total net position	$ 55,698,352	$ 53,014,865	$ 59,728,955	$ 57,104,460	$ 115,427,307	$ 110,119,325
Total liabilities, deferred inflows of resources, and net position	$ 83,840,962	$ 82,098,298	$ 66,079,285	$ 61,535,214	$ 149,920,247	$ 143,633,512

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $22,693,238 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

There was an increase in net position in the governmental activities of $2,683,487 and in the business-type activities of $2,624,495, for a total increase of $5,307,982 in net position. The increase in current and other assets is mainly due to unspent bond proceeds and positive operating results in the business-type activities. Capital assets increased with continued development in the City in the current year. The change in the City's share of the Public Employees Retirement Association (PERA) pension plan contributed to the change in deferred outflows of resources, noncurrent liabilities, and deferred inflows of resources.

The City's increase in net investment in capital assets is due to continued investment in infrastructure.

City of Victoria's Change in Net Position

Table 2
Change in Net Position
for the Years Ended December 31, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	$ 2,320,851	$ 1,891,237	$ 4,200,257	$ 3,815,216	$ 6,521,108	$ 5,706,453
Operating grants and contributions	1,141,732	653,459	2,133	1,342	1,143,865	654,801
Capital grants and contributions	1,010,071	3,003,529	2,084,001	2,693,960	3,094,072	5,697,489
General revenues						
Property taxes	7,370,982	6,623,688	–	–	7,370,982	6,623,688
Tax increments	315,038	316,014	–	–	315,038	316,014
Franchise taxes	401,426	401,464	–	–	401,426	401,464
Grants and contributions not restricted to specific programs	315,321	425,975	–	–	315,321	425,975
Other general revenues	148,116	156,208	–	–	148,116	156,208
Investment earnings (charges)	581,772	(60,824)	353,976	(13,348)	935,748	(74,172)
Gain on sale of assets	7,875	183,392	–	–	7,875	183,392
Total revenues	13,613,184	13,594,142	6,640,367	6,497,170	20,253,551	20,091,312
Expenses						
General government	2,601,031	2,255,227	–	–	2,601,031	2,255,227
Public safety	1,955,746	1,941,235	–	–	1,955,746	1,941,235
Public works	3,485,575	2,651,447	–	–	3,485,575	2,651,447
Culture and recreation	2,079,615	1,965,998	–	–	2,079,615	1,965,998
Economic development	307,918	366,503	–	–	307,918	366,503
Interest and fiscal charges	355,461	368,307	–	–	355,461	368,307
Water	–	–	1,826,780	1,701,660	1,826,780	1,701,660
Sewer	–	–	1,835,660	1,613,202	1,835,660	1,613,202
Storm water management	–	–	497,783	388,194	497,783	388,194
Total expenses	10,785,346	9,548,717	4,160,223	3,703,056	14,945,569	13,251,773
Change in net position before transfers	2,827,838	4,045,425	2,480,144	2,794,114	5,307,982	6,839,539
Transfers	(144,351)	–	144,351	–	–	–
Change in net position	2,683,487	4,045,425	2,624,495	2,794,114	5,307,982	6,839,539
Net position – beginning	53,014,865	48,969,440	57,104,460	54,310,346	110,119,325	103,279,786
Net position – ending	$ 55,698,352	$ 53,014,865	$ 59,728,955	$ 57,104,460	$ 115,427,307	$ 110,119,325

Governmental Activities – The City's net position for governmental activities increased by $2,683,487, or 5.1 percent. Key elements of this increase are seen in the table above.

Revenues increased overall by $19,042, or 0.1 percent.

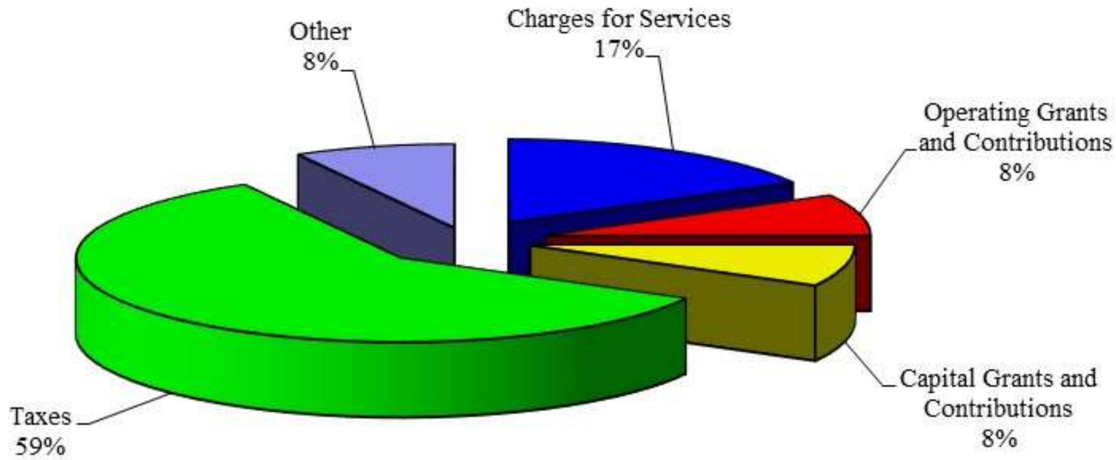
- The largest changes occurred in capital grants and contributions, property taxes, and investment earnings. Capital grants and contributions decreased, due to less contributions from the county and developers for projects. This decrease was offset by an increase in property taxes and investment earnings. The increase in property taxes is a result of the increase in the levied amount approved by the City Council. Investment earnings increased, due to improved investment market performance and interest rates.

Expenses increased overall by $1,236,629, or 13.0 percent.

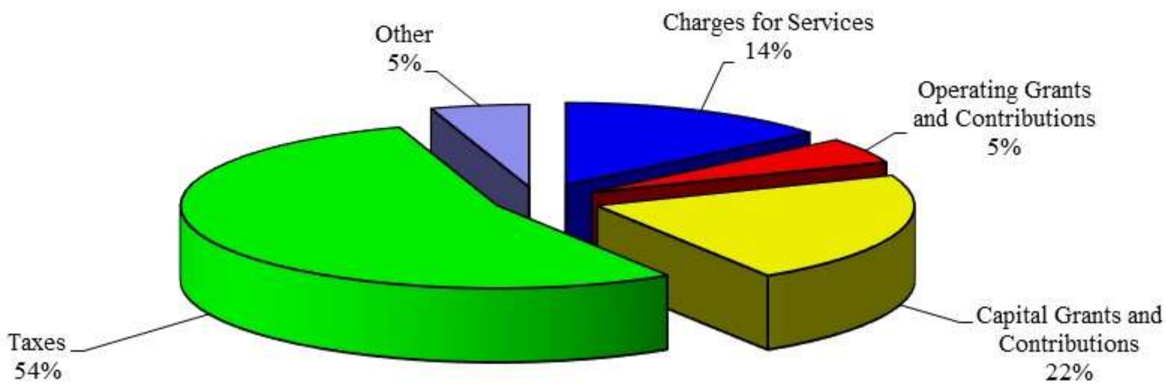
- The City experienced the largest increase within the public works and general government functions. Public works increased with more repairs and maintenance projects and increased expenditures for undergrounding electrical lines and for the Highway 5 project, which are not city assets. The increase in general government is mainly due to increased personal services in the current year.

As seen in the following graphs, taxes make up about 59 percent of the total revenues for 2023. Charges for services make up about 17 percent of the total and are followed by grants (operating and capital), including state aids, such as local government aid, at 16 percent, and other at 8 percent of the total.

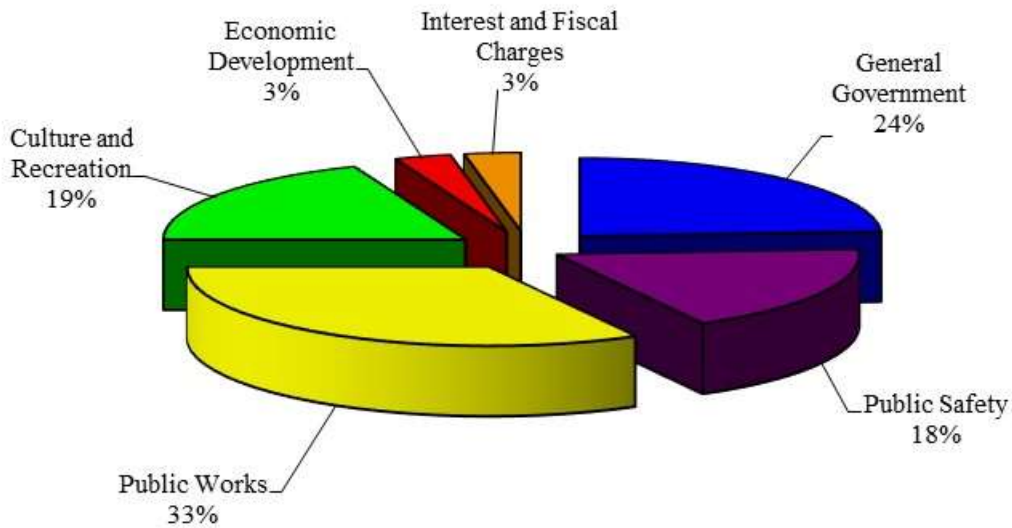
2023 Revenues by Source – Governmental Activities



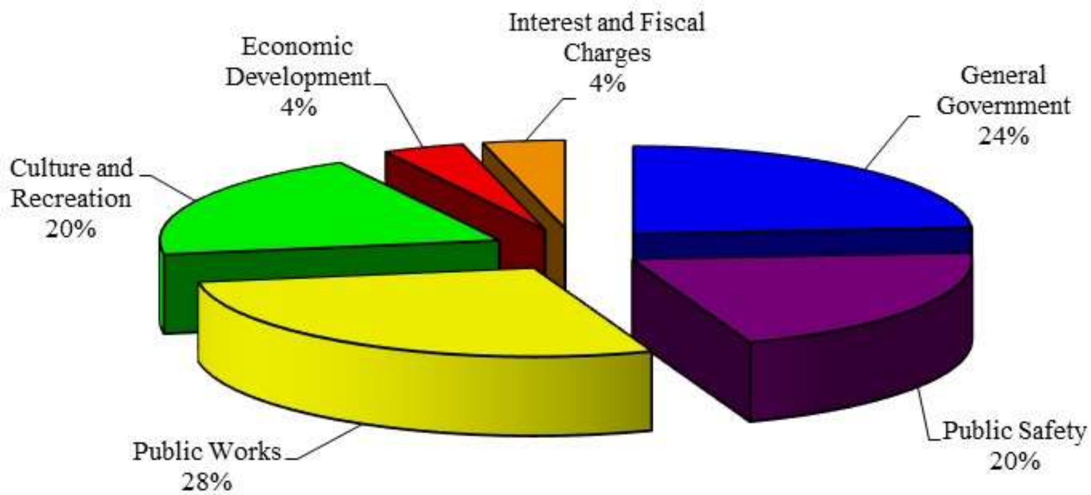
2022 Revenues by Source – Governmental Activities



2023 Expenses – Governmental Activities



2022 Expenses – Governmental Activities



The expenses in the graphs above for governmental activities show the amounts spent on different activities for 2023 and 2022.

Business-Type Activities – Business-type activities increased the City's total net position by $2,624,495. Key elements of the business-type activities are as follows:

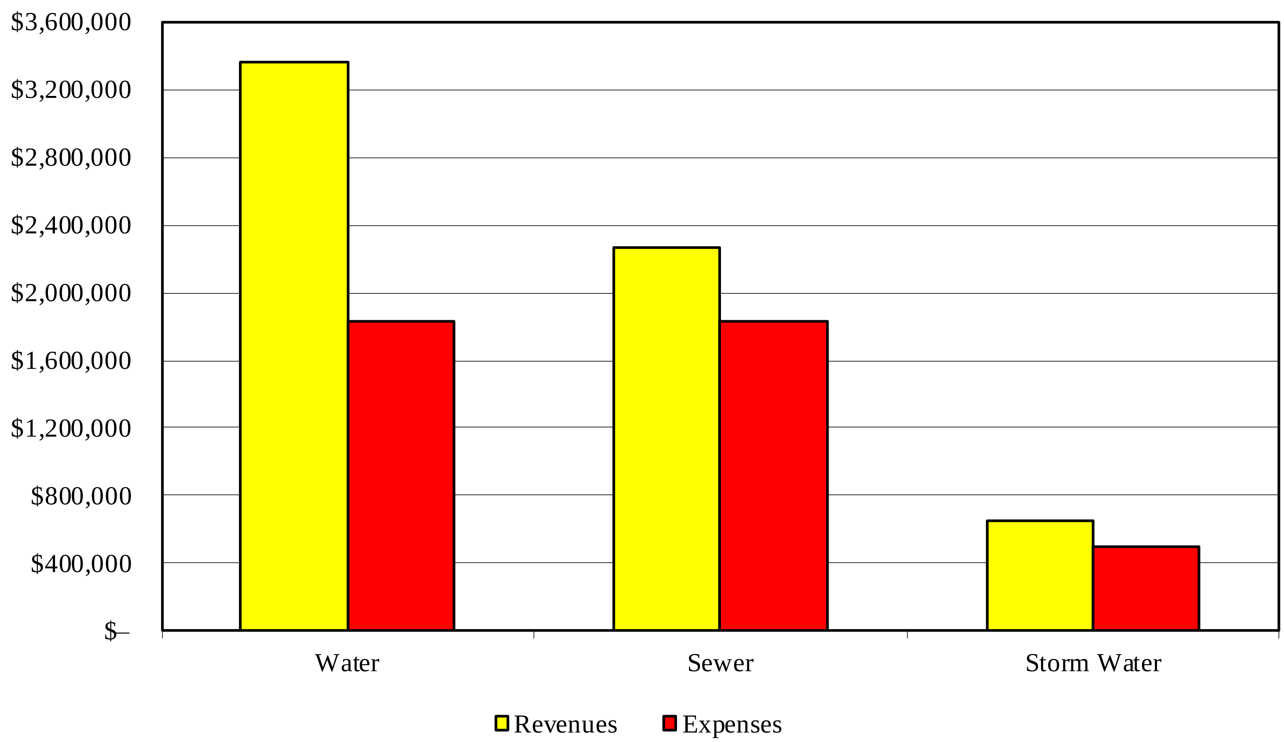
- Charges for services increased $385,041 from the prior year, due to an increase in water and sewer consumption and an increase in customers.

- Capital grants and contributions decreased $609,959, due to decreased developer contributions in the current year.

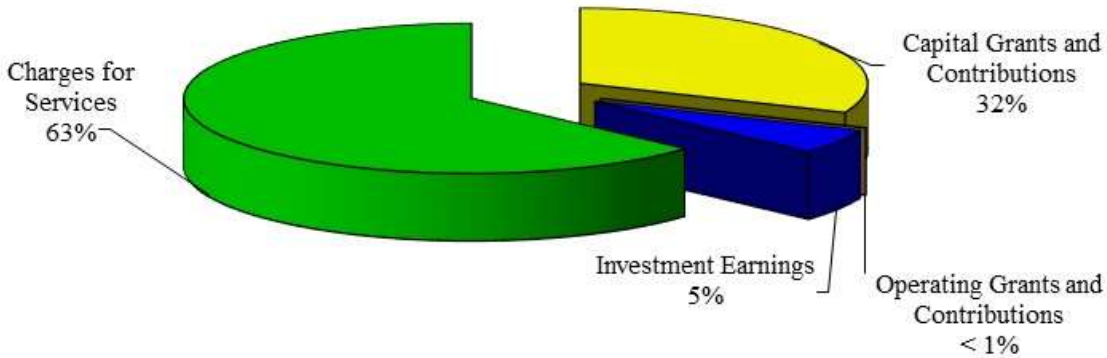
- Investment earnings increased $367,324, due to improved investment market performance and interest rates.

The following graph illustrates the relationship between the program revenues and expenses for the various activities:

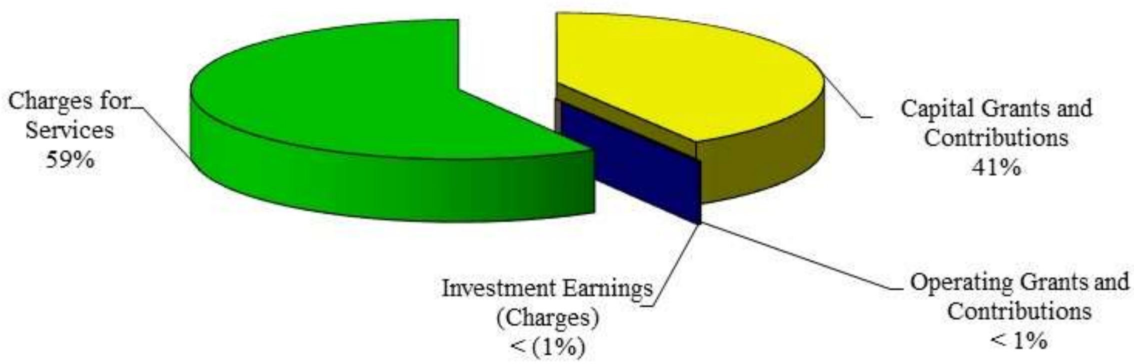
Revenues and Expenses – Business-Type Activities



2023 Revenues by Source – Business-Type Activities



2022 Revenues by Source – Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $16,089,847, a decrease of $168,096 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was $4,394,610. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 31 percent of subsequent year budgeted expenditures less transfers.

Total fund balance for the City's General Fund increased by $933,464 during 2023. Key factors in this increase are as follows:

- The City experienced a favorable revenue variance in the current year, which was spread across most revenue categories as discussed on the next page.
- The City's expenditures were under budget, mainly in general government as discussed on the next page.
- The City has a fund balance policy to maintain a minimum unassigned fund balance of 30 percent of the subsequent year's General Fund budgeted expenditures less transfers.
- In accordance with the City's fund balance policy, the General Fund made unbudgeted transfers of $695,066 to other funds.

The Victoria Recreation Center Special Revenue Fund experienced a decrease in fund balance of $166,427, ending the year with a total fund balance of $914,740. Of the total year-end fund balance, $2,983 is nonspendable for prepaid items and $911,757 is committed for operations and replacement of the facility's capital equipment or improvements.

The Debt Service Fund equity decreased $257,926, ending the year with a fund balance of $2,337,091. The decrease was largely due to scheduled principal and interest payments in the current year. The ending fund balance is restricted for future debt service payments.

The Permanent Improvement Revolving Capital Projects Fund experienced a decrease in fund balance of $568,788, ending the year with a total fund balance of $1,772,723. This fund received transfers from the General Fund in the current year for various capital improvements, which were less than the expenditures of the fund. The year-end fund balance is assigned for future capital improvements.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City is required to adopt a budget for the General Fund prior to the beginning of its fiscal year. There was one budget amendment in the current year to reallocate expenditures by department for certain wages and benefits. This budget amendment did not change the total budgeted expenditures for the General Fund.

Revenues were over budget by $931,507, which was spread across most revenue categories. Licenses and permits revenue was $337,746 over budget, due to more than anticipated building activity in the current year. Intergovernmental revenue was over budget $294,632, due to more police aid and fire grants than anticipated. Investment earnings and charges for services were also more than anticipated in the budget in the current year.

Expenditures were $430,399 under budget. General government expenditures were $305,462 under budget, due to less than anticipated mayor and City Council, city administration, communications, financial administration, elections, professional services, information technology, and general government building expenditures. Culture and recreation expenditures were $90,074 under budget, mainly in the parks and recreation department and in capital outlay. Public safety expenditures were $38,927 under budget, mainly in the police and fire departments.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023 amounts to $108,683,767 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, infrastructure, and machinery and equipment.

City of Victoria's Capital Assets

Table 3
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Capital assets						
Land	$ 9,740,354	$ 9,740,354	$ 4,136,950	$ 4,136,950	$ 13,877,304	$ 13,877,304
Construction in progress	2,700,734	3,294,680	2,355,327	4,104,916	5,056,061	7,399,596
Land improvements	6,616,332	5,769,916	–	–	6,616,332	5,769,916
Buildings and building improvements	15,941,828	15,172,327	131,851	–	16,073,679	15,172,327
Infrastructure	38,827,738	36,922,114	68,019,202	63,207,832	106,846,940	100,129,946
Machinery and equipment	7,861,026	6,824,615	852,942	733,984	8,713,968	7,558,599
Less accumulated depreciation	(25,823,700)	(23,454,571)	(22,676,817)	(20,980,592)	(48,500,517)	(44,435,163)
Total capital assets, net of depreciation	$ 55,864,312	$ 54,269,435	$ 52,819,455	$ 51,203,090	$ 108,683,767	$ 105,472,525

The changes presented in the table above reflect the ongoing activity and completion of projects within the City during fiscal year 2023. The majority of the activity in construction in progress is for street and utility improvements in recent years.

Additional information on the City's capital assets can be found in Note 5 of the notes to basic financial statements.

Long-Term Liabilities – At the end of the current fiscal year, the City had total bonded debt outstanding, including unamortized premium, of $23,323,554. A portion of this comprises general obligation debt backed solely by the full faith and credit of the City. The remainder of the City's bonded debt represents bonds secured by special assessments, tax increment, specified revenue sources, and general obligation levy, if necessary.

City of Victoria's Outstanding Liabilities

Table 4
Outstanding Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	$ 9,150,000	$ 9,875,000	$ –	$ –	$ 9,150,000	$ 9,875,000
Special assessment bonds	6,255,000	6,680,000	–	–	6,255,000	6,680,000
Tax increment bonds	1,210,000	1,310,000	–	–	1,210,000	1,310,000
Revenue bonds	–	–	5,410,000	3,490,000	5,410,000	3,490,000
Unamortized premium	905,052	933,859	393,502	249,222	1,298,554	1,183,081
Net pension liability	1,685,953	2,306,144	211,665	306,678	1,897,618	2,612,822
Compensated absences	268,485	241,850	–	–	268,485	241,850
Total	$ 19,474,490	$ 21,346,853	$ 6,015,167	$ 4,045,900	$ 25,489,657	$ 25,392,753

The City's total bonded debt, including premium, increased by $785,473 during 2023, due to the issuance of 2023A General Obligation Improvement and Utility Revenue Bonds offset by current year principal payments. The City's most recent bond rating by Standard & Poor's was AAA.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total market valuation. A complete calculation of the City's legal debt margin can be found in the statistical section of this report.

Additional information on the City's long-term debt can be found in Note 6 of the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials considered the following objectives when setting the budget for fiscal year 2024:

- Maintain or reduce the City's tax rate.
- Continue to strengthen the City's financial position.
- Continue to target the General Fund unassigned fund balance at a minimum of 30.0 percent of expenditures, less transfers, to provide for adequate cash flow in the early part of the subsequent year.
- Maintain service levels in the areas of administration, public works, parks and recreation, and infrastructure maintenance.
- Transfer from the General Fund to the Capital Facility Fund $250,000 to pay for design work for the new fire station.
- Transfer annually from the General Fund to the Long-Term Street Maintenance (LTSM) Fund for the average amount needed for street overlays, which is $850,000 in 2024. Revenues from municipal state aid for street maintenance will be deposited into the LTSM Fund to offset a portion of those expenditures.

To meet these objectives, the City Council considered the following factors, which are incorporated in the City's Long-Term Financial Plan:

- The City's taxable market value increased 5.5 percent from 2023 to 2024 and the City anticipates an increase in the taxable market value from 2024 to 2025.
- Future growth projections.
- Local economic conditions.
- Capital spending and the impact it will have on the City's tax rate and bonding levels, due to continued street and utility reconstruction projects.
- Adequate reserves.
- Available funding sources.

REQUESTS FOR INFORMATION

This ACFR 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 Trisha Pollock, Assistant City Manager-Finance Director, City of Victoria, 1670 Stieger Lake Lane, P.O. Box 36, Victoria, Minnesota 55386-0036.

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BASIC FINANCIAL STATEMENTS

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CITY OF VICTORIA

Statement of Net Position
as of December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	$ 16,615,563	$ 12,176,305	$ 28,791,868
Receivables			
Interest	136,144	–	136,144
Taxes	45,213	–	45,213
Accounts	217,355	314,019	531,374
Special assessments	843,436	58,271	901,707
Due from other governments	2,083,156	–	2,083,156
Lease	5,311,609	–	5,311,609
Internal balances	(621,429)	621,429	–
Prepaid items	52,603	12,619	65,222
Assets held for resale	1,884,154	–	1,884,154
Net pension asset	278,613	–	278,613
Capital assets			
Not depreciated	12,441,088	6,492,277	18,933,365
Depreciated	43,423,224	46,327,178	89,750,402
Total capital assets, net of depreciation	55,864,312	52,819,455	108,683,767
Total assets	82,710,729	66,002,098	148,712,827
Deferred outflows of resources			
Pension plan deferments	1,130,233	77,187	1,207,420
Total assets and deferred outflows of resources	$ 83,840,962	$ 66,079,285	$ 149,920,247
Liabilities			
Accounts and contracts payable	$ 1,343,723	$ 167,668	$ 1,511,391
Accrued salaries payable	155,867	16,754	172,621
Accrued interest payable	175,326	74,697	250,023
Due to other governments	356,127	14,127	370,254
Unearned revenue	535,941	–	535,941
Net pension liability			
Due in more than one year	1,685,953	211,665	1,897,618
Bonds and compensated absences payable			
Due within one year	2,008,485	145,000	2,153,485
Due in more than one year	15,780,052	5,658,502	21,438,554
Total liabilities	22,041,474	6,288,413	28,329,887
Deferred inflows of resources			
Lease revenue for subsequent years	5,311,609	–	5,311,609
Pension plan deferments	789,527	61,917	851,444
Total deferred inflows of resources	6,101,136	61,917	6,163,053
Net position			
Net investment in capital assets	37,942,091	48,367,788	86,309,879
Restricted for			
Debt service	3,002,639	–	3,002,639
Tax increment financing	92,877	–	92,877
Park development	416,000	–	416,000
Public safety	479,963	–	479,963
Charitable gambling	48,219	–	48,219
State-funded street projects	1,918,626	–	1,918,626
Pension benefits	465,866	–	465,866
Unrestricted	11,332,071	11,361,167	22,693,238
Total net position	55,698,352	59,728,955	115,427,307
Total liabilities, deferred inflows of resources, and net position	$ 83,840,962	$ 66,079,285	$ 149,920,247

See notes to basic financial statements

CITY OF VICTORIA

Statement of Activities
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities				
General government	$ 2,601,031	$ 10,778	$ –	$ –
Public safety	1,955,746	1,326,545	641,018	2,100
Public works	3,485,575	82,150	133,344	400,996
Culture and recreation	2,079,615	901,378	367,370	606,975
Economic development	307,918	–	–	–
Interest and fiscal charges	355,461	–	–	–
Total governmental activities	10,785,346	2,320,851	1,141,732	1,010,071
Business-type activities				
Water	1,826,780	2,344,540	2,121	1,015,670
Sewer	1,835,660	1,280,640	8	991,400
Storm water management	497,783	575,077	4	76,931
Total business-type activities	4,160,223	4,200,257	2,133	2,084,001
Total governmental and business-type activities	$ 14,945,569	$ 6,521,108	$ 1,143,865	$ 3,094,072

General revenues
- Property taxes
- Tax increments
- Franchise taxes
- Grants and contributions not restricted to specific programs
- Other general revenues
- Investment earnings
- Gain on sale of assets

Transfers – capital assets

Total general revenues

Change in net position

Net position – beginning

Net position – ending

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (2,590,253)	$ –	$ (2,590,253)
13,917	–	13,917
(2,869,085)	–	(2,869,085)
(203,892)	–	(203,892)
(307,918)	–	(307,918)
(355,461)	–	(355,461)
(6,312,692)	–	(6,312,692)
–	1,535,551	1,535,551
–	436,388	436,388
–	154,229	154,229
–	2,126,168	2,126,168
(6,312,692)	2,126,168	(4,186,524)
7,370,982	–	7,370,982
315,038	–	315,038
401,426	–	401,426
315,321	–	315,321
148,116	–	148,116
581,772	353,976	935,748
7,875	–	7,875
(144,351)	144,351	–
8,996,179	498,327	9,494,506
2,683,487	2,624,495	5,307,982
53,014,865	57,104,460	110,119,325
$ 55,698,352	$ 59,728,955	$115,427,307

CITY OF VICTORIA

Balance Sheet
Governmental Funds
as of December 31, 2023

	101 General	227 Victoria Recreation Center	300's / 500's Debt Service	808 Permanent Improvement Revolving
Assets				
Cash and investments	$ 3,760,424	$ 1,267,414	$ 2,319,261	$ 2,212,404
Receivables				
Interest	124,217	–	11,927	–
Taxes	38,019	–	7,194	–
Accounts	24,617	80,809	–	–
Special assessments	–	–	839,583	3,853
Due from other governments	164,530	–	–	1,918,626
Lease	960,568	4,351,041	–	–
Prepaid items	49,620	2,983	–	–
Assets held for resale	–	–	–	–
Advance to other funds	545,000	–	–	–
Total assets	$ 5,666,995	$ 5,702,247	$ 3,177,965	$ 4,134,883
Liabilities				
Accounts and contracts payable	$ 133,266	$ 39,540	$ –	$ 439,681
Accrued salaries payable	148,156	7,711	–	–
Due to other funds	–	–	–	–
Due to other governments	16,083	340,044	–	–
Unearned revenue	2,975	49,171	–	–
Advance from other funds	–	–	–	–
Total liabilities	300,480	436,466	–	439,681
Deferred inflows of resources				
Lease revenue for subsequent years	960,568	4,351,041	–	–
Unavailable revenue – taxes	11,337	–	2,145	–
Unavailable revenue – special assessments	–	–	838,729	3,853
Unavailable revenue – long-term receivable	–	–	–	1,918,626
Total deferred inflows of resources	971,905	4,351,041	840,874	1,922,479
Fund balances (deficit)				
Nonspendable	594,620	2,983	–	–
Restricted	–	–	2,337,091	–
Committed	1,172,500	911,757	–	–
Assigned	545,260	–	–	1,772,723
Unassigned	2,082,230	–	–	–
Total fund balances	4,394,610	914,740	2,337,091	1,772,723
Total liabilities, deferred inflows of resources, and fund balances	$ 5,666,995	$ 5,702,247	$ 3,177,965	$ 4,134,883

See notes to basic financial statements

Nonmajor	Total
$ 7,056,060	$ 16,615,563
–	136,144
–	45,213
111,929	217,355
–	843,436
–	2,083,156
–	5,311,609
–	52,603
1,884,154	1,884,154
335,000	880,000
$ 9,387,143	$ 28,069,233
$ 731,236	$ 1,343,723
–	155,867
103,571	103,571
–	356,127
483,795	535,941
1,397,858	1,397,858
2,716,460	3,893,087
–	5,311,609
–	13,482
–	842,582
–	1,918,626
–	8,086,299
–	597,603
1,037,059	3,374,150
2,279,724	4,363,981
3,922,808	6,240,791
(568,908)	1,513,322
6,670,683	16,089,847
$ 9,387,143	$ 28,069,233

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CITY OF VICTORIA

Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds as of December 31, 2023

Total fund balances – governmental funds	$ 16,089,847
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 governmental funds.	
Cost of capital assets	81,688,012
Less accumulated depreciation	(25,823,700)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	278,613
Long-term liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds.	
Bonds	(16,615,000)
Unamortized premium	(905,052)
Compensated absences	(268,485)
Net pension liability	(1,685,953)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	(175,326)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
Deferred outflows of resources – pension plan deferments	1,130,233
Deferred inflows of resources – pension plan deferments	(789,527)
Deferred inflows of resources – unavailable revenues	2,774,690
Total net position – governmental activities	$ 55,698,352

CITY OF VICTORIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2023

	101 General	227 Victoria Recreation Center	300's / 500's Debt Service	808 Permanent Improvement Revolving
Revenues				
Taxes				
Property	$ 6,190,994	$ –	$ 1,179,436	$ –
Increment	–	–	–	–
Franchise	54,006	–	–	–
Special assessments	–	–	235,437	2,778
Licenses and permits	945,896	–	–	–
Intergovernmental	353,263	–	–	117,843
Charges for services	680,115	791,810	–	–
Fines and forfeits	8,863	–	–	–
Investment earnings	177,472	42,626	87,186	74,030
Miscellaneous	27,135	267,421	–	–
Total revenues	8,437,744	1,101,857	1,502,059	194,651
Expenditures				
Current				
General government	2,259,380	–	–	–
Public safety	1,816,956	–	–	–
Public works	943,816	–	–	–
Culture and recreation	746,244	614,873	–	–
Economic development	695	–	–	–
Capital outlay				
General government	51,549	–	–	–
Public safety	–	–	–	–
Public works	10,750	–	–	1,282,505
Culture and recreation	29,824	313,411	–	–
Economic development	–	–	–	–
Debt service				
Principal	–	–	2,060,000	–
Interest and fiscal charges	–	–	424,985	–
Total expenditures	5,859,214	928,284	2,484,985	1,282,505
Excess (deficiency) of revenues over expenditures	2,578,530	173,573	(982,926)	(1,087,854)
Other financing sources (uses)				
Bonds issued	–	–	–	–
Premium on bonds issued	–	–	–	–
Sale of capital assets	–	–	–	–
Transfers in	–	–	725,000	519,066
Transfers out	(1,645,066)	(340,000)	–	–
Total other financing sources (uses)	(1,645,066)	(340,000)	725,000	519,066
Net change in fund balances	933,464	(166,427)	(257,926)	(568,788)
Fund balances				
Beginning of year	3,461,146	1,081,167	2,595,017	2,341,511
End of year	$ 4,394,610	$ 914,740	$ 2,337,091	$ 1,772,723

See notes to basic financial statements

Nonmajor	Total
$ –	$ 7,370,430
315,038	315,038
347,420	401,426
–	238,215
–	945,896
685,786	1,156,892
603,100	2,075,025
–	8,863
200,458	581,772
163,391	457,947
2,315,193	13,551,504
–	2,259,380
10,055	1,827,011
–	943,816
12,338	1,373,455
–	695
59,245	110,794
883,151	883,151
1,540,320	2,833,575
695,300	1,038,535
815,646	815,646
–	2,060,000
19,099	444,084
4,035,154	14,590,142
(1,719,961)	(1,038,638)
810,000	810,000
50,542	50,542
10,000	10,000
1,126,000	2,370,066
(385,000)	(2,370,066)
1,611,542	870,542
(108,419)	(168,096)
6,779,102	16,257,943
$ 6,670,683	$ 16,089,847

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CITY OF VICTORIA

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2023

Total net change in fund balances – governmental funds	$ (168,096)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	4,159,341
Transfer to business-type activities	(144,351)
Depreciation expense	(2,417,988)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(2,125)
Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.	(375,169)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Other long-term debt adjustments are also made between the governmental funds and the Statement of Activities for bond premiums, compensated absences, and pension liabilities.	
Bonds issued	(810,000)
Principal payments for bonds	2,060,000
Bond premiums	28,807
Compensated absences	(26,635)
Net pension liability	620,191
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	9,274
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
Deferred outflows of resources – pension plan deferments	80,507
Deferred inflows of resources – pension plan deferments	(492,782)
Deferred inflows of resources – unavailable revenues	162,513
Change in net position – governmental activities	$ 2,683,487

CITY OF VICTORIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended December 31, 2023

	Original and Final Budget	Actual	Over (Under) Final Budget
Revenues			
Taxes			
Property	$ 6,192,000	$ 6,190,994	$ (1,006)
Franchise	66,000	54,006	(11,994)
Licenses and permits	608,150	945,896	337,746
Intergovernmental	58,631	353,263	294,632
Charges for services	548,456	680,115	131,659
Fines and forfeits	10,000	8,863	(1,137)
Investment earnings	20,000	177,472	157,472
Miscellaneous	3,000	27,135	24,135
Total revenues	7,506,237	8,437,744	931,507
Expenditures			
Current			
General government	2,576,535	2,259,380	(317,155)
Public safety	1,855,883	1,816,956	(38,927)
Public works	937,197	943,816	6,619
Culture and recreation	783,142	746,244	(36,898)
Economic development	–	695	695
Capital outlay			
General government	39,856	51,549	11,693
Public works	14,000	10,750	(3,250)
Culture and recreation	83,000	29,824	(53,176)
Total expenditures	6,289,613	5,859,214	(430,399)
Excess of revenues over expenditures	1,216,624	2,578,530	1,361,906
Other financing sources (uses)			
Transfers out	(950,000)	(1,645,066)	(695,066)
Net change in fund balances	$ 266,624	933,464	$ 666,840
Fund balances			
Beginning of year		3,461,146	
End of year		$ 4,394,610	

CITY OF VICTORIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Victoria Recreation Center Fund
Year Ended December 31, 2023

	Original and Final Budget	Actual	Over (Under) Final Budget
Revenues			
Charges for services	$ 729,093	$ 791,810	$ 62,717
Investment earnings	5,000	42,626	37,626
Miscellaneous	257,500	267,421	9,921
Total revenues	991,593	1,101,857	110,264
Expenditures			
Current			
Culture and recreation	661,553	614,873	(46,680)
Capital outlay	125,000	313,411	188,411
Total expenditures	786,553	928,284	141,731
Excess (deficiency) of revenues over expenditures	205,040	173,573	(31,467)
Other financing sources (uses)			
Transfers out	(340,000)	(340,000)	–
Net change in fund balances	$ (134,960)	(166,427)	$ (31,467)
Fund balances			
Beginning of year		1,081,167	
End of year		$ 914,740	

CITY OF VICTORIA

Statement of Net Position
Proprietary Funds
as of December 31, 2023

	Business-Type Activities – Enterprise Funds			
	601	**602**	**603**	
	Water	Sewer	Storm Water Management	Totals
Assets				
Current assets				
Cash and investments	$ 6,442,737	$ 3,770,873	$ 1,962,695	$ 12,176,305
Receivables				
Accounts	134,722	121,914	57,383	314,019
Special assessments	30,709	20,278	7,284	58,271
Due from other funds	–	103,571	–	103,571
Prepaid items	5,039	6,177	1,403	12,619
Total current assets	6,613,207	4,022,813	2,028,765	12,664,785
Noncurrent assets				
Advances to other funds	–	517,858	–	517,858
Capital assets				
Land	132,921	–	4,004,029	4,136,950
Construction in progress	1,879,275	476,052	–	2,355,327
Buildings and building improvements	131,851	–	–	131,851
Infrastructure	31,837,662	23,923,553	12,257,987	68,019,202
Machinery and equipment	341,190	296,733	215,019	852,942
Less accumulated depreciation	(12,248,825)	(7,490,029)	(2,937,963)	(22,676,817)
Total capital assets (net of accumulated depreciation)	22,074,074	17,206,309	13,539,072	52,819,455
Total noncurrent assets	22,074,074	17,724,167	13,539,072	53,337,313
Total assets	28,687,281	21,746,980	15,567,837	66,002,098
Deferred outflows of resources				
Pension plan deferments	40,996	23,836	12,355	77,187
Total assets and deferred outflows of resources	$ 28,728,277	$ 21,770,816	$ 15,580,192	$ 66,079,285
Liabilities				
Current liabilities				
Accounts and contracts payable	$ 135,348	$ 26,361	$ 5,959	$ 167,668
Accrued salaries payable	8,174	5,009	3,571	16,754
Due to other governments	14,127	–	–	14,127
Accrued interest payable	36,094	38,603	–	74,697
Bonds payable – current	–	145,000	–	145,000
Total current liabilities	193,743	214,973	9,530	418,246
Noncurrent liabilities				
Net pension liability	112,420	65,365	33,880	211,665
Bonds payable	2,491,321	3,167,181	–	5,658,502
Total noncurrent liabilities	2,603,741	3,232,546	33,880	5,870,167
Total liabilities	2,797,484	3,447,519	43,410	6,288,413
Deferred inflows of resources				
Pension plan deferments	32,885	19,121	9,911	61,917
Net position				
Net investment in capital assets	20,765,482	14,063,234	13,539,072	48,367,788
Unrestricted	5,132,426	4,240,942	1,987,799	11,361,167
Total net position	25,897,908	18,304,176	15,526,871	59,728,955
Total liabilities, deferred inflows of resources, and net position	$ 28,728,277	$ 21,770,816	$ 15,580,192	$ 66,079,285

See notes to basic financial statements

CITY OF VICTORIA

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2023

	Business-Type Activities – Enterprise Funds			
	601	**602**	**603**	
	Water	Sewer	Storm Water Management	Totals
Operating revenue				
Charges for services	$ 2,338,035	$ 1,279,756	$ 542,616	$ 4,160,407
Operating expenses				
Personnel services	263,343	162,501	88,288	514,132
Professional services	102,646	58,935	101,667	263,248
Purchased utilities	235,972	13,395	–	249,367
Materials and supplies	323,440	111,445	5,086	439,971
MCES disposal charges	–	818,591	–	818,591
Total operating expenses	925,401	1,164,867	195,041	2,285,309
Operating income before depreciation	1,412,634	114,889	347,575	1,875,098
Depreciation	801,107	592,376	302,742	1,696,225
Operating income (loss)	611,527	(477,487)	44,833	178,873
Nonoperating revenues (expenses)				
Intergovernmental	2,121	8	4	2,133
Investment earnings	176,534	120,518	56,924	353,976
Miscellaneous	6,505	884	32,461	39,850
Interest and fiscal charges	(100,272)	(78,417)	–	(178,689)
Total nonoperating revenues (expenses)	84,888	42,993	89,389	217,270
Income (loss) before contributions	696,415	(434,494)	134,222	396,143
Capital contributions – from other funds	144,351	–	–	144,351
Capital contributions – connection fees	1,015,670	991,400	76,931	2,084,001
Change in net position	1,856,436	556,906	211,153	2,624,495
Net position				
Beginning of year	24,041,472	17,747,270	15,315,718	57,104,460
End of year	$ 25,897,908	$ 18,304,176	$ 15,526,871	$ 59,728,955

CITY OF VICTORIA

Statement of Cash Flows
Proprietary Funds
Years Ended December 31, 2023

	Business-Type Activities – Enterprise Funds			
	601	**602**	**603**	
	Water	Sewer	Storm Water Management	Totals
Cash flows from operating activities				
Cash received from customers	$ 2,318,272	$ 1,271,570	$ 566,201	$ 4,156,043
Cash payments to suppliers	(848,192)	(1,097,901)	(101,195)	(2,047,288)
Cash payments to employees for services	(265,617)	(163,502)	(76,435)	(505,554)
Net cash flows from operating activities	1,204,463	10,167	388,571	1,603,201
Cash flows from noncapital financing activities				
Grants received	2,121	8	4	2,133
Cash received from other funds	–	103,571	–	103,571
Net cash flows from noncapital financing activities	2,121	103,579	4	105,704
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(1,481,042)	(1,564,889)	–	(3,045,931)
Connection fees received	1,015,670	991,400	76,931	2,084,001
Proceeds from issuance of revenue bonds	2,491,321	525,887	–	3,017,208
Payment on bonds	(790,000)	(130,000)	–	(920,000)
Interest and fiscal charges paid	(83,390)	(89,003)	–	(172,393)
Net cash flows from capital and related financing activities	1,152,559	(266,605)	76,931	962,885
Cash flows from investing activities				
Interest received on investments	176,534	120,518	56,924	353,976
Net change in cash and cash equivalents	2,535,677	(32,341)	522,430	3,025,766
Cash and investments				
Beginning of year	3,907,060	3,803,214	1,440,265	9,150,539
End of year	$ 6,442,737	$ 3,770,873	$ 1,962,695	$ 12,176,305
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	$ 611,527	$ (477,487)	$ 44,833	$ 178,873
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	801,107	592,376	302,742	1,696,225
Miscellaneous	6,505	884	32,461	39,850
Changes in assets, deferred outflows, liabilities, and deferred inflows				
Accounts receivable	(17,386)	(3,205)	(6,769)	(27,360)
Special assessments receivable	(8,882)	(5,865)	(2,107)	(16,854)
Prepaid items	(214)	(1,135)	(43)	(1,392)
Deferred outflows of resources	24,709	14,038	1,348	40,095
Accounts and contracts payable	(186,258)	(94,344)	5,601	(275,001)
Accrued salaries payable	1,734	785	3,006	5,525
Due to other governments	338	(56)	–	282
Net pension liability	(59,391)	(33,671)	(1,951)	(95,013)
Deferred inflows of resources	30,674	17,847	9,450	57,971
Net cash flows from operating activities	$ 1,204,463	$ 10,167	$ 388,571	$ 1,603,201
Noncash investing, capital, and financing activities				
Capital contributed by other funds	$ 144,351	$ –	$ –	$ 144,351
Payments of capital assets on account	$ (98,488)	$ (23,820)	$ –	$ (122,308)
Amortization of bond premium	$ 16,906	$ 16,022	$ –	$ 32,928

See notes to basic financial statements

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Victoria, Minnesota (the City) operates under the state of Minnesota Statutory Plan B form of government. Under this plan, the government of the City is run by a council composed of an elected mayor and four councilmembers. The City Council exercises legislative authority and determines all matters of policy. The Council appoints the City Manager who is responsible for the administration of all affairs relating to the City.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component unit. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or is fiscally depended upon by the potential component unit.

The Economic Development Authority (EDA) was created pursuant to Minnesota Statutes to carryout economic and industrial development and redevelopment within the City in accordance with policies established by the City's Council. The six-member board consists of the mayor, four councilmembers, and the City Manager, acting as the president, commissioners, and executive director, respectively. The EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the Council. The EDA is blended and presented as a special revenue fund. Separate financial statements are not issued for this component unit.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely upon sales, fees, and charges for support.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally dedicated resources are reported as general revenues.

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes and special assessments are recognized as revenues in the fiscal year for which they are certified for levy. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions. Depreciation expense is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

   Major revenue that is susceptible to accrual includes taxes, special assessments, intergovernmental revenue, charges for services, and interest earned on investments. Major revenue that is not susceptible to accrual includes licenses and permits, fees, and miscellaneous revenue. Such revenue is recorded only when received because it is not measurable until collected.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

Description of Funds

The City reports the following major governmental funds:

General Fund – This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Victoria Recreation Center (VRC) Fund – This fund is a special revenue fund that accounts for the operations of the City's recreation facility, along with joint activities in an agreement with Independent School District No. 112. The City Council has committed all resources of this fund for VRC operations and capital improvements.

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal, interest, and other related costs of long-term debt of governmental funds.

Permanent Improvement Revolving Fund – This capital projects fund accounts for the long-term maintenance and reconstruction of city streets.

The City reports the following major enterprise funds:

Water Fund – The Water Fund accounts for the activities of the City's water distribution operations.

Sewer Fund – The Sewer Fund accounts for the activities of the City's sewer operations.

Storm Water Management Fund – The Storm Water Management Fund accounts for the activities of the City's storm water management operations.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

Cash and investments include balances that are combined and invested to the extent available in various securities as authorized by state law. Allocations of pooled investment earnings to the respective funds is based on participation by each fund. Certain bond proceeds may be held separately for capital projects. Earnings on these accounts are allocated directly to the respective funds.

The City generally reports investments at fair value. The Minnesota Municipal Money Market (4M) Fund is an external investment pool regulated by Minnesota Statutes that is not registered with the Securities and Exchange Commission (SEC), but follows the same regulatory rules of the SEC. The fair value of the position in the pool is the same as the value of the pool shares, which is based on an amortized cost method that approximates fair value. The 4M Fund is sponsored by the League of Minnesota Cities. Investments are purchased and regulated according to Minnesota Statutes. For this investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required for the Liquid Class; the redemption notice period is 14 days for the Plus Class. Term series redemption notice period is 7 days.

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

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the City's recurring fair value measurements as of year-end.

F. Receivables

Utility and miscellaneous accounts receivable are reported at gross. Since the City is generally able to certify delinquent amounts to the county for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables. The only receivables not expected to be fully collected within one year are lease receivable, property taxes receivable, and special assessments receivable.

G. Interfund Receivables and Payables

In the fund financial statements, activity between funds that is representative of lending or borrowing arrangements is reported as either "due to/from other funds" (current portion) or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Carver County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads the levies over all taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes are due in full on May 15. The county provides tax settlements to cities and other taxing districts three times a year: in July, December, and January.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, taxes are recognized as revenue when received in cash or within 60 days after year-end. Taxes, which remain unpaid on December 31, are classified as delinquent taxes receivable and are offset by a deferred inflow of resources in the governmental fund financial statements.

I. Special Assessments

Special assessments primarily represent the financing for public improvements paid for by benefiting property owners. As previously mentioned under receivables, the City is also generally able to certify delinquent utility receivables to the county for collection as special assessments. Special assessments are recorded as receivables upon certification to the county. Special assessments are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, special assessments are recognized as revenue when received in cash or within 60 days after year-end. Governmental fund special assessments receivable which remains unpaid on December 31, are offset by a deferred inflow of resources in the governmental fund financial statements. Delinquent assessments receivable at December 31, 2023 totaled $2,738.

J. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

K. Capital Assets

Capital assets that include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial, individual cost greater than the following: land and improvements at $10,000; buildings and other improvements at $25,000; infrastructure at $100,000; and machinery, equipment and other assets at $5,000. Such assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value on the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chooses to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Capital assets not being depreciated include land and construction in progress.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimated useful lives are as follows:

Land improvements	10–45 years
Buildings and building improvements	5–50 years
Infrastructure	10–100 years
Machinery and equipment	5–20 years

L. Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused paid time off (PTO). Employees can accrue up to 320 hours of PTO. Once this limit is reached, PTO stops accruing. All PTO is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements.

M. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of resources (revenue) until that time.

The City reports deferred outflows and inflows of resources related to pensions in the government-wide and enterprise funds Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

The City reports deferred inflows of resources related to lease receivables in the government-wide Statement of Net Position and governmental funds Balance Sheet. This deferred inflow of resources related to lease receivables requires lessors to recognize deferred inflows of resources to correspond to lease receivables. These amounts are deferred and amortized in a systematic and rationale manner over the term of the lease.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred inflows of resources from unavailable revenue arises only under a modified accrual basis of accounting and, therefore, is only reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and long-term receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

O. State-Wide Pension Plans

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from the PERA's fiduciary net position have been determined on the same basis as they are reported by the PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and the VRC Fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In June of each year, the City begins planning for the next year's budget. The proposed budget is presented to the City Council for review before September 30. The City Council holds public hearings as required and a final budget is adopted in early December.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Manager. The legal level of budgetary control is the function level. There was one budget amendment in the current year to reallocate expenditures by department for certain wages and benefits. This budget amendment did not change the total budgeted expenditures for the General Fund.

Q. Assets Held for Resale

Assets held for resale represent various property purchases made by the City with the intent to sell in order to increase tax base or to attract new businesses. These assets are stated at the lower of cost or acquisition value.

R. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase by the City of three months or less to be cash equivalents. The proprietary funds' portion in the government-wide cash and investment management pool is considered to be cash equivalent.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Position and Flow Assumptions

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position** – All other elements of net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

T. Fund Balance Classifications and Flow Assumptions

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned –** Consists of internally imposed constraints for amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. Pursuant to Council resolution, the City Council is authorized to establish assignments of fund balance.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. 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; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers' compensation, and other miscellaneous insurance coverages. LMCIT operates as a common risk management and insurance program for Minnesota cities. The City pays an annual premium to LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. There were no significant reductions in the City's insurance coverage in the current year.

V. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	$	6,273,546
Investments		22,517,822
Cash on hand		500
Total	$	28,791,868

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including a checking account, money market accounts, and certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City has no additional deposit policies addressing custodial credit risk.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end, the carrying amount of the City's deposits was $6,273,546, while the balance on the bank records was $6,589,634. On December 31, 2023, all deposits were fully covered by federal deposit insurance or collateral held by the City's agent in the City's name.

C. Investments

The City has the following investments at year-end:

	Credit Risk		Fair Value Measurements	Interest Risk – Maturity Duration in Years			
Investment Type	Rating	Agency	Using	Less Than 1	1 to 3	More Than 3	Total
U.S. agency securities	AA	S&P	Level 2	$ 245,390	$ –	$ 526,613	$ 772,003
Municipal securities	AA	S&P	Level 2	304,040	144,044	450,416	898,500
Negotiable certificates of deposit	N/R	N/A	Level 2	3,382,431	5,123,120	497,629	9,003,180
				$ 3,931,861	$ 5,267,164	$ 1,474,658	10,673,683
Investment pools/mutual funds							
4M Fund	N/R	N/A	Amortized Cost	N/A	N/A	N/A	7,494,984
4M Plus Fund	N/R	N/A	Amortized Cost	N/A	N/A	N/A	2,310,010
4M Term Series	N/R	N/A	Amortized Cost	$ 2,000,000	N/A	N/A	2,000,000
Federated Hermes Government Obligation Fund	AAA	S&P	Level 1	N/A	N/A	N/A	39,145
Total investments							$ 22,517,822

N/A – Not Applicable
N/R – Not Rated

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy addresses this risk by requiring that securities be held by an independent third-party custodian with identification of the City's ownership.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investment policy further addresses credit risk by limiting investments in the authorized investment types to those rated in the top rating tiers issued by nationally recognized statistical rating organizations, pre-qualifying the financial institutions, brokers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Concentration Risk – It is the policy of the City to diversify its investment portfolio and eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity, class of securities, or issuer. To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements, allowing no more than 30 percent of the total invested in maturities of over three years. At year-end, 7 percent of the City's investments had maturities of over three years. The policy limits the individual classes of securities, allowing for up to 100 percent of the total portfolio to be invested in U.S. treasury obligations, up to 50 percent in U.S. government agencies, up to 100 percent in certificates of deposit, and up to 20 percent in municipal securities. The City's holdings at year-end fully complied with this aspect of the policy. Lastly, the policy allows for no more than 8 percent of the overall portfolio, not including cash and cash equivalents with fiscal agents, to be invested in the securities of a single issuer.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). As a means of limiting the City's exposure to interest rate risk, it is the City's policy to match maturity dates with expenditure needs by investing operating funds primarily in shorter term securities, money market funds, or similar investment pools and limiting the average maturity of the portfolio.

NOTE 3 – LEASE RECEIVABLE

The City has entered into lease receivable agreements for cell tower rental space on city property and space lease. These leases are reported using an incremental borrowing rate of 4.00 percent with a final maturity in fiscal 2032. During the current year, the City received principal and interest payments on these leases of $668,418.

NOTE 4 – INTERFUND TRANSACTIONS

A. Due To and From Other Funds

Due to and from other funds at year-end were as follows:

Due From Other Funds	Due To Other Funds – Governmental – Nonmajor
Proprietary	
Sewer	$ 103,571

The Sewer Fund loaned the Capital Facilities Nonmajor Fund $725,000 for the purchase of land for a future fire station and this portion represents the amount expected to be paid back in 2024.

NOTE 4 – INTERFUND TRANSACTIONS (CONTINUED)

B. Advances To and Advances From Other Funds

Advances to and from other funds at year-end were as follows:

Advance To Other Funds	Advance From Other Funds Governmental Nonmajor
Governmental	
General	$ 545,000
Nonmajor	335,000
Proprietary	
Sewer	517,858
Total	$ 1,397,858

The General Fund loaned the Tax Increment District No. 6 Nonmajor Fund $545,000 for cash flow purposes. There is a zero percent interest rate and payment will be dependent on future increment collections.

The Capital Facilities Nonmajor Fund loaned the Tax Increment District No. 5 Nonmajor Fund $335,000 for cash flow purposes. There is a zero percent interest rate and payment will be dependent on future increment collections.

The Sewer Fund loaned the Capital Facilities Nonmajor Fund $725,000 for the purchase of land for a future fire station. There is a zero percent interest rate and payments will be made evenly over seven years.

Interfund balances reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements.

C. Interfund Transfers

Interfund transfers for the year were as follows:

	Transfers In			
	Governmental			
Transfers Out	Debt Service	Permanent Improvement Revolving	Nonmajor	Total
Governmental				
General	$ –	$ 519,066	$ 1,126,000	$ 1,645,066
Victoria Recreation Center	340,000	–	–	340,000
Nonmajor	385,000	–	–	385,000
Total	$ 725,000	$ 519,066	$ 1,126,000	$ 2,370,066

NOTE 4 – INTERFUND TRANSACTIONS (CONTINUED)

Transfers were made in accordance with budget appropriations or as approved by the City Council for the following purposes:

- The General Fund transferred $519,066 to the Permanent Improvement Revolving Fund and $1,126,000 to the nonmajor governmental funds for various capital improvement projects.
- The Victoria Recreation Center Fund transferred $340,000 to the Debt Service Fund to finance the Recreation Center building.
- The nonmajor governmental funds transferred $385,000 to the Debt Service Fund to cover debt payments.

Transfers are reported in the fund financial statements but are eliminated in the government-wide financial statements, as applicable.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

A. Changes in Capital Assets Used in Governmental Activities

	Beginning Balance	Additions	Deletions	Completed Construction	Transfers	Ending Balance
Capital assets, not being depreciated						
Land	$ 9,740,354	$ –	$ –	$ –	$ –	$ 9,740,354
Construction in progress	3,294,680	2,364,656	–	(2,958,602)	–	2,700,734
Total capital assets, not being depreciated	13,035,034	2,364,656	–	(2,958,602)	–	12,441,088
Capital assets, depreciated						
Land improvements	5,769,916	284,949	–	561,467	–	6,616,332
Buildings and building improvements	15,172,327	362,738	–	491,511	(84,748)	15,941,828
Infrastructure	36,922,114	–	–	1,905,624	–	38,827,738
Machinery and equipment	6,824,615	1,146,998	(50,984)	–	(59,603)	7,861,026
Total capital assets, depreciated	64,688,972	1,794,685	(50,984)	2,958,602	(144,351)	69,246,924
Less accumulated depreciation on						
Land improvements	1,589,786	323,213	–	–	–	1,912,999
Buildings and building improvements	4,933,076	353,261	–	–	–	5,286,337
Infrastructure	13,282,805	1,319,117	–	–	–	14,601,922
Machinery and equipment	3,648,904	422,397	(48,859)	–	–	4,022,442
Total accumulated depreciation	23,454,571	2,417,988	(48,859)	–	–	25,823,700
Total capital assets, depreciated, net	41,234,401	(623,303)	(2,125)	2,958,602	(144,351)	43,423,224
Net capital assets	$ 54,269,435	$ 1,741,353	$ (2,125)	$ –	$ (144,351)	$ 55,864,312

NOTE 5 – CAPITAL ASSETS (CONTINUED)

B. Changes in Capital Assets Used in Business-Type Activities

	Beginning Balance	Additions	Deletions	Completed Construction	Transfers	Ending Balance
Capital assets, not being depreciated						
Land	$ 4,136,950	$ –	$ –	$ –	$ –	$ 4,136,950
Construction in progress	4,104,916	1,747,809	–	(3,497,398)	–	2,355,327
Total capital assets, not being depreciated	8,241,866	1,747,809	–	(3,497,398)	–	6,492,277
Capital assets, depreciated						
Buildings and building improvements	–	47,103	–	–	84,748	131,851
Infrastructure	63,207,832	1,313,972	–	3,497,398	–	68,019,202
Machinery and equipment	733,984	59,355	–	–	59,603	852,942
Total capital assets, depreciated	63,941,816	1,420,430	–	3,497,398	144,351	69,003,995
Less accumulated depreciation on						
Buildings and building improvements	–	2,637	–	–	–	2,637
Infrastructure	20,628,722	1,643,590	–	–	–	22,272,312
Machinery and equipment	351,870	49,998	–	–	–	401,868
Total accumulated depreciation	20,980,592	1,696,225	–	–	–	22,676,817
Total capital assets, depreciated, net	42,961,224	(275,795)	–	3,497,398	144,351	46,327,178
Net capital assets	$ 51,203,090	$ 1,472,014	$ –	$ –	$ 144,351	$ 52,819,455

C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities	
General government	$ 125,532
Public safety	173,713
Public works	1,453,361
Culture and recreation	665,382
Total depreciation expense – governmental activities	$ 2,417,988
Business-type activities	
Water	$ 801,107
Sewer	592,376
Storm water management	302,742
Total depreciation expense – business-type activities	$ 1,696,225

NOTE 6 – LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

	Original Issue	Interest Rate	Issue Date	Final Maturity Date	Balance – End of Year
Governmental activities					
General obligation bonds					
Tax Abatement Bonds, Series 2016C	$ 6,360,000	2.00–2.10%	11/08/2016	02/01/2032	$ 4,090,000
Tax Abatement Bonds, Series 2020A	$ 3,580,000	2.00–4.00%	08/18/2020	02/01/2036	3,205,000
CIP Refunding Bonds, Series 2020A	$ 2,100,000	2.00–4.00%	08/18/2020	02/01/2035	1,855,000
Special assessment bonds					
Refunding Bonds, Series 2012A	$ 2,520,000	2.00%	04/04/2012	01/01/2024	100,000
Improvement Bonds, Series 2016A	$ 2,950,000	2.00%	08/17/2016	02/01/2032	1,890,000
Permanent Improvement Revolving Refunding Bonds, Series 2016B	$ 2,620,000	1.50–2.00%	08/17/2016	02/01/2027	905,000
Improvement Bonds, Series 2017A	$ 1,205,000	1.10–3.00%	09/12/2017	02/01/2033	845,000
Improvement Bonds, Series 2018A	$ 1,105,000	3.00–3.125%	09/12/2018	02/01/2034	870,000
Improvement Bonds, Series 2020A	$ 95,000	2.00–4.00%	08/18/2020	02/01/2036	85,000
Refunding Bonds, Series 2021A	$ 840,000	4.00%	12/09/2021	02/01/2030	750,000
Improvement Bonds, Series 2023A	$ 810,000	4.00–5.00%	10/11/2023	02/01/2039	810,000
Tax increment bonds					
Tax Increment Bonds, Series 2016A	$ 660,000	2.00%	08/17/2016	02/01/2032	425,000
Tax Increment Bonds, Series 2018A	$ 1,005,000	3.00–3.125%	09/12/2018	02/01/2034	785,000
Unamortized premium					905,052
Compensated absences					268,485
Total governmental activities					$ 17,788,537
Business-type activities					
Revenue bonds					
Sewer Revenue Bonds, Series 2021A	$ 2,700,000	2.00–4.00%	12/09/2021	02/01/2037	$ 2,570,000
Water Revenue Bonds, Series 2023A	$ 2,345,000	4.00–5.00%	10/11/2023	02/01/2039	2,345,000
Sewer Revenue Bonds, Series 2023A	$ 495,000	4.00–5.00%	10/11/2023	02/01/2039	495,000
Unamortized premium					393,502
Total business-type activities					$ 5,803,502
Total government-wide activities					$ 23,592,039

B. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	$ 9,875,000	$ –	$ 725,000	$ 9,150,000	$ 745,000
Special assessment bonds	6,680,000	810,000	1,235,000	6,255,000	890,000
Tax increment bonds	1,310,000	–	100,000	1,210,000	105,000
Unamortized premium	933,859	50,542	79,349	905,052	–
Total bonds	18,798,859	860,542	2,139,349	17,520,052	1,740,000
Compensated absences	241,850	260,263	233,628	268,485	268,485
Total governmental activities	19,040,709	1,120,805	2,372,977	17,788,537	2,008,485
Business-type activities					
Revenue bonds	3,490,000	2,840,000	920,000	5,410,000	145,000
Unamortized premium	249,222	177,208	32,928	393,502	–
Total bonds	3,739,222	3,017,208	952,928	5,803,502	145,000
Total government-wide	$ 22,779,931	$ 4,138,013	$ 3,325,905	$ 23,592,039	$ 2,153,485

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

C. Minimum Debt Payments

Minimum annual payments required to retire bonds are as follows:

	Governmental Activities						Business-Type Activities	
Year Ending	General Obligation		Special Assessment		Tax Increment		Revenue Bonds	
December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 745,000	$ 212,490	$ 890,000	$ 154,796	$ 105,000	$ 30,900	$ 145,000	$ 176,303
2025	775,000	190,590	840,000	142,627	110,000	28,125	245,000	193,325
2026	795,000	167,840	605,000	125,263	110,000	25,275	300,000	181,250
2027	815,000	144,440	620,000	108,788	110,000	22,425	315,000	167,500
2028	840,000	120,340	530,000	92,725	115,000	19,500	325,000	153,175
2029–2033	4,005,000	304,965	2,250,000	245,000	580,000	50,200	1,860,000	545,625
2034–2038	1,175,000	32,050	445,000	51,306	80,000	1,250	1,965,000	203,375
2039	–	–	75,000	1,500	–	–	255,000	5,100
Total	$ 9,150,000	$ 1,172,715	$ 6,255,000	$ 922,005	$ 1,210,000	$ 177,675	$ 5,410,000	$ 1,625,653

D. Descriptions of Long-Term Liabilities

- **General Obligation Bonds** – These bonds were issued for the acquisition and construction of major capital facilities. These bonds are backed by the full faith and credit of the City.

- **Special Assessment Bonds** – These bonds were issued to finance various capital improvements and will be repaid from special assessments levied on the properties benefiting from the improvements. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess 5 percent covers any delinquent tax or assessment payments.

- **General Obligation Tax Increment Bonds** – These bonds are secured by the anticipated incremental increase in tax revenues, resulting from the redevelopment of an area. These bonds are backed by the full faith and credit of the City.

- **General Obligation Revenue Bonds** – These bonds are backed by the full faith and credit of the City. Water and Sewer Enterprise Fund revenues will be used to repay this debt. The liability is recorded in the Water and Sewer Enterprise Funds.

- **Other Long-Term Liabilities** – The City provides its employees with various benefits, including compensated absences and pension benefits as further described elsewhere in these notes. The General, Water, Sewer, and Storm Water Management Funds will be used to liquidate these liabilities.

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

E. Revenue Pledged

Future revenue pledged for the payment of long-term debt is as follows:

		Revenue Pledged				Current Year	
Bond Issue	Use of Proceeds	Type	Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
Tax Increment Bonds, Series 2016A	Street/Site Improvements	Tax Increment Financing	100%	2016–2032	$ 464,250	$ 48,900	$ 10,240
Tax Increment Bonds, Series 2018A	Street/Site Improvements	Tax Increment Financing	100%	2018–2034	$ 923,425	$ 84,650	$ 161,212
Sewer Revenue Bonds, Series 2021A	Sewer Extension	Utility Charges	100%	2021–2037	$ 3,037,500	$ 207,000	$ 1,279,756
Water Revenue Bonds, Series 2023A	Well No. 6 and Street Improvements	Utility Charges	100%	2023–2039	$ 3,300,182	$ –	$ 2,338,035
Sewer Revenue Bonds, Series 2023A	Street Improvements	Utility Charges	100%	2023–2039	$ 697,971	$ –	$ 1,279,756

F. Arbitrage Rebate

The Tax Reform Act of 1986 requires governmental entities to pay to the federal government income earned on the proceeds from the issuance of debt in excess of interest costs, pending the expenditure of the borrowed funds. This rebate of interest income (known as arbitrage) applies to governmental debt issued after August 31, 1986. In the opinion of management, any obligation would be immaterial.

G. Conduit Debt Obligations

From time to time, the City has issued industrial revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payment received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all conduit debt outstanding at December 31, 2023 is $21,585,879.

NOTE 7 – NET POSITION/FUND BALANCES

A. Net Investment in Capital Assets

The government-wide Statement of Net Position on December 31, 2023 includes the City's net investment in capital assets calculated as follows:

	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets:			
Capital assets			
Nondepreciable	$ 12,441,088	$ 6,492,277	$ 18,933,365
Depreciable, net of accumulated depreciation	43,423,224	46,327,178	89,750,402
Less capital related long-term debt outstanding	(17,427,514)	(5,803,502)	(23,231,016)
Less capital related accounts/contracts payable	(494,707)	(122,308)	(617,015)
Add unspent bond proceeds	–	1,474,143	1,474,143
Total net investment in capital assets	$ 37,942,091	$ 48,367,788	$ 86,309,879

NOTE 7 – NET POSITION/FUND BALANCES (CONTINUED)

B. Governmental Fund Balance Classifications

At December 31, 2023, the City had the following governmental fund balances:

	General	Victoria Recreation Center	Debt Service	Permanent Improvement Revolving	Nonmajor	Total
Nonspendable						
Prepaid items	$ 49,620	$ 2,983	$ –	$ –	$ –	$ 52,603
Advance to other funds	545,000	–	–	–	–	545,000
Total nonspendable	594,620	2,983	–	–	–	597,603
Restricted						
Debt service	–	–	2,337,091	–	–	2,337,091
Tax increment financing	–	–	–	–	92,877	92,877
Tree replacement fund	–	–	–	–	416,000	416,000
Public safety	–	–	–	–	479,963	479,963
Charitable gambling donation uses	–	–	–	–	48,219	48,219
Total restricted	–	–	2,337,091	–	1,037,059	3,374,150
Committed						
Revenue stabilization	1,172,500	–	–	–	–	1,172,500
Recreation center	–	911,757	–	–	–	911,757
Economic development	–	–	–	–	5,783	5,783
American Rescue Plan	–	–	–	–	24,436	24,436
PEG fees	–	–	–	–	58,199	58,199
Gifts to the parks	–	–	–	–	54,170	54,170
Parks	–	–	–	–	1,168,589	1,168,589
Capital franchise fees	–	–	–	–	460,077	460,077
Affordable housing program	–	–	–	–	508,470	508,470
Total committed	1,172,500	911,757	–	–	2,279,724	4,363,981
Assigned						
Employee insurance benefits	40,000	–	–	–	–	40,000
Compensated absences	60,000	–	–	–	–	60,000
Risk management	40,000	–	–	–	–	40,000
Community development	35,000	–	–	–	–	35,000
Playground	54,000	–	–	–	–	54,000
Park sign replacement	10,000	–	–	–	–	10,000
Community service officer wages	75,000	–	–	–	–	75,000
National APA conference	800	–	–	–	–	800
EV pickup	65,000	–	–	–	–	65,000
Mezzanine shades	2,000	–	–	–	–	2,000
Furniture	25,000	–	–	–	–	25,000
Small area plan/west growth area	25,000	–	–	–	–	25,000
Mobile city hall	42,000	–	–	–	–	42,000
Subsequent year’s budget	71,460	–	–	–	–	71,460
Capital projects	–	–	–	–	41,498	41,498
Trail gap fund	–	–	–	–	695,704	695,704
Technology	–	–	–	–	117,671	117,671
Downtown redevelopment	–	–	–	–	1,884,154	1,884,154
Capital equipment and facilities	–	–	–	–	1,180,491	1,180,491
Developer reimbursement	–	–	–	–	3,290	3,290
Permanent improvement revolving	–	–	–	1,772,723	–	1,772,723
Total assigned	545,260	–	–	1,772,723	3,922,808	6,240,791
Unassigned	2,082,230	–	–	–	(568,908)	1,513,322
Total	$ 4,394,610	$ 914,740	$ 2,337,091	$ 1,772,723	$ 6,670,683	$ 16,089,847

NOTE 7 – NET POSITION/FUND BALANCES (CONTINUED)

C. Minimum Fund Balance Policy

The City Council has formally adopted a fund balance policy that limits the amount of unassigned fund balance for the General Fund. The policy establishes the City shall maintain a minimum unassigned General Fund balance of 30 percent of the subsequent year's budgeted expenditures less transfers. At December 31, 2023, the unassigned fund balance for the General Fund was 31 percent of the subsequent year's budgeted expenditures less transfers.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Employees of the City participate in three defined benefit pension plans. Two of the plans are state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA of Minnesota; the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF). The third is an agent multiple-employer defined benefit pension plan administered by the PERA of Minnesota; the Statewide Volunteer Firefighter Fund. The details of the City's participation in each of these plans are presented later in these notes. The following table summarizes the impact of these plans on the City's government-wide financial statements:

Pension Plans	Net Pension Asset	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA – GERF	$ –	$ 1,711,117	$ 623,985	$ 500,540	$ 376,181
PERA – PEPFF	–	186,501	314,729	269,451	63,795
Fire Relief	278,613	–	268,706	81,453	(153,372)
Total – all pensions	$ 278,613	$ 1,897,618	$ 1,207,420	$ 851,444	$ 286,604

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

The City participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA of Minnesota. The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. The PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code (IRC).

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the GERF. The GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund (PEPFF)

The Public Employees Police and Fire Fund (PEPFF), originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to the PERA.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

B. Benefits Provided

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent for each of the first 10 years of service, and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost-of-living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50.0 percent after five years, up to 100.0 percent after 10 years of credited service. Benefits for the PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50.0 percent after 10 years, up to 100.0 percent after 20 years of credited service. The annuity accrual rate is 3.0 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is fixed at 1.0 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months, but less than 36 months as of the June 30 before the effective date of the increase, will receive a reduced prorated increase.

In 2023, the Legislature allocated funding for a one-time lump-sum payment to General Employee and Police and Fire Plan benefit recipients. Eligibility criteria and the payment amount is specified in statute. The one-time payment is noncompounding towards future benefits.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

C. Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023, and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2023, were $191,440. The City's contributions were equal to the required contributions as set by state statutes.

2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023, and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the PEPFF for the year ended December 31, 2023, were $33,627. The City's contributions were equal to the required contributions as set by state statutes.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2023, the City reported a liability of $1,711,117 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction, due to the state of Minnesota's contribution of $16.0 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled $47,254. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0306 percent at the end of the measurement period and 0.0281 percent for the beginning of the period.

The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	$ 1,711,117
State's proportionate share of the net pension liability associated with the City	47,254
Total	$ 1,758,371

For the year ended December 31, 2023, the City recognized pension expense of $375,969 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional $212 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16.0 million to the GERF.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

At December 31, 2023, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 55,091	$ 9,746
Changes in actuarial assumptions	230,038	469,003
Net collective difference between projected and actual investment earnings	–	21,791
Changes in proportion	242,761	–
Contributions paid to the PERA subsequent to the measurement date	96,095	–
Total	$ 623,985	$ 500,540

A total of $96,095 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2024	$ 135,433
2025	$ (142,506)
2026	$ 71,545
2027	$ (37,122)

2. PEPFF Pension Costs

At December 31, 2023, the City reported a liability of $186,501 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0108 percent at the end of the measurement period and 0.0089 percent for the beginning of the period.

The state of Minnesota contributed $18.0 million to the PEPFF in the plan fiscal year ended June 30, 2023. The contribution consisted of $9.0 million in direct state aid that meets the definition of a special funding situation and $9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The $9.0 million direct state aid was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay $9.0 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The $9.0 million in supplemental state aid will continue until the fund is 90.0 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90.0 percent funded, whichever occurs later. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled $7,489.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	$ 186,501
State's proportionate share of the net pension liability associated with the City	7,489
Total	$ 193,990

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the $9.0 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of $64,246 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized $451 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of $9.0 million to the PEPFF.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $9.0 million in supplemental state aid. The City recognized $972 for the year ended December 31, 2023, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the PEPFF.

At December 31, 2023, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 47,165	$ –
Changes in actuarial assumptions	174,943	261,912
Net collective difference between projected and actual investment earnings	–	7,539
Changes in proportion	73,984	–
Contributions paid to the PERA subsequent to the measurement date	18,638	–
Total	$ 314,729	$ 269,451

A total of $18,638 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2024	$ 13,512
2025	$ 8,429
2026	$ 42,107
2027	$ (4,916)
2028	$ (32,492)

E. Long-Term Expected Return on Investments

The Minnesota State Board of Investment, which manages the investments of the PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best-estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Fixed income	25.00	0.75 %
Private markets	25.00	5.90 %
Total	100.00 %	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.00 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.00 percent for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.00 percent after 24 years of service.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit the PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020, adopted by the Board, and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

1. **GERF**

CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2. **PEPFF**

CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.

CHANGES IN PLAN PROVISIONS

- Additional one-time direct state aid contribution of $19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50.00 percent vesting after five years, increasing incrementally to 100.00 percent after 10 years.
- A one-time, noncompounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following table presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
City's proportionate share of the GERF net pension liability	$ 3,027,105	$ 1,711,117	$ 628,668
City's proportionate share of the PEPFF net pension liability	$ 370,042	$ 186,501	$ 35,607

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

NOTE 10 – DEFINED CONTRIBUTION PLAN

Councilmembers of the City are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the PERA. The PEDCP is a tax qualified plan under Section 401(a) of the IRC, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5.00 percent of their salary, which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees, contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, the PERA receives 2.00 percent of employer contributions and 25 hundredths of 1.00 percent (0.25 percent) of the assets in each member's account annually.

NOTE 10 – DEFINED CONTRIBUTION PLAN (CONTINUED)

Total contributions made by the City during fiscal year 2023 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate for Employees and Employers
Employee	Employer	Employee	Employer	
$ 720	$ 720	5.00%	5.00%	5.00%

NOTE 11 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE VOLUNTEER FIREFIGHTER PLAN

A. Plan Description

The Victoria Fire Department (the Department) participates in the Statewide Volunteer Firefighter (SVF) Retirement Plan (accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump sum defined benefit pension plan administered by the PERA. The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2023, the plan covered 31 active firefighters and 23 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353G.

B. Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a prorated vesting schedule that increases from 40 percent at 5 years of service to 100 percent at 20 years.

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary city contributions. The state of Minnesota contributed $109,415 in fire state aid to the fund for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. The City had no required contribution as set by state statutes. The City did not make a voluntary contribution to the plan for the year ended December 31, 2023.

D. Pension Costs

At December 31, 2023, the City reported a net pension liability (asset) of ($278,613) for the plan. The net pension liability (asset) was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB Statement No. 68 was determined by applying an actuarial formula to specific census data certified by the Department as of December 31, 2022.

For the year ended December 31, 2023, the City recognized negative pension expense of $153,372.

NOTE 11 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE VOLUNTEER FIREFIGHTER PLAN (CONTINUED)

The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance – January 1, 2023	$ 1,172,483	$ 1,826,265	$ (653,782)
Changes for the year			
Service cost	59,032	–	59,032
Interest	73,891	–	73,891
Differences between expected and actual experience	79,179	–	79,179
Contributions – employer	–	15,000	(15,000)
Contributions – nonemployer (state)	–	96,673	(96,673)
Net investment income	–	(273,157)	273,157
Administrative expenses	–	(1,583)	1,583
Total net changes	212,102	(163,067)	375,169
Ending balance – December 31, 2023	$ 1,384,585	$ 1,663,198	$ (278,613)

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 74,654	$ 81,453
Differences between projected and actual investment earnings	194,052	–
Total	$ 268,706	$ 81,453

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

Year Ending December 31,	Pension Expense Amount
2024	$ 3,482
2025	$ 21,746
2026	$ 69,643
2027	$ 92,382

NOTE 11 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE VOLUNTEER FIREFIGHTER PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

The total pension liability at December 31, 2022, was determined using the entry-age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at the later of age 50 or 20 years of service	
Inflation	3.00% per year
Investment rate of return	6.00%

F. Discount Rate

The discount rate used to measure the total pension liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in state statutes. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability (Asset) Sensitivity

The following presents the City's net pension liability (asset) for the Volunteer Firefighter Fund, calculated using the assumed discount rate, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

	1% Decrease in Discount Rate 5.00%	Current Discount Rate 6.00%	1% Increase in Discount Rate 7.00%
Net pension liability (asset)	$ (231,486)	$ (278,613)	$ (323,928)

H. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership, as specified in the Minnesota Constitution, is comprised of the Governor (who is designated as chair of the board), state auditor, secretary of state, and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota Statutes, Chapter 11A and Chapter 353G.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the ongoing management of the funds and are updated periodically.

NOTE 11 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE VOLUNTEER FIREFIGHTER PLAN (CONTINUED)

I. Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Fixed income	25.00	0.75 %
Private markets	25.00	5.90 %
Total	100.00 %	

The 6.00 percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best-estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

J. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

NOTE 12 – TAX INCREMENT PAY-AS-YOU-GO FINANCING REVENUE NOTES

The City has entered into three private development agreements regarding certain tax increment properties. Reimbursements to developers for economic development were contemplated in the development agreements. The vehicle used for this reimbursement is called a tax increment revenue note.

The first note entered into with Victoria City Center, LLC, provides for the payment of principal plus interest at 7.0 percent. Payments on the loan will be made at the lesser of the note payment, or 90.0 percent of the actual net tax increment received during specific years as stated in the agreement. Payments are first applied to accrued interest and then to principal balances. The note is cancelled at the end of the agreement term, whether or not it has been repaid. Any additional tax increments received in years following the term are retained by the City. The outstanding principal balance as of December 31, 2023, was $400,000 and the City rebated $25,107 in the current year.

The second note entered into with Victoria Mainstreet Holdings, LLC, provides for the payment of principal plus interest at 4.5 percent. Payments on the loan will be made at the lesser of the note payment, or 75.0 percent of the actual net tax increment received during specific years as stated in the agreement. Payments are first applied to accrued interest and then to principal balances. The note is cancelled at the end of the agreement term, whether or not it has been repaid. Any additional tax increments received in years following the term are retained by the City. The outstanding principal balance as of December 31, 2023, was $1,959,763 and the City rebated $120,910 in the current year.

The third note entered into with Bethesda Cornerstone Village, provides for the payment of principal plus interest at 5.0 percent. Payments on the loan will be made at the lesser of the note payment, or 90.0 percent of the actual net tax increment received during specific years as stated in the agreement. Payments are first applied to accrued interest and then to principal balances. The note is cancelled at the end of the agreement term, whether or not it has been repaid. Any additional tax increments received in years following the term are retained by the City. The outstanding principal balance as of December 31, 2023, was $1,223,451 and the City rebated $104,122 in the current year.

The outstanding principal balance on these notes are not included in long-term debt because of the nature of these notes in that repayment is required only if sufficient tax increments are received.

NOTE 13 – STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Equity

The following funds have a deficit fund equity at December 31, 2023:

		Amount
Governmental		
Nonmajor Fund		
Tax Increment District No. 5	$	(315,534)
Tax Increment District No. 6	$	(244,122)
2023 Street Project	$	(9,252)

The deficit in Tax Increment District No. 5 and Tax Increment District No. 6 Capital Projects Funds will be reduced and eliminated as tax increment funds are received as a result of development.

The deficit in the 2023 Street Project Capital Projects Fund will be eliminated from future special assessment revenue.

NOTE 13 – STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)

B. Expenditures Exceeding Appropriations

For the year ended December 31, 2023, actual General Fund expenditures exceeded budgeted expenditures in the public works and economic development functions by $3,369 and $695, respectively. Actual Victoria Recreation Center Fund expenditures exceeded budgeted expenditures by $141,731. Expenditures in excess of appropriations were financed by revenues in excess of budget and available fund balance.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Funding

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds that may be disallowed by the agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

B. Legal Claims

The City has the usual and customary type of miscellaneous legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City’s management believes that the City will not incur any material monetary loss resulting from these claims. No loss has been recorded on the City’s financial statements relating to these claims.

C. Construction Contracts

The City has several outstanding contracts at year-end. A liability for work completed has been recorded as contracts payable. The City’s commitment for uncompleted work on these contracts at December 31, 2023 is $1,123,883.

D. Tax Increment Districts

The City’s tax increment districts are subject to review by the Minnesota Office of the State Auditor. Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that it’s not aware of any instances of noncompliance, which would have a material effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTORIA

PERA – General Employees Retirement Fund
Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended December 31, 2023

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0194%	$ 1,005,409	$ –	$ 1,005,409	$ 1,137,941	88.35%	78.20%
12/31/2016	06/30/2016	0.0213%	$ 1,729,454	$ –	$ 1,729,454	$ 1,325,355	130.49%	68.90%
12/31/2017	06/30/2017	0.0211%	$ 1,347,010	$ 16,963	$ 1,363,973	$ 1,366,780	98.55%	75.90%
12/31/2018	06/30/2018	0.0214%	$ 1,187,184	$ 38,938	$ 1,226,122	$ 1,434,457	82.76%	79.50%
12/31/2019	06/30/2019	0.0213%	$ 1,177,629	$ 36,498	$ 1,214,127	$ 1,497,499	78.64%	80.20%
12/31/2020	06/30/2020	0.0230%	$ 1,378,954	$ 42,505	$ 1,421,459	$ 1,639,083	84.13%	79.10%
12/31/2021	06/30/2021	0.0253%	$ 1,080,424	$ 33,029	$ 1,113,453	$ 1,818,910	59.40%	87.00%
12/31/2022	06/30/2022	0.0281%	$ 2,225,529	$ 65,192	$ 2,290,721	$ 2,101,905	105.88%	76.70%
12/31/2023	06/30/2023	0.0306%	$ 1,711,117	$ 47,254	$ 1,758,371	$ 2,436,947	70.22%	83.10%

PERA – General Employees Retirement Fund
Schedule of City Contributions
Year Ended December 31, 2023

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	$ 93,051	$ 93,051	$ –	$ 1,240,674	7.50%
12/31/2016	$ 98,228	$ 98,228	$ –	$ 1,309,705	7.50%
12/31/2017	$ 109,546	$ 109,546	$ –	$ 1,460,613	7.50%
12/31/2018	$ 105,817	$ 105,817	$ –	$ 1,410,889	7.50%
12/31/2019	$ 115,977	$ 115,977	$ –	$ 1,546,360	7.50%
12/31/2020	$ 130,231	$ 130,231	$ –	$ 1,736,413	7.50%
12/31/2021	$ 145,956	$ 145,956	$ –	$ 1,946,083	7.50%
12/31/2022	$ 170,250	$ 170,250	$ –	$ 2,270,003	7.50%
12/31/2023	$ 191,440	$ 191,440	$ –	$ 2,552,527	7.50%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF VICTORIA

PERA – Public Employees Police and Fire Fund
Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended December 31, 2023

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2017	06/30/2017	0.0060%	$ 81,007	$ –	$ 81,007	$ 42,173	192.08%	85.40%
12/31/2018	06/30/2018	0.0078%	$ 83,140	$ –	$ 83,140	$ 78,908	105.36%	88.80%
12/31/2019	06/30/2019	0.0081%	$ 86,233	$ –	$ 86,233	$ 85,884	100.41%	89.30%
12/31/2020	06/30/2020	0.0081%	$ 106,766	$ 2,518	$ 109,284	$ 91,478	116.71%	87.20%
12/31/2021	06/30/2021	0.0084%	$ 64,839	$ 2,922	$ 67,761	$ 99,683	65.05%	93.70%
12/31/2022	06/30/2022	0.0089%	$ 387,293	$ 16,939	$ 404,232	$ 107,853	359.09%	70.50%
12/31/2023	06/30/2023	0.0108%	$ 186,501	$ 7,489	$ 193,990	$ 141,814	131.51%	86.50%

PERA – Public Employees Police and Fire Fund
Schedule of City Contributions
Year Ended December 31, 2023

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2017	$ 12,828	$ 12,828	$ –	$ 79,185	16.20%
12/31/2018	$ 13,574	$ 13,574	$ –	$ 83,792	16.20%
12/31/2019	$ 14,913	$ 14,913	$ –	$ 87,982	16.95%
12/31/2020	$ 16,862	$ 16,862	$ –	$ 95,264	17.70%
12/31/2021	$ 18,575	$ 18,575	$ –	$ 104,940	17.70%
12/31/2022	$ 19,815	$ 19,815	$ –	$ 111,947	17.70%
12/31/2023	$ 33,627	$ 33,627	$ –	$ 189,987	17.70%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF VICTORIA

PERA – State-Wide Volunteer Firefighter Plan
Schedule of Changes in the City's Net
Pension Liability (Asset) and Related Ratios
Year Ended December 31, 2023

	Fiscal Year								
City financial statement year ended December 31,	2015	2016	2017	2018	2019	2020	2021	2022	2023
Measurement period – December 31,	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability									
Service cost	$ 32,698	$ 36,258	$ 41,708	$ 44,135	$ 51,675	$ 50,791	$ 46,222	$ 58,406	$ 59,032
Interest	49,320	48,810	50,811	49,806	52,375	58,334	62,034	58,372	73,891
Differences between expected and actual experience	(19,104)	(4,204)	(15,677)	3,780	2,287	56,556	(125,281)	(52,235)	79,179
Changes of benefit terms	–	–	–	–	56,083	–	–	212,432	–
Benefit payments	(111,194)	(38,745)	(67,166)	(124,897)	–	(124,399)	(74,500)	(37,905)	–
Net change in total pension liability	(48,280)	42,119	9,676	(27,176)	162,420	41,282	(91,525)	239,070	212,102
Total pension liability – beginning of year	844,897	796,617	838,736	848,412	821,236	983,656	1,024,938	933,413	1,172,483
Total pension liability – end of year	796,617	838,736	848,412	821,236	983,656	1,024,938	933,413	1,172,483	1,384,585
Plan fiduciary net position									
Contributions – employer	–	–	–	50,000	15,000	15,000	15,000	15,000	15,000
Contributions – nonemployer (state)	54,657	78,272	62,285	63,656	67,419	67,692	76,203	78,923	96,673
Net investment income	58,652	1,334	64,831	137,627	(47,881)	221,212	198,215	158,272	(273,157)
Benefit payments	(111,194)	(38,745)	(67,166)	(124,897)	–	(124,399)	(74,500)	(37,905)	–
Administrative expenses	(1,350)	(1,350)	(1,514)	(1,594)	(1,530)	(1,500)	(1,500)	(1,500)	(1,470)
Other	(7,310)	(32)	–	–	(68)	(75)	(83)	(33)	(113)
Net change in plan fiduciary net position	(6,545)	39,479	58,436	124,792	32,940	177,930	213,335	212,757	(163,067)
Plan fiduciary net position – beginning of year	973,141	966,596	1,006,075	1,064,511	1,189,303	1,222,243	1,400,173	1,613,508	1,826,265
Plan fiduciary net position – end of year	966,596	1,006,075	1,064,511	1,189,303	1,222,243	1,400,173	1,613,508	1,826,265	1,663,198
Net pension liability (asset)	$ (169,979)	$ (167,339)	$ (216,099)	$ (368,067)	$ (238,587)	$ (375,235)	$ (680,095)	$ (653,782)	$ (278,613)
Fiduciary net position as a percentage of the total pension liability	121.34%	119.95%	125.47%	144.82%	124.26%	136.61%	172.86%	155.76%	120.12%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a December 31, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF VICTORIA

PERA – State-Wide Volunteer Firefighter Plan
Schedule of City Contributions and Nonemployer Contributing Entities
Year Ended December 31, 2023

	City Contributions			Nonemployer Contribution
Year Ended December 31,	Statutorily Determined Contribution	Actual Contribution	Contribution Excess	State 2% Fire Aid
2015	$ –	$ 10,000	$ 10,000	$ 78,272
2016	–	25,000	25,000	62,285
2017	–	25,000	25,000	63,656
2018	–	15,000	15,000	67,419
2019	–	15,000	15,000	67,692
2020	–	15,000	15,000	76,203
2021	–	15,000	15,000	78,923
2022	–	15,000	15,000	96,673
2023	–	–	–	109,415

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a December 31, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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PERA – GENERAL EMPLOYEES RETIREMENT FUND

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 CHANGES IN PLAN PROVISIONS

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- Additional one-time direct state aid contribution of $19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50.00 percent vesting after five years, increasing incrementally to 100.00 percent after 10 years.
- A one-time, noncompounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member’s occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- This single discount rate changed from 6.50 percent to 5.40 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 Public Safety Mortality Table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality Table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality Table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25–44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2016 to MP-2017.

2018 CHANGES IN PLAN PROVISIONS

- Post-retirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing $9.0 million state contribution.
- New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100.00 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019, and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019, and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30.00 percent for vested and nonvested deferred members. The CSA has been changed to 33.00 percent for vested members, and 2.00 percent for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 Fully Generational Table to the RP-2014 Fully Generational Table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 Disabled Mortality Table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years, to 1.00 percent per year through 2064, and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037, and 2.50 percent per year thereafter, to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2037, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

- The post-retirement benefit increase to be paid after attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

PROPOSAL FORM

TO: City of Victoria, Minnesota
C/O Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Phone: 612-851-5900
Email: PublicSale@northlandsecurities.com

Sale Date: February 24, 2025

For all or none of the $21,450,000* General Obligation Capital Improvement Plan Bonds, Series 2025A, in accordance with the Notice of Sale, we will pay you $__________________________, (not less than $21,256,950) plus accrued interest, if any, to date of delivery (estimated to be March 26, 2025) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

Year	Interest Rate	Yield	Year	Interest Rate	Yield	Year	Interest Rate	Yield	Year	Interest Rate	Yield
2027	____%	____%	2034	____%	____%	2040	____%	____%	2046	____%	____%
2028	____%	____%	2035	____%	____%	2041	____%	____%	2047	____%	____%
2029	____%	____%	2036	____%	____%	2042	____%	____%	2048	____%	____%
2030	____%	____%	2037	____%	____%	2043	____%	____%	2049	____%	____%
2031	____%	____%	2038	____%	____%	2044	____%	____%	2050	____%	____%
2032	____%	____%	2039	____%	____%	2045	____%	____%	2051	____%	____%
2033											

True interest percentage:______________________%

Net interest cost: $__________________________

Term Bond Option: Bonds maturing in the years:

________ through ________
________ through ________
________ through ________
________ through ________
________ through ________

To be accumulated into a Term Bond maturing in year:

________.
________.
________.
________.
________.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the City will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:
Account Manager: ______________________________ By: ___________________________________

The foregoing proposal is hereby duly accepted by and on behalf of the City of Victoria, Minnesota at 6:30 PM on February 24, 2025.

_____________________________________ City Administrator

_____________________________________ Mayor

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.