

CITY OF HUGO, MINNESOTA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009**

**PREPARED BY:
FINANCE DIRECTOR'S OFFICE
FINANCE DIRECTOR
RONALD OTKIN**

CITY OF HUGO, MINNESOTA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2009**

TABLE OF CONTENTS

	<u>REFERENCE</u>	<u>PAGE</u>
INTRODUCTORY SECTION		
Letter of Transmittal		i
GFOA Certificate of Achievement		v
Elected and Appointed Officials		vi
Organizational Chart		vii
FINANCIAL SECTION		
Independent Auditor's Report		1
Management's Discussion and Analysis		3
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	FORM A-1	17
Statement of Activities	FORM A-2	18
Fund Financial Statements		
Balance Sheet - Governmental Funds	FORM B-1	22
Reconciliation of Net Assets in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	FORM B-2	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	FORM B-3	24
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	FORM B-4	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	FORM B-5	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Park Fund	FORM B-6	30
Statement of Net Assets - Proprietary Fund	FORM C-1	31
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	FORM C-2	32
Statement of Cash Flows - Proprietary Fund	FORM C-3	34
Notes to Financial Statements		38
Combining and Individual Fund Statements and Schedules		
Combining Balance Sheet - Nonmajor Governmental Funds	FORM D-1	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	FORM D-2	72
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Tax Increment Financing Collection Fund	FORM D-3	74

CITY OF HUGO, MINNESOTA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2009**

TABLE OF CONTENTS (CONTINUED)

	<u>REFERENCE</u>	<u>PAGE</u>
FINANCIAL SECTION (CONTINUED)		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Obligation Bonds Fund	FORM D-4	75
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Tax Increment Bonds Fund	FORM D-5	76
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Revenue Bonds Fund	FORM D-6	77
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Compensated Absences Fund	FORM D-7	78
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Property and Equipment Acquisition Fund	FORM D-8	79
Schedule of Revenues and Expenses - By Department - Proprietary Fund	FORM E-1	80
Supplementary Information		
Schedule of Cash and Investments - All Funds		82
Schedule of Debt Service Requirements - All Funds		87
Schedule of Bonds and Certificates Payable		88
STATISTICAL SECTION (UNAUDITED)		
Net Assets by Component	Schedule 1	92
Changes in Net Assets	Schedule 2	94
Fund Balances, Governmental Funds	Schedule 3	96
Changes in Fund Balances, Governmental Funds	Schedule 4	98
Tax Capacity and Estimated Actual Value of Taxable Property	Schedule 5	100
Property Tax Rates and Tax Levies - Direct and Overlapping Property Tax Rates	Schedule 6	101
Principal Property Taxpayers	Schedule 7	102
Schedule of Property Tax Levies and Collections	Schedule 8	104
Water and Sanitary Sewer Charges by Customer	Schedule 9	106
Ratios of Outstanding Debt by Type	Schedule 10	108
Ratios of General Bonded Debt Outstanding	Schedule 11	110
Computation of Direct and Indirect General Obligation Bonded Debt and Legal Debt Margin	Schedule 12	112
Legal Debt Margin Information	Schedule 13	114
Pledged Revenue Coverage	Schedule 14	116
Demographic and Economic Statistics	Schedule 15	117
Principal Employers	Schedule 16	118
Full-Time Equivalent Employees by Function	Schedule 17	120
Operating Indicators by Function/Program	Schedule 18	122
Capital Assets Statistics by Function/Program	Schedule 19	124
OTHER REPORT SECTION		
Independent Auditor's Report on Minnesota Legal Compliance		127

CITY OF HUGO, MINNESOTA

INTRODUCTORY SECTION

December 31, 2009

This Page Left Blank Intentionally

City of Hugo
14669 Fitzgerald Avenue North
Hugo, MN 55038
PHONE: (651) 762-6300 FAX: (651) 426-2859

June 16, 2010

To the Honorable Mayor and Council Members of the City of Hugo:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hugo for the fiscal year ended December 31, 2009.

This report consists of management's representations concerning the finances of the City of Hugo. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hugo 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 of Hugo's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Hugo'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 reliable in all material respects.

The City of Hugo's financial statements have been audited by Smith, Schafer and Associates, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hugo for the fiscal year ended December 31, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hugo's financial statements for the fiscal year ended December 31, 2009 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A "Single Audit" designed to meet the special needs of federal grantor agencies was not performed for the year ended December 31, 2009 as the City did not participate in any programs that required this additional independent audit.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Hugo's MD&A can be found immediately following the report of the independent auditors.

CITY OF HUGO, MINNESOTA

PROFILE OF THE GOVERNMENT

The Village of Hugo was incorporated in 1906. In January, 1972, the Township of Oneka and the Village were consolidated, creating the City of Hugo. The City is located approximately 17 miles northeast of the Minneapolis/Saint Paul metropolitan area. Located in Washington County, it covers an area of 36 square miles and has an estimated population of 13,140.

The City of Hugo is a statutory city. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the city's administrator and attorney. The city's administrator is responsible for carrying out the policies and ordinances of the governing council and overseeing the day-to-day operations of the city. The council is elected on a non-partisan basis. The mayor serves a two-year term and council members serve four-year staggered terms, with two of these positions elected every two years. Three of the council members are elected by ward. The mayor and one council member are elected at large.

The City of Hugo provides a wide range of services including police and fire protection; construction and maintenance of streets and infrastructure; recreational facilities; and water and sewer services.

The annual budget serves as the foundation for the city's financial planning and control. All departments and agencies of the city submit requests for appropriation to the city's finance director in August of each year. The finance director uses these requests as the starting point for developing a proposed budget. The finance director then provides this proposed budget to the council for review. Work sessions are then held with the council covering each department budget. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than December 31, the close of the city's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between funds, however, require the special approval of the city council. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented starting on page 26. For nonmajor governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 70.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hugo operates.

Economic condition and outlook. The city continues to experience strong tax base growth based on the availability of land for development and its favorable location in the Twin Cities metropolitan area. The tax base has averaged a substantial 18% growth over the past five years, evidencing both appreciation of real estate in the region, as well as significant residential and commercial development. Rapid growth is further reflected in population estimates in 2009 (13,140), or a 107% increase over the 2000 census count.

CITY OF HUGO, MINNESOTA

Economic condition and outlook (continued)

After a brief moderation of new housing starts in recent years due to a development moratorium in 2001 and 2002, new residential development has significantly increased. During 2009, 147 new single-family and multi-family housing units were constructed with a value of \$22,083,000. New residential development is expected to remain strong in 2010.

Commercial development is also increasing in response to the growing population and increasing demand for goods and services. Over \$37,000,000 in new commercial development has been constructed within the past five years, including a new grocery store, two health clinics, and other retail businesses located primarily along the newly improved CSAH 8 corridor.

The City's tax base is comprised mainly of residential homestead (68.0%) and commercial/industrial property (11.5%). The balance consists of non-homestead residential property (14.3%), agricultural and seasonal recreational property (4.7%), and personal property (1.5%).

The ten largest taxpayers make up 8.36% of the city's net tax capacity, providing the city with a very stable source of property tax revenue. The city's industrial parks contain seven major employers with a total employee count in excess of 500. Per capita income is 113.2% of the state median.

The financial policies employed by the City of Hugo did not have a significant impact on the 2009 financial statements.

Long-term financial planning. The city council is directing city staff on numerous projects that will affect the growth of the city. A partial list includes:

- **2030 Comprehensive Plan.** The city recently adopted its comprehensive plan, adding over 5,000 acres to the Metropolitan Urban Service Area. This expansion effectively doubles the land area for development within the city. Property within this area has been guided to develop with a variety of land uses accommodating the demand for additional residential development as well as providing substantial land areas for services and future employment centers. The plan, when implemented, will accommodate a population of 40,000 by the year 2030.
- **Transportation Corridor Planning.** The city has partnered with the State of Minnesota, Washington County, Regional Rail Authority, and adjacent cities and counties to develop plans for future transportation improvements. Planned improvements include a future interchange on I-35E, right-of-way preservation, and expansion of several roadways into multi-lane, multi-functional transportation corridors that can accommodate the vehicle, pedestrian and mass transit growth needs expected to occur in the city by the year 2030.
- **Downtown Redevelopment.** With funding provided by the Metropolitan Council, the City completed a downtown master plan and marketing study for the downtown area, with the goal of reinvigorating the town center. The City also completed a transportation plan for the downtown area and has secured federal funding for improvements to Trunk Highway 61. The city has also purchased several properties in the downtown area and is working with several property owners interested in redeveloping their properties through the use of tax increment financing.

CITY OF HUGO, MINNESOTA

Long-term financial planning (continued)

- Emerging Retail Market. Due to rapid residential growth, the City is experiencing a demand for additional retail space, primarily along the CSAH 8 corridor. In addition, city planning efforts include the identification of land for future retail centers along T.H. 61 in the downtown area and along CSAH 4. The city has re-guided residential land toward commercial uses along these corridors in an effort to broaden the tax base and provide a better ratio of commercial to residential development.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hugo, Minnesota for its comprehensive annual financial report for the fiscal year ended December 31, 2008. This was the ninth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the professional, efficient services of many dedicated people. We first express our appreciation to all members of the city staff who assisted and contributed in preparing the report. We also thank the staff of Smith, Schafer and Associates, Ltd. for their assistance and review of the document. And finally, we acknowledge the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Ronald J. Otkin

Ronald J. Otkin
Finance Director

Michael A. Ericson

Michael A. Ericson
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hugo
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**CITY OF HUGO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
December 31, 2009**

POSITION	NAME	TERM EXPIRES
----------	------	--------------

ELECTED OFFICIALS

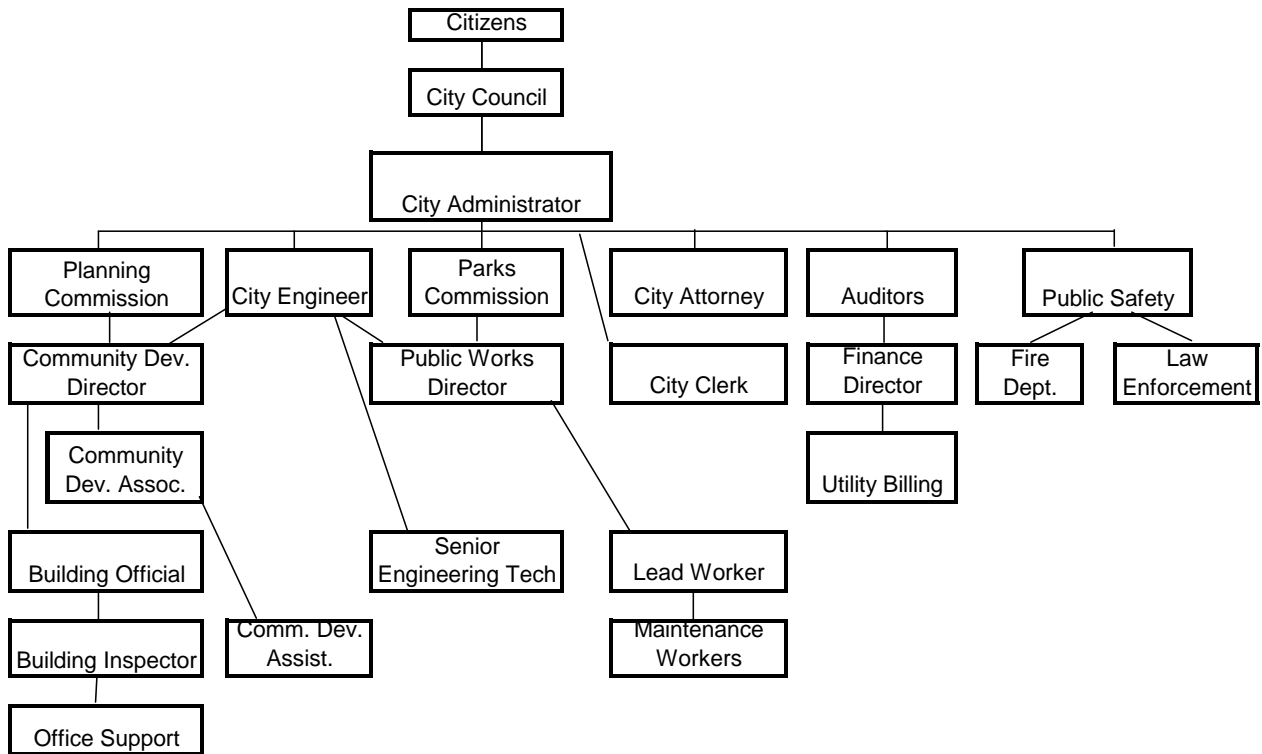
City Council:

Mayor	Fran Miron	December 31, 2010
Council Member Ward I	Becky Petryk	December 31, 2010
Council Member Ward II	Phil Klein	December 31, 2012
Council Member Ward III	Chuck Haas	December 31, 2010
Council Member At Large	Tom Weidt	December 31, 2012

APPOINTED OFFICIALS

City Administrator	Michael A. Ericson	Continuous
Finance Director	Ronald J. Otkin	Continuous
City Clerk	Michele Lindau	Continuous

**CITY OF HUGO, MINNESOTA
ORGANIZATIONAL CHART
December 31, 2009**



This Page Left Blank Intentionally

CITY OF HUGO, MINNESOTA

FINANCIAL SECTION

December 31, 2009

This Page Left Blank Intentionally



Certified Public Accountants and Consultants

Members of American Institute of CPA's,
Private Companies Practice Section, Minnesota Society of CPA's

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Hugo, Minnesota

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 Hugo, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The prior year summarized comparative information has been derived from the City's 2008 financial statements and, in our report dated June 12, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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 of Hugo, Minnesota as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparisons for the General Fund and Special Park Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Members
of the City Council
City of Hugo, Minnesota
Page 2

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Hugo, Minnesota's basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information listed in the Financial Section of the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the Table of Contents as the Introductory Section and Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Hugo, Minnesota. This information has not been subjected to any audit procedures, and, accordingly, we express no opinion on it.

Smith, Schafer & Associates, Ltd.

Maplewood, Minnesota
June 16, 2010

CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hugo, Minnesota, we offer readers of the City of Hugo's financial statements this narrative overview and analysis of the financial activities of the City of Hugo for the fiscal year ended December 31, 2009, with comparative data for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in pages i – v of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Hugo exceeded its liabilities at the close of the most recent fiscal year by \$59,483,589 (*net assets*). Of this amount, \$26,193,905 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$2,845,986, primarily due to nonbusiness permit fees, grants received related to tornado relief and to one-time sewer and water infrastructure charges for new development.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,111,128 or 56 percent of total general fund expenditures. Given the uncertainty of state funding, to plan for the future and to be prepared for any contingencies, we believe this is an appropriate amount.
- As of the close of the current fiscal year, the City of Hugo's governmental funds reported combined ending fund balances of \$13,843,112. Of this amount, \$100,000 is reserved for planned capital projects.
- The City of Hugo increased long-term liabilities by \$1,470,395 during the current fiscal year, primarily due to the issuance of two new bonds. The proceeds from these bonds were used to fund street reconstruction and the purchase of a property by the City during 2009.
- The City was again recognized in 2009 by the Government Finance Officers Association of the United States and Canada (GFOA) for obtaining a Certificate of Achievement for Excellence in Financial Reporting.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Hugo's basic financial statements. The City of Hugo's basic financial statements are comprised of the following three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Additional explanation of these sections of the financial statements follows.

CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Hugo that are principally supported by 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 of Hugo include general government, economic development, public safety, highways and streets, and parks. The business-type activities of the City of Hugo includes the sewer and water fund. The government-wide financial statements can be found on pages 17-19 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hugo, 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 of Hugo 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 *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 financial 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hugo maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special park fund, the general obligation bonds fund and the public improvements fund, which are considered to be major funds. Data from the other six 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 of Hugo adopts an annual budget for its general, special revenue, and certain debt service and capital project funds. Budgetary comparison statements have been provided for the general fund (pages 26-29), the special park fund (page 30), the tax increment financing collection fund (page 74), and the other debt service and capital project funds with a budget (pages 75-79) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 22-25 of this report.

Proprietary funds. The City of Hugo maintains one type of proprietary fund – enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Hugo uses enterprise funds to account for its sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer and water fund, which is considered to be a major fund of the City of Hugo.

The basic proprietary fund financial statements can be found on pages 31-35 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-65 of this report.

Other information. The combining and individual fund statements referred to earlier in connection with nonmajor governmental funds can be found on pages 70-79 of this report.

**CITY OF HUGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hugo, assets exceeded liabilities by \$59,483,589 at the close of the most recent fiscal year.

A significant portion of the City of Hugo's net assets (56 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Hugo uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Hugo's investment in its capital assets is 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 Hugo, Minnesota's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 20,504,456	\$ 17,786,115	\$ 15,117,891	\$ 14,086,055	\$ 35,622,347	\$ 31,872,170
Capital assets	28,190,503	27,796,625	15,678,139	15,891,335	43,868,642	43,687,960
Total assets	<u>48,694,959</u>	<u>45,582,740</u>	<u>30,796,030</u>	<u>29,977,390</u>	<u>79,490,989</u>	<u>75,560,130</u>
Long-term liabilities						
outstanding	16,498,751	14,841,473	1,925,155	2,112,038	18,423,906	16,953,511
Other liabilities	1,456,668	1,858,950	126,826	110,066	1,583,494	1,969,016
Total liabilities	<u>17,955,419</u>	<u>16,700,423</u>	<u>2,051,981</u>	<u>2,222,104</u>	<u>20,007,400</u>	<u>18,922,527</u>
Net assets:						
Invested in capital assets,						
net of related debt	19,521,661	20,958,423	13,768,023	13,788,320	33,289,684	34,746,743
Unrestricted	11,217,879	7,923,894	14,976,026	13,966,966	26,193,905	21,890,860
Total net assets	<u>\$ 30,739,540</u>	<u>\$ 28,882,317</u>	<u>\$ 28,744,049</u>	<u>\$ 27,755,286</u>	<u>\$ 59,483,589</u>	<u>\$ 56,637,603</u>

The City of Hugo's balance of *unrestricted net assets* (\$26,193,905) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Hugo is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the City of Hugo's net assets by \$1,857,223, accounting for 65 percent of the total growth in the net assets of the City of Hugo. The most significant factors accounting for this increase relate to the effect of accounting for net assets under the full accrual basis and to the recognition of revenue under the full accrual basis (where the revenue is deferred in the fund financial statements) for items such as delinquent property taxes and assessments receivable.

**CITY OF HUGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-type activities. Business-type activities increased the City of Hugo's net assets by \$988,763, accounting for 35 percent of the total growth in the City's net assets. The majority of this increase is attributable to one-time infrastructure charges for new development and investment earnings.

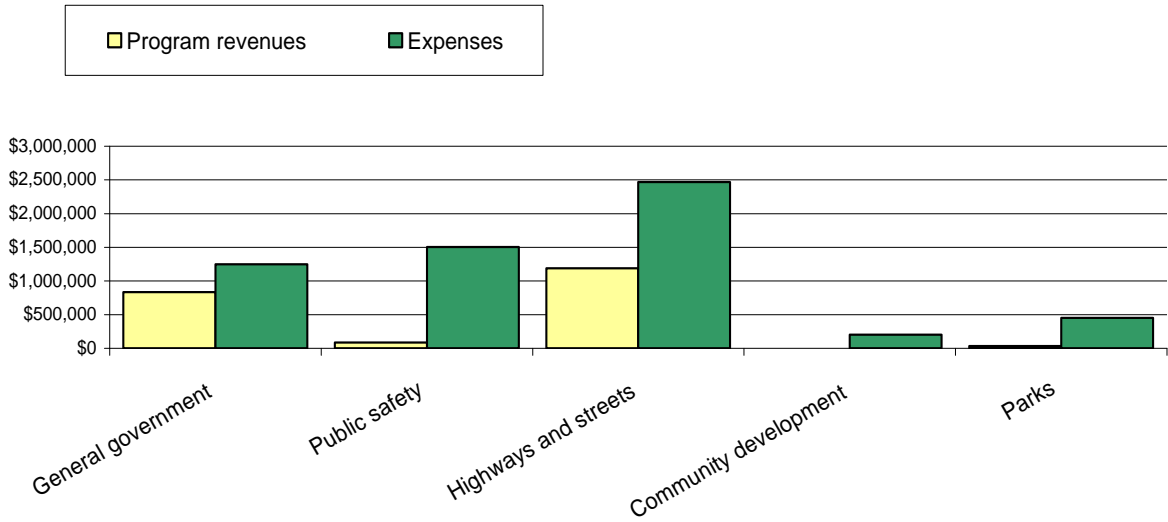
A condensed version of the Statement of Activities follows:

City of Hugo, Minnesota's Change in Net Assets						
	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 525,954	\$ 1,235,126	\$ 2,544,390	\$ 2,775,372	\$ 3,070,344	\$ 4,010,498
Operating grants and contributions	778,401	406,259			778,401	406,259
Capital grants and contributions	841,942	68,418	18,501	65,831	860,443	134,249
General revenues:						
Property taxes	5,506,486	5,330,462	141,153	140,422	5,647,639	5,470,884
Grants and contributions not restricted to specific programs	213,564	443,941	7,181	25,504	220,745	469,445
Other	388,921	563,064	544,819	650,364	933,740	1,213,428
Total revenues	8,255,268	8,047,270	3,256,044	3,657,493	11,511,312	11,704,763
Expenses:						
General government	1,248,415	1,539,156			1,248,415	1,539,156
Public safety	1,503,033	1,419,224			1,503,033	1,419,224
Highways and streets	2,467,723	2,927,427			2,467,723	2,927,427
Community development	202,069	195,102			202,069	195,102
Parks	451,118	613,217			451,118	613,217
Interest on long-term debt	630,395	645,538			630,395	645,538
Sewer and water			2,162,573	1,743,071	2,162,573	1,743,071
Total expenses	6,502,753	7,339,664	2,162,573	1,743,071	8,665,326	9,082,735
Increase in net assets before transfers	1,752,515	707,606	1,093,471	1,914,422	2,845,986	2,622,028
Transfers	104,708	114,273	(104,708)	(114,273)		
Increase in net assets	1,857,223	821,879	988,763	1,800,149	2,845,986	2,622,028
Net assets, beginning of year	28,882,317	28,060,438	27,755,286	25,955,137	56,637,603	54,015,575
Net assets, end of year	\$ 30,739,540	\$ 28,882,317	\$ 28,744,049	\$ 27,755,286	\$ 59,483,589	\$ 56,637,603

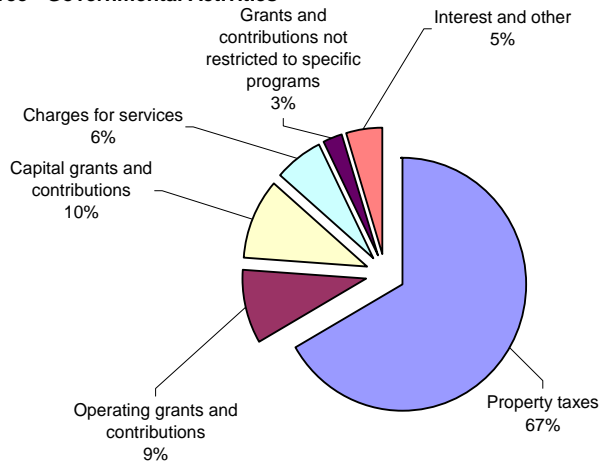
**CITY OF HUGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenses and Program Revenues - Governmental Activities



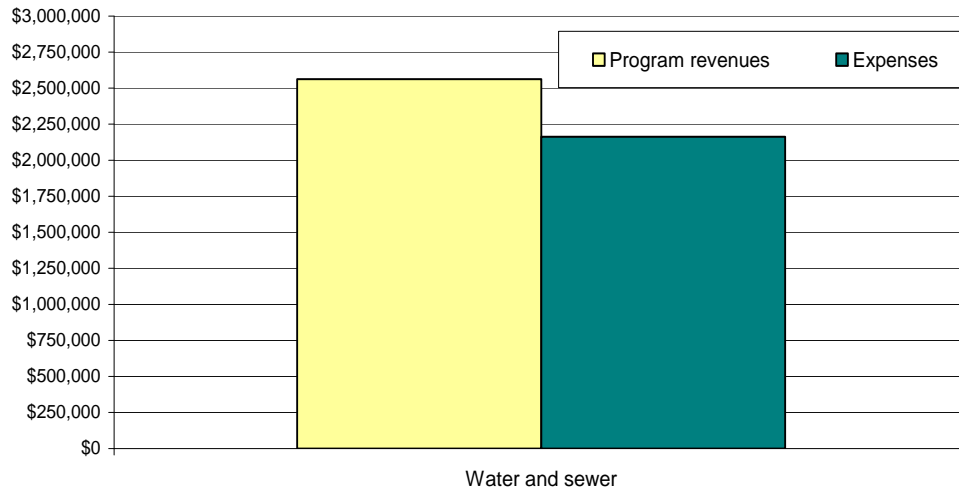
Revenues by Source - Governmental Activities



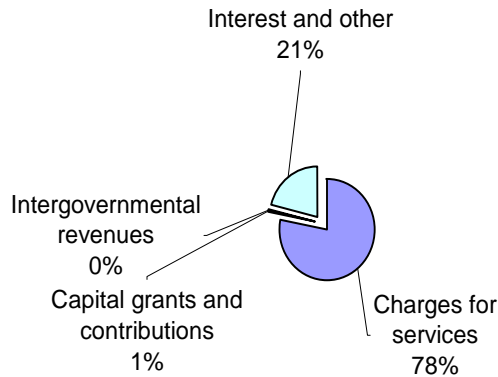
**CITY OF HUGO, MINNESOTA
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The following graphs relate the business-type activity’s program revenues with its expenses. Since this activity requires significant physical assets to operate, any excess revenues are held for planned capital replacement and expansion to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



**CITY OF HUGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Hugo's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Hugo's financing requirements. In particular, *unreserved 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 of Hugo's governmental funds reported combined ending fund balances of \$13,843,112, an increase of \$3,163,577 from the prior year primarily as a result of two new bond issuances and grants for tornado relief. The entire ending fund balance of the governmental funds constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. Approximately 99% of this total amount, or \$13,743,112, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to one of the City's capital projects.

The general fund is the chief operating fund of the City of Hugo. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,111,128. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 56 percent of total general fund expenditures.

The general fund's total fund balance increased by \$43,767 during the current fiscal year. This year's increase was primarily due to revenue received as reimbursement for tornado clean-up. Revenues met or exceeded budget projections in most cases. Expenditures met or were less than budgeted projections in most cases.

The special park fund increased its fund balance by \$950,820 due primarily to the issuance of debt for the purchase of park land and construction of park facilities. The general obligations bonds fund increased its fund balance by \$505,282 for the year due primarily to the collection of prepaid special assessments. The public improvements fund increased its fund balance by \$698,516 for the year due primarily to the issuance of debt for street reconstruction and the receipt of state aid for which a project has not yet been designated.

The tax increment financing collection fund increased its fund balance by \$245,542 for the year due primarily to collection of property taxes in excess of capital outlay and transfers to the tax increment bonds fund.

The debt service funds (other than the general obligations fund as described as a major fund above) have a total fund balance of \$1,197,112, all of which is reserved for the payment of debt service. These fund balances increased by \$225,071 for the year due primarily to transfers from other funds.

The capital projects funds (other than the public improvements fund as described as a major fund above) increased their fund balances by \$494,579 due mainly to transfers from other funds.

CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds. The City of Hugo's proprietary funds statements found on pages 31-35 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted assets in the respective proprietary fund totaled \$14,976,026 at December 31, 2009. The proprietary fund's net assets increased by \$988,763 due largely to one-time infrastructure fees for new development and investment earnings.

Water utility rates were last increased in 2005. Metered water connections increased 3.8% in 2009. Increased usage resulted in a 15.2% increase in revenue from the sale of water. The water utility remains profitable and the expanding customer base will eliminate the need to increase rates in 2010.

Sewer utility rates were last increased in 2004. Sewer connections increased 3.8% in 2009. This, coupled with increased sewer flow, resulted in a 1.0% increase in revenue. The sewer utility incurred an operating loss of \$96,019 in 2009, primarily due to 19.0% increase imposed by the Metropolitan Council for sewage treatment services. Sewer rates were subsequently adjusted in 2010 to account for the increasing costs of sewage treatment.

General Fund Budgetary Highlights

The city's general fund operations remain healthy due to historically sound financial management and conservative budgeting practices. The general fund balance of \$2.1 million is a substantial 56% of general fund expenditures. This favorable statistic is, in part, a result of a revision of the city's fund balance policy enacted by the City Council in January 2004, to maintain a fund balance of 50% (increased from 35%) of subsequent year expenditures. The City's general fund year end results were better than budgeted, particularly in nonbusiness licenses for which the city traditionally budgets conservatively and a one-time grant received for tornado related clean-up. The city no longer receives local government aid from the state. This loss in aid created short-term pressures which were offset by budget planning and the city now has more stability in its revenue stream as it will no longer be as vulnerable to additional state reductions. Significant differences between the final budget and actual results can be briefly summarized as follows:

- Licenses and permits revenue exceeded budget by \$244,228 due primarily to higher than budgeted residential building permit revenue.
- Intergovernmental revenue exceeded budget by \$318,181 due primarily to a grant from the State of Minnesota for tornado clean-up.
- Public safety expenditures exceeded budget by \$15,330 due to an increase in contracted law enforcement services.
- Highways and streets expenditures were less than budget by \$175,028 due primarily to decreased supplies expenditures related to motor fuels and street salt.

**CITY OF HUGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Debt Administration

Capital assets. The City of Hugo's investment in capital assets for its governmental and business-type activities as of December 31, 2009, amounts to \$43,868,642 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and highways. The total increase in the City of Hugo's reported investment in capital assets for the current fiscal year was \$180,682, or less than 1 percent. Most of the increase in governmental activities capital assets is due to the purchase of park land and road construction. Within the business type activities, the most significant increase related to the reconstruction of a sewer lift station.

City of Hugo, Minnesota's Capital Assets

(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 4,132,450	\$ 3,230,142	\$ 259,560	\$ 259,560	\$ 4,392,010	\$ 3,489,702
Construction in progress			129,542	96,565	129,542	96,565
Buildings	4,228,929	4,478,962	15,173,301	15,383,724	19,402,230	19,862,686
Improvements other than buildings	1,215,614	1,353,539			1,215,614	1,353,539
Machinery and equipment	3,161,847	3,557,467	115,736	151,486	3,277,583	3,708,953
Infrastructure	15,451,663	15,176,515			15,451,663	15,176,515
Total	<u>\$ 28,190,503</u>	<u>\$ 27,796,625</u>	<u>\$ 15,678,139</u>	<u>\$ 15,891,335</u>	<u>\$ 43,868,642</u>	<u>\$ 43,687,960</u>

Additional information on the City of Hugo's capital assets can be found in Note 3:C. on pages 51-52 of this report.

Long-term debt. At the end of the current fiscal year, the City of Hugo had \$18,310,000 in bonds outstanding. Of this amount, \$16,590,000 comprises debt backed by the full faith and credit of the government and \$1,720,000 represents bonds or notes secured solely by specified revenue sources.

City of Hugo, Minnesota's Outstanding Debt

General Obligation and Revenue Bonds and Certificates and Notes Payable

	Governmental Activities	Business-Type Activities	Total 2009
General obligation bonds	\$ 14,665,000	\$	\$ 14,665,000
General obligation revenue bonds		1,925,000	1,925,000
Lease revenue bonds	1,720,000		1,720,000
Total	<u>\$ 16,385,000</u>	<u>\$ 1,925,000</u>	<u>\$ 18,310,000</u>

CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hugo's total bonds, certificates and notes payable increased by \$1,439,111 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3:D., beginning on page 53.

The City of Hugo maintains an AA+ bond rating on its general obligation bonds from Standard and Poor's and an A2 bond rating on its lease revenue bonds from Moody's Investors Service.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Hugo (Washington County) ended 2009 at 6.9, up from 6.3 percent a year ago. This compares favorably to the State of Minnesota average unemployment rate of 7.4 percent and the United States average rate of 9.7 percent.
- Hugo continues to see new construction growth, primarily in residential properties, but also in the commercial area. The city's total market valuation stayed relatively flat for taxes payable year 2009, with new construction offsetting a decline in the market valuation of existing properties.
- Property tax reforms and budget deficits at the state level have again significantly impacted government aid payments made to the City. Hugo's state aid was reduced in 2004 through 2006 by \$147,000 per year. The state reinstated this aid in 2007 but unallotted \$121,000 in 2008 and \$176,500 in 2009. The City anticipates further unallotments in 2010.
- Investment income has decreased due to lower yields on available investment vehicles.

All of these factors were considered in preparing the City of Hugo's budget for the 2010 fiscal year. To deal with both cycles in the economy and to plan for future capital expansion and capital acquisitions, the city routinely puts aside resources. The City will continue to monitor developments at the state level that may impact city funding or the City's long term planning. Continued State budget deficits, legislative inactivity or additional State mandates imposed on the city will have an impact on future tax rates and the level of services provided to citizens.

Requests for Information

This financial report is designed to provide a general overview of the City of Hugo'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 information should be addressed to the Office of the Finance Director, 14669 Fitzgerald Avenue North, Hugo, MN 55038.

This Page Left Blank Intentionally

CITY OF HUGO, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
December 31, 2009

This Page Left Blank Intentionally

CITY OF HUGO, MINNESOTA
STATEMENT OF NET ASSETS

December 31, 2009

With Comparative Totals for December 31, 2008

	Governmental Activities	Business-Type Activities	Totals	
			2009	2008
ASSETS				
Cash and investments	\$ 14,776,030	\$ 14,103,020	\$ 28,879,050	\$ 24,925,154
Receivables (net of allowance for uncollectibles)	1,729,704	999,319	2,729,023	2,883,617
Deposits receivable		1,500	1,500	1,500
Due from other governmental units	3,998,722		3,998,722	4,045,863
Deferred charges		14,052	14,052	16,036
Capital assets:				
Nondepreciable	4,132,450	389,102	4,521,552	3,586,267
Depreciable, net	24,058,053	15,289,037	39,347,090	40,101,693
Total Assets	<u>48,694,959</u>	<u>30,796,030</u>	<u>79,490,989</u>	<u>75,560,130</u>
LIABILITIES				
Accounts payable	296,683	84,103	380,786	566,288
Accrued interest payable	269,021	35,414	304,435	300,660
Accrued expenses	60,812	6,309	67,121	42,976
Due to other governmental units	313,631		313,631	324,307
Unearned revenue	516,521	1,000	517,521	734,785
Noncurrent liabilities:				
Due within one year	915,269	216,279	1,131,548	1,242,073
Due in more than one year	15,583,482	1,708,876	17,292,358	15,711,438
Total Liabilities	<u>17,955,419</u>	<u>2,051,981</u>	<u>20,007,400</u>	<u>18,922,527</u>
NET ASSETS				
Invested in capital assets, net of related debt	19,521,661	13,768,023	33,289,684	34,746,743
Unrestricted	11,217,879	14,976,026	26,193,905	21,890,860
Total Net Assets	<u>\$ 30,739,540</u>	<u>\$ 28,744,049</u>	<u>\$ 59,483,589</u>	<u>\$ 56,637,603</u>

**CITY OF HUGO, MINNESOTA
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,248,415	\$ 453,546	\$ 381,831	\$
Public safety	1,503,033	47,892	40,390	
Highways and streets	2,467,723		356,180	834,190
Community development	202,069			
Parks	451,118	24,516		7,752
Interest on long-term debt	630,395			
Total governmental activities	<u>6,502,753</u>	<u>525,954</u>	<u>778,401</u>	<u>841,942</u>
Business-Type activities:				
Water and sewer	<u>2,162,573</u>	<u>2,544,390</u>		<u>18,501</u>
Total	<u>\$ 8,665,326</u>	<u>\$ 3,070,344</u>	<u>\$ 778,401</u>	<u>\$ 860,443</u>

General revenues:

 General property taxes

 Grants and contributions not restricted to specific programs

 Interest income

 Miscellaneous

Transfers

 Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

FORM A-2

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2009	2008
\$ (413,038)	\$	\$ (413,038)	\$ (374,087)
(1,414,751)		(1,414,751)	(1,318,163)
(1,277,353)		(1,277,353)	(2,562,355)
(202,069)		(202,069)	(177,406)
(418,850)		(418,850)	(552,312)
(630,395)		(630,395)	(645,538)
<u>(4,356,456)</u>		<u>(4,356,456)</u>	<u>(5,629,861)</u>
	400,318	400,318	1,098,132
<u>(4,356,456)</u>	<u>400,318</u>	<u>(3,956,138)</u>	<u>(4,531,729)</u>
5,506,486	141,153	5,647,639	5,470,884
213,564	7,181	220,745	469,445
380,820	451,949	832,769	1,164,554
8,101	92,870	100,971	48,874
104,708	(104,708)		
<u>6,213,679</u>	<u>588,445</u>	<u>6,802,124</u>	<u>7,153,757</u>
1,857,223	988,763	2,845,986	2,622,028
<u>28,882,317</u>	<u>27,755,286</u>	<u>56,637,603</u>	<u>54,015,575</u>
<u>\$ 30,739,540</u>	<u>\$ 28,744,049</u>	<u>\$ 59,483,589</u>	<u>\$ 56,637,603</u>

This Page Left Blank Intentionally

CITY OF HUGO, MINNESOTA
FUND FINANCIAL STATEMENTS

December 31, 2009

**CITY OF HUGO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009**

With Comparative Totals for December 31, 2008

	Special Revenue Fund		Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds	
	General	Special Park Fund	General Obligation Bonds	Public Improvements		2009	2008
Assets							
Cash and investments	\$ 2,913,833	\$ 1,119,493	\$ 1,691,604	\$ 3,270,439	\$ 5,780,661	\$ 14,776,030	\$ 11,941,252
Receivables (Net of Allowance for Uncollectibles)							
Accounts	31,031	1,035				32,066	156,997
Accrued interest	14,893	2,932	6,354	13,153	21,609	58,941	67,336
Taxes	147,490	15,064	23,314	11,323	58,651	255,842	224,351
Special assessments	1,230		1,300,618	81,007		1,382,855	1,350,316
Due from other governmental units	163,722		3,835,000			3,998,722	4,045,863
TOTAL ASSETS	\$ 3,272,199	\$ 1,138,524	\$ 6,856,890	\$ 3,375,922	\$ 5,860,921	\$ 20,504,456	\$ 17,786,115
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 157,254	\$ 17,783	\$	\$ 101,798	\$ 19,848	\$ 296,683	\$ 501,747
Customer deposits	480,654	150				480,804	686,601
Salaries payable	60,812					60,812	37,074
Due to other governmental units	313,631					313,631	324,307
Deferred revenue	148,720	50,782	5,158,931	92,330	58,651	5,509,414	5,556,851
Total Liabilities	1,161,071	68,715	5,158,931	194,128	78,499	6,661,344	7,106,580
Fund Balance							
Fund Balance							
Reserved					100,000	100,000	251,142
Unreserved:							
Designated - general	2,111,128					2,111,128	2,067,361
Designated - special revenue		1,069,809			736,591	1,806,400	610,038
Designated - debt service			1,697,959		1,197,112	2,895,071	2,164,718
Designated - capital project				3,181,794	3,748,719	6,930,513	5,586,276
Total Fund Balance	2,111,128	1,069,809	1,697,959	3,181,794	5,782,422	13,843,112	10,679,535
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,272,199	\$ 1,138,524	\$ 6,856,890	\$ 3,375,922	\$ 5,860,921	\$ 20,504,456	\$ 17,786,115

See Notes to Financial Statements

**CITY OF HUGO, MINNESOTA
RECONCILIATION OF NET ASSETS IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2009**

Amounts reported for governmental activities in the statement of net assets are different because:

Total governmental fund balances (page 22)		\$ 13,843,112
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 38,062,051	
Less: Accumulated depreciation	<u>(9,871,548)</u>	28,190,503
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent property taxes	\$ 255,842	
Deferred and delinquent special assessments	1,382,855	
Due from other governmental units	<u>3,835,000</u>	5,473,697
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (16,385,000)	
Compensated absences	(242,283)	
Accrued interest	(269,021)	
Unamortized bond premiums, discounts and issuance costs	<u>128,532</u>	<u>(16,767,772)</u>
Net assets of governmental activities (page 17)		<u><u>\$ 30,739,540</u></u>

CITY OF HUGO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	Special Revenue Fund		Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds	
	General	Special Park Fund	General Obligation Bonds	Public Improvements		2009	2008
REVENUES							
Property taxes	\$ 3,549,351	\$ 283,173	\$ 504,694	\$ 222,522	\$ 915,255	\$ 5,474,995	\$ 5,278,287
Special assessments			254,422	281,647		536,069	330,382
Licenses and permits	348,343					348,343	1,022,525
Intergovernmental revenues	560,989	11,910	262,055	492,112	18,526	1,345,592	840,100
Charges for services	86,072					86,072	153,692
Court fines	47,762					47,762	57,026
Other Revenue							
Investment earnings	95,042	4,668	35,960	100,636	144,514	380,820	555,189
Developer fees		7,752				7,752	44,343
Rent	2,401	24,516			3,780	30,697	31,238
Miscellaneous	33,136					33,136	35,694
TOTAL REVENUES	4,723,096	332,019	1,057,131	1,096,917	1,082,075	8,291,238	8,348,476
EXPENDITURES							
Current							
General government	964,806					964,806	1,336,479
Public safety	1,300,168					1,300,168	1,236,755
Highways and streets	1,073,741					1,073,741	1,264,979
Community development	175,409					175,409	157,234
Parks	182,051					182,051	161,881
Unallocated	100,323					100,323	94,055
Capital Outlay		965,698		1,344,348	290,169	2,600,215	3,245,278
Debt Service							
Bond and loan principal retirement	40,000		450,000		295,000	785,000	700,000
Interest on bonds			418,271		190,050	608,321	631,185
Fiscal charges		23,526	2,765		3,112	29,403	5,643
TOTAL EXPENDITURES	3,836,498	989,224	871,036	1,344,348	778,331	7,819,437	8,833,489
Excess (deficiency) of revenues over (under) expenditures	886,598	(657,205)	186,095	(247,431)	303,744	471,801	(485,013)
OTHER FINANCING SOURCES (USES)							
Issuance of debt		1,588,390	33,096	948,514		2,570,000	
Premium (Discount) on issuance of debt		19,635		(2,567)		17,068	
Transfers in	2,116		292,285		1,184,121	1,478,522	2,429,789
Transfers out	(844,947)		(6,194)		(522,673)	(1,373,814)	(2,315,516)
TOTAL OTHER FINANCING SOURCES (USES)	(842,831)	1,608,025	319,187	945,947	661,448	2,691,776	114,273
Net change in fund balances	43,767	950,820	505,282	698,516	965,192	3,163,577	(370,740)
FUND BALANCES, beginning	2,067,361	118,989	1,192,677	2,483,278	4,817,230	10,679,535	11,050,275
FUND BALANCES, ending	\$ 2,111,128	\$ 1,069,809	\$ 1,697,959	\$ 3,181,794	\$ 5,782,422	\$ 13,843,112	\$ 10,679,535

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 24)	\$	3,163,577
--	----	-----------

Governmental funds reported 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-construction improvement	\$	859,662	
Capital outlay-other governmental funds		902,308	
Depreciation expense		<u>(1,293,523)</u>	468,447

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(74,569)
--	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenue, End of year	\$	5,473,697	
Deferred revenue, Beginning of year		<u>(5,509,667)</u>	(35,970)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(20,412)
----------------------	----------

Bond, contract and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal retirement on long-term debt	\$	785,000	
Principal retirement on contract for deed		150,889	
Issuance of debt		(2,570,000)	
Change in accrued interest, bond discount, premium and bond issuance costs		<u>(9,739)</u>	<u>(1,643,850)</u>

Change in net assets of governmental activities (pages 18 and 19)	\$	<u><u>1,857,223</u></u>
---	----	-------------------------

CITY OF HUGO, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009				
	Budgeted Amounts		Actual	Variance	2008 Actual
	Original	Final		Favorable (Unfavorable)	
REVENUES					
General Property Taxes					
Ad Valorem	\$ 3,485,722	\$ 3,485,722	\$ 3,428,429	\$ (57,293)	\$ 3,013,518
Gravel	2,000	2,000	1,454	(546)	2,168
Franchise	105,500	105,500	119,468	13,968	104,402
Total General Property Taxes	<u>3,593,222</u>	<u>3,593,222</u>	<u>3,549,351</u>	<u>(43,871)</u>	<u>3,120,088</u>
Licenses and Permits					
Business	21,745	21,745	21,223	(522)	21,603
Nonbusiness	82,370	82,370	327,120	244,750	1,000,922
Total Licenses and Permits	<u>104,115</u>	<u>104,115</u>	<u>348,343</u>	<u>244,228</u>	<u>1,022,525</u>
Intergovernmental Revenues					
Homestead and other tax credits	168,950	168,950	58,753	(110,197)	78,452
Fire 2% insurance aid	44,735	44,735	38,390	(6,345)	43,735
State disaster credit			91,540	91,540	
Tornado relief grant			350,000	350,000	
Curbside recycling grant	17,672	17,672	17,672		17,672
Pera rate increase aid	1,451	1,451	1,451		1,451
Other aid and grants	10,000	10,000	3,183	(6,817)	
Total Intergovernmental Revenues	<u>242,808</u>	<u>242,808</u>	<u>560,989</u>	<u>318,181</u>	<u>141,310</u>
Charges for Services	<u>63,433</u>	<u>63,433</u>	<u>86,072</u>	<u>22,639</u>	<u>153,692</u>
Court Fines	<u>60,000</u>	<u>60,000</u>	<u>47,762</u>	<u>(12,238)</u>	<u>57,026</u>
Miscellaneous Revenues					
Investment earnings	54,934	54,934	95,042	40,108	128,825
Donations	2,000	2,000	11,525	9,525	10,100
Penalties and interest	4,850	4,850	13,080	8,230	6,015
Non-levy related taxes	7,359	7,359	8,531	1,172	8,804
Rental income	2,000	2,000	2,401	401	3,200
Total Miscellaneous Revenues	<u>71,143</u>	<u>71,143</u>	<u>130,579</u>	<u>59,436</u>	<u>156,944</u>
TOTAL REVENUES	<u>\$ 4,134,721</u>	<u>\$ 4,134,721</u>	<u>\$ 4,723,096</u>	<u>\$ 588,375</u>	<u>\$ 4,651,585</u>

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual (Continued)
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009				2008 Actual
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)	
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Personal services	\$ 26,250	\$ 26,250	\$ 26,150	\$ 100	\$ 21,550
Other services and charges	3,081	3,081	3,014	67	1,983
Ordinance and proceedings	5,500	5,500	4,246	1,254	7,514
Total Mayor and Council	<u>34,831</u>	<u>34,831</u>	<u>33,410</u>	<u>1,421</u>	<u>31,047</u>
Administration					
Personal services	73,360	73,360	82,179	(8,819)	72,491
Supplies	9,500	9,500	6,658	2,842	9,804
Other services and charges	39,890	39,890	36,993	2,897	43,074
Professional services	41,079	41,079	35,152	5,927	43,292
Capital outlay	2,000	2,000		2,000	
Total Administration	<u>165,829</u>	<u>165,829</u>	<u>160,982</u>	<u>4,847</u>	<u>168,661</u>
Audio/Video					
Personal services	2,575	2,575	1,592	983	1,981
Capital outlay	4,000	4,000	373	3,627	7,552
Other services and charges	3,317	3,317	840	2,477	2,349
Total Audio/Video	<u>9,892</u>	<u>9,892</u>	<u>2,805</u>	<u>7,087</u>	<u>11,882</u>
Elections					
Personal services					9,803
Supplies			6	(6)	406
Other services and charges	3,630	3,630	1,886	1,744	4,755
Total Elections	<u>3,630</u>	<u>3,630</u>	<u>1,892</u>	<u>1,738</u>	<u>14,964</u>
Clerk/Treasurer					
Personal services	56,621	56,621	56,927	(306)	54,605
Supplies	500	500	206	294	214
Other services and charges	33,604	33,604	19,258	14,346	22,784
Total Clerk/Treasurer	<u>90,725</u>	<u>90,725</u>	<u>76,391</u>	<u>14,334</u>	<u>77,603</u>
Finance Director					
Personal services	129,992	129,992	130,717	(725)	93,603
Supplies	1,500	1,500	772	728	1,269
Other services and charges	40,814	40,814	36,887	3,927	30,175
Capital outlay	3,000	3,000		3,000	1,658
Total Finance Director	<u>175,306</u>	<u>175,306</u>	<u>168,376</u>	<u>6,930</u>	<u>126,705</u>
Assessing	73,500	73,500	72,561	939	68,741
Planning and Zoning					
Personal services	46,089	46,089	46,338	(249)	44,366
Supplies	2,500	2,500	201	2,299	2,292
Other services and charges	15,962	15,962	17,673	(1,711)	14,081
Professional services	33,000	33,000	1,080	31,920	17,677
Capital outlay	2,000	2,000	1,333	667	
Total Planning and Zoning	<u>99,551</u>	<u>99,551</u>	<u>66,625</u>	<u>32,926</u>	<u>78,416</u>

(Continued)

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual (Continued)
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009				
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)	2008 Actual
	Original	Final			
EXPENDITURES (CONTINUED)					
General Government (Continued)					
Engineering					
Personal services	\$ 59,930	\$ 59,930	\$ 72,315	\$ (12,385)	\$ 54,336
Supplies	3,275	3,275	2,282	993	1,694
Other services and charges	27,583	27,583	12,312	15,271	20,490
Professional services	66,000	66,000	63,082	2,918	45,724
Capital outlay	5,000	5,000	5,511	(511)	1,561
Total Engineering	<u>161,788</u>	<u>161,788</u>	<u>155,502</u>	<u>6,286</u>	<u>123,805</u>
Legal Fees	83,919	83,919	138,917	(54,998)	125,065
General Government Building					
Personal services	17,984	17,984	18,258	(274)	18,171
Supplies	8,400	8,400	6,913	1,487	10,192
Other services and charges	88,683	88,683	55,158	33,525	79,820
Capital outlay	5,000	5,000		5,000	4,799
Total General Government Building	<u>120,067</u>	<u>120,067</u>	<u>80,329</u>	<u>39,738</u>	<u>112,982</u>
Tornado and Hail Storm					
Personal services					90,041
Other services and charges			7,016	(7,016)	272,071
Capital outlay					34,496
Total Tornado and Hail Storm			<u>7,016</u>	<u>(7,016)</u>	<u>396,608</u>
Total General Government	<u>1,019,038</u>	<u>1,019,038</u>	<u>964,806</u>	<u>54,232</u>	<u>1,336,479</u>
Public Safety					
Police					
Contracted services	517,230	517,230	579,171	(61,941)	512,602
Fire Protection					
Personal services	157,135	157,135	158,297	(1,162)	142,648
Supplies	51,200	51,200	27,084	24,116	48,240
Other services and charges	187,410	187,410	182,869	4,541	170,599
Capital outlay	20,000	20,000	13,321	6,679	31,425
Total Fire Protection	<u>415,745</u>	<u>415,745</u>	<u>381,571</u>	<u>34,174</u>	<u>392,912</u>
Protective Inspection					
Personal services	248,511	248,511	243,377	5,134	234,566
Supplies	3,000	3,000	1,755	1,245	2,872
Other services and charges	90,152	90,152	88,355	1,797	84,367
Professional services	2,000	2,000	1,771	229	4,302
Capital outlay	2,000	2,000	640	1,360	1,612
Total Protective Inspection	<u>345,663</u>	<u>345,663</u>	<u>335,898</u>	<u>9,765</u>	<u>327,719</u>
Animal Control					
Professional services	6,000	6,000	3,528	2,472	3,522
Total Public Safety	<u>1,284,638</u>	<u>1,284,638</u>	<u>1,300,168</u>	<u>(15,530)</u>	<u>1,236,755</u>

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual (Continued)
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009				
	Budgeted Amounts		Actual	Variance	2008 Actual
	Original	Final		Favorable (Unfavorable)	
EXPENDITURES (CONTINUED)					
Highways and Streets					
Administration and Engineering					
Personal services	\$ 406,320	\$ 406,320	\$ 370,704	\$ 35,616	\$ 370,456
Supplies	444,200	444,200	326,357	117,843	541,851
Other services and charges	241,978	241,978	246,738	(4,760)	214,462
Capital outlay	22,000	22,000		22,000	13,485
Total Administration and Engineering	<u>1,114,498</u>	<u>1,114,498</u>	<u>943,799</u>	<u>170,699</u>	<u>1,140,254</u>
Streets/Recycling	3,500	3,500	3,317	183	4,327
Street Lighting	130,771	130,771	126,625	4,146	120,398
Total Highways and Streets	<u>1,248,769</u>	<u>1,248,769</u>	<u>1,073,741</u>	<u>175,028</u>	<u>1,264,979</u>
Community Development					
Personal services	134,803	134,803	135,531	(728)	116,958
Other services and charges	44,899	44,899	39,878	5,021	38,685
Capital outlay	2,000	2,000		2,000	1,591
Total Community Development	<u>181,702</u>	<u>181,702</u>	<u>175,409</u>	<u>6,293</u>	<u>157,234</u>
Parks					
Personal services	128,859	128,859	103,796	25,063	74,031
Charges for services	118,130	118,130	78,255	39,875	61,039
Capital outlay					26,811
Total Parks	<u>246,989</u>	<u>246,989</u>	<u>182,051</u>	<u>64,938</u>	<u>161,881</u>
Other Unallocated					
Remittance to Fire Relief Association	44,735	44,735	38,390	6,345	43,735
Contributions	22,850	22,850	15,859	6,991	17,744
Miscellaneous	36,700	36,700	46,074	(9,374)	32,576
Total Other Unallocated	<u>104,285</u>	<u>104,285</u>	<u>100,323</u>	<u>3,962</u>	<u>94,055</u>
Total Expenditures	<u>4,085,421</u>	<u>4,085,421</u>	<u>3,796,498</u>	<u>288,923</u>	<u>4,251,383</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>49,300</u>	<u>49,300</u>	<u>926,598</u>	<u>877,298</u>	<u>400,202</u>
OTHER FINANCING SOURCES (USES)					
Met Council planning loan			(40,000)	(40,000)	
Transfers In			2,116	2,116	89,267
Transfers Out	(49,300)	(49,300)	(844,947)	(795,647)	(369,154)
Total Other Financing Sources (Uses)	<u>(49,300)</u>	<u>(49,300)</u>	<u>(882,831)</u>	<u>(833,531)</u>	<u>(279,887)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)			43,767	43,767	120,315
FUND BALANCE, January 1	<u>2,067,361</u>	<u>2,067,361</u>	<u>2,067,361</u>		<u>1,947,046</u>
FUND BALANCE, December 31	<u>\$ 2,067,361</u>	<u>\$ 2,067,361</u>	<u>\$ 2,111,128</u>	<u>\$ 43,767</u>	<u>\$ 2,067,361</u>

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
SPECIAL PARK FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009				
	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Original	Final			
REVENUES					
Property taxes	\$ 296,269	\$ 296,269	\$ 283,173	\$ (13,096)	\$ 371,760
Intergovernmental revenues			11,910	11,910	9,395
Other revenues					
Investment earnings	4,000	4,000	4,668	668	50,919
Donations					10,000
Developer fees			7,752	7,752	26,647
Rent	24,516	24,516	24,516		24,258
Total Revenues	324,785	324,785	332,019	7,234	492,979
EXPENDITURES					
Capital Outlay					
Bernin Property	3,452	3,452	3,352	100	3,464
14701 Forest Blvd	7,724	7,724	6,846	878	7,214
Oneka Elementary					333,334
Oakshore Park					265,331
Rice Lake	54,110	54,110	53,192	918	971,431
Hansen Property	903,026	903,026	902,308	718	
Arbre Park					12,860
Hugo Elementary					2,475
Miscellaneous					72,000
Total Expenditures	968,312	968,312	965,698	2,614	1,668,109
Excess (deficiency) of revenues over (under) expenditures	(643,527)	(643,527)	(633,679)	4,620	(1,175,130)
Other Financing Sources (Uses)					
Issuance of debt			1,608,025	1,608,025	
Bond issuance costs	(26,600)	(26,600)	(23,526)	3,074	
Total Other Financing Sources (Uses)	(26,600)	(26,600)	1,584,499	1,611,099	
Net change in fund balances	(670,127)	(670,127)	950,820	1,615,719	(1,175,130)
Fund Balance, January 1	118,989	118,989	118,989		1,294,119
Fund Balance, December 31	\$ (551,138)	\$ (551,138)	\$ 1,069,809	\$ 1,615,719	\$ 118,989

See Notes to Financial Statements

**CITY OF HUGO, MINNESOTA
PROPRIETARY FUND
Statement of Net Assets
December 31, 2009 and 2008**

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 14,103,020	\$ 12,983,902
Receivables		
Accounts receivable	444,442	457,436
Accrued interest	59,758	76,081
Special assessments (net of allowance for uncollectibles)	495,119	551,100
Deposits	1,500	1,500
	<u>15,103,839</u>	<u>14,070,019</u>
Noncurrent Assets		
Deferred Charges	<u>14,052</u>	<u>16,036</u>
Property and Equipment		
Plant	20,356,687	20,135,165
Equipment	335,312	335,312
Construction in progress	129,542	96,564
Total Property and Equipment	<u>20,821,541</u>	<u>20,567,041</u>
Less: Accumulated depreciation	<u>5,143,402</u>	<u>4,675,706</u>
Net Property and Equipment	<u>15,678,139</u>	<u>15,891,335</u>
Total Noncurrent Assets	<u>15,692,191</u>	<u>15,907,371</u>
TOTAL ASSETS	<u>\$ 30,796,030</u>	<u>\$ 29,977,390</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Current portion of long-term debt	\$ 216,279	\$ 204,023
Accounts payable	84,103	64,541
Accrued interest payable	35,414	38,623
Salaries payable	6,309	5,902
Customer deposits	1,000	1,000
Total Current Liabilities	<u>343,105</u>	<u>314,089</u>
Long-term Liabilities		
Revenue bonds payable, net of unamortized discount and current portion	<u>1,708,876</u>	<u>1,908,015</u>
Total Liabilities	<u>2,051,981</u>	<u>2,222,104</u>
Net Assets		
Invested in capital assets, net of related debt	13,768,023	13,788,320
Unrestricted	<u>14,976,026</u>	<u>13,966,966</u>
Total Fund Equity	<u>28,744,049</u>	<u>27,755,286</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 30,796,030</u>	<u>\$ 29,977,390</u>

See Notes to Financial Statements

**CITY OF HUGO, MINNESOTA
 PROPRIETARY FUND
 Statement of Revenues, Expenses
 and Changes in Fund Net Assets
 For the Years Ended December 31, 2009 and 2008**

	2009	2008
Operating Revenue		
Water charges	\$ 1,008,297	\$ 875,446
Meter sales	33,628	62,926
Sewer charges	877,665	869,127
Total Operating Revenues	<u>1,919,590</u>	<u>1,807,499</u>
Operating Expenses		
Personal services	284,926	274,600
Engineering	103,487	19,298
Electricity	80,762	74,397
Repairs and maintenance	450,506	223,149
Sewer charges - MCES	542,393	455,627
Depreciation	502,749	479,982
Miscellaneous	108,030	118,651
Total Operating Expenses	<u>2,072,853</u>	<u>1,645,704</u>
Operating Income (Loss)	<u>(153,263)</u>	<u>161,795</u>
Nonoperating Revenue (Expense)		
Future infrastructure charges	624,800	967,873
Intergovernmental revenues	7,181	25,504
Rental income	53,721	40,890
Net special assessments levied (abated)	18,501	12,460
Property taxes	141,153	140,422
Investment earnings	451,949	609,365
Revenue bond interest	(89,720)	(97,366)
Miscellaneous	39,149	109
Total Nonoperating Revenue	<u>1,246,734</u>	<u>1,699,257</u>
Net Income Before Transfers and Contributions	1,093,471	1,861,052
Capital contributions		53,369
Transfers In	90,464	153,713
Transfers Out	(195,172)	(267,985)
Net Income	988,763	1,800,149
Net Assets, Beginning of Year	<u>27,755,286</u>	<u>25,955,137</u>
Net Assets, End of Year	<u>\$ 28,744,049</u>	<u>\$ 27,755,286</u>

See Notes to Financial Statements

This Page Left Blank Intentionally

CITY OF HUGO, MINNESOTA
PROPRIETARY FUND
Statement of Cash Flows
For the Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,557,384	\$ 2,726,320
Cash paid to suppliers	(1,265,616)	(923,416)
Cash paid to employees	(278,503)	(285,531)
Other income	92,870	40,999
Net Cash Provided By Operating Activities	<u>1,106,135</u>	<u>1,558,372</u>
Cash Flows From Noncapital Financing Activities		
Intergovernmental revenues	7,181	25,504
Transfers from other funds	90,464	153,713
Transfers to other funds	(195,172)	(267,985)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(97,527)</u>	<u>(88,768)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(289,553)	(651,471)
Special assessments and property taxes	215,635	232,806
Principal payments on revenue bonds	(195,000)	(185,000)
Interest and fiscal charges on revenue bonds	(88,844)	(96,210)
Net Cash (Used In) Capital and Related Financing Activities	<u>(357,762)</u>	<u>(699,875)</u>
Cash Flows From Investing Activities		
Interest earnings received	<u>468,272</u>	<u>593,322</u>
Net Increase in Cash and Cash Equivalents	1,119,118	1,363,051
Cash and Cash Equivalents, Beginning of Year	<u>12,983,902</u>	<u>11,620,851</u>
Cash and Cash Equivalents, End of Year	<u>\$ 14,103,020</u>	<u>\$ 12,983,902</u>

See Notes to Financial Statements

	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (153,263)	\$ 161,795
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	502,749	479,982
Future infrastructure charges, included in nonoperating revenues	624,800	967,873
Other income	92,870	40,999
(Increase) Decrease In:		
Accounts receivable	12,994	(49,052)
Increase (Decrease) In:		
Accounts payable	19,562	(32,294)
Salaries payable	407	1,805
Estimated liability for compensated absences	6,016	(12,736)
Net Cash Provided By Operating Activities	<u>\$ 1,106,135</u>	<u>\$ 1,558,372</u>
Noncash Investing, Capital and Financing Activities		
Amortization of bond issuance costs	\$ 1,984	\$ 1,984
Receipt of contributed property		53,369

This Page Left Blank Intentionally

CITY OF HUGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of the City of Hugo, Minnesota, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City was incorporated under the laws of the State of Minnesota and operates under an elected Mayor-Council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Hugo (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 include whether or not the primary government appoints the potential component unit's board, is able to impose its will on the potential 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 component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Economic Development Authority of the City of Hugo serves all the citizens of the government and is governed by a board comprised of the City's elected council. The rates for user charges, if any, and bond issuance authorization are approved by the City's council and legal liability for the General Obligation portion of the Authority's debt remains with the City. The activities of the Authority are reported in the Debt Service Funds and Capital Projects Funds. As of December 31, 2009 and 2008, the only activities of the Economic Development Authority are included in the Revenue Bonds Fund as reported as a nonmajor fund in the Combining and Individual Fund Statements and Schedules section of this Comprehensive Annual Financial Report. The debt issued by the Authority is included in noncurrent liabilities on the statement of net assets.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Related Organizations

The Hugo Firefighter's Relief Association is organized as a non-profit organization, legally separate from the City, by its members to provide pension and other benefits to its members in accordance with Minnesota statutes. The membership appoints the board of this Association and separate financial statements are issued by this Association. All funding is conducted in accordance with Minnesota statutes. Although the City levies property taxes for the Association, this Association is fiscally independent to determine and levy taxes. The City's portion of the costs of the Association's pension benefits are included in the General Fund. The Association does not have any significant operational or financial relationship with the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *special park fund* is used to accumulate resources (property taxes, fees from developers and other miscellaneous revenues) to provide funds for constructing and improving the City's parks

The *general obligation bonds fund* accounts for the accumulation of resources (property tax and special assessments revenue) for payment of general obligation improvement bonds and interest.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The *public improvement fund* is an accumulation of resources (taxes, special assessments, intergovernmental revenues, transfers from other funds, etc.) for expenditures for public improvements including traffic signals and other public assets.

The City reports the following major proprietary funds:

The *sewer and water utility fund* accounts for the operation of the City owned sewer and water utility system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and investments (including cash equivalents)

Cash balances from all funds (including cash equivalents) are pooled and invested to the extent available in various securities as authorized by Minnesota statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Investments are stated at fair value, based upon quoted market prices at the reporting date.

Cash and cash equivalents for purposes of the basic financial statements includes amounts in demand deposits as well as all investments held by the City.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). 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."

Advances between funds, if any, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property tax levies are set by the City Council in December of each year and are certified to Washington County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1, of the following year, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectible, net of delinquencies.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

2. Receivables and payables (continued)

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of January, June and December.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. The net amount of delinquent taxes receivable are fully offset by deferred revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to fifteen years with interest charges ranging from 6.0% to 8.0%. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The net amount of delinquent assessments receivable are fully offset by deferred revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

3. Tax Increment Districts

Tax increment revenues received are recorded in the Special Revenue Fund. Such amounts are transferred to the Debt Service Fund as needed to service bond principal and interest payments.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

4. Capital assets

Capital assets, which include property, plant, 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 in governmental funds are defined by the government as assets with an initial, individual cost of more than \$5,000. Capital assets in proprietary funds are defined by the government as assets with an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life <u>in Years</u>
Buildings	20 - 30
Infrastructure	30 - 40
Other Improvements	10 - 15
Machinery and Equipment	5 - 30

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

5. Compensated absences benefits

Vacation, sick pay and compensatory overtime are accrued when earned in the government-wide financial statements and the proprietary fund types. In the Governmental Funds of the fund financial statements, vacation, sick pay and compensatory overtime are recorded as expenditures and accrued as current liability only if they have matured, for example, as a result of employee's resignations and retirements.

The City compensates employees upon termination for the balance of unused personal time off (PTO) and compensatory time up to specified maximum accumulations. The maximum PTO accumulation per employee is 520 hours and the maximum compensatory time accumulation is 40 hours for exempt employees and 120 hours for nonexempt employees. The compensation is computed at the employee's rate of pay at the time of termination.

During 2003, the City created a debt service fund to ensure funds were available to pay for compensated absences. Transfers are made from the General Fund as deemed necessary to fund the Compensated Absences Debt Service Fund.

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

7. Fund equity

In the fund financial statements, governmental fund types report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts and loans receivable. Credit risk associated with cash and investments is discussed in Note 3. The City's accounts and loans receivable are concentrated geographically, and for the most part, amounts are due from individuals residing in and businesses located in the City of Hugo.

F. Comparative Data

The financial statements include certain prior year comparative financial information in total. Such information does not include supplemental detail to constitute a complete presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2008 from which the summarized information was derived.

G. Conduit Debt Obligations

The City has issued a Tax Increment Revenue Note 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 note is secured solely by tax increments. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. The outstanding principal balance of the note as of December 31, 2009 and 2008 was \$504,384 and \$530,735, respectively.

H. Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to those used in the 2009 financial statements.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General, Special Revenue, certain Debt Service funds and the Property and Equipment Acquisition Capital Project Fund. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and the Property and Equipment Acquisition Capital Project Fund. Budgetary control for other Capital Project Funds is based on a project completion time cycle rather than an annual basis, therefore budgetary comparisons on an annual basis would not present meaningful information.

The City follows these legal compliance procedures in establishing the budgetary data reflected in the financial statements.

1. Budget requests are submitted by all department heads to the City Administrator. The Administrator's office compiles the budget requests into an overall preliminary City budget, balancing budget requests with available revenue.
2. The preliminary budget is submitted to the City Council in September for its review and/or modification.
3. City administration presents the proposed budget to the City Council which in turn holds a truth-in-taxation public hearing on the proposed budget. The budget resolution adopted by the City Council sets forth the budget at the fund level for the General Fund, the Special Revenue Fund, the Debt Service Funds and certain Capital Projects Funds.
4. All budgeted appropriations lapse at the end of the fiscal year. The legal level of control (the level on which expenditures may not legally exceed appropriations) for each budget is at the fund level. Management can not legally amend or transfer appropriations between funds without the approval of the City Council once the budget has been approved. Any over expenditures of appropriations or transfers of appropriated amounts must be approved by the City Council.
5. Budgeted amounts are as originally adopted, or as amended by the City Council. The budget cannot be amended without approval by the City Council.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final budget (which are the same for the year ended December 31, 2009).

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Information (continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no encumbrances at December 31, 2009.

B. Expenditures Exceeding Appropriations

For the year ending December 31, 2009, the following funds had expenditures exceeding the latest amended budget:

	<u>2008 Budgeted Expenditures</u>	<u>2008 Actual Expenditures</u>	<u>Amount Exceeding Budgeted Amount</u>
General Obligation Bonds	869,536	871,036	1,500

In order to provide a better measure of budgeting accuracy, the City has not revised its budgets to match or exceed actual amounts when they become known. The expenditures which exceeded budget were approved by the City Council.

3. Detailed Notes on All Funds

A. Deposits and Investments

In accordance with applicable Minnesota statutes, the City maintains deposits at depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System.

Minnesota statutes require that all deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments described in the investment policy section. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than the institution furnishing the collateral.

The City's deposits in banks at December 31, 2009 were entirely covered by federal depository insurance or by collateral held by the City or its agent in the City's name.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (continued)

Investment Policy

The City does not maintain a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates or that would limit its investment choices as a means of managing its exposure to credit risk.

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- (a) Direct obligations or obligations guaranteed by the United States or its agencies.
- (b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (c) General obligations of the State of Minnesota or its municipalities.
- (d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- (f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.
- (h) Guaranteed investment contracts (gic's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies and with a credit quality in one of the top two highest categories.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operation.

The following is a summary of the City of Hugo's cash and investment portfolio including the range of maturities and investment ratings by type of investment:

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (continued)
Interest Rate Risk (continued)

Investment	Range of Maturities	Rating	Value
Cash	N/A	N/A	\$ 152,076
Certificates of Deposit	January 2010 - October 2014	N/A	18,087,473
Money Market Funds	N/A	Unrated	5,221,089
U.S. Government Securities	August 2012 - December 2014	AAA	5,418,412
Total			<u>\$28,879,050</u>

N/A Not applicable or not available

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investments are rated by various credit rating agencies, where applicable, to indicate the associated credit risk. Investment ratings by investment type are included in the preceding summary of investments.

The City does not have a formal policy related to the credit risk of its investments, but continues to buy safe and liquid assets that are allowable under Minnesota Statutes.

Concentration of Credit Risk

The City places no limit on the amount the City may invest with any one issuer. Investments in any one issuer that represent 5% or more of total investments are as follows:

Issuer	Investment Type	Value
Tamarack Institutional	Money Market Funds	\$ 4,995,938

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. At December 31, 2009 all investments were insured or registered or the securities were held by the City or its agent in the City's name.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

B. Due From and To Other Governmental Units

Amounts due from other governmental units as of December 31, 2009 are as follows:

<u>Fund Type</u>	<u>Washington County</u>	<u>Ind. School District #624</u>
General	\$ 163,722	\$
Debt Service		3,835,000

Amounts due to other governmental units as of December 31, 2009 are as follows:

<u>Fund Type</u>	<u>Washington County</u>	<u>State of Minnesota</u>	<u>Metropolitan Council</u>	<u>Total</u>
General	\$ 292,140	\$ 3,671	\$ 17,820	\$ 313,631

C. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,230,142	\$ 902,308	\$	\$ 4,132,450
Total capital assets, not being depreciated	<u>3,230,142</u>	<u>902,308</u>		<u>4,132,450</u>
Capital assets, being depreciated:				
Buildings and improvements	5,679,434	169,005	346,002	5,502,437
Land Improvements	1,483,038			1,483,038
Infrastructure	20,693,531	797,079	86,701	21,403,909
Machinery and equipment	5,492,429	62,583	14,795	5,540,217
Total capital assets, being depreciated	<u>33,348,432</u>	<u>1,028,667</u>	<u>447,498</u>	<u>33,929,601</u>
Less accumulated depreciation for:				
Buildings and improvements	1,200,472	189,634	116,598	1,273,508
Land Improvements	129,499	137,925		267,424
Infrastructure	5,517,016	513,261	78,031	5,952,246
Machinery and equipment	1,934,962	452,703	9,295	2,378,370
Total accumulated depreciation	<u>8,781,949</u>	<u>1,293,523</u>	<u>203,924</u>	<u>9,871,548</u>
Total capital assets, being depreciated, net	<u>24,566,483</u>	<u>(264,856)</u>	<u>243,574</u>	<u>24,058,053</u>
Governmental activities capital assets, net	<u>\$ 27,796,625</u>	<u>\$ 637,452</u>	<u>\$ 243,574</u>	<u>\$ 28,190,503</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

C. Capital Assets (continued)

<u>Business-type activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 259,560	\$	\$	\$ 259,560
Construction in progress	96,565	32,977		129,542
Total capital assets, not being depreciated	<u>356,125</u>	<u>32,977</u>		<u>389,102</u>
Capital assets, being depreciated:				
Buildings and improvements	19,875,603	256,576	35,053	20,097,126
Machinery and equipment	335,313			335,313
Total capital assets, being depreciated	<u>20,210,916</u>	<u>256,576</u>	<u>35,053</u>	<u>20,432,439</u>
Less accumulated depreciation for:				
Buildings and improvements	4,491,879	466,999	35,053	4,923,825
Machinery and equipment	183,827	35,750		219,577
Total accumulated depreciation	<u>4,675,706</u>	<u>502,749</u>	<u>35,053</u>	<u>5,143,402</u>
Total capital assets, being depreciated, net	<u>15,535,210</u>	<u>(246,173)</u>		<u>15,289,037</u>
Business-type activities capital assets, net	<u>\$ 15,891,335</u>	<u>\$ (213,196)</u>	<u>\$</u>	<u>\$ 15,678,139</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 102,448
Public safety	172,647
Highways and streets	804,836
Park and recreation	205,677
Economic development/tourism	7,915

Total \$ 1,293,523

Business-Type Activities:

Sewer and Water	<u>\$ 502,749</u>
-----------------	-------------------

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt

The City issues general obligation bonds to provide funds for economic development and for the acquisition and construction of major capital facilities including infrastructure. General obligation bonds have been issued for both general government and proprietary activities. Bonds issued to provide funds for proprietary activities are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Tax increment bonds are expected to be repaid from tax increments received over the life of the tax increment districts. Special assessment bonds are expected to be repaid, in part, from assessments to the benefited properties.

A summary of long-term debt outstanding at December 31, 2009 is as follows:

	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/09</u>
General obligation bonds:			
2000 Tax Increment Bonds	7.25% - 7.60%	2018	\$ 1,360,000
2004 Capital Improvement Bonds	3.50% - 4.50%	2020	1,990,000
2005 Tax Abatement Bonds	3.10% - 4.00%	2020	7,670,000
2007 A Improvement Bonds	4.00% - 4.15%	2023	1,075,000
2009 A Improvement Bonds	3.00% - 3.875%	2020	965,000
2009 B Tax Abatement Bonds	2.00% - 3.00%	2020	1,605,000
General obligation revenue bonds:			
2001 Utility Revenue Bonds	4.05% - 4.70%	2017	1,925,000
Lease revenue bonds:			
1998 Public Project Rev Bonds	4.85% - 5.00%	2014	480,000
2001 Facility Lease Rev Bonds	4.40% - 4.80%	2018	1,240,000
Other Liabilities:			
Compensated Absences			257,322
Unamortized premium			26,608
Less: Unamortized (discount) and issuance costs			<u>(170,024)</u>
 Total Long-term Debt			 <u><u>\$ 18,423,906</u></u>

Liquidation of the compensated absences liability occurs within the department and fund for which the corresponding employees are assigned.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt (continued)

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes and Contracts Payable:					
General obligation bonds:					
2000 Tax Increment Bonds	\$ 1,465,000	\$	\$ 105,000	\$ 1,360,000	\$ 110,000
2004 Capital Improvement Bonds	2,135,000		145,000	1,990,000	150,000
2005 Tax Abatement Bonds	7,870,000		200,000	7,670,000	235,000
2007 A Improvement Bonds	1,180,000		105,000	1,075,000	90,000
2009 A Improvement Bonds		965,000		965,000	
2009 B Tax Abatement Bonds		1,605,000		1,605,000	
Lease revenue bonds:					
1998 Public Project Rev Bonds	565,000		85,000	480,000	90,000
2001 Facility Lease Rev Bonds	1,345,000		105,000	1,240,000	110,000
Installment loans:					
Met Council Planning Assist Loan	40,000		40,000		
Contracts payable:					
Forest Boulevard	150,889		150,889		
Other Liabilities:					
Compensated Absences	221,871	139,706	119,294	242,283	130,269
Unamortized premium	7,338	19,635	365	26,608	
Less: Unamortized (discount) and issuance costs	(138,625)	(26,093)	(9,578)	(155,140)	
Governmental Activities Long-term Liabilities	<u>14,841,473</u>	<u>2,703,248</u>	<u>1,045,970</u>	<u>16,498,751</u>	<u>915,269</u>
BUSINESS-TYPE ACTIVITIES					
General obligation bonds:					
2001 Utility Revenue Bonds	2,120,000		195,000	1,925,000	205,000
Less: Unamortized Discount	(16,985)		(2,101)	(14,884)	
Other Liabilities:					
Compensated Absences	9,023	20,927	14,911	15,039	11,279
Business-Type Activities Long-term Liabilities	<u>2,112,038</u>	<u>20,927</u>	<u>207,810</u>	<u>1,925,155</u>	<u>216,279</u>
Total	<u>\$ 16,953,511</u>	<u>\$ 2,724,175</u>	<u>\$ 1,253,780</u>	<u>\$ 18,423,906</u>	<u>\$ 1,131,548</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt (continued)

In April 2005 the City entered into a joint powers agreement with Independent School District Number 624 (ISD #624) to issue tax abatement bonds in the amount of \$7,920,000 for the City's and School District's portion of the costs related to the construction of certain County Roads within the City and School District.

The roads constructed are the property of Washington County. Amounts paid for the road construction from the proceeds of the tax abatement bonds represent the City of Hugo's and ISD #624's portion of the project costs. Since the roads are owned by the County, the City has not recorded capital assets related to the County Road expenditures. The bonds were issued by the City and accordingly are included in noncurrent liabilities on the City's Statement of Net Assets.

The School District is responsible for the repayment of 50% of the principal and interest owed on the bonds. Therefore, the City has recorded a due from the School District on the Statement of Net Assets for 50% of amounts expended for the project.

Debt service requirements to maturity for long-term debt, excluding compensated absences, as of December 31, 2009 are as follows:

Year	General Obligation Debt		Lease Revenue Bonds		Proprietary Fund Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 585,000	\$ 562,922	\$ 200,000	\$ 75,928	\$ 205,000	\$ 80,840
2011	1,055,000	539,241	205,000	66,590	210,000	72,359
2012	1,180,000	499,451	215,000	56,840	220,000	63,352
2013	1,325,000	454,456	230,000	46,433	235,000	53,566
2014	1,400,000	404,132	240,000	35,377	245,000	43,004
2015-2019	7,330,000	1,149,167	630,000	61,823	810,000	58,121
2020-2024	1,790,000	49,893				
	<u>\$ 14,665,000</u>	<u>\$ 3,659,262</u>	<u>\$ 1,720,000</u>	<u>\$ 342,991</u>	<u>\$ 1,925,000</u>	<u>\$ 371,242</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt (continued)

The City of Hugo is the administering authority for the *City of Hugo Tax Increment Financing District, No. 1-1*. The district is a redevelopment type, authorized under Minnesota law chapter 469, certified in 1997 and will continue until December 21, 2023, twenty-five years following receipt of the first increment.

Original net tax capacity	\$ 90,423
Current net tax capacity	689,386
Captured net tax capacity:	
Retained by authority	598,963
Shared with other taxing authorities	
Total general obligation tax increment bonds issued	4,030,000
Amounts redeemed	<u>2,670,000</u>
Outstanding bonds at December 31, 2009	<u><u>\$ 1,360,000</u></u>

E. Interfund Transfers

Interfund transfers during the year ended December 31, 2009 were as follows:

Funds	Transfers In	Transfers Out
Major Governmental Funds:		
General	\$ 2,116	\$ 844,947
Special Park		
General Obligation Bonds	292,285	6,194
Public Improvements		
Subtotal	<u>294,401</u>	<u>851,141</u>
Non-Major Governmental Funds:		
Special Revenue		
TIF Collection		198,832
Debt Service		
Revenue Bonds	9,200	
Tax Increment Bonds	198,832	
Compensated Absences	212,392	
Capital Projects		
Property and Equipment Acquisition	763,697	158,060
Public Facilities Construction		<u>165,781</u>
Subtotal	<u>1,184,121</u>	<u>522,673</u>
Total Governmental Funds	<u>1,478,522</u>	<u>1,373,814</u>
Proprietary Funds:		
Water		108,786
Construction	90,464	<u>86,386</u>
Subtotal	<u>90,464</u>	<u>195,172</u>
Total All Funds	<u><u>\$ 1,568,986</u></u>	<u><u>\$ 1,568,986</u></u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Interfund Transfers (Continued)

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due; 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. The amounts transferred from the water and sewer funds were used to finance various infrastructure projects in the City projects funds.

F. Reserved and Designated Fund Balances

Reserved fund equity represents the portion not available for expenditures or legally segregated for specific future use. Designated fund balances represent the portion which is based on tentative future spending plans. A summary of reserved and designated fund balances at December 31, 2009 is as follows:

	Property and Equipment Acquisition			
<u>Reserved Fund Balance</u>				
Capital Project Fund				
Reserved for Equipment Purchases	<u>\$ 100,000</u>			
 <u>Designated Fund Balances</u>				
General Fund				
Designated for Working Capital	<u>\$ 2,111,128</u>			
		Tax Increment Financing Collection		
Special Revenue Funds	Special Park			
Designated for Special Projects	<u>\$ 1,069,809</u>	<u>\$ 736,591</u>		
	General Obligation Bonds	Tax Increment Bonds	Revenue Bonds	Compensated Absences
Debt Service Funds				
Designated for Debt Service	<u>\$ 1,697,959</u>	<u>\$ 208,333</u>	<u>\$ 545,472</u>	<u>\$ 443,307</u>
	Public Facilities Construction	Property and Equipment Acquisition	Public Improvement	
Capital Projects Funds				
Designated for Capital Projects	<u>\$ 1,479,284</u>	<u>\$ 2,269,435</u>	<u>\$ 3,181,794</u>	

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its general liability and property coverage. The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for participating Minnesota Cities. All cities in the LMCIT are jointly and severally liable for all claims and expenses of the pool. The amount of any liability in excess of assets of the pool may be assessed to the participating cities if a deficiency occurs. The City purchases commercial insurance for property values in excess of the LMCIT policy limits and all other risks of loss. Settled claims have not exceeded the LMCIT or commercial coverage in any of the past three fiscal years.

Worker's compensation insurance is also purchased through the League of Minnesota Cities Insurance Trust (LMCIT). The worker compensation program is a retrospectively rated contract with premiums or required contributions based primarily on the experience rates of the participating cities.

There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years

B. Commitments and Contingencies

Insurance:

The City has outstanding claims subject to its insurance deductible. Although the outcome of these actions are not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

General Litigation:

There are several pending lawsuits in which the City is involved. It is the opinion of management that substantially all of these claims would be covered by the liability insurance of the City and that potential claims against the City would not materially affect the financial statements.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Defined Benefit Pension Plan – City of Hugo

The City participates in a statewide retirement plan administered by the Public Employees Retirement Association (PERA). PERA is the administrator of two cost-sharing multiple-employer retirement plans, the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF). PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026. The following disclosures are made in accordance with Statement No. 27 of the Governmental Accounting Standards Board:

1. Cost-Sharing Multiple-Employer
Defined Benefit Pension Plans - Statewide
Public Employees Retirement Association

A. Plan Description

All full-time and certain part-time employees of the City of Hugo are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapter 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Defined Benefit Pension Plan – City of Hugo (continued)

A. Plan Description (continued)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree and no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. 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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Defined Benefit Pension Plan – City of Hugo (continued)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.00%, respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2009. PECF members are required to contribute 5.83% of their annual covered salary. The City of Hugo is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members, 14.10% for PEPFF members and 8.75% for PECF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008 and 2007 were \$88,983, \$79,573 and \$79,692, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. The City had no employees covered by the PEPFF or the PECF for the years ending December 31, 2009, 2008 and 2007.

D. Defined Benefit Pension Plan – Hugo Firefighter's Relief Association

Plan Description

Volunteer fire fighters of the City of Hugo are members of the Hugo Firefighter's Relief Association. The Association is administrator of a single-employer defined benefit pension plan available to firefighters that operates under the provisions of Minnesota Laws 1965, Chapter 446, as amended and Minnesota State Statutes Chapters 69 and 424. It is governed by a Board of nine officers and trustees elected by the members of the Association for one-year terms. The Chief of the Hugo Fire Department, the Mayor, and the Finance Director are ex officio, non-voting members of the Board of Trustees.

The Hugo Firefighter's Relief Association issues a publicly available financial report that includes financial statements for the Organization. That report may be obtained by contacting the Fire Department at the City of Hugo. For financial reporting purposes, the Association's financial statements are not included in the City of Hugo's financial statements because the Association is not a component unit of the City.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Defined Benefit Pension Plan – Hugo Firefighter’s Relief Association (continued)

Plan Description (Continued)

Pension Benefits

Benefits are payable in a lump sum, based upon years of service, to eligible members of the Hugo Firefighter’s Relief Association. At December 31, 2009, the pension benefit level was at \$2,700 per year of service.

Funding Policy

Minnesota Statutes specify minimum contributions that may be required from the City on an annual basis. These minimum contributions are determined based on the amount required to meet normal cost plus amortizing any prior year’s service cost over a ten year period. The unfunded actuarial accrued liability of the plan is amortized in level dollar amounts over a closed ten year period as provided by *Minnesota Statutes*. No contribution was required from the City for either of the years ended December 31, 2009 or 2008. The Hugo Firefighter’s Relief Association also receives funding from the State of Minnesota two-percent fire premium tax. The City receives the contributions and is required by state statute to pass this through as payment to the Firefighter’s Relief Association. The City received a contribution of \$38,390 from the State related to the fire premium tax for the year ended December 31, 2009. Accordingly, the \$38,390 was submitted to the Firefighter’s Relief Association. This contribution is recorded as a revenue and an expenditure in the City’s general fund. Investment earnings also add to the resources available for benefits.

Annual Pension Cost and Net Pension Obligation

The City’s annual pension cost and net pension obligation for the year ended December 31, 2009, were as follows:

Annual Required Contribution (State Pass-through)	\$ 38,390
Interest on Net Pension Obligation	
Adjustment to Annual Required Contribution	
Annual Pension Cost	38,390
Contribution Made	38,390
Increase (Decrease) in Net Pension Obligation	
Net Pension Obligation Beginning of Year	
Net Pension Obligation End of Year	\$

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Defined Benefit Pension Plan – Hugo Firefighter’s Relief Association (continued)

Annual Pension Cost and Net Pension Obligation (continued)

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The significant actuarial assumptions included (a) 5% investment rate of return; (b) 3.5% rate of inflation; and (c) age and service retirement was assumed to occur at age 50. The actuarial value of assets was determined using fair market values as of the actuarial valuation date. Net pension obligations on annual actuarial basis are not calculated for individual volunteer fire relief associations since state statutes permit alternate calculation of required reserves based on overall actuarial assumptions. Additional actuarial assumptions are as follows:

Amortization method	Level dollar closed
Remaining amortization period	
Normal cost	20 years
Prior service cost	10 years

The City’s net pension obligation for the Hugo Firefighter’s Relief Association for the years ended December 31, 2009, 2008 and 2007 are as follows:

<u>Disclosure</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Pension cost (APC)	\$ 38,390	\$ 43,735	\$ 49,535
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	N/A	N/A	N/A

Membership of the Hugo Firefighter’s Relief Association at December 31, 2009, was comprised of the following:

Terminated members entitled to benefits but have not received them:	5
Current Members:	
Vested	3
Partially Vested	3
Non-Vested	23
Total Plan Members	<u>34</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Defined Benefit Pension Plan – Hugo Firefighter’s Relief Association (continued)

Contributions Required and Contributions Made

The City makes contributions to the Association annually in the amount equal to the Fire Aid received from the State of Minnesota as required by the *Minnesota Statutes*. The City of Hugo is required to make additional contributions to the Association in the following year if the following year’s anticipated administrative expenses plus the anticipated increase in the required reserves plus amortization of the original unfunded accrued liability exceeds the anticipated revenues. No contributions in excess of Fire Aid were made in the years 2009, 2008 or 2007. The contributions made by the City to the Association (including Fire Aid) for 2009, 2008 and 2007 were \$38,390, \$43,735 and \$49,535, respectively.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Assets in Excess of (Unfunded)/ Accrued Liability</u>	<u>Funded Ratio</u>	<u>Pension Benefit Per Year of Service</u>
12/31/2007	\$ 662,181	\$ 570,646	\$ 91,535	116.04	\$ 2,500
12/31/2008	440,464	585,543	(145,079)	75.22	2,700
12/31/2009	549,832	634,820	(84,988)	86.61	2,700

Related Party Investments

As of December 31, 2009, and for the year then ended, the Association held no securities issued by the City or other related parties.

E. Postemployment Benefits

As required by state statute, employees are allowed to participate in the City’s group health insurance plan after retirement. However, management has determined that any liability related to postemployment benefits would be immaterial to these financial statements as of December 31, 2009.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

F. Accounting Standards Issued But Not Yet Implemented

The Governmental Accounting Standards Board (GASB) has issued pronouncements that have effective dates that may impact financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, will be effective for the City beginning with its year ending December 31, 2010. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks and computer software.

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, will be effective for the City beginning with its year ending December 31, 2010. This statement establishes accounting and financial reporting requirements for derivative instruments entered into by local governments.

G. Subsequent Events

On February 1, 2010, the City called and paid off \$1,925,000 of water revenue bonds using the accumulated net assets of the water proprietary fund.

This Page Left Blank Intentionally

CITY OF HUGO, MINNESOTA
COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES
December 31, 2009

This Page Left Blank Intentionally

CITY OF HUGO, MINNESOTA

NONMAJOR FUNDS

December 31, 2009

SPECIAL REVENUE FUNDS

Tax Increment Financing Collection Fund:

This fund is an accumulation of tax increment proceeds and land sales, a portion of which is transferred to tax increment debt service funds on an annual basis.

DEBT SERVICE FUNDS

Tax Increment Bonds Fund:

These funds are used to account for the accumulation of resources (tax increment revenue) for payment of tax increment general obligation bonds and interest.

Revenue Bonds Fund:

These funds are used to account for the accumulation of resources (property tax revenues) for payment of public facility and project revenue bonds and interest.

Compensated Absences Fund:

This fund is used to accumulate resources (transfers from the General Fund) to ensure funds are available to pay compensated absences as they become payable.

CAPITAL PROJECT FUNDS

Property and Equipment Acquisition Fund:

These funds are used to account for the accumulation of resources (special assessments, intergovernmental revenues, developers' fees, etc.) for acquisition of high dollar value property and equipment for use in the operation of the City.

Public Facilities Construction Fund:

These funds account for the financial resources to be used for the construction of public facilities other than those financed by proprietary funds.

**CITY OF HUGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009**

With Comparative Totals for December 31, 2008

	Special Revenue	Debt Service		
	Tax Increment Financing Collection Fund	Tax Increment Bonds	Revenue Bonds	Compensated Absences
Assets				
Cash and investments	\$ 733,893	\$ 207,401	\$ 543,102	\$ 442,283
Accrued interest	2,698	932	2,370	1,024
Taxes - delinquent	34,953		13,383	
TOTAL ASSETS	<u>\$ 771,544</u>	<u>\$ 208,333</u>	<u>\$ 558,855</u>	<u>\$ 443,307</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$	\$	\$	\$
Deferred revenue	34,953		13,383	
Total Liabilities	<u>34,953</u>		<u>13,383</u>	
Fund Balance				
Fund Balance				
Reserved				
Unreserved:				
Designated for subsequent years' appropriations	736,591			
Designated for debt service		208,333	545,472	443,307
Designated for capital projects				
Total Fund Balance	<u>736,591</u>	<u>208,333</u>	<u>545,472</u>	<u>443,307</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 771,544</u>	<u>\$ 208,333</u>	<u>\$ 558,855</u>	<u>\$ 443,307</u>

FORM D-1

Capital Projects		Total Nonmajor Governmental Funds	
Property and Equipment Acquisition	Public Facilities Construction	2009	2008
\$ 2,361,957	\$ 1,492,025	\$ 5,780,661	\$ 4,819,927
7,666	6,919	21,609	31,585
10,315		58,651	37,035
<u>\$ 2,379,938</u>	<u>\$ 1,498,944</u>	<u>\$ 5,860,921</u>	<u>\$ 4,888,547</u>
\$ 188	\$ 19,660	\$ 19,848	\$ 34,282
10,315		58,651	37,035
<u>10,503</u>	<u>19,660</u>	<u>78,499</u>	<u>71,317</u>
100,000		100,000	251,142
		736,591	491,049
		1,197,112	972,041
2,269,435	1,479,284	3,748,719	3,102,998
<u>2,369,435</u>	<u>1,479,284</u>	<u>5,782,422</u>	<u>4,817,230</u>
<u>\$ 2,379,938</u>	<u>\$ 1,498,944</u>	<u>\$ 5,860,921</u>	<u>\$ 4,888,547</u>

CITY OF HUGO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Special Revenue	Debt Service		
	Tax Increment Financing Collection Fund	Tax Increment Bonds	Revenue Bonds	Compensated Absences
REVENUES				
Property taxes	\$ 474,298	\$	\$ 264,180	\$
Intergovernmental revenues			11,162	
Other Revenue				
Investment earnings	18,283	4,827	4,789	7,851
Rent				
Miscellaneous				
TOTAL REVENUES	<u>492,581</u>	<u>4,827</u>	<u>280,131</u>	<u>7,851</u>
EXPENDITURES				
Capital Outlay	48,207			
Debt Service				
Bond principal retirement		105,000	190,000	
Interest on bonds		105,170	84,880	
Fiscal charges		431	2,681	
TOTAL EXPENDITURES	<u>48,207</u>	<u>210,601</u>	<u>277,561</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>444,374</u>	<u>(205,774)</u>	<u>2,570</u>	<u>7,851</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		198,832	9,200	212,392
Transfers out	<u>(198,832)</u>			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(198,832)</u>	<u>198,832</u>	<u>9,200</u>	<u>212,392</u>
Net change in fund balances	245,542	(6,942)	11,770	220,243
FUND BALANCES, beginning	<u>491,049</u>	<u>215,275</u>	<u>533,702</u>	<u>223,064</u>
FUND BALANCES, ending	<u>\$ 736,591</u>	<u>\$ 208,333</u>	<u>\$ 545,472</u>	<u>\$ 443,307</u>

FORM D-2

Capital Projects		Total Nonmajor Governmental Funds	
Property & Equipment Acquisition	Public Facilities Construction	2009	2008
\$ 176,777 7,364	\$	\$ 915,255 18,526	\$ 960,692 12,334
58,763 3,780	50,001	144,514 3,780	262,661
			4,555
<u>246,684</u>	<u>50,001</u>	<u>1,082,075</u>	<u>1,240,242</u>
210,634	31,328	290,169	900,215
		295,000 190,050 3,112	275,000 205,632 3,515
<u>210,634</u>	<u>31,328</u>	<u>778,331</u>	<u>1,384,362</u>
<u>36,050</u>	<u>18,673</u>	<u>303,744</u>	<u>(144,120)</u>
763,697 (158,060)	(165,781)	1,184,121 (522,673)	583,802 (1,774,657)
<u>605,637</u>	<u>(165,781)</u>	<u>661,448</u>	<u>(1,190,855)</u>
641,687	(147,108)	965,192	(1,334,975)
<u>1,727,748</u>	<u>1,626,392</u>	<u>4,817,230</u>	<u>6,152,205</u>
<u>\$ 2,369,435</u>	<u>\$ 1,479,284</u>	<u>\$ 5,782,422</u>	<u>\$ 4,817,230</u>

CITY OF HUGO, MINNESOTA
TAX INCREMENT FINANCING COLLECTION FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009			Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Property taxes	\$ 509,125	\$ 509,125	\$ 474,298	\$ (34,827)	\$ 464,747
Investment earnings	18,000	18,000	18,283	283	16,688
Total Revenues	527,125	527,125	492,581	(34,544)	481,435
EXPENDITURES					
Capital Outlay					
TIF note payments	46,694	46,694	46,694		51,111
Software	375	375	373	2	373
Miscellaneous	1,300	1,300	1,140	160	1,219
Total Expenditures	48,369	48,369	48,207	162	52,703
Excess (deficiency) of revenues over (under) expenditures	478,756	478,756	444,374	(34,382)	428,732
Other Financing Uses					
Transfers Out	(207,403)	(207,403)	(198,832)	8,571	(210,170)
Excess (Deficit) Financing Sources Over Uses	271,353	271,353	245,542	(25,811)	218,562
Fund Balance, January 1	491,049	491,049	491,049		272,487
Fund Balance, December 31	\$ 762,402	\$ 762,402	\$ 736,591	\$ (25,811)	\$ 491,049

CITY OF HUGO, MINNESOTA
GENERAL OBLIGATION BONDS
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009				
	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Original	Final			
REVENUES					
Property taxes	\$ 509,024	\$ 509,024	\$ 504,694	\$ (4,330)	\$ 604,709
Special assessments	124,567	124,567	254,422	129,855	312,929
Intergovernmental revenue	266,367	266,367	262,055	(4,312)	243,370
Other revenues					
Investment earnings	34,000	34,000	35,960	1,960	34,267
Total Revenues	933,958	933,958	1,057,131	123,173	1,195,275
EXPENDITURES					
Debt service					
Principal retirement	450,000	450,000	450,000		425,000
Interest on bonds	418,271	418,271	418,271		425,553
Fiscal charges	1,265	1,265	2,765	(1,500)	2,128
Total Expenditures	869,536	869,536	871,036	(1,500)	852,681
Excess (deficiency) of revenues over (under) expenditures	64,422	64,422	186,095	121,673	342,594
OTHER FINANCING SOURCES (USES)					
Issuance of debt	18,222	18,222	33,096	14,874	
Transfers in	108,786	108,786	292,285	183,499	194,821
Transfers out	(8,028)	(8,028)	(6,194)	1,834	(65,189)
TOTAL OTHER FINANCING SOURCES (USES)	118,980	118,980	319,187	200,207	129,632
Excess Financing Sources Over Uses	183,402	183,402	505,282	321,880	472,226
Fund Balance, January 1	1,192,677	1,192,677	1,192,677		720,451
Fund Balance, December 31	\$ 1,376,079	\$ 1,376,079	\$ 1,697,959	\$ 321,880	\$ 1,192,677

CITY OF HUGO, MINNESOTA
TAX INCREMENT BONDS
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009			Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Other revenues					
Investment earnings	\$ 4,000	\$ 4,000	\$ 4,827	\$ 827	\$ 5,525
EXPENDITURES					
Debt service					
Principal retirement	105,000	105,000	105,000		95,000
Interest on bonds	105,170	105,170	105,170		112,322
Fiscal charges	431	431	431		834
Total Expenditures	210,601	210,601	210,601		208,156
Excess (deficiency) of revenues over (under) expenditures	(206,601)	(206,601)	(205,774)	827	(202,631)
OTHER FINANCING SOURCES					
Transfers in	207,403	207,403	198,832	(8,571)	210,170
Excess (Deficit) Financing Sources Over Uses	802	802	(6,942)	(7,744)	7,539
Fund Balance, January 1	215,275	215,275	215,275		207,736
Fund Balance, December 31	\$ 216,077	\$ 216,077	\$ 208,333	\$ (7,744)	\$ 215,275

CITY OF HUGO, MINNESOTA
REVENUE BONDS
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009			Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Property taxes	\$ 264,288	\$ 264,288	\$ 264,180	\$ (108)	\$ 259,049
Intergovernmental revenues	13,401	13,401	11,162	(2,239)	6,443
Other revenues					
Investment earnings	4,200	4,200	4,789	589	13,423
Total Revenues	281,889	281,889	280,131	(1,758)	278,915
EXPENDITURES					
Debt service					
Principal retirement	190,000	190,000	190,000		180,000
Interest on bonds	84,880	84,880	84,880		93,310
Fiscal charges	2,681	2,681	2,681		2,681
Total Expenditures	277,561	277,561	277,561		275,991
Excess (deficiency) of revenues over (under) expenditures	4,328	4,328	2,570	(1,758)	2,924
OTHER FINANCING SOURCES					
Transfers in			9,200	9,200	6,443
Excess of Financing Sources Over Uses	4,328	4,328	11,770	7,442	9,367
Fund Balance, January 1	533,702	533,702	533,702		524,335
Fund Balance, December 31	\$ 538,030	\$ 538,030	\$ 545,472	\$ 7,442	\$ 533,702

CITY OF HUGO, MINNESOTA
COMPENSATED ABSENCES
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009					2008 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)		
	Original	Final				
REVENUES						
Other revenues						
Investment earnings	\$ 7,000	\$ 7,000	\$ 7,851	\$ 851	\$	9,630
OTHER FINANCING SOURCES						
Transfer from General Fund			212,392	212,392		29,770
Total Revenues and Other Financing Sources	7,000	7,000	220,243	213,243		39,400
Fund Balance, January 1	223,064	223,064	223,064			183,664
Fund Balance, December 31	\$ 230,064	\$ 230,064	\$ 443,307	\$ 213,243	\$	223,064

CITY OF HUGO, MINNESOTA
PROPERTY AND EQUIPMENT ACQUISITION
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	2009				
	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Original	Final			
REVENUES					
Property taxes	\$ 174,359	\$ 174,359	\$ 176,777	\$ 2,418	\$ 236,897
Intergovernmental	8,841	8,841	7,364	(1,477)	5,891
Other revenues					
Investment earnings	58,000	58,000	58,763	763	82,517
Miscellaneous	3,780	3,780	3,780		4,555
Total Revenues	244,980	244,980	246,684	1,704	329,860
EXPENDITURES					
Capital outlay					
Property and equipment acquisition	421,589	421,589	199,877	221,712	655,599
Miscellaneous	11,603	11,603	10,757	846	17,361
Total Expenditures	433,192	433,192	210,634	222,558	672,960
Excess (deficiency) of revenues over (under) expenditures	(188,212)	(188,212)	36,050	224,262	(343,100)
OTHER FINANCING SOURCES (USES)					
Transfers in	208,134	208,134	763,697	555,563	337,419
Transfers out	(158,834)	(158,834)	(158,060)	774	(15,087)
TOTAL OTHER FINANCING SOURCES (USES)	49,300	49,300	605,637	556,337	322,332
Excess (Deficit) Financing Sources Over Uses	(138,912)	(138,912)	641,687	780,599	(20,768)
Fund Balance, January 1	1,727,748	1,727,748	1,727,748		1,748,516
Fund Balance, December 31	\$ 1,588,836	\$ 1,588,836	\$ 2,369,435	\$ 780,599	\$ 1,727,748

CITY OF HUGO, MINNESOTA
PROPRIETARY FUND
Schedule of Revenues and Expenses - By Department
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Water and Sewer Utility Fund				
	Water	Sewer	Construction	Totals	
	Department	Department	Department	2009	2008
Operating Revenue					
Sale of water	\$ 1,008,297	\$	\$	\$ 1,008,297	\$ 875,446
Meter sales	33,628			33,628	62,926
Sewer charges		877,665		877,665	869,127
Total Operating Revenues	1,041,925	877,665		1,919,590	1,807,499
Operating Expenses					
Personal services	148,669	136,257		284,926	274,600
Engineering	18,761		84,726	103,487	19,298
Electricity	72,556	8,206		80,762	74,397
Repairs and maintenance	186,010	38,423	226,073	450,506	223,149
Sewer charges - MCES		542,393		542,393	455,627
Depreciation	298,486	204,263		502,749	479,982
Miscellaneous	63,888	44,142		108,030	118,651
Total Operating Expenses	788,370	973,684	310,799	2,072,853	1,645,704
Operating Income (Loss)	\$ 253,555	\$ (96,019)	\$ (310,799)	(153,263)	161,795
Other Revenue (Expense)					
Future infrastructure charges				624,800	967,873
Intergovernmental revenues				7,181	25,504
Rental income				53,721	40,890
Special assessments				18,501	12,460
Property taxes				141,153	140,422
Investment earnings				451,949	609,365
Revenue bond interest and issuance costs				(89,720)	(97,366)
Miscellaneous				39,149	109
Total Other Revenue (Expense)				1,246,734	1,699,257
Net Income Before Transfers and Contributions				1,093,471	1,861,052
Capital contributions					53,369
Transfers				(104,708)	(114,272)
Net Income				\$ 988,763	\$ 1,800,149

CITY OF HUGO, MINNESOTA
SUPPLEMENTARY INFORMATION
December 31, 2009

CITY OF HUGO, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
December 31, 2009

	<u>Interest</u>	<u>Maturity</u>	<u>Book</u>
	Yield		Value
CASH:			
Change funds		Open	\$ 200
Petty cash			50
Checking - US Bank		Open	<u>151,826</u>
 Total Cash			 <u>\$ 152,076</u>
 INVESTMENTS:			
Certificates of Deposit - New Century Bank of Chicago IL	4.05%	01/11/10	95,030
- TNBank of Oak Ridge TN	3.25%	02/01/10	100,170
- Monona Bank of Wisconsin	3.25%	02/12/10	100,252
- Sallie Mae Bank of Murray UT	4.10%	02/12/10	95,311
- Alliance Bank of Syracuse NY	3.30%	02/16/10	100,277
- NBT Bank of Norwich NY	3.00%	02/16/10	100,245
- Towne Bank of Mesa AZ	2.20%	02/23/10	95,178
- Darby Bank of Vidalia GA	3.55%	03/22/10	100,557
- Commerce Bank of Geneva MN	5.00%	03/26/10	100,926
- Amcore Bank of Rockford IL	3.75%	05/14/10	95,984
- First Premier Bank of Sioux Falls SD	3.70%	05/28/10	96,068
- San Antonio Natl Bank of Refugio TX	4.55%	05/28/10	101,456
- Tristate Bank of Pittsburgh PA	3.70%	05/28/10	96,068
- Old National Bank of Evansville IN	4.25%	07/09/10	96,613
- Eurobank of Puerto Rico	5.10%	08/13/10	102,490
- Oceanside of Jacksonville Beach FL	3.30%	08/16/10	101,439
- Atlantic Coast of Waycross GA	4.25%	08/18/10	96,931
- United Community of Blairsville GA	4.30%	08/27/10	97,027
- Lehman Bank of Salt Lake City	5.15%	08/30/10	102,603
- Celtic Bank of Salt Lake City	5.10%	09/03/10	102,736
- Home Federal Bank of Rochester MN	4.20%	09/10/10	97,081
- Nicolet Bank of Green Bay WI	3.75%	09/14/10	101,920
- City Bank of Newark NJ	4.85%	09/28/10	102,819
- American Chartered of Schaumburg	4.80%	10/04/10	102,833
- Columbia Bank of Hillsboro OR	4.75%	10/05/10	102,804
- Fireside Bank of Pleasanton CA	4.85%	11/01/10	103,088
- Community Shores Muskegon MI	4.80%	11/02/10	103,065
- Traverse City Bank of Michigan	4.75%	11/09/10	103,069
- Banco Popular of New York NY	3.95%	11/16/10	97,313
- Enterprise Bank of Clayton MO	3.90%	11/16/10	97,272
- FNB of Ord NE	4.65%	11/16/10	103,029
- Haven Trust of St. Augustine FL	4.50%	12/07/10	103,048

CITY OF HUGO, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
December 31, 2009

	Interest		Book
	Yield	Maturity	Value
- Barrington Bank of Illinois	4.00%	12/20/10	97,531
- Tennessee State of Pigeon Forge	4.55%	12/20/10	103,192
- Parkway Bank of Harwood Heights IL	4.50%	12/27/10	103,196
- Bank George of Las Vegas NV	2.75%	12/30/10	96,437
- Sutton Bank of Attica OH	4.50%	01/07/11	103,267
- Ironstone Bank of Fort Myers FL	4.50%	01/18/11	103,323
- Merrick Bank of Jordan UT	2.50%	01/21/11	96,224
- St. Louis Bank of Missouri	2.55%	01/21/11	96,273
- Exchange State Bank of Collins IA	2.50%	01/24/11	96,227
- Eastside Bank of Bellevue WA	2.60%	01/28/11	96,340
- FSG Bank of Chattanooga TN	2.45%	01/28/11	96,186
- Elkhart Community Bank of Indiana	2.50%	01/31/11	96,242
- Highland Bank of St. Michael MN	2.60%	01/31/11	96,343
- Unita Bank of Mountain View WY	2.50%	01/31/11	96,241
- Cascade Bank of Everett WA	1.00%	02/17/11	199,328
- Totalbank of Miami FL	3.50%	02/22/11	102,430
- Copper Star of Scottsdale AZ	4.25%	02/28/11	92,978
- Johnson Bank of Racine WI	2.35%	03/06/11	96,104
- Doral Bank of Catano Puerto Rico	2.55%	03/14/11	96,331
- Woodlands Bank of Beaufort SC	4.35%	03/18/11	98,364
- Saehan Bank of Los Angeles CA	2.50%	03/28/11	96,281
- Crescent Bank of Myrtle Beach SC	2.20%	03/29/11	95,931
- Broadway Bank of Chicago	5.00%	04/18/11	104,522
- Stillwater Bank of Oklahoma	1.25%	05/18/11	199,322
- Americanwest of Spokane WA	4.25%	06/17/11	95,085
- Capital Bank of Little Rock AR	2.45%	07/15/11	96,151
- Investors Community Bank of WI	2.50%	07/15/11	96,223
- Quad City Bank of Iowa	2.50%	07/20/11	96,210
- Gibraltar Bank & Trust of Florida	1.80%	07/28/11	100,176
- Advantage Bank of Cambridge OH	2.75%	07/29/11	96,553
- Suburban Bank of Elmhurst IL	1.80%	07/29/11	100,169
- Firstbank of Santruce	1.85%	08/22/11	200,262
- Homestreet Bank of Harvey IL	5.10%	08/22/11	105,311
- Cenlar Bank of Trenton NJ	4.50%	08/29/11	99,168
- Key Bank National of Ohio	4.50%	08/29/11	99,168
- Middleburg Bank of Virginia	4.50%	08/29/11	99,168
- Allegiance Bank North America	4.40%	09/12/11	99,029
- Carolina Bank of Greenville SC	1.75%	09/12/11	199,712
- Key Bank National of Ohio	2.60%	09/12/11	96,199
- Riverbank of Wyoming MN	2.50%	09/13/11	96,038
- Shorebank of Chicago IL	2.75%	09/26/11	96,393
- Lone Star Bank of Pharr TX	1.65%	09/29/11	199,174
- First Eagle Bank of Hanover Park IL	4.40%	09/30/11	99,031
- First National Bank of Sioux Falls SD	2.35%	10/03/11	95,717

(Continued)

CITY OF HUGO, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
December 31, 2009

	Interest		Book
	Yield	Maturity	Value
- State Bank of India NY	4.85%	10/24/11	105,049
- Franklin Templeton of Salt Lake City UT	4.45%	10/27/11	99,152
- Gulf Coast Bank of New Orleans	4.75%	11/14/11	104,918
- M & I Bank of Milwaukee	4.75%	11/14/11	104,898
- Marlin Business Bank of Salt Lake	4.05%	12/05/11	98,430
- Capital One Bank of Glen Allen VA	4.50%	12/12/11	104,449
- First National of Kalamazoo MI	4.55%	12/12/11	104,564
- Gwinnett Community Bank of Georgia	3.75%	12/19/11	97,884
- Doral Bank of Catano Puerto Rico	2.00%	12/27/11	100,000
- Anchor Mutual Bank of Washington	3.65%	12/30/11	96,268
- City Bank of Lynnwood WA	3.00%	12/30/11	96,482
- First National Bank of Menasha WI	3.00%	12/30/11	96,481
- Toyota Financial Bank of Nevada	3.00%	12/30/11	96,476
- Flagship Bank of Wayzata MN	2.25%	01/09/12	95,071
- First Suburban National Bank	4.50%	01/17/12	104,513
- Wachovia Bank of Las Vegas NV	4.50%	01/17/12	104,487
- Seattle Savings Bank of WA	2.90%	01/20/12	96,272
- Bank Commonwealth of Norfolk VA	2.95%	01/23/12	96,364
- Red Mountain Bank of Alabama	3.00%	01/23/12	96,459
- Southern Community Bank of NC	3.00%	01/23/12	96,451
- Wachovia Bank of Houston TX	4.45%	01/25/12	104,412
- Bank Oswego of Lake Oswego OR	2.80%	01/30/12	96,073
- Bankers Trust of Des Moines IA	2.90%	01/30/12	96,255
- Orange Bank of Orlando FL	2.20%	01/30/12	99,919
- Southwest Bank of St. Louis MO	3.55%	02/08/12	102,628
- First Bank of Oconomowoc WI	3.50%	02/13/12	102,529
- Keystone Bank of Auburn AL	3.35%	02/16/12	102,237
- First Commercial of Birmingham AL	2.00%	02/27/12	198,840
- National Bank of Superior WI	2.65%	03/09/12	96,325
- CIT Bank of Salt Lake City UT	2.90%	03/12/12	96,209
- Inland Bank & Trust of Lake Zurich IL	2.75%	03/13/12	95,911
- RG Premier Bank of Puerto Rico	4.30%	03/16/12	99,033
- Grand South Bank of Greenville SC	2.00%	03/30/12	99,668
- First National Bank of Spartanburg SC	2.50%	04/16/12	95,578
- Lubbock National Bank of Texas	2.35%	04/17/12	95,470
- Royal Bank of Narberth PA	3.45%	05/15/12	102,422
- Baytree National Bank of Lake Forest IL	4.40%	06/25/12	99,450
- Paragon Bank of Raleigh NC	2.80%	06/26/12	95,812
- Border State Bank of Greenbush MN	2.00%	06/29/12	197,948
- Community First Bank of Corydon IN	3.00%	07/16/12	96,231
- Barclays Bank of Delaware	2.55%	07/30/12	100,078
- Midfirst Bank of Oklahoma City	2.10%	07/30/12	99,802
- Leaders Bank of Oak Brook IL	2.55%	07/31/12	100,147
- First Business Bank of Madison WI	4.70%	08/28/12	100,242

CITY OF HUGO, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
December 31, 2009

	Interest		Book
	Yield	Maturity	Value
- Ravenswood Bank of Chicago	5.10%	08/28/12	106,535
- Monroe Bank of Michigan	4.70%	09/04/12	100,278
- Branch Bank of Wilson NC	4.70%	09/12/12	100,260
- Evabank of Alabama	5.10%	09/14/12	106,609
- Citizens First of Port Huron MI	4.80%	09/17/12	100,545
- Baraboo National Bank of Baraboo WI	2.70%	09/19/12	95,846
- MB Financial Bank of Chicago	4.50%	09/28/12	99,819
- Citizens Bank of Kentucky	4.50%	10/01/12	99,820
- Barclays Retail Bank of Delaware	2.40%	10/09/12	99,505
- BMW Bank NA of Utah	2.40%	10/16/12	99,476
- NCD FSB of Hillsboro OH	2.40%	10/16/12	198,952
- Goldman Sachs of Salt Lake City	5.05%	10/24/12	106,545
- Capmark Bank of Midvale UT	4.70%	10/29/12	100,333
- Community Bank of Lexington TN	2.55%	10/30/12	95,219
- BMW Bank of Salt Lake City	4.75%	11/16/12	105,777
- American Express Bank of Utah	2.35%	11/19/12	99,195
- Nova Savings Bank of Philadelphia PA	4.40%	11/21/12	99,606
- Allstate Bank of Vernon Hills IL	4.30%	11/26/12	99,322
- First National Bank of Junction City KS	3.70%	12/26/12	97,727
- Summit Bank of Broomfield CO	3.75%	12/26/12	97,845
- First National East of Lansing MI	3.10%	12/28/12	96,095
- Capital One of McLean VA	4.60%	01/10/13	105,410
- Pender State Bank of Nebraska	3.00%	02/04/13	95,705
- Discover Bank of Greenwood DE	4.90%	02/06/13	100,989
- MI Bank of Las Vegas NV	3.55%	02/08/13	102,339
- First Bank of Burlington WI	4.00%	02/15/13	100,349
- Beacon Federal East of Syracuse NY	3.10%	03/11/13	95,877
- Beach Community Bank of FL	2.50%	05/13/13	98,780
- Webster Five Cents Savings of MA	3.00%	05/15/13	96,352
- Washita Bank of Burns Flat OK	4.75%	05/17/13	100,659
- Boston Private Bank & Trust of MA	3.15%	05/22/13	95,773
- State Bank & Trust of Fargo ND	3.10%	05/22/13	95,621
- American Express Bank of Utah	3.30%	05/28/13	96,208
- Twin City Bank North of Little Rock AR	3.05%	05/29/13	95,447
- First Reliance Bank of SC	3.25%	06/10/13	101,072
- Flushing Savings Bank of New York	2.80%	07/30/13	99,751
- GE Capital Financial Retail	2.65%	07/30/13	99,247
- Provident Bank of Baltimore MD	5.05%	08/22/13	101,664
- Intervest Bank of New York NY	4.85%	09/09/13	101,043
- GE Money Bank of Salt Lake City UT	5.00%	09/18/13	101,550
- Trustatlantic Bank of Greenville NC	4.75%	10/29/13	100,810
- Morgan Stanley of Salt Lake City UT	5.05%	11/05/13	101,801
- First South Bank of Spartanburg SC	2.75%	11/06/13	98,899
- Citibank National Association	2.70%	11/12/13	236,882

(Continued)

CITY OF HUGO, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
December 31, 2009

	Interest		Book
	Yield	Maturity	Value
- Discover Bank of Greenwood DE	2.90%	11/12/13	99,422
- American Express Centurion Bank	2.80%	11/25/13	99,015
- Citizens Bank of Flint MI	3.10%	11/27/13	100,034
- Securant Bank of Menomonee Falls WI	2.50%	12/31/13	98,534
- Reliance Bank of Athens AL	3.35%	01/30/14	95,831
- Traders National Bank of Tullahoma TN	3.35%	01/30/14	95,831
- Bar Harbor Bank & Trust of Maine	3.05%	04/30/14	94,495
- Mercantile Bank of Quincy IL	3.45%	06/11/14	95,937
- American Federal Bank of Fargo ND	2.00%	10/08/14	94,698
Total Certificates of Deposit			<u>\$ 18,087,473</u>
Money Market Funds - FirstAmerican	0.22%	Open	\$ 225,151
Money Market Funds - Tamarack Institutional Prime Obligations	0.11%	Open	4,995,938
Total Money Market Funds			<u>\$ 5,221,089</u>
U.S. Government Securities:			
Federal Home Loan Mortgage Corporation	1.25%	08/15/12	\$ 402,472
Federal Home Loan Mortgage Corporation	1.75%	08/15/12	201,030
Federal Home Loan Mortgage Corporation	1.00%	09/15/12	299,118
Federal Home Loan Mortgage Corporation	2.00%	03/15/13	401,368
Federal Home Loan Mortgage Corporation	2.00%	04/15/14	199,664
Federal Home Loan Mortgage Corporation	2.00%	04/15/14	135,093
Federal Home Loan Mortgage Corporation	2.00%	05/15/14	199,690
Federal Home Loan Mortgage Corporation	2.00%	05/15/14	300,054
Federal Home Loan Mortgage Corporation	2.50%	06/15/14	201,774
Federal Home Loan Bank	2.13%	07/17/14	201,562
Federal Home Loan Mortgage Corporation	2.00%	08/15/14	300,309
Federal Home Loan Mortgage Corporation	2.50%	08/15/14	403,144
Federal Home Loan Mortgage Corporation	2.00%	09/15/14	299,262
Federal Home Loan Mortgage Corporation	2.00%	09/15/14	300,333
Federal Home Loan Mortgage Corporation	2.00%	10/15/14	296,052
Federal Home Loan Mortgage Corporation	2.00%	11/15/14	302,739
Federal Home Loan Mortgage Corporation	1.50%	11/15/14	196,732
Federal Home Loan Mortgage Corporation	1.50%	12/15/14	387,092
Federal Home Loan Mortgage Corporation	2.00%	12/15/14	390,924
Total U.S. Government Securities			<u>\$ 5,418,412</u>
Total Investments			<u>\$ 28,726,974</u>
Total Cash and Investments			<u>\$ 28,879,050</u>

CITY OF HUGO, MINNESOTA
SCHEDULE OF DEBT SERVICE REQUIREMENTS - ALL FUNDS
DECEMBER 31, 2009

Year	Totals		General Obligation Bonds and Certificates		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 990,000	\$ 719,691	\$ 585,000	\$ 562,922	\$ 405,000	\$ 156,769
2011	1,470,000	678,190	1,055,000	539,241	415,000	138,949
2012	1,615,000	619,643	1,180,000	499,451	435,000	120,192
2013	1,790,000	554,454	1,325,000	454,456	465,000	99,998
2014	1,885,000	482,513	1,400,000	404,132	485,000	78,381
2015	1,720,000	409,130	1,320,000	350,999	400,000	58,131
2016	1,825,000	334,768	1,400,000	295,692	425,000	39,076
2017	1,945,000	253,056	1,500,000	234,399	445,000	18,657
2018	1,775,000	170,622	1,605,000	166,542	170,000	4,080
2019	1,505,000	101,535	1,505,000	101,535		
2020	1,605,000	39,659	1,605,000	39,659		
2021	75,000	6,084	75,000	6,084		
2022	65,000	3,216	65,000	3,216		
2023	45,000	934	45,000	934		
	<u>\$18,310,000</u>	<u>\$4,373,495</u>	<u>\$14,665,000</u>	<u>\$ 3,659,262</u>	<u>\$ 3,645,000</u>	<u>\$ 714,233</u>

**CITY OF HUGO, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
DECEMBER 31, 2009**

	<u>Rates</u>	<u>Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Annual Amount</u>	<u>Payment Years</u>	<u>Issued</u>	<u>Bonds Retired</u>	<u>Bonds Outstanding</u>	<u>Paying Agent</u>
G.O. Special Assessment Bonds 2009A Improvement Bonds	3.00-3.875	2-1; 8-1	7/21/2009	2/1/2020	100,000 95,000 100,000	2011 2012-2018 2019-2020	\$ 965,000	\$	\$ 965,000	1
G.O. Tax Abatement Bonds 2009B Tax Abatement Bonds	2.00 - 3.00	2-1; 8-1	11/5/2009	2/1/2020	235,000 250,000 255,000 95,000 100,000 105,000 110,000	2011 2012-2013 2014 2015-2016 2017 2018 2019-2020	\$ 1,605,000	\$	\$ 1,605,000	1
G.O. Special Assessment Bonds 2007A Improvement Bonds	4.00-4.15	2-1; 8-1	10/17/2007	2/1/2023	90,000 85,000 80,000 75,000 65,000 45,000	2010-2011 2012-2013 2014-2016 2017-2021 2022 2023	\$ 1,230,000	\$ 155,000	\$ 1,075,000	1
G.O. Property Tax Bonds 2004 Capital Improvement Bonds	3.50-4.50	2-1; 8-1	7/1/2004	2/1/2020	150,000 155,000 160,000 165,000 170,000 180,000 185,000 195,000 200,000 210,000 220,000	2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020	\$ 2,560,000	\$ 570,000	\$ 1,990,000	1

CITY OF HUGO, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE (CONTINUED)
DECEMBER 31, 2009

	<u>Rates</u>	<u>Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Annual Amount</u>	<u>Payment Years</u>	<u>Issued</u>	<u>Bonds Retired</u>	<u>Bonds Outstanding</u>	<u>Paying Agent</u>
G. O. Tax Increment Bonds										
2000 Tax Increment Bonds	7.25-7.60	2-1; 8-1	11/28/2000	2/1/2018	110,000	2010	\$ 1,885,000	\$ 525,000	\$ 1,360,000	1
					120,000	2011				
					130,000	2012				
					135,000	2013				
					150,000	2014				
					160,000	2015				
					170,000	2016				
					185,000	2017				
					200,000	2018				
G. O. Tax Abatement Bonds										
2005 Tax Abatement Bonds	3.10-4.00	2-1; 8-1	5/1/2005	2/1/2020	235,000	2010	\$ 7,920,000	\$ 250,000	\$ 7,670,000	1
					355,000	2011				
					460,000	2012				
					595,000	2013				
					650,000	2014				
					710,000	2015				
					775,000	2016				
					850,000	2017				
					930,000	2018				
					1,010,000	2019				
					1,100,000	2020				
Lease Revenue Bonds										
1998 Public Project Revenue Bonds	4.85-5.00	2-1; 8-1	9/1/1998	2/1/2014	90,000	2010-2011	\$ 1,165,000	\$ 685,000	\$ 480,000	1
					95,000	2012				
					100,000	2013				
					105,000	2014				
2001 Facility Lease Revenue Bonds	4.40-4.80	2-1; 8-1	9/1/2001	2/1/2018	110,000	2010	\$ 1,870,000	\$ 630,000	\$ 1,240,000	1
					115,000	2011				
					120,000	2012				
					130,000	2013				
					135,000	2014				
					145,000	2015				
					155,000	2016				
					160,000	2017				
					170,000	2018				

(Continued)

CITY OF HUGO, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE (CONTINUED)
DECEMBER 31, 2009

Proprietary Fund	<u>Rates</u>	<u>Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Annual Amount</u>	<u>Payment Years</u>	<u>Issued</u>	<u>Bonds Retired</u>	<u>Bonds Outstanding</u>	<u>Paying Agent</u>
2001 Utility Revenue Bonds	4.05-4.70	2-1; 8-1	9/1/2001	2/1/2017	205,000	2010	\$ 3,120,000	\$1,195,000	\$ 1,925,000	1
					210,000	2011				
					220,000	2012				
					235,000	2013				
					245,000	2014				
					255,000	2015				
					270,000	2016				
					285,000	2017				
					Total Bonds Payable				<u>\$ 18,310,000</u>	
Paying Agents: 1 - U.S. Bank Trust										

CITY OF HUGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)

December 31, 2009

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Content</u>	<u>Page</u>
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.	92
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	100
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.	108
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	117
Operating Information 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.	122

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

CITY OF HUGO, MINNESOTA
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
 (Accrual Basis of Accounting)

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
Governmental activities						
Invested in capital assets, net of related debt	\$ 19,521,661	\$ 20,958,423	\$ 19,467,781	\$ 19,252,179	\$ 10,051,105	\$ 14,412,682
Restricted						
Unrestricted	11,217,879	7,923,894	8,592,657	8,156,742	15,327,211	6,330,921
Total governmental activities net assets	<u>\$ 30,739,540</u>	<u>\$ 28,882,317</u>	<u>\$ 28,060,438</u>	<u>\$ 27,408,921</u>	<u>\$ 25,378,316</u>	<u>\$ 20,743,603</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 13,768,023	\$ 13,788,320	\$ 13,380,563	\$ 12,469,727	\$ 10,753,037	\$ 8,766,821
Restricted						
Unrestricted	14,976,026	13,966,966	12,574,574	10,647,500	8,771,022	5,223,362
Total business-type activities net assets	<u>\$ 28,744,049</u>	<u>\$ 27,755,286</u>	<u>\$ 25,955,137</u>	<u>\$ 23,117,227</u>	<u>\$ 19,524,059</u>	<u>\$ 13,990,183</u>
Primary government						
Invested in capital assets, net of related debt	\$ 33,289,684	\$ 34,746,743	\$ 32,848,344	\$ 31,721,906	\$ 20,804,142	\$ 23,179,503
Restricted						
Unrestricted	26,193,905	21,890,860	21,167,231	18,804,242	24,098,233	11,554,283
Total primary government net assets	<u>\$ 59,483,589</u>	<u>\$ 56,637,603</u>	<u>\$ 54,015,575</u>	<u>\$ 50,526,148</u>	<u>\$ 44,902,375</u>	<u>\$ 34,733,786</u>

This Page Left Blank Intentionally

CITY OF HUGO, MINNESOTA
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
Expenses						
Governmental activities:						
General government	\$ 1,248,415	\$ 1,539,156	\$ 1,244,357	\$ 1,191,292	\$ 1,442,468	\$ 982,704
Public safety	1,503,033	1,419,224	1,209,781	1,148,337	1,040,147	875,836
Highways and streets	2,467,723	2,927,427	3,069,610	2,812,305	3,357,711	954,020
Community development	202,069	195,102	227,969	235,597	181,572	139,244
Parks	451,118	613,217	552,174	474,421	93,545	41,347
Interest on long-term debt	630,395	645,538	636,428	666,189	542,678	336,344
Total governmental activities expenses	<u>6,502,753</u>	<u>7,339,664</u>	<u>6,940,319</u>	<u>6,528,141</u>	<u>6,658,121</u>	<u>3,329,495</u>
Business-Type activities:						
Water and sewer	2,162,573	1,743,071	1,600,040	1,840,958	1,748,436	1,386,457
Total primary government expenses	<u>\$ 8,665,326</u>	<u>\$ 9,082,735</u>	<u>\$ 8,540,359</u>	<u>\$ 8,369,099</u>	<u>\$ 8,406,557</u>	<u>\$ 4,715,952</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 453,546	\$ 1,135,846	\$ 660,862	\$ 997,023	\$ 1,685,664	\$ 694,081
Public safety	47,892	57,326	62,515	69,679	55,465	41,262
Highways and streets					84,592	1,890
Community development		17,696	17,097		71,235	268,616
Parks	24,516	24,258	17,568	21,428	14,375	14,402
Operating grants and contributions	778,401	406,259	335,573	273,114	1,312,621	7,775
Capital grants and contributions	841,942	68,418	1,154,456	3,268,554	3,290,566	2,381,757
Total governmental activities program revenues	<u>2,146,297</u>	<u>1,709,803</u>	<u>2,248,071</u>	<u>4,629,798</u>	<u>6,514,518</u>	<u>3,409,783</u>
Business-type activities:						
Charges for services:						
Water and sewer	2,544,390	2,775,372	3,296,303	3,424,186	5,690,135	2,456,201
Capital grants and contributions	18,501	65,831	22,013	818,052	2,091,756	6,468,850
Total business-type activities program revenues	<u>2,562,891</u>	<u>2,841,203</u>	<u>3,318,316</u>	<u>4,242,238</u>	<u>7,781,891</u>	<u>8,925,051</u>
Total primary government program revenues	<u>\$ 4,709,188</u>	<u>\$ 4,551,006</u>	<u>\$ 5,566,387</u>	<u>\$ 8,872,036</u>	<u>\$ 14,296,409</u>	<u>\$ 12,334,834</u>

CITY OF HUGO, MINNESOTA
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
Net (Expense) Revenue						
Governmental Activities	\$ (4,356,456)	\$ (5,629,861)	\$ (4,692,248)	\$ (1,898,343)	\$ (143,603)	\$ 80,288
Business-type activities	400,318	1,098,132	1,718,276	2,401,280	6,033,455	7,538,594
Total primary government net revenue	<u>\$ (3,956,138)</u>	<u>\$ (4,531,729)</u>	<u>\$ (2,973,972)</u>	<u>\$ 502,937</u>	<u>\$ 5,889,852</u>	<u>\$ 7,618,882</u>
General Revenues and Other Changes In Net Assets						
Governmental activities:						
General property taxes	\$ 5,506,486	\$ 5,330,462	\$ 4,808,497	\$ 3,792,821	\$ 3,449,636	\$ 2,861,706
Grants and contributions not restricted to specific programs	213,564	443,941	214,033	59,883	59,038	55,555
Interest income	380,820	555,189	598,016	584,561	278,044	119,153
Miscellaneous	8,101	7,875	56,060	8,181	25,224	8,107
Transfers	104,708	114,273	(332,841)	(516,498)	966,374	1,883,803
Total governmental activities	<u>6,213,679</u>	<u>6,451,740</u>	<u>5,343,765</u>	<u>3,928,948</u>	<u>4,778,316</u>	<u>4,928,324</u>
Business-type activities:						
General property taxes	141,153	140,422	140,036	210,764		
Grants and contributions not restricted to specific programs	7,181	25,504	9,734	3,602	196,665	
Interest income	451,949	609,365	544,584	387,667	145,279	83,442
Miscellaneous	92,870	40,999	92,440	73,357	124,851	(101)
Transfers	(104,708)	(114,273)	332,841	516,498	(966,374)	(1,883,803)
Total business-type activities	<u>588,445</u>	<u>702,017</u>	<u>1,119,635</u>	<u>1,191,888</u>	<u>(499,579)</u>	<u>(1,800,462)</u>
Total primary government	<u>\$ 6,802,124</u>	<u>\$ 7,153,757</u>	<u>\$ 6,463,400</u>	<u>\$ 5,120,836</u>	<u>\$ 4,278,737</u>	<u>\$ 3,127,862</u>
Change in Net Assets						
Governmental activities	\$ 1,857,223	\$ 821,879	\$ 651,517	\$ 2,030,605	\$ 4,634,713	\$ 5,008,612
Business-type activities	988,763	1,800,149	2,837,911	3,593,168	5,533,876	5,738,132
Total primary government	<u>\$ 2,845,986</u>	<u>\$ 2,622,028</u>	<u>\$ 3,489,428</u>	<u>\$ 5,623,773</u>	<u>\$ 10,168,589</u>	<u>\$ 10,746,744</u>

CITY OF HUGO, MINNESOTA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General fund					
Reserved	\$	\$	\$	\$	\$
Unreserved	2,111,128	2,067,361	1,947,046	1,812,789	1,645,666
Total general fund	<u>2,111,128</u>	<u>2,067,361</u>	<u>1,947,046</u>	<u>1,812,789</u>	<u>1,645,666</u>
All other governmental funds					
Reserved	100,000	251,142	837,142		
Unreserved, reported in:					
Special revenue funds	1,806,400	610,038	1,566,606	1,525,221	1,719,141
Debt service funds	2,895,071	2,164,718	1,636,187	1,386,953	1,389,277
Capital projects funds	6,930,513	5,586,276	5,063,294	6,610,066	8,273,248
Total all other governmental funds	<u>11,731,984</u>	<u>8,612,174</u>	<u>9,103,229</u>	<u>9,522,240</u>	<u>11,381,666</u>
Total all other governmental funds	<u>\$ 13,843,112</u>	<u>\$ 10,679,535</u>	<u>\$ 11,050,275</u>	<u>\$ 11,335,029</u>	<u>\$ 13,027,332</u>

Schedule 3

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$	\$	\$	\$	\$
<u>1,417,965</u>	<u>1,182,955</u>	<u>753,937</u>	<u>671,763</u>	<u>707,041</u>
1,417,965	1,182,955	753,937	671,763	707,041
			330,808	
706,703	785,557	811,133	1,197,476	1,066,110
902,144	399,223	750,257	968,682	3,730,709
<u>2,791,721</u>	<u>1,747,152</u>	<u>1,059,159</u>	<u>1,139,983</u>	<u>1,376,250</u>
4,400,568	2,931,932	2,620,549	3,636,949	6,173,069
<u>\$ 5,818,533</u>	<u>\$ 4,114,887</u>	<u>\$ 3,374,486</u>	<u>\$ 4,308,712</u>	<u>\$ 6,880,110</u>

CITY OF HUGO, MINNESOTA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST FISCAL TEN YEARS
(Modified Accrual Basis of Accounting)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues					
Property taxes	\$ 5,474,995	\$ 5,278,287	\$ 4,722,736	\$ 3,789,592	\$ 3,495,567
Special assessments	536,069	330,382	634,279	104,306	72,416
Licenses and permits	348,343	1,022,525	470,342	644,846	1,240,805
Intergovernmental revenues	1,345,592	840,100	834,501	1,544,215	308,757
Charges for services	86,072	153,692	169,830	244,965	433,324
Court fines	47,762	57,026	61,505	68,469	54,325
Other Revenue					
Investment earnings	380,820	555,189	598,016	584,561	278,044
Developer fees	7,752	44,343	37,093	519,176	1,170,971
Land sales					164,832
Rent	30,697	31,238	34,887	54,798	
Insurance settlement				72,020	
Miscellaneous	33,136	35,694	71,270	67,651	89,335
Total Revenues	<u>8,291,238</u>	<u>8,348,476</u>	<u>7,634,459</u>	<u>7,694,599</u>	<u>7,308,376</u>
EXPENDITURES					
General government	964,806	1,336,479	1,017,392	888,432	892,739
Public safety	1,300,168	1,236,755	1,021,815	1,010,965	902,814
Highways and streets	1,073,741	1,264,979	1,045,845	892,129	765,590
Community development	175,409	157,234	167,518	156,208	147,842
Parks	182,051	161,881	167,084	56,566	50,966
Unallocated	100,323	94,055	90,862	142,926	98,995
Debt service					
Bond principal retirement	785,000	700,000	950,000	806,865	675,000
Interest on bonds	608,321	631,185	625,731	734,359	400,624
Miscellaneous				54,805	
Fiscal charges	29,403	5,643	6,064	6,364	5,253
Capital outlay	2,600,215	3,245,278	3,771,751	4,276,786	4,984,971
Total Expenditures	<u>7,819,437</u>	<u>8,833,489</u>	<u>8,864,062</u>	<u>9,026,405</u>	<u>8,924,794</u>
Excess (deficiency) of revenues over (under) expenditures	<u>471,801</u>	<u>(485,013)</u>	<u>(1,229,603)</u>	<u>(1,331,806)</u>	<u>(1,616,418)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	2,570,000		1,270,000	156,000	7,920,000
Premium (Discount) on issuance of debt			7,690		(61,157)
Sale of property	17,068				
Transfers in	1,478,522	2,429,789	1,018,776	661,519	2,489,766
Transfers out	(1,373,814)	(2,315,516)	(1,351,617)	(1,178,017)	(1,523,392)
Total other financing sources (uses)	<u>2,691,776</u>	<u>114,273</u>	<u>944,849</u>	<u>(360,498)</u>	<u>8,825,217</u>
Net change in fund balances	<u>\$ 3,163,577</u>	<u>\$ (370,740)</u>	<u>\$ (284,754)</u>	<u>\$ (1,692,304)</u>	<u>\$ 7,208,799</u>
Debt service as a percentage of noncapital expenditures	23.00%	19.40%	21.22%	32.45%	27.30%

Schedule 4

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$	2,788,864	\$ 2,501,227	\$ 1,946,577	\$ 1,579,019	\$ 1,263,112
	25,213	30,270	74,082	38,941	63,147
	412,679	359,460	286,573	492,878	437,927
	524,704	540,980	926,525	408,520	623,838
	241,002	206,565	159,721	247,347	219,473
	40,782	45,120	42,510	46,915	43,418
	119,153	95,344	201,459	286,060	321,936
	268,616	46,400	336,969	92,102	356,866
	78,002	103,420	46,892	39,451	11,381
	<u>4,499,015</u>	<u>3,928,786</u>	<u>4,021,308</u>	<u>3,231,233</u>	<u>3,341,098</u>
	812,345	679,709	728,909	620,095	715,557
	863,907	715,817	621,668	551,022	514,456
	500,972	466,152	427,255	362,661	341,172
	118,086	18,227	137,610	104,539	55,598
	19,142	146,270	21,106	24,030	19,871
	117,250	124,110	120,563	69,946	55,836
	686,866	1,446,866	266,865	3,099,569	240,000
	321,181	366,988	366,415	311,798	318,291
	4,792	4,141			
	<u>3,761,060</u>	<u>1,434,980</u>	<u>2,734,201</u>	<u>3,563,919</u>	<u>966,496</u>
	<u>7,205,601</u>	<u>5,403,260</u>	<u>5,424,592</u>	<u>8,707,579</u>	<u>3,227,277</u>
	<u>(2,706,586)</u>	<u>(1,474,474)</u>	<u>(1,403,284)</u>	<u>(5,476,346)</u>	<u>113,821</u>
	2,526,429	878,864	438,101	1,840,098	3,082,180
		489,612		58,251	33,136
	2,519,986	1,835,813	472,412	2,107,202	425,221
	(636,183)	(989,414)	(441,455)	(1,100,603)	(367,165)
	<u>4,410,232</u>	<u>2,214,875</u>	<u>469,058</u>	<u>2,904,948</u>	<u>3,173,372</u>
\$	<u>1,703,646</u>	<u>\$ 740,401</u>	<u>\$ (934,226)</u>	<u>\$ (2,571,398)</u>	<u>\$ 3,287,193</u>
	29.27%	45.71%	23.54%	66.32%	24.69%

SCHEDULE 5

**CITY OF HUGO, MINNESOTA
TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Payable Year	Estimated Market Value	Tax Capacity		Total Tax Capacity	Total Adjusted Tax Capacity (1)	City Urban Tax Rate	% of Tax Capacity to Total Estimated Market Value
		Real Property	Personal Property				
2000	\$ 338,515,400	\$ 4,691,104	\$ 347,849	\$ 5,038,953	\$ 4,566,340	23.844	0.01
2001	399,368,800	5,655,078	366,525	6,021,603	5,439,154	23.899	0.01
2002	491,614,700	5,080,578	249,945	5,330,523	4,863,330	37.134	0.01
2003	606,469,600	6,288,589	222,147	6,510,736	5,897,418	38.762	0.01
2004	717,606,700	7,517,483	225,092	7,742,575	6,972,436	35.967	0.01
2005	875,826,200	9,215,726	237,902	9,453,628	8,556,645	35.931	0.01
2006	1,133,074,000	10,826,524	229,117	11,055,641	10,048,262	35.826	0.01
2007	1,470,556,400	13,553,070	245,668	13,798,738	12,674,707	35.144	0.01
2008	1,568,574,700	15,232,828	238,245	15,471,073	14,161,910	34.941	0.01
2009	1,567,781,100	15,492,415	239,741	15,732,156	14,350,560	34.443	0.01

(1) Tax Capacity adjusted for captured tax increment, fiscal disparities, and transmission lines.

NOTE - Valuations are determined as of January 1 of year preceding tax collection year.

The County determines a property's tax capacity by multiplying a property's estimated market value times the property's class rate which is determined by its use. The total City tax levy divided by the total City tax capacity determines a percentage, the City tax rate, that is applied to each parcel's tax capacity to determine the tax amount.

**CITY OF HUGO, MINNESOTA
PROPERTY TAX RATES AND TAX LEVIES
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Percent of Tax Capacity)**

Fiscal Year	City of Hugo						Overlapping Rates				
	Operating Tax Rate Rural	Debt Service Tax Rate Rural	Total City Tax Rate Rural	Operating Tax Rate Urban	Debt Service Tax Rate Urban	Total City Tax Rate Urban	Range of Tax Rates for Independent School Districts 624, 831, 832 & 834	Washington County	Range of Tax Rates for Watershed Districts	Special Taxing Districts	Range of Total Direct and Overlapping Tax Rates
2000	17.368 %	4.547 %	21.915 %	19.297 %	4.547 %	23.844 %	50.695 - 60.285 %	28.129 %	0.765 - 4.978 %	2.475 %	103.979 - 119.711 %
2001	17.819	3.918	21.737	19.981	3.918	23.899	50.164 - 61.842	26.016	0.940 - 7.455	2.391	101.248 - 121.603
2002	28.701	5.243	33.944	31.891	5.243	37.134	22.867 - 35.317	34.395	1.174 - 8.672	3.172	95.552 - 118.690
2003	27.543	8.159	35.702	30.603	8.159	38.762	23.004 - 31.761	33.303	1.208 - 4.788	3.275	96.492 - 111.889
2004	24.500	8.744	33.244	27.223	8.744	35.967	18.829 - 27.116	31.201	1.206 - 6.382	3.058	87.538 - 103.724
2005	24.533	8.672	33.205	27.259	8.672	35.931	16.064 - 24.219	28.599	1.606 - 5.415	2.736	82.210 - 96.900
2006	26.012	6.924	32.936	28.902	6.924	35.826	14.060 - 23.075	26.968	1.794 - 4.408	2.427	78.185 - 92.704
2007	26.912	5.242	32.154	29.902	5.242	35.144	12.299 - 22.628	25.673	1.315 - 4.580	2.331	73.772 - 90.356
2008	27.875	3.968	31.843	30.973	3.968	34.941	15.137 - 22.691	25.936	1.608 - 4.532	2.367	76.891 - 90.467
2009	28.660	2.598	31.258	31.845	2.598	34.443	13.455 - 24.480	26.371	1.545 - 4.002	2.351	74.980 - 91.647

Source: Washington County Taxation Division

Note: The City's direct property tax rate is determined by dividing the amount of tax levied by the City Council by the City's total tax capacity.

*Overlapping rates are those of local and county governments that apply to property owners within the City of Hugo. Not all overlapping rates apply to all City of Hugo property owners. Although the property tax rates apply to all city property owners, some city properties lie within the geographical boundaries of different school and watershed districts.

SCHEDULE 7

**CITY OF HUGO, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayers (1)	2009			2000		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
NSP/Xcel Energy	\$ 242,023	1	1.69 %	\$ 274,684	1	6.00 %
Wilson Tool International	203,680	2	1.42	201,908	2	4.42
Victor Hugo Blvd LLC	164,800	3	1.15			
Schwieters Properties	139,492	4	0.97			
E & G Development LLC	130,265	5	0.91			
CPDC Pratt Oakwood LLC	88,413	6	0.62			
Martin Prop LLC	82,156	7	0.57			
4L LLC	56,328	8	0.39			
POAC Investments LLC	52,310	9	0.36			
R A Pearson & Assoc LLC	40,156	10	0.28			
Xcel Energy				79,423	3	1.74
Minnesota Pipeline Co				69,876	4	1.53
Glamos Family LP				26,574	5	0.58
Northern Natural Gas				24,893	6	0.55
Individuals				24,123	7	0.53
Granger's Inc				22,637	8	0.50
Connexus Energy				21,504	9	0.47
Individuals				19,767	10	0.43
TOTAL	<u>\$1,199,623</u>		<u>8.36 %</u>	<u>\$ 765,389</u>		<u>16.75 %</u>

(1) Source: Washington County Taxation Division

This Page Left Blank Intentionally

**CITY OF HUGO, MINNESOTA
SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
			Amount	Percentage of Net Levy	
2000	\$ 1,174,179	\$ 1,174,470	\$ 1,149,082	97.84	\$ 25,388
2001	1,381,100	1,381,330	1,358,189	98.32	23,141
2002	1,904,417	1,716,251	1,696,218	98.83	20,033
2003	2,406,690	2,196,462	2,163,029	98.48	33,433
2004	2,655,425	2,456,752	2,421,224	98.55	35,517
2005	3,225,530	3,023,322	2,974,949	98.40	46,677
2006	3,771,811	3,565,418	3,495,075	98.03	66,068
2007	4,652,080	4,424,824	4,282,842	96.79	120,807
2008	5,190,509	4,947,318	4,790,304	96.83	99,831
2009	5,330,059	4,985,828	4,842,016	97.12	

- (1) Tax Levy adjusted for powerlines in 2000-2009, market value credit in 2002-2009, and disaster credit in 2009.
- (2) On records of Washington County Auditor before allowance for uncollectible and excludes Tax Increment Districts.

Schedule 8

<u>Total Collections to Date</u> Amount	<u>Percentage</u> of Net Levy	<u>Total</u> Delinquent Taxes (2)	<u>Delinquent</u> Taxes As A % Of Total Net Tax Levy
1,174,470	100.00	\$	0.00
1,381,330	100.00		0.00
1,716,251	100.00		0.00
2,196,462	100.00		0.00
2,456,741	100.00	11	0.00
3,021,626	99.94	1,696	0.06
3,561,143	99.88	4,275	0.12
4,403,649	99.52	21,175	0.48
4,890,135	98.84	57,183	1.16
4,842,016	97.12	143,812	2.88

**CITY OF HUGO, MINNESOTA
WATER AND SANITARY SEWER CHARGES BY CUSTOMER
LAST TEN FISCAL YEARS**

Water (in millions of gallons)

<u>Type of Customer</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	271.084	243.067	245.376	212.100	168.717
Commercial Service	11.462	11.715	7.989	8.956	5.465
Industrial Service	6.644	8.291	7.539	6.581	7.372
Irrigation Service	106.387	72.778	93.495	73.192	26.081
Institutional Service	1.488	1.757	2.391	2.520	0.597
Total gallons	<u>397.065</u>	<u>337.608</u>	<u>356.790</u>	<u>303.349</u>	<u>208.232</u>
Total direct rate per 1,000 gallons	\$ 2.541	\$ 2.593	\$ 2.542	\$ 2.559	\$ 2.615

Sanitary Sewer (in millions of gallons)

<u>Type of Customer</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	271.084	243.067	245.376	212.100	168.717
Commercial	11.462	11.715	7.989	8.956	5.465
Industrial	6.644	8.291	7.539	6.581	7.372
Institutional	1.488	1.757	2.391	2.520	0.597
Total gallons	<u>290.678</u>	<u>264.830</u>	<u>263.295</u>	<u>230.157</u>	<u>182.151</u>
Total direct rate per 1,000 gallons	\$ 3.019	\$ 3.282	\$ 2.932	\$ 2.918	\$ 3.010

Schedule 9

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
150.857	153.621	112.733	113.765	97.826
5.566	5.543	5.205	5.479	7.368
6.600	6.866	6.720	8.902	8.947
25.743	26.626	9.035	6.713	1.836
1.074	0.536	0.465	0.449	0.375
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
189.840	193.192	134.158	135.308	116.352
\$ 2.376	\$ 2.396	\$ 2.400	\$ 2.190	\$ 2.057

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
150.857	153.621	112.733	113.765	97.826
5.566	5.543	5.205	5.479	7.368
6.600	6.866	67.200	8.902	8.947
1.074	0.536	0.465	0.449	0.375
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
164.097	166.566	185.603	128.595	114.516
\$ 2.884	\$ 2.207	\$ 1.856	\$ 2.058	\$ 2.050

**CITY OF HUGO, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Other Governmental Activities Debt

Fiscal Year	Special Assessment Bonds	Tax Increment Bonds	Installment Purchase Contracts	Lease Revenue Bonds	Land Use Planning Loan	Certificates of Indebtedness	Capital Improvement Bonds	Tax Abatement Bonds	Total Governmental Activities Debt
2000	\$ 2,930,000	\$ 4,015,000		\$ 1,110,000	\$ 209,325				\$ 8,264,325
2001	1,805,000	2,175,000		2,920,000	167,460				7,067,460
2002	1,660,000	2,155,000		2,860,000	125,595				6,800,595
2003	495,000	2,135,000		2,720,000	83,730	1,235,000			6,668,730
2004	340,000	2,045,000		2,575,000	41,865	980,000	2,560,000		8,541,865
2005	180,000	1,945,000		2,420,000	41,865	720,000	2,560,000	7,920,000	15,786,865
2006	90,000	1,835,000		2,260,000		455,000	2,420,000	7,920,000	14,980,000
2007	1,230,000	1,560,000		2,090,000	40,000	180,000	2,280,000	7,920,000	15,300,000
2008	1,180,000	1,465,000		1,910,000	40,000		2,135,000	7,870,000	14,600,000
2009	2,040,000	1,360,000		1,720,000			1,990,000	9,275,000	16,385,000

Note: Details of the city's outstanding debt can be found in the notes to the financial statements.

Schedule 10

Business-Type Activities

Utility Revenue Bonds	Total Business Activities Debt	Total Primary Government Debt	Percentage of Personal Income	Per Capita
555,000	\$ 555,000	\$ 8,819,325	0.04	1,386
3,545,000	3,545,000	10,612,460	0.04	1,475
3,410,000	3,410,000	10,210,595	0.03	1,292
2,970,000	2,970,000	9,638,730	0.03	1,151
2,815,000	2,815,000	11,356,865	0.03	1,296
2,650,000	2,650,000	18,436,865	0.05	1,953
2,480,000	2,480,000	17,460,000	0.04	1,685
2,305,000	2,305,000	17,605,000	0.03	1,464
2,120,000	2,120,000	16,720,000	0.03	1,330
1,925,000	1,925,000	18,310,000	N/A	1,393

**CITY OF HUGO, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

General Bonded Debt Outstanding

Fiscal Year	Special Assessment Bonds	Tax Increment Bonds	Lease Revenue Bonds	Certificates of Indebtedness	Capital Improvement Bonds	Tax Abatement Bonds	Utility Revenue Bonds	Net General Bonded Debt Outstanding
2000	\$ 2,930,000	\$ 4,015,000	\$ 1,110,000	\$	\$	\$	\$ 555,000	\$ 8,610,000
2001	1,805,000	2,175,000	2,920,000				3,545,000	\$ 10,445,000
2002	1,660,000	2,155,000	2,860,000				3,410,000	\$ 10,085,000
2003	495,000	2,135,000	2,720,000	1,235,000			2,970,000	\$ 9,555,000
2004	340,000	2,045,000	2,575,000	980,000	2,560,000		2,815,000	\$ 11,315,000
2005	180,000	1,945,000	2,420,000	720,000	2,560,000	7,920,000	2,650,000	\$ 18,395,000
2006	90,000	1,835,000	2,260,000	455,000	2,420,000	7,920,000	2,480,000	\$ 17,460,000
2007	1,230,000	1,560,000	2,090,000	180,000	2,280,000	7,920,000	2,305,000	\$ 17,565,000
2008	1,180,000	1,465,000	1,910,000		2,135,000	7,870,000	2,120,000	\$ 16,680,000
2009	2,040,000	1,360,000	1,720,000		1,990,000	9,275,000	1,925,000	\$ 18,310,000

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

See Schedule 14 for personal income and population data

See Schedule 5 for estimated market value information

Source: City of Hugo Finance Department

Schedule 11

<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2.54 % \$	1,353
2.62	1,452
2.05	1,277
1.58	1,141
1.58	1,292
2.10	1,949
1.54	1,685
1.19	1,461
1.06	1,327
1.17	1,393

CITY OF HUGO, MINNESOTA
COMPUTATION OF DIRECT AND INDIRECT GENERAL OBLIGATION BONDED DEBT
AND LEGAL DEBT MARGIN

December 31, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^(a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Independent School District #624	\$ 113,940,000	14.20%	\$ 16,179,480
Independent School District #831	38,145,000	3.50%	1,335,075
Independent School District #832	23,186,793	5.10%	1,182,526
Independent School District #834	71,755,000	1.00%	717,550
Other debt			
Washington County	117,060,000	4.90%	5,735,940
Metropolitan Council	36,150,000	0.40%	144,600
Regional Transit	193,960,000	0.50%	<u>969,800</u>
Subtotal, overlapping debt			26,264,971
City direct debt	13,489,926		<u>13,489,926</u>
Total direct and overlapping debt			<u><u>\$ 39,754,897</u></u>

Sources: Tax capacity data to estimate applicable percentages provided by Washington County.
Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Hugo. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

^(a) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using tax capacity values. Applicable percentages were estimated by determining the portion of another governmental unit's tax capacity value that is within the city's boundaries and dividing it by each unit's total tax capacity value.

This Page Left Blank Intentionally

CITY OF HUGO, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Dollars in Thousands)

	Fiscal Year				
	2009	2008	2007	2006	2005
Debt limit	\$ 43,873	\$ 43,092	\$ 29,411	\$ 22,661	\$ 17,517
Total net debt applicable to limit	<u>2,891</u>	<u>3,263</u>	<u>3,740</u>	<u>4,604</u>	<u>5,242</u>
Legal debt margin	\$ 40,982	\$ 39,829	\$ 25,671	\$ 18,057	\$ 12,275
Total net debt applicable to the limit as a percentage of debt limit	6.59%	7.57%	12.72%	20.32%	29.93%

The legal debt limit for municipalities in Minnesota was increased in 2008 from 2% to 3% of the market value of taxable property. This limit applies only to the City's general obligation tax levy bonds and excludes special assessment, tax increment, and tax abatement bonds.

Schedule 13

Legal Debt Margin Calculation for the Fiscal Year 2009

Market Value	\$1,462,418,800
Debt Limit (3% of market value)	43,872,564
Debt applicable to limit:	
General obligation bonds	3,710,000
Less: Amount set aside for repayment of general obligation debt	<u>(818,571)</u>
Total net debt applicable to limit	2,891,429
Legal debt margin	<u>\$ 40,981,135</u>

2004	2003	2002	2001	2000
\$ 14,352	\$ 12,129	\$ 9,832	\$ 7,987	\$ 6,770
<u>5,810</u>	<u>3,761</u>	<u>2,723</u>	<u>2,767</u>	<u>1,221</u>
\$ 8,542	\$ 8,368	\$ 7,109	\$ 5,220	\$ 5,549
40.48%	31.01%	27.70%	34.64%	18.04%

**CITY OF HUGO, MINNESOTA
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Utility Revenue Bonds

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage
				Principal	Interest	
2000	\$ 2,216,697	\$ 415,600	\$ 1,801,097	\$ 120,000	\$ 30,753	11.95
2001	2,515,084	518,569	1,996,515	130,000	65,392	10.22
2002	1,780,624	622,898	1,157,726	135,000	143,610	4.16
2003	2,110,401	883,095	1,227,306	290,000	135,043	2.89
2004	3,931,129	901,294	3,029,835	155,000	119,748	11.03
2005	6,176,366	1,252,698	4,923,668	165,000	114,438	17.62
2006	4,125,009	1,313,253	2,811,756	170,000	108,615	10.09
2007	4,095,374	1,043,879	3,051,495	175,000	102,351	11.00
2008	3,578,618	1,165,722	2,412,896	185,000	95,382	8.61
2009	3,248,863	1,570,104	1,678,759	195,000	87,736	5.94

Notes: (1) Gross revenue includes investment earnings, hook-up charges and special assessments.

(2) Operating expenses do not include interest, depreciation, or amortization expense.

(3) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF HUGO, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

YEAR	POPULATION (1)	PERSONAL INCOME (thousands of dollars)	PER CAPITA PERSONAL INCOME (2)	MEDIAN AGE (3)	UNEMPLOYMENT RATE (4)
2000	6,363	\$ 234,120	\$ 36,794	36.6	2.2%
2001	7,195	273,151	37,964	-	3.5
2002	7,900	303,613	38,432	-	3.6
2003	8,375	333,132	39,777	-	4.0
2004	8,760	373,658	42,655	-	3.4
2005	9,440	406,194	43,029	-	3.6
2006	10,361	470,255	45,387	-	3.6
2007	12,022	572,932	47,657	-	4.2
2008	12,573	611,262	48,617	-	6.3
2009	13,140	N/A	N/A	-	6.9

Sources: (1) Metropolitan Council/2000-Census Bureau
 (2) Bureau of Economic Analysis - Washington County, Minnesota
 (3) Census Bureau - Minnesota
 (4) Minnesota Department of Employment and Economic Development

SCHEDULE 16

CITY OF HUGO, MINNESOTA
 PRINCIPAL EMPLOYERS
 PREVIOUS YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>2009</u>		<u>2000</u>	
	<u>Employees (1)</u>	<u>Rank</u>	<u>Employees (2)</u>	<u>Rank</u>
Wilson Tool	350	1	550	1
Festival Foods	100	2		
Independent School District No. 624	85	3		
Schwieters Companies Inc	65	4		
Donner Industries/Glamos Wire	60	5	60	2
American Structural Metal, Inc.	40	6	46	3
Industrial Painting Specialists	25	7		
Loadmaster Lubricants	23	8		
Pearson Mechanical	20	9		
Granger's Inc.			40	4
Interstate Lumber Company			40	4
Miscellaneous Metal Fabricators			39	5
Nadeau's Star Market			25	6
Imperial Tool, Inc.			21	7
Lametti & Sons, Inc.			20	8

(1) Telephone survey of individual employers, December 2009

(2) Telephone survey of individual employers, October 2000

This Page Left Blank Intentionally

**CITY OF HUGO, MINNESOTA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Function	2009	2008	2007	2006	2005
City Administrator	2.00	1.95	1.91	1.00	1.00
City Clerk	1.00	1.00	1.00	1.00	1.00
Finance	2.00	2.00	1.00	1.00	1.00
Planning and Zoning	1.00	1.00	2.00	1.75	1.75
General Government Buildings	0.50	0.50	0.50	0.50	0.50
Engineering	1.00	1.00	1.00	1.00	1.00
General Government	<u>7.50</u>	<u>7.45</u>	<u>7.41</u>	<u>6.25</u>	<u>6.25</u>
Fire	2.50	2.50	2.50	2.50	2.50
Building Inspections	4.00	4.00	4.00	5.75	3.50
Public Safety	<u>6.50</u>	<u>6.50</u>	<u>6.50</u>	<u>8.25</u>	<u>6.00</u>
Streets and Roadways	6.34	6.34	6.34	6.34	5.34
Public Works	<u>6.34</u>	<u>6.34</u>	<u>6.34</u>	<u>6.34</u>	<u>5.34</u>
Parks	3.09	3.09	2.29	1.25	1.00
Parks and Recreation	<u>3.09</u>	<u>3.09</u>	<u>2.29</u>	<u>1.25</u>	<u>1.00</u>
Community Development	2.00	2.00	2.00	2.00	2.00
	2.00	2.00	2.00	2.00	2.00
Total Governmental Activities	<u>25.43</u>	<u>25.38</u>	<u>24.54</u>	<u>24.09</u>	<u>20.59</u>
Water Utility	1.33	1.33	1.33	1.33	1.33
Sewer Utility	1.33	1.33	1.33	1.33	1.33
Total Business Activities	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>
Totals for Organization	<u><u>28.09</u></u>	<u><u>28.04</u></u>	<u><u>27.20</u></u>	<u><u>26.75</u></u>	<u><u>23.25</u></u>

Source: City's Adopted Budgets

Schedule 17

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
1.00	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00
1.50	1.25	1.00	1.00	1.00
0.25	0.25	0.25	0.25	0.25
1.00	1.00			
<u>5.75</u>	<u>5.50</u>	<u>4.25</u>	<u>4.25</u>	<u>4.25</u>
2.50	2.50	2.50	2.50	2.50
2.25	2.00	1.50	2.50	2.50
<u>4.75</u>	<u>4.50</u>	<u>4.00</u>	<u>5.00</u>	<u>5.00</u>
4.34	3.34	1.34	0.34	0.34
<u>4.34</u>	<u>3.34</u>	<u>1.34</u>	<u>0.34</u>	<u>0.34</u>
0.50	0.50	0.50		
<u>0.50</u>	<u>0.50</u>	<u>0.50</u>		
2.00	2.00	2.00	2.00	
<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	
<u>17.34</u>	<u>15.84</u>	<u>12.09</u>	<u>11.59</u>	<u>9.59</u>
1.33	1.33	1.33	0.84	0.33
1.33	1.33	1.33	0.84	0.33
<u>2.66</u>	<u>2.66</u>	<u>2.66</u>	<u>1.68</u>	<u>0.66</u>
<u>20.00</u>	<u>18.50</u>	<u>14.75</u>	<u>13.27</u>	<u>10.25</u>

**CITY OF HUGO, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2009	2008	2007	2006	2005
Planning and Zoning					
Conditional use permits	4	2	10	10	7
Minor subdivisions	1	1	1	1	1
Plats/Planned unit developments	3	8	5	9	4
Rezoning	0	1	1	1	2
Site plans	0	5	4	5	5
Variances	4	11	12	10	17
Fire					
Total emergency responses	550	496	433	417	415
EMS responses	402	362	315	321	302
Fire responses	148	134	118	96	113
Building Inspections					
Residential permit valuations (thousands of dollars)	26,625	59,953	34,132	47,599	106,447
Commercial permit valuations (thousands of dollars)	2,739	6,925	5,244	7,646	24,385
New dwelling units	147	184	250	341	801
Water Utility					
Number of customers	2,880	2,774	2,611	2,376	2,062
Average daily consumption (thousands of gallons)	1,088	925	978	831	570
Sanitary Sewer Utility					
Number of customers	3,005	2,894	2,732	2,499	2,181
Average daily flow (thousands of gallons)	796	726	721	631	499

Sources: Various City Department's annual budget workload measurements

Schedule 18

2004	2003	2002	2001	2000
5	8	3	6	6
6	4	0	5	1
11	14	12	5	2
4	3	1	2	2
4	7	5	8	6
12	20	24	16	6
307	331	274	274	370
223	228	183	169	160
84	103	91	105	110
34,500	35,982	24,896	43,306	42,472
3,413	3,649	6,208	10,623	1,262
207	227	164	327	336
1,750	1,624	1,568	1,386	1,108
520	529	368	371	319
1,851	1,725	1,669	1,487	1,211
450	456	509	352	314

**CITY OF HUGO, MINNESOTA
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Bituminous streets (miles)	68	68	68	67	66	59	52	48	45	45
Gravel streets (miles)	21	21	21	21	21	21	21	21	21	21
Street lights	602	602	559	491	463	452	432	390	361	340
Storm sewer (miles)	33	33	32	32	32	28	25	23	21	21
Park & Recreation										
Acres of parkland	385.0	260.0	260.0	221.4	118.7	118.7	108.4	86.8	86.8	78.1
Number of parks	14	13	13	11	5	5	4	3	3	2
Water Utility										
Miles of watermain	54	54	54	51	48	37	33	29	24	24
Number of fire hydrants	631	631	625	625	587	452	360	300	269	242
Sanitary Sewer Utility										
Miles of sanitary sewer	50	50	50	47	45	38	28	25	22	22

Sources: Various City Department's annual financial report statistics and budget workload measurements

CITY OF HUGO, MINNESOTA

OTHER REPORT SECTION

December 31, 2009

This Page Left Blank Intentionally



Certified Public Accountants and Consultants

Members of American Institute of CPA's,
Private Companies Practice Section, Minnesota Society of CPA's

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Honorable Mayor and
Members of the City Council
City of Hugo
Hugo, Minnesota

We have audited the financial statements of the City of Hugo, Minnesota, as of and for the year ended December 31, 2009 and have issued our report thereon dated June 16, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Legal Compliance Task Force pursuant to Minnesota State Statutes Sec. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and Tax Increment Financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Hugo complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the use of the City of Hugo and the Office of the State Auditor of Minnesota and is not intended to be, and should not be, used by anyone other than those specified parties.

Smith, Schaffer & Associates, Ltd.

Maplewood, Minnesota
June 16, 2010

This Page Left Blank Intentionally