



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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INTRODUCTORY SECTION

CITY OF VICTORIA

Victoria, MN  Est. 1915

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.

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
Assistant City Manager-Finance Director | CPFO



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Victoria
Minnesota**

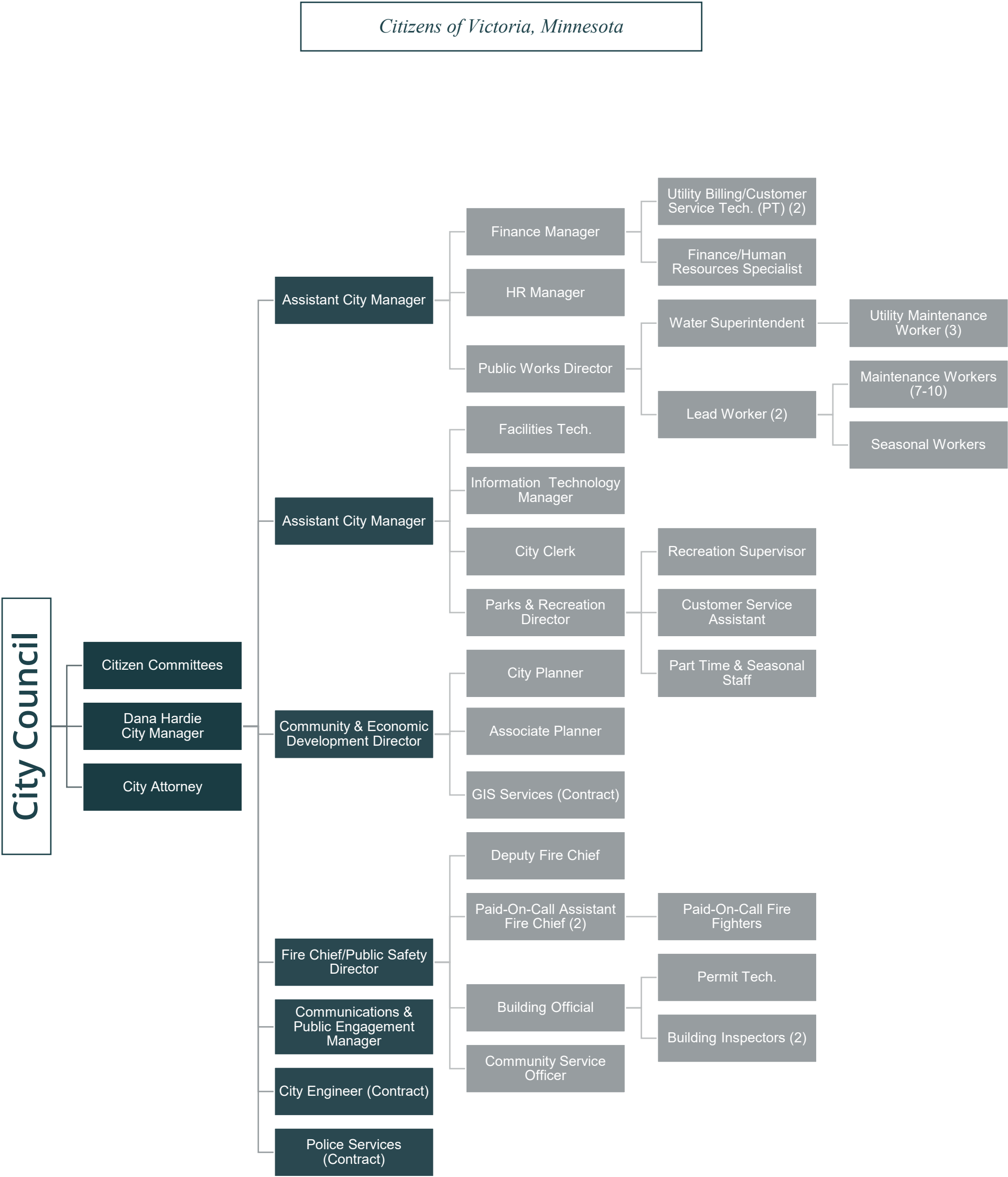
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

ORGANIZATIONAL CHART



CITY OF VICTORIA

Elected Officials and Appointed Personnel December 31, 2023

ELECTED OFFICIALS

		<u>Term Expires</u>
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)

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

CITY OF VICTORIA

Management's Discussion and Analysis Year Ended December 31, 2023

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	<u>\$ 82,710,729</u>	<u>\$ 81,048,572</u>	<u>\$ 66,002,098</u>	<u>\$ 61,417,932</u>	<u>\$ 148,712,827</u>	<u>\$ 142,466,504</u>
Deferred outflows of resources						
Pension plan deferments	<u>\$ 1,130,233</u>	<u>\$ 1,049,726</u>	<u>\$ 77,187</u>	<u>\$ 117,282</u>	<u>\$ 1,207,420</u>	<u>\$ 1,167,008</u>
Total assets and deferred outflows of resources	<u>\$ 83,840,962</u>	<u>\$ 82,098,298</u>	<u>\$ 66,079,285</u>	<u>\$ 61,535,214</u>	<u>\$ 149,920,247</u>	<u>\$ 143,633,512</u>
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	<u>\$ 22,041,474</u>	<u>\$ 23,033,393</u>	<u>\$ 6,288,413</u>	<u>\$ 4,426,808</u>	<u>\$ 28,329,887</u>	<u>\$ 27,460,201</u>
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	<u>\$ 6,101,136</u>	<u>\$ 6,050,040</u>	<u>\$ 61,917</u>	<u>\$ 3,946</u>	<u>\$ 6,163,053</u>	<u>\$ 6,053,986</u>
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	<u>\$ 55,698,352</u>	<u>\$ 53,014,865</u>	<u>\$ 59,728,955</u>	<u>\$ 57,104,460</u>	<u>\$ 115,427,307</u>	<u>\$ 110,119,325</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 83,840,962</u>	<u>\$ 82,098,298</u>	<u>\$ 66,079,285</u>	<u>\$ 61,535,214</u>	<u>\$ 149,920,247</u>	<u>\$ 143,633,512</u>

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	<u>\$ 55,698,352</u>	<u>\$ 53,014,865</u>	<u>\$ 59,728,955</u>	<u>\$ 57,104,460</u>	<u>\$ 115,427,307</u>	<u>\$ 110,119,325</u>

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.

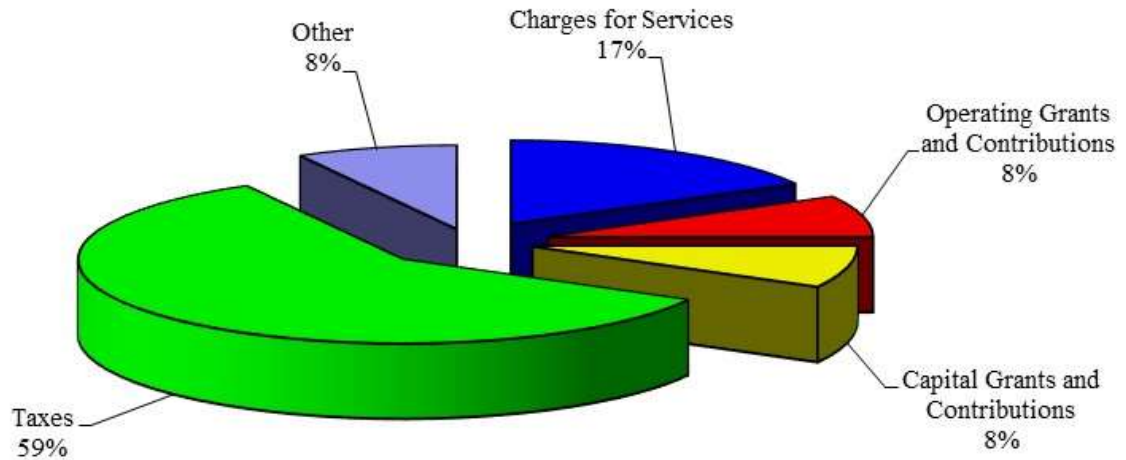
- The largest changes occurred in capital grants and contributions, property taxes, and investment earnings. Capital grants and contributions decreased, due to less contributions from the county and developers for projects. This decrease was offset by an increase in property taxes and investment earnings. 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.

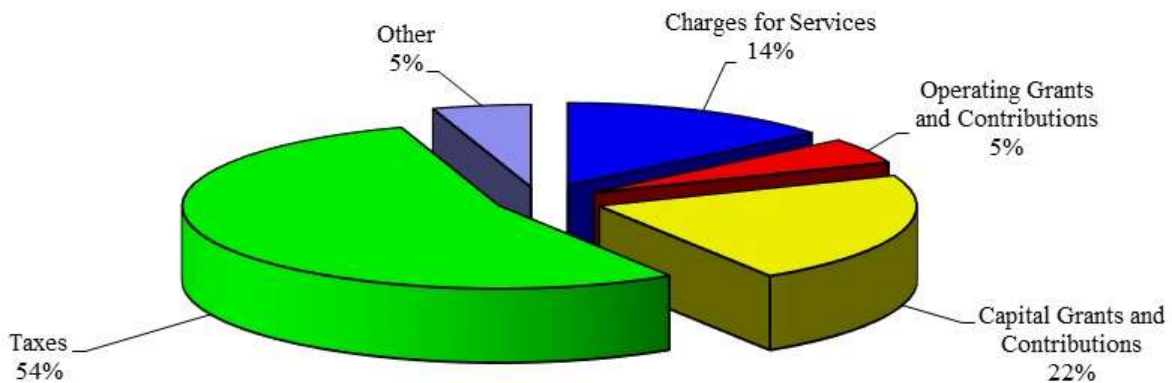
- The City experienced the largest increase within the public works and general government functions. Public works increased with more repairs and maintenance projects and increased expenditures for undergrounding electrical lines and for the Highway 5 project, which are not city assets. The increase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

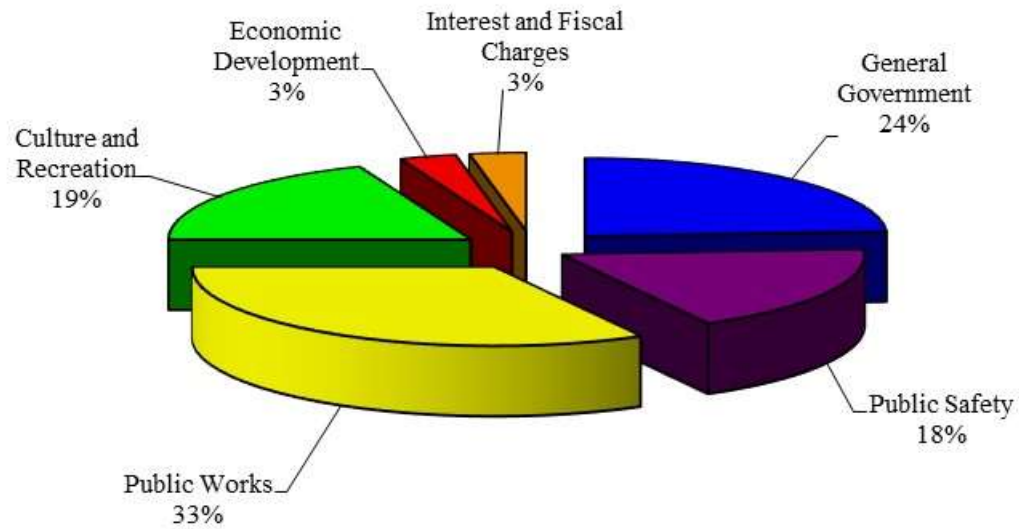
2023 Revenues by Source – Governmental Activities



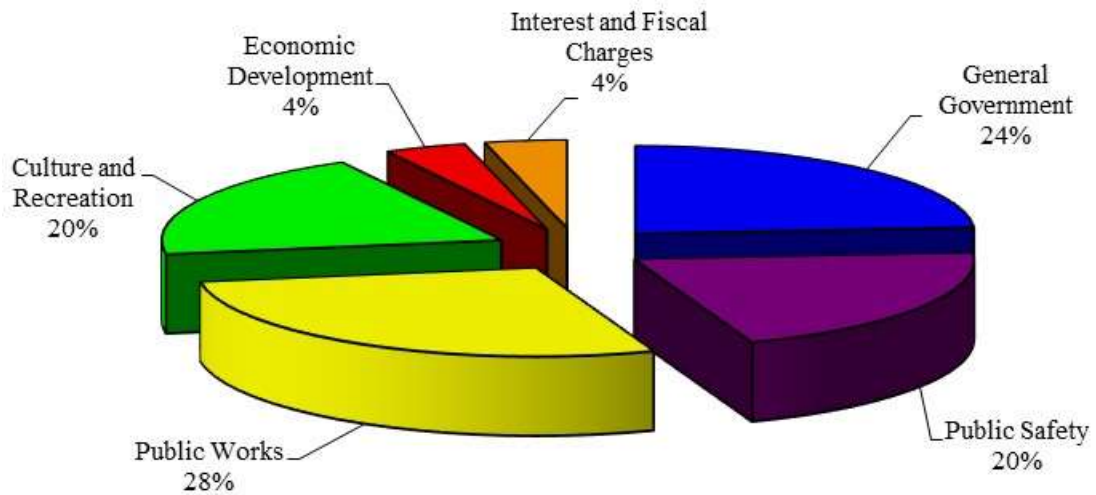
2022 Revenues by Source – Governmental Activities



2023 Expenses – Governmental Activities



2022 Expenses – Governmental Activities



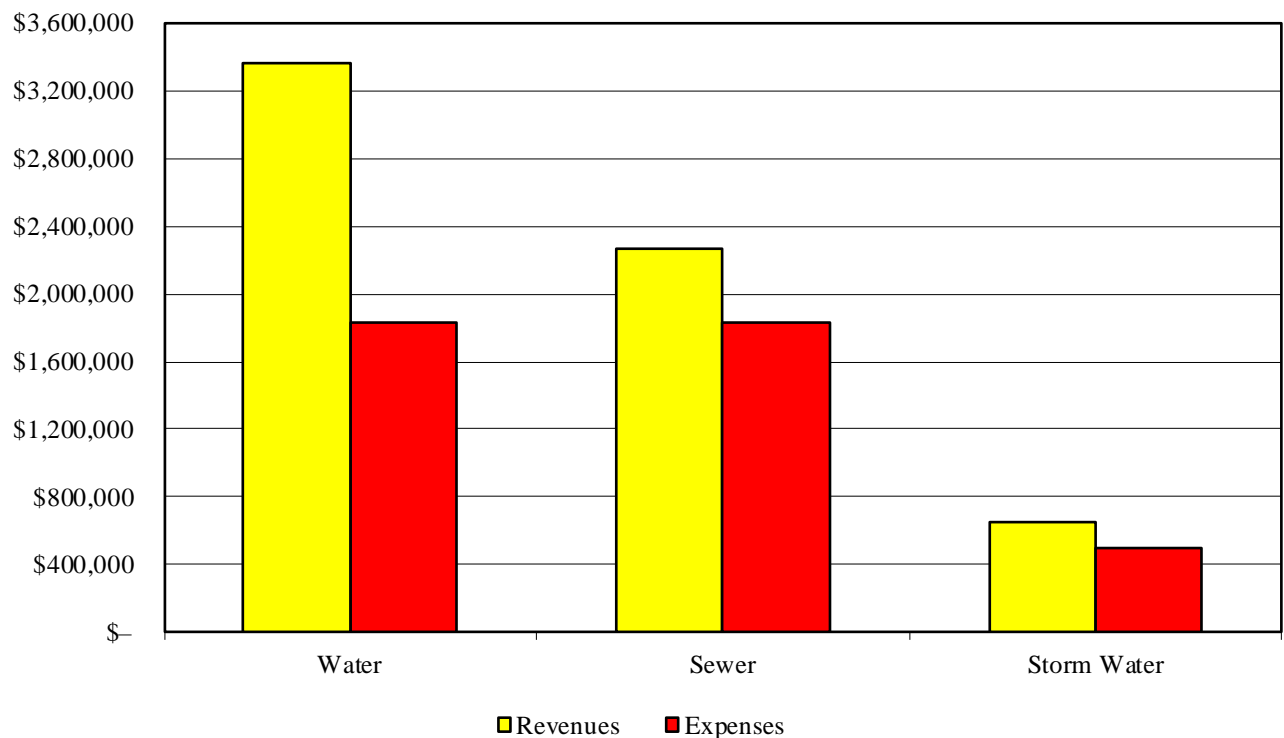
The expenses in the graphs above for governmental activities show the amounts spent on different activities for 2023 and 2022.

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:

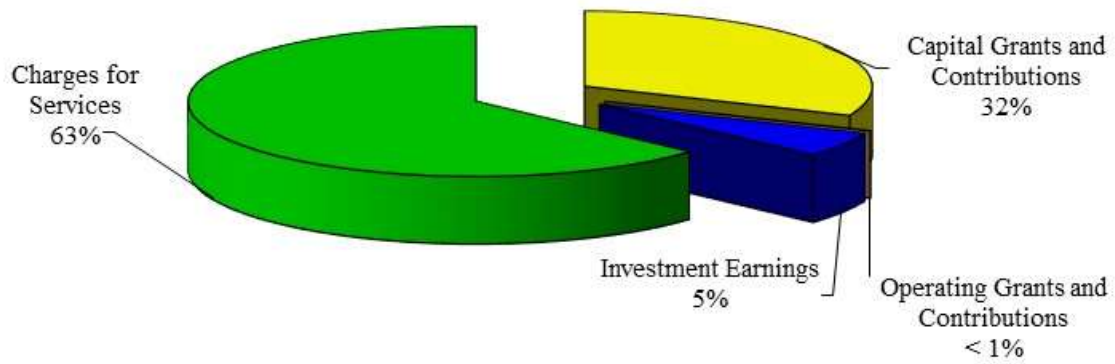
- Charges for services increased \$385,041 from the prior year, due to an increase in water and sewer consumption and an increase in customers.
- Capital grants and contributions decreased \$609,959, due to decreased developer contributions in the current year.
- Investment earnings increased \$367,324, 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:

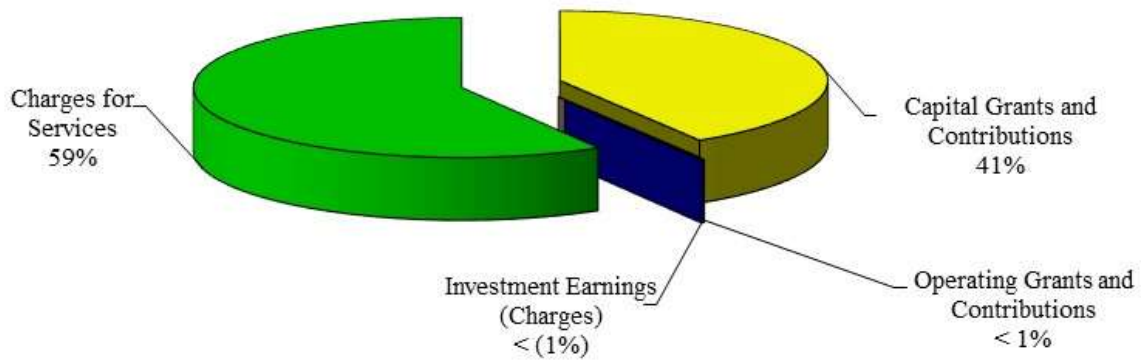
Revenues and Expenses – Business-Type Activities



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	<u>\$ 55,864,312</u>	<u>\$ 54,269,435</u>	<u>\$ 52,819,455</u>	<u>\$ 51,203,090</u>	<u>\$ 108,683,767</u>	<u>\$ 105,472,525</u>

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

CITY OF VICTORIA

Statement of Activities
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	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	227	300's / 500's	808
	General	Victoria Recreation Center	Debt Service	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

<u>Nonmajor</u>	<u>Total</u>
\$ 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
<u>\$ 9,387,143</u>	<u>\$ 28,069,233</u>

\$ 731,236	\$ 1,343,723
—	155,867
103,571	103,571
—	356,127
483,795	535,941
1,397,858	1,397,858
<u>2,716,460</u>	<u>3,893,087</u>

—	5,311,609
—	13,482
—	842,582
—	1,918,626
<u>—</u>	<u>8,086,299</u>

—	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
<u>6,670,683</u>	<u>16,089,847</u>

<u>\$ 9,387,143</u>	<u>\$ 28,069,233</u>
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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
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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	<u>\$ 55,698,352</u>
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CITY OF VICTORIA

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

	101	227	300's / 500's	808
	General	Victoria Recreation Center	Debt Service	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

<u>Nonmajor</u>	<u>Total</u>
\$ —	\$ 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
<u>2,315,193</u>	<u>13,551,504</u>
—	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
<u>4,035,154</u>	<u>14,590,142</u>
(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)
<u>1,611,542</u>	<u>870,542</u>
(108,419)	(168,096)
<u>6,779,102</u>	<u>16,257,943</u>
<u>\$ 6,670,683</u>	<u>\$ 16,089,847</u>

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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)
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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
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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	<u>7,506,237</u>	<u>8,437,744</u>	<u>931,507</u>
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	<u>6,289,613</u>	<u>5,859,214</u>	<u>(430,399)</u>
Excess of revenues over expenditures	1,216,624	2,578,530	1,361,906
Other financing sources (uses)			
Transfers out	<u>(950,000)</u>	<u>(1,645,066)</u>	<u>(695,066)</u>
Net change in fund balances	<u>\$ 266,624</u>	933,464	<u>\$ 666,840</u>
Fund balances			
Beginning of year		<u>3,461,146</u>	
End of year		<u>\$ 4,394,610</u>	

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	Totals
	Water	Sewer	Storm Water Management	
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	<u>925,401</u>	<u>1,164,867</u>	<u>195,041</u>	<u>2,285,309</u>
Operating income before depreciation	1,412,634	114,889	347,575	1,875,098
Depreciation	<u>801,107</u>	<u>592,376</u>	<u>302,742</u>	<u>1,696,225</u>
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	<u>(100,272)</u>	<u>(78,417)</u>	<u>–</u>	<u>(178,689)</u>
Total nonoperating revenues (expenses)	<u>84,888</u>	<u>42,993</u>	<u>89,389</u>	<u>217,270</u>
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	<u>1,015,670</u>	<u>991,400</u>	<u>76,931</u>	<u>2,084,001</u>
Change in net position	1,856,436	556,906	211,153	2,624,495
Net position				
Beginning of year	<u>24,041,472</u>	<u>17,747,270</u>	<u>15,315,718</u>	<u>57,104,460</u>
End of year	<u>\$ 25,897,908</u>	<u>\$ 18,304,176</u>	<u>\$ 15,526,871</u>	<u>\$ 59,728,955</u>

CITY OF VICTORIA

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

	Business-Type Activities – Enterprise Funds			
	601	602	603	Totals
	Water	Sewer	Storm Water Management	
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

CITY OF VICTORIA

Notes to Basic Financial Statements December 31, 2023

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	<u>500</u>
Total	<u>\$ 28,791,868</u>

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:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years			Total
	Rating	Agency		Less Than 1	1 to 3	More Than 3	
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
				<u>\$ 3,931,861</u>	<u>\$ 5,267,164</u>	<u>\$ 1,474,658</u>	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							<u>\$ 22,517,822</u>

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 To Other Funds <u>Governmental</u>
<u>Due From Other Funds</u>	<u>Nonmajor</u>
Proprietary Sewer	<u>\$ 103,571</u>

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

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:

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

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	<u>\$ 2,417,988</u>
Business-type activities	
Water	\$ 801,107
Sewer	592,376
Storm water management	302,742
Total depreciation expense – business-type activities	<u>\$ 1,696,225</u>

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					<u>\$ 17,788,537</u>
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					<u>\$ 5,803,502</u>
Total government-wide activities					<u>\$ 23,592,039</u>

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	<u>\$ 22,779,931</u>	<u>\$ 4,138,013</u>	<u>\$ 3,325,905</u>	<u>\$ 23,592,039</u>	<u>\$ 2,153,485</u>

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

C. Minimum Debt Payments

Minimum annual payments required to retire bonds are as follows:

Year Ending December 31,	Governmental Activities						Business-Type Activities	
	General Obligation		Special Assessment		Tax Increment		Revenue Bonds	
	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	<u>\$ 9,150,000</u>	<u>\$ 1,172,715</u>	<u>\$ 6,255,000</u>	<u>\$ 922,005</u>	<u>\$ 1,210,000</u>	<u>\$ 177,675</u>	<u>\$ 5,410,000</u>	<u>\$ 1,625,653</u>

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:

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		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	<u>\$ 4,394,610</u>	<u>\$ 914,740</u>	<u>\$ 2,337,091</u>	<u>\$ 1,772,723</u>	<u>\$ 6,670,683</u>	<u>\$ 16,089,847</u>

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	<u>\$ 278,613</u>	<u>\$ 1,897,618</u>	<u>\$ 1,207,420</u>	<u>\$ 851,444</u>	<u>\$ 286,604</u>

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. GERS 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	<u>47,254</u>
Total	<u><u>\$ 1,758,371</u></u>

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 GERS'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	<u>\$ 623,985</u>	<u>\$ 500,540</u>

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	<u>7,489</u>
Total	<u><u>\$ 193,990</u></u>

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	<u>18,638</u>	<u>–</u>
Total	<u><u>\$ 314,729</u></u>	<u><u>\$ 269,451</u></u>

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

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.

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

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 investment 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:

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

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:

	<u>Amount</u>
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 Minnesota's Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City's Share of the 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

City financial statement year ended December 31,	Fiscal Year								
	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)	<u>\$ (169,979)</u>	<u>\$ (167,339)</u>	<u>\$ (216,099)</u>	<u>\$ (368,067)</u>	<u>\$ (238,587)</u>	<u>\$ (375,235)</u>	<u>\$ (680,095)</u>	<u>\$ (653,782)</u>	<u>\$ (278,613)</u>
Fiduciary net position as a percentage of the total pension liability	<u>121.34%</u>	<u>119.95%</u>	<u>125.47%</u>	<u>144.82%</u>	<u>124.26%</u>	<u>136.61%</u>	<u>172.86%</u>	<u>155.76%</u>	<u>120.12%</u>

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

Year Ended December 31,	City Contributions			Nonemployer Contribution
	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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CITY OF VICTORIA

Notes to Required Supplementary Information December 31, 2023

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.

CITY OF VICTORIA

Notes to Required Supplementary Information (continued)
December 31, 2023

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.

CITY OF VICTORIA

Notes to Required Supplementary Information (continued)
December 31, 2023

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.

CITY OF VICTORIA

Notes to Required Supplementary Information (continued) December 31, 2023

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.

CITY OF VICTORIA

Notes to Required Supplementary Information (continued)
December 31, 2023

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.

CITY OF VICTORIA

Notes to Required Supplementary Information (continued) December 31, 2023

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.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

The statements that follow are to provide further detail and support additional analysis for the City's nonmajor special revenue and capital projects funds.

CITY OF VICTORIA

Nonmajor Governmental Funds
Combining Balance Sheet
as of December 31, 2023

	Special Revenue	Capital Projects	Total
Assets			
Cash and investments	\$ 709,314	\$ 6,346,746	\$ 7,056,060
Receivables			
Accounts	1,850	110,079	111,929
Assets held for resale	—	1,884,154	1,884,154
Advance to other funds	—	335,000	335,000
Total assets	<u>\$ 711,164</u>	<u>\$ 8,675,979</u>	<u>\$ 9,387,143</u>
Liabilities			
Accounts and contracts payable	\$ 84,781	\$ 646,455	\$ 731,236
Due to other funds	—	103,571	103,571
Unearned revenue	483,795	—	483,795
Advance from other funds	—	1,397,858	1,397,858
Total liabilities	<u>568,576</u>	<u>2,147,884</u>	<u>2,716,460</u>
Fund balances (deficit)			
Restricted	—	1,037,059	1,037,059
Committed	142,588	2,137,136	2,279,724
Assigned	—	3,922,808	3,922,808
Unassigned	—	(568,908)	(568,908)
Total fund balances	<u>142,588</u>	<u>6,528,095</u>	<u>6,670,683</u>
Total liabilities and fund balances	<u>\$ 711,164</u>	<u>\$ 8,675,979</u>	<u>\$ 9,387,143</u>

CITY OF VICTORIA

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

	Special Revenue	Capital Projects	Total
Revenues			
Taxes			
Increment	\$ —	\$ 315,038	\$ 315,038
Franchise	7,957	339,463	347,420
Intergovernmental	205,823	479,963	685,786
Charges for services	—	603,100	603,100
Investment earnings	28,277	172,181	200,458
Miscellaneous	7,100	156,291	163,391
Total revenues	<u>249,157</u>	<u>2,066,036</u>	<u>2,315,193</u>
Expenditures			
Current			
Public safety	10,055	—	10,055
Culture and recreation	12,338	—	12,338
Capital outlay			
General government	—	59,245	59,245
Public safety	—	883,151	883,151
Public works	195,768	1,344,552	1,540,320
Culture and recreation	—	695,300	695,300
Economic development	—	815,646	815,646
Debt service			
Interest and fiscal charges	—	19,099	19,099
Total expenditures	<u>218,161</u>	<u>3,816,993</u>	<u>4,035,154</u>
Excess (deficiency) of revenues over expenditures	30,996	(1,750,957)	(1,719,961)
Other financing sources (uses)			
Bonds issued	—	810,000	810,000
Premium on bonds issued	—	50,542	50,542
Sale of capital assets	—	10,000	10,000
Transfers in	10,000	1,116,000	1,126,000
Transfers out	—	(385,000)	(385,000)
Total other financing sources (uses)	<u>10,000</u>	<u>1,601,542</u>	<u>1,611,542</u>
Net change in fund balances	40,996	(149,415)	(108,419)
Fund balances			
Beginning of year	<u>101,592</u>	<u>6,677,510</u>	<u>6,779,102</u>
End of year	<u>\$ 142,588</u>	<u>\$ 6,528,095</u>	<u>\$ 6,670,683</u>

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NONMAJOR SPECIAL REVENUE FUNDS

Nonmajor special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Nonmajor special revenue funds presently established are as follows:

- **Economic Development Authority Fund** – Administers the resources associated with the Victoria Economic Development Authority revolving loan program.
- **American Rescue Plan Fund** – Administers the resources received under the American Rescue Plan Act.
- **PEG Fees Fund** – Administers the resources received from cable PEG fees.
- **Gifts to the Parks Fund** – Administers the donations received for parks.

CITY OF VICTORIA

Nonmajor Special Revenue Funds
Combining Balance Sheet
as of December 31, 2023

	103	219	224	811	
	Economic Development Authority	American Rescue Plan	PEG Fees	Gifts to the Parks	Total
Assets					
Cash and investments	\$ 5,783	\$ 593,012	\$ 56,349	\$ 54,170	\$ 709,314
Receivables					
Accounts	—	—	1,850	—	1,850
Total assets	<u>\$ 5,783</u>	<u>\$ 593,012</u>	<u>\$ 58,199</u>	<u>\$ 54,170</u>	<u>\$ 711,164</u>
Liabilities					
Accounts and contracts payable	\$ —	\$ 84,781	\$ —	\$ —	\$ 84,781
Unearned revenue	—	483,795	—	—	483,795
Total liabilities	<u>—</u>	<u>568,576</u>	<u>—</u>	<u>—</u>	<u>568,576</u>
Fund balances					
Committed	<u>5,783</u>	<u>24,436</u>	<u>58,199</u>	<u>54,170</u>	<u>142,588</u>
Total liabilities and fund balances	<u>\$ 5,783</u>	<u>\$ 593,012</u>	<u>\$ 58,199</u>	<u>\$ 54,170</u>	<u>\$ 711,164</u>

CITY OF VICTORIA

Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2023

	103	219	224	811	
	Economic Development Authority	American Rescue Plan	PEG Fees	Gifts to the Parks	Total
Revenues					
Taxes					
Franchise	\$ —	\$ —	\$ 7,957	\$ —	\$ 7,957
Intergovernmental	—	205,823	—	—	205,823
Investment earnings	197	24,436	1,760	1,884	28,277
Miscellaneous	—	—	—	7,100	7,100
Total revenues	<u>197</u>	<u>230,259</u>	<u>9,717</u>	<u>8,984</u>	<u>249,157</u>
Expenditures					
Current					
Public safety	—	10,055	—	—	10,055
Culture and recreation	—	—	—	12,338	12,338
Capital outlay					
Public works	—	195,768	—	—	195,768
Total expenditures	<u>—</u>	<u>205,823</u>	<u>—</u>	<u>12,338</u>	<u>218,161</u>
Excess (deficiency) of revenues over expenditures	197	24,436	9,717	(3,354)	30,996
Other financing sources					
Transfers in	—	—	—	10,000	10,000
Net change in fund balances	197	24,436	9,717	6,646	40,996
Fund balances					
Beginning of year	<u>5,586</u>	<u>—</u>	<u>48,482</u>	<u>47,524</u>	<u>101,592</u>
End of year	<u>\$ 5,783</u>	<u>\$ 24,436</u>	<u>\$ 58,199</u>	<u>\$ 54,170</u>	<u>\$ 142,588</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition and construction of major capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by enterprise funds.

Nonmajor capital projects funds presently established are as follows:

- **Capital Equipment Fund** – Accounts for public works capital equipment expenditures in excess of \$5,000, primarily vehicles and heavy equipment. It receives appropriations from the General Fund.
- **Capital Facilities Fund** – Administers the resources accumulated to fund future buildings or infrastructure.
- **Information Technology Fund** – Administers the resources accumulated to fund future technology in the City.
- **Shared Parking Fund** – Administers the resources accumulated to fund future parking lots in the City.
- **Tax Increment District No. 5 Fund** – Accounts for tax increment revenues received from those properties retained with TIF Redevelopment District V. This TIF district decertifies December 31, 2043.
- **Tax Increment District No. 6 Fund** – Accounts for tax increment revenues received from those properties retained with TIF Redevelopment District VI. This TIF district decertifies December 31, 2044.
- **Downtown Redevelopment Fund** – Accounts for the resources accumulated and payments made for all land purchases associated with the redevelopment and expansion of the central business district.
- **2023 Street Project Fund** – Administers resources for the 2023 street improvement project.
- **Tax Increment District No. 7 Fund** – Accounts for tax increment revenues received from those properties retained with TIF Redevelopment District VII. This TIF district decertifies December 31, 2046.
- **Tax Increment District No. 3 Fund** – Accounts for tax increment revenues received from those properties retained within TIF Redevelopment District III. This TIF district decertified December 2020.
- **Tax Increment District No. 4 Fund** – Accounts for tax increment revenues received from those properties retained within TIF Redevelopment District IV that are pledged for pay-as-you-go notes. This TIF district decertifies December 2036.
- **Capital Franchise Fund** – Accounts for the accumulation of franchise fees and construction proceeds and payments made relating to the undergrounding of power lines and other capital projects.
- **Developer Reimbursements Fund** – Accounts for the billings to developers for contractual services.
- **Affordable Housing Program Fund** – Accounts for the funds received from the sale of the land trust lots and will be used for affordable housing.
- **Tree Replacement Fund** – Accounts for the cash contributions made from developers that shall be used for tree replacement.
- **Park Fund** – Administers resources for park improvement projects.
- **Fire Truck and Equipment Fund** – Accounts for the Victoria Fire Department's capital equipment purchases. Revenues include grant proceeds, donations, and appropriations from the General Fund.
- **Charitable Gambling Donation Fund** – Accounts for the resources for the contributions from permitted lawful gambling within the City and for expenditures of lawful purpose in accordance with Minnesota Statutes, Chapter 49.12, Subd. 25.
- **Trail Gap Fund** – Administers amounts received for parks and trails.

CITY OF VICTORIA

Nonmajor Capital Projects Funds
Combining Balance Sheet
as of December 31, 2023

	102	104	106	107	400	407	409	421	470
	Capital	Capital	Information	Shared	Tax	Tax	Downtown	2023 Street	Tax
	Equipment	Facilities	Technology	Parking	Increment	Increment	Redevelopment	Project	Increment
					District	District			District
					No. 5	No. 6			No. 7
Assets									
Cash and investments	\$ 500,292	\$ 700,393	\$ 117,671	\$ 41,498	\$ 19,466	\$ 361,333	\$ -	\$ -	\$ 73,571
Receivables									
Accounts	-	-	-	-	-	-	-	-	-
Assets held for resale	-	-	-	-	-	-	1,884,154	-	-
Advance to other funds	-	335,000	-	-	-	-	-	-	-
Total assets	<u>\$ 500,292</u>	<u>\$ 1,035,393</u>	<u>\$ 117,671</u>	<u>\$ 41,498</u>	<u>\$ 19,466</u>	<u>\$ 361,333</u>	<u>\$ 1,884,154</u>	<u>\$ -</u>	<u>\$ 73,571</u>
Liabilities									
Accounts and contracts payable	\$ -	\$ 29,075	\$ -	\$ -	\$ -	\$ 60,455	\$ -	\$ 9,252	\$ 52,061
Due to other funds	-	103,571	-	-	-	-	-	-	-
Advance from other funds	-	517,858	-	-	335,000	545,000	-	-	-
Total liabilities	-	650,504	-	-	335,000	605,455	-	9,252	52,061
Fund balances (deficit)									
Restricted	-	-	-	-	-	-	-	-	21,510
Committed	-	-	-	-	-	-	-	-	-
Assigned	500,292	384,889	117,671	41,498	-	-	1,884,154	-	-
Unassigned	-	-	-	-	(315,534)	(244,122)	-	(9,252)	-
Total fund balances	<u>500,292</u>	<u>384,889</u>	<u>117,671</u>	<u>41,498</u>	<u>(315,534)</u>	<u>(244,122)</u>	<u>1,884,154</u>	<u>(9,252)</u>	<u>21,510</u>
Total liabilities and fund balances	<u>\$ 500,292</u>	<u>\$ 1,035,393</u>	<u>\$ 117,671</u>	<u>\$ 41,498</u>	<u>\$ 19,466</u>	<u>\$ 361,333</u>	<u>\$ 1,884,154</u>	<u>\$ -</u>	<u>\$ 73,571</u>

490 Tax Increment District No. 3	495 Tax Increment District No. 4	499 Capital Franchise	700 Developer Reimbursements	802 Affordable Housing Program	805 Tree Replacement	806 Park	809 Fire Truck and Equipment	810 Charitable Gambling Donation	812 Trail Gap	Total
\$ 13,518	\$ 83,920	\$ 386,336	\$ 418,777	\$ 508,470	\$ 416,000	\$ 1,171,518	\$ 775,273	\$ 48,219	\$ 710,491	\$ 6,346,746
-	-	85,673	24,406	-	-	-	-	-	-	110,079
-	-	-	-	-	-	-	-	-	-	1,884,154
-	-	-	-	-	-	-	-	-	-	335,000
<u>\$ 13,518</u>	<u>\$ 83,920</u>	<u>\$ 472,009</u>	<u>\$ 443,183</u>	<u>\$ 508,470</u>	<u>\$ 416,000</u>	<u>\$ 1,171,518</u>	<u>\$ 775,273</u>	<u>\$ 48,219</u>	<u>\$ 710,491</u>	<u>\$ 8,675,979</u>
\$ 13,518	\$ 12,553	\$ 11,932	\$ 439,893	\$ -	\$ -	\$ 2,929	\$ -	\$ -	\$ 14,787	\$ 646,455
-	-	-	-	-	-	-	-	-	-	103,571
-	-	-	-	-	-	-	-	-	-	1,397,858
<u>13,518</u>	<u>12,553</u>	<u>11,932</u>	<u>439,893</u>	<u>-</u>	<u>-</u>	<u>2,929</u>	<u>-</u>	<u>-</u>	<u>14,787</u>	<u>2,147,884</u>
-	71,367	-	-	-	416,000	-	479,963	48,219	-	1,037,059
-	-	460,077	-	508,470	-	1,168,589	-	-	-	2,137,136
-	-	-	3,290	-	-	-	295,310	-	695,704	3,922,808
-	-	-	-	-	-	-	-	-	-	(568,908)
<u>-</u>	<u>71,367</u>	<u>460,077</u>	<u>3,290</u>	<u>508,470</u>	<u>416,000</u>	<u>1,168,589</u>	<u>775,273</u>	<u>48,219</u>	<u>695,704</u>	<u>6,528,095</u>
<u>\$ 13,518</u>	<u>\$ 83,920</u>	<u>\$ 472,009</u>	<u>\$ 443,183</u>	<u>\$ 508,470</u>	<u>\$ 416,000</u>	<u>\$ 1,171,518</u>	<u>\$ 775,273</u>	<u>\$ 48,219</u>	<u>\$ 710,491</u>	<u>\$ 8,675,979</u>

CITY OF VICTORIA

Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2023

	102	104	106	107	400	407	409	421	470
	Capital Equipment	Capital Facilities	Information Technology	Shared Parking	Tax Increment District No. 5	Tax Increment District No. 6	Downtown Redevelopment	2023 Street Project	Tax Increment District No. 7
Revenues									
Taxes									
Increment	\$ —	\$ —	\$ —	\$ —	\$ 10,240	\$ 161,212	\$ —	\$ —	\$ 115,690
Franchise	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—	—
Charges for services	—	—	—	—	—	—	—	—	—
Investment earnings	18,635	12,729	3,592	1,417	—	—	—	6,134	—
Miscellaneous	—	2,363	—	—	—	—	—	—	—
Total revenues	18,635	15,092	3,592	1,417	10,240	161,212	—	6,134	115,690
Expenditures									
Capital outlay									
General government	—	8,359	50,886	—	—	—	—	—	—
Public safety	—	10,120	—	—	—	—	—	—	—
Public works	152,071	—	—	—	—	—	—	856,829	—
Culture and recreation	—	—	—	—	—	—	—	—	—
Economic development	—	—	—	—	1,473	122,283	—	—	105,445
Debt service									
Interest and fiscal charges	—	—	—	—	—	—	—	19,099	—
Total expenditures	152,071	18,479	50,886	—	1,473	122,283	—	875,928	105,445
Excess (deficiency) of revenues over expenditures	(133,436)	(3,387)	(47,294)	1,417	8,767	38,929	—	(869,794)	10,245
Other financing sources (uses)									
Bonds issued	—	—	—	—	—	—	—	810,000	—
Premium on bonds issued	—	—	—	—	—	—	—	50,542	—
Sale of capital assets	10,000	—	—	—	—	—	—	—	—
Transfers in	125,000	511,000	100,000	—	—	—	—	—	—
Transfers out	—	—	—	—	(10,000)	(80,000)	—	—	—
Total other financing sources (uses)	135,000	511,000	100,000	—	(10,000)	(80,000)	—	860,542	—
Net change in fund balances	1,564	507,613	52,706	1,417	(1,233)	(41,071)	—	(9,252)	10,245
Fund balances (deficit)									
Beginning of year	498,728	(122,724)	64,965	40,081	(314,301)	(203,051)	1,884,154	—	11,265
End of year	\$ 500,292	\$ 384,889	\$ 117,671	\$ 41,498	\$ (315,534)	\$ (244,122)	\$ 1,884,154	\$ (9,252)	\$ 21,510

490 Tax Increment District No. 3	495 Tax Increment District No. 4	499 Capital Franchise	700 Developer Reimbursements	802 Affordable Housing Program	805 Tree Replacement	806 Park	809 Fire Truck and Equipment	810 Charitable Gambling Donation	812 Trail Gap	Total
\$ -	\$ 27,896	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 315,038
-	-	339,463	-	-	-	-	-	-	-	339,463
-	-	-	-	-	-	-	479,963	-	-	479,963
-	-	-	-	-	-	603,100	-	-	-	603,100
10,381	2,539	13,353	-	17,373	14,417	31,392	7,913	2,467	29,839	172,181
-	-	-	-	-	23,950	55,000	61,079	13,899	-	156,291
10,381	30,435	352,816	-	17,373	38,367	689,492	548,955	16,366	29,839	2,066,036
-	-	-	-	-	-	-	-	-	-	59,245
-	-	-	-	-	-	-	873,031	-	-	883,151
-	-	335,652	-	-	-	-	-	-	-	1,344,552
-	-	-	-	-	28,758	333,465	-	-	333,077	695,300
506,286	26,428	-	-	-	-	-	-	53,731	-	815,646
-	-	-	-	-	-	-	-	-	-	19,099
506,286	26,428	335,652	-	-	28,758	333,465	873,031	53,731	333,077	3,816,993
(495,905)	4,007	17,164	-	17,373	9,609	356,027	(324,076)	(37,365)	(303,238)	(1,750,957)
-	-	-	-	-	-	-	-	-	-	810,000
-	-	-	-	-	-	-	-	-	-	50,542
-	-	-	-	-	-	-	-	-	-	10,000
-	-	-	-	-	-	40,000	140,000	-	200,000	1,116,000
-	-	(295,000)	-	-	-	-	-	-	-	(385,000)
-	-	(295,000)	-	-	-	40,000	140,000	-	200,000	1,601,542
(495,905)	4,007	(277,836)	-	17,373	9,609	396,027	(184,076)	(37,365)	(103,238)	(149,415)
495,905	67,360	737,913	3,290	491,097	406,391	772,562	959,349	85,584	798,942	6,677,510
\$ -	\$ 71,367	\$ 460,077	\$ 3,290	\$ 508,470	\$ 416,000	\$ 1,168,589	\$ 775,273	\$ 48,219	\$ 695,704	\$ 6,528,095

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DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on long-term debt obligations of governmental funds.

CITY OF VICTORIA

Debt Service Fund
Combining Balance Sheet by Account
as of December 31, 2023

	311	520	521	522	523	524	525	533
	2016C G.O. Tax Abatement Bonds	2011B G.O. Permanent Improvement Revolving Fund Refunding Bonds	2007 G.O. Street/Utility and 2012A Refunding Bonds	2008 G.O. Street/Utility and 2012A Refunding Bonds	2009 G.O. Street/Utility Improvement Bonds and 2016B G.O. Refunding Bonds	2016B G.O. Permanent Improvement Revolving Fund Crossover Refunding Bonds	2013A G.O. Permanent Improvement Revolving Bonds and 2021A G.O. Refunding Bonds	2020A G.O. CIP Refunding Bonds
Assets								
Cash and investments	\$ 133,775	\$ —	\$ 5,733	\$ 2,137	\$ 53,321	\$ 64,807	\$ 366,811	\$ 198,005
Receivables								
Interest	11,927	—	—	—	—	—	—	—
Taxes	—	623	500	792	1,130	366	305	1,138
Special assessments	—	—	—	11,128	65,727	19,735	90,417	—
Due from other funds	—	—	—	—	10,110	—	—	—
Total assets	<u>\$ 145,702</u>	<u>\$ 623</u>	<u>\$ 6,233</u>	<u>\$ 14,057</u>	<u>\$ 130,288</u>	<u>\$ 84,908</u>	<u>\$ 457,533</u>	<u>\$ 199,143</u>
Liabilities								
Due to other funds	\$ —	\$ 10,110	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Deferred inflows of resources								
Unavailable revenue – taxes	—	186	149	236	337	109	91	339
Unavailable revenue – special assessments	—	—	—	10,783	65,727	19,735	90,417	—
Total deferred inflows of resources	—	186	149	11,019	66,064	19,844	90,508	339
Fund balances								
Restricted	145,702	(9,673)	6,084	3,038	64,224	65,064	367,025	198,804
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 145,702</u>	<u>\$ 623</u>	<u>\$ 6,233</u>	<u>\$ 14,057</u>	<u>\$ 130,288</u>	<u>\$ 84,908</u>	<u>\$ 457,533</u>	<u>\$ 199,143</u>

527	528	529	530	531	532	534	535	536		
2016A G.O. Improvement Bonds	2016A G.O. Tax Increment Bonds	2016C G.O. Tax Abatement Bonds	2017A Street Improvement Bonds	2018A Street Improvement Bonds	2018A G.O. Tax Increment Bonds	2020A G.O. Improvement Bonds	2020A G.O. Tax Abatement Marsh Lake Road Bonds	2020A G.O. Tax Abatement Wasserman Park Bonds	Intra- Activity Eliminations	Total
\$ 742,893	\$ 17,084	\$ 122,033	\$ 182,445	\$ 188,456	\$ 19,741	\$ 24,511	\$ 130,084	\$ 67,425	\$ —	\$ 2,319,261
—	—	—	—	—	—	—	—	—	—	11,927
714	244	—	275	275	—	—	832	—	—	7,194
206,057	—	—	159,665	168,034	46,787	72,033	—	—	—	839,583
—	—	—	—	—	—	—	—	—	(10,110)	—
<u>\$ 949,664</u>	<u>\$ 17,328</u>	<u>\$ 122,033</u>	<u>\$ 342,385</u>	<u>\$ 356,765</u>	<u>\$ 66,528</u>	<u>\$ 96,544</u>	<u>\$ 130,916</u>	<u>\$ 67,425</u>	<u>\$ (10,110)</u>	<u>\$ 3,177,965</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (10,110)	\$ —
213	73	—	82	82	—	—	248	—	—	2,145
205,891	—	—	159,665	167,691	46,787	72,033	—	—	—	838,729
206,104	73	—	159,747	167,773	46,787	72,033	248	—	—	840,874
743,560	17,255	122,033	182,638	188,992	19,741	24,511	130,668	67,425	—	2,337,091
<u>\$ 949,664</u>	<u>\$ 17,328</u>	<u>\$ 122,033</u>	<u>\$ 342,385</u>	<u>\$ 356,765</u>	<u>\$ 66,528</u>	<u>\$ 96,544</u>	<u>\$ 130,916</u>	<u>\$ 67,425</u>	<u>\$ (10,110)</u>	<u>\$ 3,177,965</u>

CITY OF VICTORIA

Debt Service Fund
Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances by Account
Year Ended December 31, 2023

	311	520	521	522	523	524	525	533
	2016C G.O. Tax Abatement Bonds	2011B G.O. Permanent Improvement Revolving Fund Refunding Bonds	2007 G.O. Street/Utility and 2012A Refunding Bonds	2008 G.O. Street/Utility and 2012A Refunding Bonds	2009 G.O. Street/Utility Improvement Bonds and 2016B G.O. Refunding Bonds	2016B G.O. Permanent Improvement Revolving Fund Crossover Refunding Bonds	2013A G.O. Permanent Improvement Revolving Bonds and 2021A G.O. Refunding Bonds	2020A G.O. CIP Refunding Bonds
Revenues								
Taxes								
Property	\$ —	\$ 102,076	\$ 82,115	\$ 129,900	\$ 185,153	\$ 60,069	\$ 50,065	\$ 186,574
Special assessments	—	1,331	17,758	24,901	35,599	3,519	25,962	—
Investment earnings (charges)	33,159	(637)	(1,774)	(2,521)	(1,382)	1,510	11,867	3,839
Total revenues	33,159	102,770	98,099	152,280	219,370	65,098	87,894	190,413
Expenditures								
Debt service								
Principal	300,000	180,000	95,000	190,000	250,000	95,000	90,000	125,000
Interest and fiscal charges	63,202	2,954	1,214	4,163	11,747	8,022	34,297	55,174
Total expenditures	363,202	182,954	96,214	194,163	261,747	103,022	124,297	180,174
Excess (deficiency) of revenues over expenditures	(330,043)	(80,184)	1,885	(41,883)	(42,377)	(37,924)	(36,403)	10,239
Other financing sources								
Transfers in	340,000	—	—	—	—	—	—	—
Net change in fund balances	9,957	(80,184)	1,885	(41,883)	(42,377)	(37,924)	(36,403)	10,239
Fund balances								
Beginning of year	135,745	70,511	4,199	44,921	106,601	102,988	403,428	188,565
End of year	\$ 145,702	\$ (9,673)	\$ 6,084	\$ 3,038	\$ 64,224	\$ 65,064	\$ 367,025	\$ 198,804

527	528	529	530	531	532	534	535	536	
2016A G.O. Improvement Bonds	2016A G.O. Tax Increment Bonds	2016C G.O. Tax Abatement Bonds	2017A Street Improvement Bonds	2018A Street Improvement Bonds	2018A G.O. Tax Increment Bonds	2020A G.O. Improvement Bonds	2020A G.O. Tax Abatement Marsh Lake Road Bonds	2020A G.O. Tax Abatement Wasserman Park Bonds	Total
\$ 117,091	\$ 40,032	\$ —	\$ 45,035	\$ 45,040	\$ —	\$ —	\$ 136,286	\$ —	\$ 1,179,436
43,709	—	—	29,938	35,549	6,033	11,138	—	—	235,437
23,560	(121)	3,707	5,383	5,481	361	640	2,272	1,842	87,186
184,360	39,911	3,707	80,356	86,070	6,394	11,778	138,558	1,842	1,502,059
190,000	40,000	110,000	75,000	65,000	60,000	5,000	85,000	105,000	2,060,000
39,948	9,148	23,683	21,868	28,672	26,023	2,473	41,523	50,874	424,985
229,948	49,148	133,683	96,868	93,672	86,023	7,473	126,523	155,874	2,484,985
(45,588)	(9,237)	(129,976)	(16,512)	(7,602)	(79,629)	4,305	12,035	(154,032)	(982,926)
—	10,000	135,000	—	—	80,000	—	—	160,000	725,000
(45,588)	763	5,024	(16,512)	(7,602)	371	4,305	12,035	5,968	(257,926)
789,148	16,492	117,009	199,150	196,594	19,370	20,206	118,633	61,457	2,595,017
\$ 743,560	\$ 17,255	\$ 122,033	\$ 182,638	\$ 188,992	\$ 19,741	\$ 24,511	\$ 130,668	\$ 67,425	\$ 2,337,091

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GENERAL FUND

The General Fund accounts for revenue and expenditures used to carryout basic governmental activities of the City, such as general government, public safety, public works, and culture and recreation. Revenues are recorded by source (i.e., taxes, licenses and permits, fines and forfeits, service charges, etc.). General Fund expenditures are primarily for current day-to-day operations and operating equipment, and are recorded by major functional classifications and by operating departments. This fund accounts for all financial transactions not properly accounted for in another fund.

CITY OF VICTORIA

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended December 31, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Revenues					
Taxes					
Property	\$ 6,192,000	\$ 6,192,000	\$ 6,190,994	\$ (1,006)	\$ 5,391,004
Franchise	66,000	66,000	54,006	(11,994)	62,539
Total taxes	6,258,000	6,258,000	6,245,000	(13,000)	5,453,543
Licenses and permits					
Business	65,000	65,000	93,373	28,373	87,788
Nonbusiness	543,150	543,150	852,523	309,373	579,047
Total licenses and permits	608,150	608,150	945,896	337,746	666,835
Intergovernmental					
State					
Local government aid	1,482	1,482	1,580	98	5,944
Property tax credits	140	140	83	(57)	159
Police and fire state aid	45,000	45,000	292,442	247,442	63,544
Other	5,000	5,000	43,657	38,657	56,632
County	6,659	6,659	15,000	8,341	13,000
Local	350	350	501	151	762
Total intergovernmental	58,631	58,631	353,263	294,632	140,041
Charges for services					
General government	165,506	165,506	181,523	16,017	154,416
Public safety	292,950	292,950	389,024	96,074	304,384
Culture and recreation	90,000	90,000	109,568	19,568	101,042
Total charges for services	548,456	548,456	680,115	131,659	559,842
Fines and forfeits	10,000	10,000	8,863	(1,137)	8,677
Investment earnings	20,000	20,000	177,472	157,472	10,726
Miscellaneous					
Refunds and reimbursements	1,500	1,500	19,661	18,161	19,706
Donations	1,500	1,500	3,115	1,615	2,415
Other	–	–	4,359	4,359	20,392
Total miscellaneous	3,000	3,000	27,135	24,135	42,513
Total revenues	7,506,237	7,506,237	8,437,744	931,507	6,882,177
Expenditures					
Current					
General government					
Mayor and City Council					
Personal services	27,695	27,695	27,021	(674)	27,082
Supplies	150	150	320	170	262
Other services and charges	10,658	10,658	8,538	(2,120)	4,512
Total Mayor and City Council	38,503	38,503	35,879	(2,624)	31,856

CITY OF VICTORIA

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			2022	
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)					
Current (continued)					
General government (continued)					
City administration					
Personal services	812,206	812,206	788,987	(23,219)	531,857
Supplies	5,850	5,850	4,678	(1,172)	7,098
Other services and charges	260,182	260,182	210,228	(49,954)	217,118
Total city administration	1,078,238	1,078,238	1,003,893	(74,345)	756,073
Communications					
Personal services	111,090	164,090	158,966	(5,124)	104,493
Supplies	5,700	5,700	1,152	(4,548)	1,909
Other services and charges	62,000	62,000	30,983	(31,017)	53,599
Total communications	178,790	231,790	191,101	(40,689)	160,001
Financial administration					
Personal services	265,678	265,678	158,781	(106,897)	299,608
Supplies	1,250	1,250	532	(718)	917
Other services and charges	15,920	15,920	8,120	(7,800)	11,761
Total financial administration	282,848	282,848	167,433	(115,415)	312,286
Elections					
Personal services	—	—	—	—	17,500
Supplies	4,135	4,135	2,644	(1,491)	48,293
Other services and charges	100	100	420	320	3,933
Total elections	4,235	4,235	3,064	(1,171)	69,726
Professional services					
Other services and charges	319,926	319,926	252,093	(67,833)	234,988
Information technology					
Supplies	5,000	5,000	5,469	469	7,613
Other services and charges	148,546	148,546	115,095	(33,451)	124,707
Total information technology	153,546	153,546	120,564	(32,982)	132,320
Planning and zoning					
Personal services	418,965	365,965	285,704	(80,261)	243,456
Supplies	250	250	37	(213)	197
Other services and charges	54,844	54,844	154,438	99,594	93,455
Total planning and zoning	474,059	421,059	440,179	19,120	337,108
General government building					
Supplies	14,500	14,500	16,211	1,711	11,326
Other services and charges	31,890	31,890	28,963	(2,927)	34,621
Total general government building	46,390	46,390	45,174	(1,216)	45,947
Total general government	2,576,535	2,576,535	2,259,380	(317,155)	2,080,305

CITY OF VICTORIA

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)					
Current (continued)					
Public safety					
Police					
Other services and charges	579,747	579,747	562,654	(17,093)	525,476
Fire					
Personal services	560,384	560,384	440,773	(119,611)	307,112
Supplies	129,962	129,962	115,929	(14,033)	156,909
Other services and charges	143,289	143,289	238,074	94,785	109,660
Total fire	833,635	833,635	794,776	(38,859)	573,681
Building inspection					
Personal services	410,904	410,904	415,272	4,368	423,442
Supplies	6,670	6,670	7,133	463	9,179
Other services and charges	23,127	23,127	33,728	10,601	22,549
Total building inspection	440,701	440,701	456,133	15,432	455,170
Animal control					
Other services and charges	500	500	60	(440)	700
Civil defense					
Other services and charges	1,300	1,300	3,333	2,033	5,728
Total public safety	1,855,883	1,855,883	1,816,956	(38,927)	1,560,755
Public works					
Streets and highways					
Personal services	515,854	515,854	510,804	(5,050)	477,084
Supplies	172,250	172,250	169,897	(2,353)	178,197
Other services and charges	58,243	58,243	51,534	(6,709)	70,335
Total streets and highways	746,347	746,347	732,235	(14,112)	725,616
Snow and ice removal					
Supplies	58,750	58,750	55,847	(2,903)	77,146
Street lighting					
Other services and charges	112,000	112,000	121,414	9,414	109,939
Refuse collection and recycling					
Supplies	—	—	—	—	193
Other services and charges	20,100	20,100	34,320	14,220	29,494
Total refuse collection and recycling	20,100	20,100	34,320	14,220	29,687
Total public works	937,197	937,197	943,816	6,619	942,388

CITY OF VICTORIA

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)					
Current (continued)					
Culture and recreation					
Recreation activities					
Personal services	17,224	17,224	8,021	(9,203)	8,289
Supplies	7,450	7,450	8,664	1,214	6,963
Other services and charges	40,700	40,700	41,493	793	48,027
Total recreation activities	65,374	65,374	58,178	(7,196)	63,279
Parks and recreation					
Personal services	204,688	204,688	157,766	(46,922)	196,749
Supplies	2,075	2,075	1,090	(985)	1,211
Other services and charges	60,328	60,328	72,506	12,178	72,600
Total parks and recreation	267,091	267,091	231,362	(35,729)	270,560
Parks maintenance					
Personal services	280,097	280,097	296,545	16,448	259,298
Supplies	126,500	126,500	106,733	(19,767)	76,478
Other services and charges	44,080	44,080	53,426	9,346	46,109
Total parks maintenance	450,677	450,677	456,704	6,027	381,885
Total culture and recreation	783,142	783,142	746,244	(36,898)	715,724
Economic development					
Other services and charges	—	—	695	695	40,476
Total current expenditures	6,152,757	6,152,757	5,767,091	(385,666)	5,339,648
Capital outlay					
General government	39,856	39,856	51,549	11,693	55,343
Public safety	—	—	—	—	65,735
Public works	14,000	14,000	10,750	(3,250)	18,236
Culture and recreation	83,000	83,000	29,824	(53,176)	44,947
Total capital outlay	136,856	136,856	92,123	(44,733)	184,261
Total expenditures	6,289,613	6,289,613	5,859,214	(430,399)	5,523,909
Excess of revenues over expenditures	1,216,624	1,216,624	2,578,530	1,361,906	1,358,268
Other financing sources (uses)					
Transfers out	(950,000)	(950,000)	(1,645,066)	(695,066)	(1,229,341)
Net change in fund balances	\$ 266,624	\$ 266,624	933,464	\$ 666,840	128,927
Fund balances					
Beginning of year			3,461,146		3,332,219
End of year			\$ 4,394,610		\$ 3,461,146

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STATISTICAL SECTION

(UNAUDITED)
TAB

STATISTICAL SECTION (UNAUDITED)

This part of the City of Victoria, Minnesota's (the City) Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

The contents of the statistical section include:

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant revenue source, including property tax revenue.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place.

Operating Indicators

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides, and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the ACFR for the relevant year.

CITY OF VICTORIA

Net Position by Component Last Ten Fiscal Years (Accrual Basis of Accounting)

	2014	2015	2016	Fiscal Year 2017
Governmental activities				
Net investment in capital assets	\$ 16,445,128	\$ 19,717,509	\$ 21,465,409	\$ 22,683,733
Restricted	6,165,197	5,727,238	6,328,625	6,197,010
Unrestricted	<u>5,805,949</u>	<u>5,350,282</u>	<u>5,571,286</u>	<u>6,387,403</u>
Total governmental activities net position	<u>\$ 28,416,274</u>	<u>\$ 30,795,029</u>	<u>\$ 33,365,320</u>	<u>\$ 35,268,146</u>
Business-type activities				
Net investment in capital assets	\$ 26,258,332	\$ 32,919,531	\$ 37,886,579	\$ 37,978,897
Unrestricted	<u>5,601,550</u>	<u>2,951,827</u>	<u>3,213,301</u>	<u>4,874,383</u>
Total business-type activities net position	<u>\$ 31,859,882</u>	<u>\$ 35,871,358</u>	<u>\$ 41,099,880</u>	<u>\$ 42,853,280</u>
Primary government				
Net investment in capital assets	\$ 42,703,460	\$ 52,637,040	\$ 59,351,988	\$ 60,662,630
Restricted	6,165,197	5,727,238	6,328,625	6,197,010
Unrestricted	<u>11,407,499</u>	<u>8,302,109</u>	<u>8,784,587</u>	<u>11,261,786</u>
Total primary government net position	<u>\$ 60,276,156</u>	<u>\$ 66,666,387</u>	<u>\$ 74,465,200</u>	<u>\$ 78,121,426</u>

Note: The City implemented GASB Statement No. 68 in fiscal 2015. The City reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position. Prior year information has not been restated.

2018	2019	2020	2021	2022	2023
\$ 23,043,418	\$ 25,618,968	\$ 29,225,688	\$ 30,419,393	\$ 35,511,515	\$ 37,942,091
6,707,707	6,661,562	5,732,775	7,057,965	6,494,082	6,424,190
7,555,968	8,185,594	9,764,457	11,492,082	11,009,268	11,332,071
<u>\$ 37,307,093</u>	<u>\$ 40,466,124</u>	<u>\$ 44,722,920</u>	<u>\$ 48,969,440</u>	<u>\$ 53,014,865</u>	<u>\$ 55,698,352</u>
\$ 38,938,933	\$ 41,087,740	\$ 44,542,605	\$ 46,123,579	\$ 47,634,481	\$ 48,367,788
4,891,117	5,904,578	6,648,560	8,186,767	9,469,979	11,361,167
<u>\$ 43,830,050</u>	<u>\$ 46,992,318</u>	<u>\$ 51,191,165</u>	<u>\$ 54,310,346</u>	<u>\$ 57,104,460</u>	<u>\$ 59,728,955</u>
\$ 61,982,351	\$ 66,706,708	\$ 73,768,293	\$ 76,542,972	\$ 83,145,996	\$ 86,309,879
6,707,707	6,661,562	5,732,775	7,057,965	6,494,082	6,424,190
12,447,085	14,090,172	16,413,017	19,678,849	20,479,247	22,693,238
<u>\$ 81,137,143</u>	<u>\$ 87,458,442</u>	<u>\$ 95,914,085</u>	<u>\$ 103,279,786</u>	<u>\$ 110,119,325</u>	<u>\$ 115,427,307</u>

CITY OF VICTORIA

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
Expenses				
Governmental activities				
General government	\$ 1,166,391	\$ 1,238,321	\$ 1,363,659	\$ 1,506,979
Public safety	751,410	921,280	886,944	1,244,371
Public works	1,849,305	1,717,862	2,852,389	2,558,324
Culture and recreation	1,370,562	1,391,956	1,557,478	1,499,003
Economic development	76,133	180,804	24,921	13,556
Interest and fiscal charges	905,328	768,062	922,921	553,803
Total governmental activities expenses	<u>6,119,129</u>	<u>6,218,285</u>	<u>7,608,312</u>	<u>7,376,036</u>
Business-type activities				
Water	1,267,401	1,436,461	1,457,550	1,488,268
Sewer	866,409	1,263,633	1,190,792	1,153,181
Storm water management	237,116	378,129	369,441	359,351
Total business-type activities expenses	<u>2,370,926</u>	<u>3,078,223</u>	<u>3,017,783</u>	<u>3,000,800</u>
Total primary government expenses	<u>\$ 8,490,055</u>	<u>\$ 9,296,508</u>	<u>\$10,626,095</u>	<u>\$10,376,836</u>
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 54,882	\$ 55,448	\$ 49,350	\$ 81,506
Public safety	689,322	540,144	784,439	1,172,179
Public works	40,300	108,997	76,279	30,926
Culture and recreation	712,788	692,446	720,525	733,944
Operating grants and contributions	385,938	460,099	873,693	572,437
Capital grants and contributions	2,307,971	2,924,187	2,835,198	1,958,709
Total governmental activities program revenues	<u>4,191,201</u>	<u>4,781,321</u>	<u>5,339,484</u>	<u>4,549,701</u>
Business-type activities				
Charges for services				
Water	1,163,826	1,154,596	1,204,090	1,334,834
Sewer	774,908	848,050	890,943	937,802
Storm water management	144,014	149,403	153,146	231,630
Operating grants and contributions	—	—	3,178	30,855
Capital grants and contributions	2,889,301	5,028,705	5,774,140	1,719,440
Total business-type activities program revenues	<u>4,972,049</u>	<u>7,180,754</u>	<u>8,025,497</u>	<u>4,254,561</u>
Total primary government program revenues	<u>\$ 9,163,250</u>	<u>\$11,962,075</u>	<u>\$13,364,981</u>	<u>\$ 8,804,262</u>

2018	2019	2020	2021	2022	2023
\$ 1,605,515	\$ 1,693,360	\$ 1,928,824	\$ 1,761,725	\$ 2,255,227	\$ 2,601,031
1,218,173	1,423,226	1,607,359	1,373,072	1,941,235	1,955,746
2,894,073	2,346,472	2,424,327	2,871,443	2,651,447	3,485,575
1,581,325	1,539,557	1,519,792	1,822,478	1,965,998	2,079,615
117,863	89,801	243,915	189,843	366,503	307,918
531,364	464,025	481,765	440,150	368,307	355,461
7,948,313	7,556,441	8,205,982	8,458,711	9,548,717	10,785,346
1,462,375	1,443,367	1,589,830	1,640,922	1,701,660	1,826,780
1,427,694	1,312,142	1,552,463	1,605,408	1,613,202	1,835,660
403,801	372,295	438,641	453,140	388,194	497,783
3,293,870	3,127,804	3,580,934	3,699,470	3,703,056	4,160,223
<u>\$11,242,183</u>	<u>\$10,684,245</u>	<u>\$11,786,916</u>	<u>\$12,158,181</u>	<u>\$13,251,773</u>	<u>\$14,945,569</u>
\$ 12,717	\$ 1,274	\$ 5,898	\$ 2,301	\$ 7,408	\$ 10,778
1,046,480	1,034,343	1,036,616	835,946	949,074	1,326,545
26,200	32,027	53,991	85,369	70,306	82,150
737,576	778,372	670,150	753,568	864,449	901,378
537,601	495,873	470,913	705,323	653,459	1,141,732
1,855,537	1,847,194	2,386,750	2,989,887	3,003,529	1,010,071
4,216,111	4,189,083	4,624,318	5,372,394	5,548,225	4,472,654
1,364,024	1,300,360	1,622,580	1,877,204	2,078,034	2,344,540
1,004,063	1,077,375	1,119,817	1,217,223	1,245,931	1,280,640
297,225	339,632	383,436	435,228	491,251	575,077
26,512	3,923	6,597	5,777	1,342	2,133
1,528,720	3,383,947	4,548,340	3,281,569	2,693,960	2,084,001
4,220,544	6,105,237	7,680,770	6,817,001	6,510,518	6,286,391
<u>\$ 8,436,655</u>	<u>\$10,294,320</u>	<u>\$12,305,088</u>	<u>\$12,189,395</u>	<u>\$12,058,743</u>	<u>\$10,759,045</u>

CITY OF VICTORIA

Changes in Net Position (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2014	2015	2016	Fiscal Year 2017
Net (expense) revenue				
Governmental activities	\$ (1,927,928)	\$ (1,436,964)	\$ (2,268,828)	\$ (2,826,335)
Business-type activities	2,601,123	4,102,531	5,007,714	1,253,761
Total primary government net expense	<u>\$ 673,195</u>	<u>\$ 2,665,567</u>	<u>\$ 2,738,886</u>	<u>\$ (1,572,574)</u>
General revenues and other changes in net assets				
Governmental activities				
Taxes				
Property taxes	\$ 3,977,623	\$ 4,097,802	\$ 4,366,023	\$ 4,269,441
Tax increments	345,734	337,650	323,406	344,396
Franchise taxes	79,462	81,303	86,520	317,279
Grants and contributions not restricted to specific programs	1,827	1,914	1,907	1,830
Other general revenues	121,837	121,686	110,683	110,265
Investment earnings (charges)	201,814	87,039	143,202	156,205
Gain on sale of assets	—	—	—	—
Transfers – capital assets	(227,790)	—	(192,622)	(470,255)
Transfers	(197,114)	—	—	—
Total governmental activities	<u>4,303,393</u>	<u>4,727,394</u>	<u>4,839,119</u>	<u>4,729,161</u>
Business-type activities				
Investment earnings	36,347	28,451	28,186	29,384
Transfers – capital assets	227,790	—	192,622	470,255
Transfers	197,114	—	—	—
Total business-type activities	<u>461,251</u>	<u>28,451</u>	<u>220,808</u>	<u>499,639</u>
Total primary government	<u>\$ 4,764,644</u>	<u>\$ 4,755,845</u>	<u>\$ 5,059,927</u>	<u>\$ 5,228,800</u>
Change in net position				
Governmental activities	\$ 2,375,465	\$ 3,290,430	\$ 2,570,291	\$ 1,902,826
Business-type activities	3,062,374	4,130,982	5,228,522	1,753,400
Total primary government	<u>\$ 5,437,839</u>	<u>\$ 7,421,412</u>	<u>\$ 7,798,813</u>	<u>\$ 3,656,226</u>

2018	2019	2020	2021	2022	2023
\$ (3,732,202)	\$ (3,367,358)	\$ (3,581,664)	\$ (3,086,317)	\$ (4,000,492)	\$ (6,312,692)
926,674	2,977,433	4,099,836	3,117,531	2,807,462	2,126,168
<u>\$ (2,805,528)</u>	<u>\$ (389,925)</u>	<u>\$ 518,172</u>	<u>\$ 31,214</u>	<u>\$ (1,193,030)</u>	<u>\$ (4,186,524)</u>
\$ 4,736,353	\$ 5,200,776	\$ 5,893,840	\$ 6,304,236	\$ 6,623,688	\$ 7,370,982
374,940	401,035	439,348	236,125	316,014	315,038
373,705	390,426	393,737	409,154	401,464	401,426
1,752	1,753	753,532	3,296	425,975	315,321
129,960	137,763	123,380	128,226	156,208	148,116
154,439	394,636	234,623	(17,993)	(60,824)	581,772
—	—	—	269,793	183,392	7,875
—	—	—	—	—	(144,351)
—	—	—	—	—	—
5,771,149	6,526,389	7,838,460	7,332,837	8,045,917	8,996,179
50,096	184,835	99,011	1,650	(13,348)	353,976
—	—	—	—	—	144,351
—	—	—	—	—	—
50,096	184,835	99,011	1,650	(13,348)	498,327
<u>\$ 5,821,245</u>	<u>\$ 6,711,224</u>	<u>\$ 7,937,471</u>	<u>\$ 7,334,487</u>	<u>\$ 8,032,569</u>	<u>\$ 9,494,506</u>
\$ 2,038,947	\$ 3,159,031	\$ 4,256,796	\$ 4,246,520	\$ 4,045,425	\$ 2,683,487
976,770	3,162,268	4,198,847	3,119,181	2,794,114	2,624,495
<u>\$ 3,015,717</u>	<u>\$ 6,321,299</u>	<u>\$ 8,455,643</u>	<u>\$ 7,365,701</u>	<u>\$ 6,839,539</u>	<u>\$ 5,307,982</u>

CITY OF VICTORIA

Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
General Fund				
Nonspendable	\$ 42,311	\$ 75,504	\$ 26,274	\$ 44,612
Committed	189,304	148,895	332,783	782,795
Assigned	270,470	239,655	345,616	317,186
Unassigned	978,468	1,103,908	1,162,197	1,246,722
Total General Fund	<u>\$ 1,480,553</u>	<u>\$ 1,567,962</u>	<u>\$ 1,866,870</u>	<u>\$ 2,391,315</u>
All other governmental funds				
Nonspendable	\$ 3,549	\$ 3,274	\$ 3,481	\$ 3,937
Restricted	7,608,345	5,661,228	13,461,619	7,102,289
Committed	1,208,116	1,230,763	1,316,833	1,467,438
Assigned	3,533,452	3,991,096	3,854,183	3,895,234
Unassigned	(362,916)	(563,549)	(480,751)	(420,866)
Total all other governmental funds	<u>\$ 11,990,546</u>	<u>\$ 10,322,812</u>	<u>\$ 18,155,365</u>	<u>\$ 12,048,032</u>

2018	2019	2020	2021	2022	2023
\$ 33,646	\$ 86,077	\$ 589,225	\$ 590,766	\$ 591,024	\$ 594,620
1,129,029	1,394,835	848,474	807,789	763,238	1,172,500
276,186	265,486	274,100	304,833	220,000	545,260
1,310,025	1,421,096	1,464,882	1,628,831	1,886,884	2,082,230
<u>\$ 2,748,886</u>	<u>\$ 3,167,494</u>	<u>\$ 3,176,681</u>	<u>\$ 3,332,219</u>	<u>\$ 3,461,146</u>	<u>\$ 4,394,610</u>
\$ 3,634	\$ 309,040	\$ 1,116	\$ 799,159	\$ 800,366	\$ 2,983
6,206,262	6,394,681	4,568,593	5,189,648	3,661,522	3,374,150
1,743,834	2,067,750	2,557,295	3,217,390	3,181,728	3,191,481
4,089,244	3,883,147	5,849,866	5,978,595	5,793,257	5,695,531
(354,591)	(400,304)	(417,247)	(476,309)	(640,076)	(568,908)
<u>\$ 11,688,383</u>	<u>\$ 12,254,314</u>	<u>\$ 12,559,623</u>	<u>\$ 14,708,483</u>	<u>\$ 12,796,797</u>	<u>\$ 11,695,237</u>

CITY OF VICTORIA

Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
Revenues				
Taxes				
General property tax	\$ 3,978,439	\$ 4,097,789	\$ 4,375,187	\$ 4,342,477
Tax increments	345,705	337,650	323,406	261,922
Franchise tax	79,462	81,303	86,520	317,279
Special assessments	474,673	451,747	689,725	806,346
Licenses and permits	422,996	349,244	513,922	758,243
Intergovernmental	323,756	191,714	458,996	927,668
Charges for services	1,512,403	1,311,557	1,614,269	1,780,304
Fines and forfeits	8,539	10,728	9,934	9,020
Investment earnings (charges)	201,814	87,039	143,202	156,205
Miscellaneous	368,348	346,334	515,551	463,259
Total revenues	<u>7,716,135</u>	<u>7,265,105</u>	<u>8,730,712</u>	<u>9,822,723</u>
Expenditures				
Current				
General government	1,138,654	1,163,907	1,261,423	1,379,396
Public safety	743,027	742,863	854,810	1,071,193
Public works	905,521	928,525	803,963	855,250
Culture and recreation	914,488	920,114	986,259	962,430
Economic development	2,077	49,417	9,017	—
Capital outlay				
General government	2,027,671	646,503	182,678	—
Public safety	41,443	32,580	92,855	104,606
Public works	2,317,429	483,025	4,521,516	1,726,171
Culture and recreation	385,038	430,618	542,941	624,453
Economic development	72,866	130,197	375,198	239,410
Debt service				
Principal	3,468,429	2,603,944	2,976,145	8,963,487
Bond issuance costs	97,740	—	215,134	40,754
Interest and other	841,435	831,540	716,204	670,550
Total expenditures	<u>12,955,818</u>	<u>8,963,233</u>	<u>13,538,143</u>	<u>16,637,700</u>
Excess (deficiency) of revenues over expenditures	(5,239,683)	(1,698,128)	(4,807,431)	(6,814,977)
Other financing sources (uses)				
Transfers in	4,199,559	1,881,123	2,049,579	1,098,984
Transfers out	(4,396,673)	(1,881,123)	(2,049,579)	(1,098,984)
Bonds issued	2,850,000	—	12,590,000	1,205,000
Premium (discount) on bonds issued	62,872	—	—	—
Payments on refunded bonds	—	—	338,752	14,040
Sales of capital assets	5,051	117,803	10,140	13,050
Total other financing sources (uses)	<u>2,720,809</u>	<u>117,803</u>	<u>12,938,892</u>	<u>1,232,090</u>
Net change in fund balances	<u>\$ (2,518,874)</u>	<u>\$ (1,580,325)</u>	<u>\$ 8,131,461</u>	<u>\$ (5,582,887)</u>
Debt service as a percentage of noncapital expenditures	<u>50.6%</u>	<u>45.7%</u>	<u>41.3%</u>	<u>66.0%</u>

2018	2019	2020	2021	2022	2023
\$ 4,844,408	\$ 5,220,352	\$ 5,913,208	\$ 6,314,985	\$ 6,626,296	\$ 7,370,430
260,219	389,754	416,941	221,732	338,874	315,038
373,705	390,426	393,737	409,154	401,464	401,426
657,602	442,810	424,157	330,183	295,548	238,215
675,789	662,186	700,833	620,773	666,835	945,896
165,629	170,420	961,983	226,026	965,669	1,156,892
1,422,598	1,502,622	1,244,897	1,461,125	1,374,424	2,075,025
12,500	10,736	10,771	7,968	8,677	8,863
154,488	394,636	234,623	(17,993)	(60,824)	581,772
436,266	396,708	301,427	579,451	1,980,589	457,947
9,003,204	9,580,650	10,602,577	10,153,404	12,597,552	13,551,504
1,549,705	1,583,415	1,848,555	1,604,077	2,082,016	2,259,380
1,239,036	1,280,718	1,391,500	1,404,047	1,560,755	1,827,011
926,240	891,083	769,279	839,054	942,388	943,816
1,094,765	1,024,045	1,033,290	1,182,777	1,313,944	1,373,455
—	5,940	24,680	4,579	40,476	695
—	252,584	531,260	38,963	585,341	110,794
107,037	607,699	358,560	—	821,069	883,151
2,983,843	230,333	2,023,324	929,066	2,530,432	2,833,575
592,003	144,421	3,060,724	615,749	821,260	1,038,535
178,669	—	219,235	185,264	326,027	815,646
1,925,000	2,055,000	1,945,000	1,760,000	2,100,000	2,060,000
36,370	—	79,945	17,605	—	19,099
522,771	520,873	459,389	505,285	497,133	424,985
11,155,439	8,596,111	13,744,741	9,086,466	13,620,841	14,590,142
(2,152,235)	984,539	(3,142,164)	1,066,938	(1,023,289)	(1,038,638)
1,775,845	2,100,574	3,212,504	2,756,334	2,168,367	2,370,066
(1,775,845)	(2,100,574)	(3,212,504)	(2,756,334)	(2,168,367)	(2,370,066)
2,110,000	—	5,775,000	840,000	—	810,000
—	—	645,010	122,777	—	50,542
40,157	—	(3,035,000)	—	(945,000)	—
—	—	71,650	274,683	185,530	10,000
2,150,157	—	3,456,660	1,237,460	(759,470)	870,542
\$ (2,078)	\$ 984,539	\$ 314,496	\$ 2,304,398	\$ (1,782,759)	\$ (168,096)
29.7%	33.4%	31.7%	27.9%	28.7%	23.5%

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CITY OF VICTORIA

General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Tax Increment</u>	<u>Franchise Tax</u>	<u>Total</u>
2014	\$ 3,978,439	\$ 345,705	\$ 79,462	\$ 4,403,606
2015	4,097,789	337,650	81,303	4,516,742
2016	4,375,187	323,406	86,520	4,785,113
2017	4,342,477	261,922	317,279	4,921,678
2018	4,844,408	260,219	373,705	5,478,332
2019	5,220,352	389,754	390,426	6,000,532
2020	5,913,208	416,941	393,737	6,723,886
2021	6,314,985	221,732	409,154	6,945,871
2022	6,626,296	338,874	401,464	7,366,634
2023	7,370,430	315,038	401,426	8,086,894

CITY OF VICTORIA

Tax Capacity, Market Value, and Estimated Actual Value of Taxable Property Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
Taxable market value				
Personal property	\$ 7,752,700	\$ 9,053,000	\$ 11,149,800	\$ 12,377,700
Real estate	982,188,900	1,147,365,200	1,238,438,900	1,231,607,700
Total taxable market value	<u>\$ 989,941,600</u>	<u>\$ 1,156,418,200</u>	<u>\$ 1,249,588,700</u>	<u>\$ 1,243,985,400</u>
Estimated market value	<u>\$ 1,020,438,500</u>	<u>\$ 1,190,120,200</u>	<u>\$ 1,288,796,100</u>	<u>\$ 1,276,719,900</u>
Estimated market value as a percentage of taxable market value	<u>103.08 %</u>	<u>102.91 %</u>	<u>103.14 %</u>	<u>102.63 %</u>
Tax capacity and adjustments				
Tax capacity				
Personal property	\$ 152,804	\$ 178,810	\$ 220,746	\$ 245,304
Real estate	10,291,998	12,058,074	13,011,593	12,882,019
Total tax capacity	<u>10,444,802</u>	<u>12,236,884</u>	<u>13,232,339</u>	<u>13,127,323</u>
Taxable capacity adjustments				
Contribution to fiscal disparities pool	(202,429)	(206,426)	(222,317)	(241,817)
Tax increment	(274,839)	(303,033)	(285,478)	(237,459)
Total tax capacity adjustments	<u>(477,268)</u>	<u>(509,459)</u>	<u>(507,795)</u>	<u>(479,276)</u>
Total adjusted tax capacity	<u>\$ 9,967,534</u>	<u>\$ 11,727,425</u>	<u>\$ 12,724,544</u>	<u>\$ 12,648,047</u>
Tax levies				
General	\$ 3,112,000	\$ 3,016,000	\$ 3,331,000	\$ 3,252,000
EDA	—	188,000	188,000	188,000
Debt service	849,000	896,800	848,000	927,000
Total tax levies	<u>\$ 3,961,000</u>	<u>\$ 4,100,800</u>	<u>\$ 4,367,000</u>	<u>\$ 4,367,000</u>
Tax capacity rate				
General	29.766 %	25.717 %	26.178 %	25.103 %
EDA	—	1.603	1.421	1.406
Debt service	8.121	6.013	5.342	6.329
Total tax capacity rate	<u>37.887 %</u>	<u>33.333 %</u>	<u>32.941 %</u>	<u>32.838 %</u>

Source: Carver County Taxpayer Services

2018	2019	2020	2021	2022	2023
\$ 13,505,400	\$ 16,102,700	\$ 16,676,838	\$ 18,230,300	\$ 15,662,200	\$ 17,845,700
1,384,379,800	1,512,530,300	1,690,252,662	1,778,742,900	1,924,856,900	2,413,700,200
<u>\$ 1,397,885,200</u>	<u>\$ 1,528,633,000</u>	<u>\$ 1,706,929,500</u>	<u>\$ 1,796,973,200</u>	<u>\$ 1,940,519,100</u>	<u>\$ 2,431,545,900</u>
<u>\$ 1,404,580,600</u>	<u>\$ 1,538,972,100</u>	<u>\$ 1,733,474,600</u>	<u>\$ 1,823,878,200</u>	<u>\$ 1,966,991,600</u>	<u>\$ 2,464,259,100</u>
<u>100.48 %</u>	<u>100.68 %</u>	<u>101.56 %</u>	<u>101.50 %</u>	<u>101.36 %</u>	<u>101.35 %</u>
\$ 267,858	\$ 319,804	\$ 336,366	\$ 362,356	\$ 313,244	\$ 356,914
14,284,433	15,627,485	17,838,908	18,781,438	20,372,812	26,003,158
14,552,291	15,947,289	18,175,274	19,143,794	20,686,056	26,360,072
(221,014)	(261,614)	(301,749)	(333,686)	(335,053)	(335,789)
(244,966)	(372,047)	(405,396)	(237,394)	(314,586)	(359,780)
(465,980)	(633,661)	(707,145)	(571,080)	(649,639)	(695,569)
<u>\$ 14,086,311</u>	<u>\$ 15,313,628</u>	<u>\$ 17,468,129</u>	<u>\$ 18,572,714</u>	<u>\$ 20,036,417</u>	<u>\$ 25,664,503</u>
\$ 3,715,000	\$ 4,080,000	\$ 4,800,000	\$ 5,181,000	\$ 5,387,000	\$ 6,192,000
188,000	188,000	188,000	—	—	—
944,500	947,000	908,000	1,125,543	1,234,182	1,178,428
<u>\$ 4,847,500</u>	<u>\$ 5,215,000</u>	<u>\$ 5,896,000</u>	<u>\$ 6,306,543</u>	<u>\$ 6,621,182</u>	<u>\$ 7,370,428</u>
25.675 %	25.414 %	26.133 %	26.506 %	25.457 %	23.018 %
1.255	1.158	1.008	—	—	—
5.820	5.857	4.909	5.720	5.792	4.356
<u>32.750 %</u>	<u>32.429 %</u>	<u>32.050 %</u>	<u>32.226 %</u>	<u>31.249 %</u>	<u>27.374 %</u>

CITY OF VICTORIA

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City			Overlapping Rates			
	General	Debt Service	Total	Carver County	Independent School District		
					No. 110	No. 112	No. 276
2014	29.766 %	8.121 %	37.887 %	45.211 %	36.307 %	44.917 %	24.374 %
2015	25.717	7.616	33.333	40.488	35.252	39.120	25.093
2016	26.178	6.763	32.941	38.880	33.233	39.245	22.887
2017	25.103	7.735	32.838	38.851	31.235	37.005	22.770
2018	25.675	7.075	32.750	37.436	33.493	33.837	23.133
2019	25.414	7.015	32.429	36.488	33.800	33.631	21.209
2020	26.133	5.917	32.050	35.179	32.268	33.006	21.167
2021	26.506	5.720	32.226	34.633	32.367	32.327	20.915
2022	25.457	5.792	31.249	34.170	31.257	31.219	21.002
2023	23.018	4.356	27.374	29.267	24.139	27.747	17.720

Note: Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners (e.g., the rates for special districts apply only to the proportion of the City's property owners whose property is located within the geographic boundaries of the special district).

Source: Carver County Taxpayer Services

Special Districts	Total Direct and Overlapping Rates			
	Independent School District			
	No. 110	No. 112	No. 276	
5.260 %	124.665 %	133.275 %	112.732 %	
4.828	113.901	117.769	103.742	
4.974	110.028	116.040	99.682	
5.112	108.036	113.806	99.571	
4.720	108.399	108.743	98.039	
4.453	107.170	107.001	94.579	
2.432	101.929	102.667	90.828	
2.452	101.678	101.638	90.226	
2.432	99.108	99.070	88.853	
2.006	82.786	86.394	76.367	

CITY OF VICTORIA

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2023			2014		
	(Rank Based on Tax Capacity)			(Rank Based on Tax Capacity)		
	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity
CenterPoint Energy/Minnegasco	\$ 356,130	1	1.39 %	\$ 93,170	1	0.93 %
Victoria Flats LLC	187,325	2	0.73	—	—	—
Bethesda Cornerstone Village	144,655	3	0.56	—	—	—
Joseph F. Novogratz	88,171	4	0.34	37,065	5	0.37
Jon and Arlene Malinski Trust	77,355	5	0.30	52,543	3	0.53
Jeffrey Wigen	64,654	6	0.25	—	—	—
David Gestach	62,533	7	0.24	—	—	—
U.S. Home Corporation (dba/Lennar)	62,497	8	0.24	61,293	2	0.61
Steve M. Welby	61,911	9	0.24	29,719	10	0.30
James Verdorn	56,528	10	0.22	—	—	—
Victoria City Center, LLC	—	—	—	48,130	4	0.48
Constance Phillips Rev Trust	—	—	—	36,635	6	0.37
HEI, Inc.	—	—	—	35,250	7	0.35
Clocktower Building	—	—	—	32,222	8	0.32
Xcel Energy/Northern States Power	—	—	—	31,122	9	0.31
Total	<u>\$ 1,161,759</u>		<u>4.53 %</u>	<u>\$ 457,149</u>		<u>4.59 %</u>

Source: Carver County Taxpayer Services Department

CITY OF VICTORIA

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 3,961,000	\$ 3,941,065	99.50 %	\$ 19,935	\$ 3,961,000	100.00 %
2015	4,100,800	4,075,448	99.38	25,352	4,100,800	100.00
2016	4,367,000	4,352,997	99.68	14,003	4,367,000	100.00
2017	4,367,000	4,344,318	99.48	22,682	4,367,000	100.00
2018	4,847,500	4,838,114	99.81	9,386	4,847,500	100.00
2019	5,215,000	5,208,330	99.87	6,670	5,215,000	100.00
2020	5,896,000	5,871,919	99.59	24,081	5,896,000	100.00
2021	6,306,543	6,293,572	99.79	12,966	6,306,538	100.00
2022	6,621,182	6,608,907	99.81	12,270	6,621,177	100.00
2023	7,370,428	7,356,955	99.82	—	7,356,955	99.82

(1) Includes fiscal disparity revenues and is net of county/state adjustments.

Source: City's financial records and Carver County Taxpayer Services

CITY OF VICTORIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Tax Increment Bonds	Special Assessment Bonds	Revenue Bonds	Capital Loans
2014	\$ –	\$ 1,114,020	\$ 13,676,182	\$ 8,830,000	\$ 228,577
2015	–	926,094	11,583,197	8,560,000	154,632
2016	6,524,640	1,408,698	14,934,261	8,200,000	78,487
2017	6,523,054	1,205,389	12,897,415	2,745,000	–
2018	6,231,466	1,990,448	12,811,656	2,530,000	–
2019	5,840,741	1,736,122	11,470,875	2,410,000	–
2020	11,740,234	1,534,469	9,548,778	–	–
2021	11,303,792	1,438,069	9,213,039	–	–
2022	10,552,350	1,336,669	6,909,840	–	–
2023	9,785,908	1,235,269	6,498,875	–	–

N/A – Not Available

Note 1: See the Schedule of Demographic and Economic Statistics for population data.

Note 2: Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

Business-Type Activities					
General Obligation Revenue Bonds	Finance Purchase	Total Primary Government	Percentage of Personal Income	Per Capita	
\$ 6,437,162	\$ —	\$ 30,285,941	0.52 %	\$ 3,510	
5,800,255	—	27,024,178	0.43	3,047	
5,148,348	—	36,294,434	0.56	3,936	
4,476,411	88,718	27,935,987	0.41	2,847	
3,784,534	60,100	27,408,204	0.37	2,676	
3,072,627	30,537	24,560,902	0.32	2,344	
2,340,720	—	25,164,201	0.31	2,386	
4,537,151	—	26,492,051	0.30	2,430	
3,739,222	—	22,538,081	0.24	1,980	
5,803,502	—	23,323,554	N/A	1,980	

CITY OF VICTORIA

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less Amounts Available in Debt Service Funds	Net Bonded Debt	Percentage of Estimated Market Value of Taxable Property	Per Capita
2014	\$ —	\$ —	\$ —	— %	\$ —
2015	—	—	—	—	—
2016	6,524,640	699	6,523,941	0.51	708
2017	6,523,054	243,951	6,279,103	0.49	640
2018	6,231,466	319,862	5,911,604	0.42	583
2019	5,840,741	333,707	5,507,034	0.36	526
2020	11,740,234	552,713	11,187,521	0.65	1,061
2021	11,303,792	657,690	10,646,102	0.58	977
2022	10,552,350	621,409	9,930,941	0.50	872
2023	9,785,908	664,632	9,121,276	0.37	774

Note 1: See the Schedule of Demographic and Economic Statistics for population data.

Note 2: See the Schedule of Tax Capacity, Market Value, and Estimated Actual Value of Taxable Property for property value information.

Note 3: Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

CITY OF VICTORIA

Computation of Direct and Overlapping Governmental Activities Debt
as of December 31, 2023

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to the City of Victoria Share of Debt
Direct debt			
City of Victoria	\$ 17,520,052	100.00 %	\$ 17,520,052
Overlapping debt			
County	14,579,000	12.13	1,768,433
Independent School District No. 110, Waconia	98,090,000	4.03	3,953,027
Independent School District No. 112, Eastern Carver County	135,594,000	16.26	22,047,584
Independent School District No. 276, Minnetonka	121,515,000	2.85	3,463,178
Carver County CDA (1)	24,230,000	—	—
Metropolitan Council (2)	4,535,000	0.46	20,861
Total overlapping debt	<u>398,543,000</u>		<u>31,253,083</u>
Total direct and overlapping debt	<u>\$ 416,063,052</u>		<u>\$ 48,773,135</u>

(1) No percentage of the \$24,230,000 in Carver County CDA bonds is applicable to the City of Victoria because the bonds will be repaid primarily from housing revenues.

(2) Metropolitan Council has \$213,985,000 of property tax supported general obligation debt. Transit debt is issued for public transit operations and payable from ad valorem taxes levied on all taxable property within the Metropolitan Transit District. This amount excludes \$322,365,000 of general obligation debt payable from revenues.

Note: Only those taxing jurisdictions with general obligation debt outstanding are included. Debt figures do not include nongeneral obligation debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

Source: City of Victoria, Minnesota Continuing Disclosure Document Prepared by Northland Securities, Carver County Auditor's Certificate, and Carver County Report of Outstanding Indebtedness.

CITY OF VICTORIA

Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
Debt limit	\$ 29,698,248	\$ 34,692,546	\$ 37,487,661	\$ 37,319,562
Total net debt applicable to the limit	228,577	154,632	6,603,127	6,611,772
Legal debt margin	<u>\$ 29,469,671</u>	<u>\$ 34,537,914</u>	<u>\$ 30,884,534</u>	<u>\$ 30,707,790</u>
Total net debt applicable to the limit as a percentage of debt limit	0.8%	0.4%	17.6%	17.7%

Note: Under state law, the City's outstanding general obligation debt should not exceed 3 percent of the market value of taxable property. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for the extinguishment of those obligations.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 41,936,556	\$ 45,858,990	\$ 51,207,885	\$ 53,909,196	\$ 58,215,573	\$ 72,946,377
<u>6,291,566</u>	<u>5,871,278</u>	<u>10,427,287</u>	<u>9,927,310</u>	<u>9,253,591</u>	<u>8,485,368</u>
<u>\$ 35,644,990</u>	<u>\$ 39,987,712</u>	<u>\$ 40,780,598</u>	<u>\$ 43,981,886</u>	<u>\$ 48,961,982</u>	<u>\$ 64,461,009</u>
15.0%	12.8%	20.4%	18.4%	15.9%	11.6%

Legal Debt Margin Calculation for Fiscal Year 2023

Taxable market value	\$2,431,545,900
Debt limit (3% of market value)	72,946,377
Debt applicable to limit	
General obligation debt	9,150,000
Less amount available in debt service funds	<u>(664,632)</u>
Total net debt applicable to limit	<u>8,485,368</u>
Legal debt margin	<u>\$ 64,461,009</u>

CITY OF VICTORIA

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Tax Increment Bonds						Coverage
	Property Taxes	Special Assessments	Net Available Revenue	Debt Service			
				Principal	Interest		
2014	\$ 285,582	\$ 28,002	\$ 313,584	\$ 180,000	\$ 23,459	154.13 %	
2015	275,007	26,541	301,548	180,000	19,942	150.82	
2016	280,885	32,149	313,034	185,000	16,286	155.52	
2017	259,701	20,682	280,383	195,000	25,505	127.15	
2018	257,770	21,187	278,957	230,000	21,769	110.80	
2019	265,299	20,598	285,897	245,000	17,062	109.10	
2020	380,891	7,414	388,305	200,000	42,125	160.37	
2021	39,929	7,414	47,343	95,000	38,675	35.42	
2022	40,044	18,943	58,987	100,000	36,150	43.33	
2023	40,032	6,033	46,065	100,000	33,550	34.49	

Note: Details regarding the City's outstanding debt can be found in the notes to basic financial statements. Property taxes include tax increment available for debt service.

CITY OF VICTORIA

Pledged Revenue Coverage (continued)
Last Ten Fiscal Years

Fiscal Year	Special Assessment Bonds					
	Property Taxes	Special Assessments	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2014	\$ 766,067	\$ 446,671	\$ 1,212,738	\$ 2,845,000	\$ 448,731	36.82 %
2015	808,031	425,206	1,233,237	2,080,000	417,342	49.38
2016	771,172	325,675	1,096,847	2,355,000	336,764	40.75
2017	802,140	363,177	1,165,317	3,235,000	331,235	32.68
2018	824,409	426,439	1,250,848	1,190,000	254,790	86.58
2019	856,378	296,499	1,152,877	1,250,000	258,115	76.44
2020	867,883	386,932	1,254,815	1,230,000	237,998	85.48
2021	866,629	322,769	1,189,398	1,270,000	199,638	80.93
2022	868,974	276,605	1,145,579	1,290,000	179,667	77.95
2023	816,544	229,404	1,045,948	1,235,000	148,853	75.58

Note 1: Excludes interest paid on Refunding Bonds, Series 2011A, 2011B, and 2012A held in escrow, which is paid by the escrow until crossover occurs.

Note 2: Excludes \$750,000 principal paid on refunded bonds in 2020.

Note 3: Excludes \$945,000 principal paid on refunded bonds in 2022.

CITY OF VICTORIA

Pledged Revenue Coverage (continued)
Last Ten Fiscal Years

Fiscal Year	Park Related – Tax Abatement Bonds					
	Property Taxes	Victoria Recreation Center Revenues	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2014	\$ 313,693	\$ 905,991	\$ 1,219,684	\$ 255,000	\$ 302,749	218.68 %
2015	247,922	903,597	1,151,519	270,000	292,210	204.82
2016	230,489	932,556	1,163,045	280,000	280,197	207.61
2017	79,586	925,180	1,004,766	295,000	208,085	199.72
2018	78,894	940,616	1,019,510	295,000	93,239	262.60
2019	379	1,002,119	1,002,498	280,000	86,516	273.52
2020	–	859,111	859,111	285,000	80,505	235.05
2021	–	907,690	907,690	290,000	74,755	248.85
2022	–	1,032,488	1,032,488	295,000	68,905	283.72
2023	–	1,101,857	1,101,857	300,000	62,955	303.58

Note: Excludes 2017 principal paid on Refunded Bonds, Series 2006A, which was paid by the escrow at the crossover date.

CITY OF VICTORIA

Pledged Revenue Coverage (continued)
Last Ten Fiscal Years

Fiscal Year	General Obligation Water Revenue Bonds							
	Charges for Services	Water CORE Fees	Special Assessments	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
2014	\$1,161,817	\$1,240,990	\$ 410	\$ (520,636)	\$1,882,581	\$ 605,000	\$ 217,634	228.85 %
2015	1,150,201	493,120	191	(696,224)	947,288	620,000	202,784	115.13
2016	1,200,248	961,810	181	(710,830)	1,451,409	635,000	187,031	176.56
2017	1,334,327	953,990	507	(668,330)	1,620,494	655,000	167,975	196.91
2018	1,362,898	427,500	1,126	(658,816)	1,132,708	675,000	147,400	137.73
2019	1,299,328	659,100	1,032	(639,483)	1,319,977	695,000	128,127	160.36
2020	1,620,925	529,230	193	(760,488)	1,389,860	715,000	107,277	169.03
2021	1,870,628	727,430	380	(823,405)	1,775,033	735,000	83,813	216.78
2022	2,075,074	530,210	226	(897,760)	1,707,750	765,000	54,038	208.51
2023	2,338,035	1,015,670	88	(925,401)	2,428,392	790,000	27,675	296.99

Note 1: Operating expenses exclude depreciation expense, which is a noncash transaction that does not reduce cash available for debt service payments.

Note 2: Water CORE fees are also available for debt service.

Note 3: Water Revenue Bonds were issued in 2023. There were no principal or interest payments made in 2023.

CITY OF VICTORIA

Pledged Revenue Coverage (continued)
Last Ten Fiscal Years

Fiscal Year	General Obligation Sewer Revenue Bonds													
	Charges for Services	Sewer CORE Fees	Special Assessments	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage						
						Principal	Interest							
2014	\$	—	\$	—	\$	—	\$	—	—	%				
2015		—		—		—		—		—				
2016		—		—		—		—		—				
2017		—		—		—		—		—				
2018		—		—		—		—		—				
2019		—		—		—		—		—				
2020		—		—		—		—		—				
2021		1,209,436		748,750		350		(1,061,887)		896,649		—	—	—
2022		1,244,905		490,750		207		(1,048,462)		687,400		—	51,298	1,340.02
2023		1,279,756		991,400		81		(1,164,867)		1,106,370		130,000	77,000	534.48

Note 1: Operating expenses exclude depreciation expense, which is a noncash transaction that does not reduce cash available for debt service payments.

Note 2: Sewer CORE fees are also available for debt service.

Note 3: Sewer Revenue Bonds were issued in 2023. There were no principal or interest payments made in 2023.

CITY OF VICTORIA

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Victoria Population (1)	Carver County Personal Income (1,000s) (2)	Carver County Per Capita Personal Income (2)	Carver County Unemployment Rate (2)
2014	8,628	\$ 5,838,766	\$ 59,984	3.3 %
2015	8,870	6,249,370	63,291	3.0
2016	9,220	6,464,183	64,473	3.4
2017	9,812	6,782,126	68,645	2.7
2018	10,144	7,388,363	71,350	2.5
2019	10,476	7,655,911	73,081	2.8
2020	10,546	8,064,542	75,677	4.1
2021	10,900	8,751,120	80,562	2.1
2022	11,384	9,583,434	87,095	2.3
2023	11,782	N/A	N/A	2.1

N/A – Not Available

(1) Population is from the 2010 and 2020 U.S. Census Bureau, and estimated each year after based on new households.

(2) Economic research Federal Reserve Bank of St. Louis.

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CITY OF VICTORIA

Principal Employers
Current Year and Nine Years Ago

Employer	2023			2014		
	Employees	Rank	Percentage of Total (1)	Employees	Rank	Percentage of Total (1)
Holy Family Catholic High School	142	1	25.59 %	—	—	— %
Independent School District No. 112	136	2	24.50	—	—	—
Winchester and Rye	76	3	13.69	—	—	—
City of Victoria	70	4	12.61	21	5	4.54
Hartman Companies	25	5	4.50	15	8	3.24
Floyd's Bar	25	5	4.50	—	—	—
Alphabet Junction Daycare	22	7	3.96	—	—	—
Wolters Kluwer DBA NurseTim	21	8	3.78	—	—	—
Noble Lion	20	9	3.60	—	—	—
Mount Olivet Rolling Acres, Inc.	18	10	3.24	—	—	—
HEI, Inc.	—	—	—	170	1	36.71
Community Living	—	—	—	100	2	21.60
Deer Run Golf Course	—	—	—	60	3	12.95
Carver Park Reserve – Lowry Nature Center	—	—	—	32	4	6.91
Timberwall	—	—	—	20	6	4.32
Kleinbank	—	—	—	19	7	4.10
Mn Victoria Oil/Cenex	—	—	—	14	9	3.02
Dairy Queen	—	—	—	12	10	2.59
Total	555		100.00 %	463		100.00 %

- (1) The statistic for total city employment is not available; therefore, the percentage represents the percentage of the employers listed.

Source: Survey by Finance Department

CITY OF VICTORIA

Full-Time Equivalent City Government Employees by Function Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
Function				
General government	8.60	9.20	9.60	10.80
Public works	7.90	7.80	7.50	6.70
Culture and recreation	5.40	5.50	6.00	4.88
Water	1.60	2.30	2.35	2.20
Sewer	0.40	0.60	0.65	0.90
Storm water management	—	0.60	0.65	0.70
Total	23.90	26.00	26.75	26.18

Source: Various city departments

2018	2019	2020	2021	2022	2023
11.80	12.30	11.50	13.65	15.70	18.85
4.55	7.40	6.62	5.40	6.40	7.30
4.88	5.88	5.85	5.95	5.65	5.60
2.25	2.30	1.89	2.69	2.64	2.63
0.95	1.00	1.23	2.24	2.24	2.23
0.75	0.80	0.72	0.87	0.87	0.89
25.18	29.68	27.81	30.80	33.50	37.50

CITY OF VICTORIA
Operating Indicators by Function

Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
Function/program				
Building				
New residential permits issued	110	81	117	198
Number of other permits issued	480	500	826	801
Election				
Registered voters	5,073	*	6,034	*
Fire				
Fire calls	232	248	278	259
Sheriff				
Police calls	3,295	3,034	3,465	3,338
Public works				
Street resurfacing (miles)	3.20	4.78	3.66	0.83
Water				
New connections	111	80	116	199
Average daily consumption (thousands of gallons)	673	674	695	726

* Indicators are not available.

Source: Various city departments

2018	2019	2020	2021	2022	2023
172	173	165	140	135	210
770	724	1,328	1,442	979	727
6,236	*	7,328	*	7,919	*
265	278	279	372	364	438
3,722	3,489	3,492	2,905	3,336	3,123
3.80	—	1.66	1.20	—	1.55
172	173	173	135	152	296
776	724	963	1,115	1,171	1,252

CITY OF VICTORIA

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/program	Fiscal Year			
	2014	2015	2016	2017
Fire				
Number of stations	1	1	1	1
Public works				
Highways and streets				
Streets (miles)	52.40	43.10	45.05	45.05
Number of streetlights	62	62	62	62
Number of cul-de-sacs	101	109	116	116
Parks and recreation				
Park division				
Number of parks (2)	23	26	31	34
Acres of parks (2)	260	264	264	444
Tennis courts (1)	12	14	14	12
Miles of trails (2)	21	23	23	24
Water				
Water mains (miles)	55.24	49.61	53.45	53.45
Fire hydrants	617	610	651	651
Number of wells	3	3	3	3
Maximum daily capacity (thousands of gallons)	5,100	5,100	5,100	5,100
Sewer				
Sanitary sewers (miles)	50.51	50.82	50.82	50.82
Number of lift stations	17	17	17	17
Storm water ponds				
Storm water ponds	76	76	84	84

Note: No capital asset indicators are available for the general government functions.

(1) Tennis court at Lions Park was reduced from two to one in 2022.

(2) Discrepancies in 2016–2022 caused by totaling nonpark amenities, such as outlots and sidewalks within the data table. Number of parks inaccurately included shelters as individual parks.

Source: Various city departments

2018	2019	2020	2021	2022	2023
1	1	1	1	1	1
45.27	46.50	48.20	50.00	50.67	56.15
58	58	58	65	65	65
116	120	123	124	126	129
34	34	35	35	36	27
444	444	452	452	460	200
12	12	12	12	11	11
25	32	33	34	35	27
53.79	55.51	56.89	58.54	61.00	63.00
656	676	699	723	818	848
3	3	4	4	4	4
5,100	5,100	6,480	6,480	6,480	6,480
51.16	52.44	56.89	58.52	58.52	60.52
19	17	17	17	18	18
86	93	98	101	104	124

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