

**CITY OF HUGO, MINNESOTA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2017**

**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, 2017**

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**CITY OF HUGO, MINNESOTA**  
**INTRODUCTORY SECTION**  
**December 31, 2017**

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

June 8, 2018

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, 2017.

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, 2017, 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 unmodified opinion that the City of Hugo's financial statements for the fiscal year ended December 31, 2017 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, 2017 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 15,158.

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 all funds for which an appropriate annual budget has been adopted. These funds are the general fund, special park fund, firefighter's relief fund, tax increment financing collection fund, abatement levy offset fund, general obligations bond fund, compensated absences fund, and property and equipment acquisition fund. Annual budgets are not prepared for the remaining funds. For the general fund, this comparison is presented starting on page 22. For nonmajor governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 72.

### 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's tax base, as measured by total tax capacity, increased 4.2% from a year ago, and has recovered 25% from the low set in 2013, evidencing both Hugo's favorable location in the Twin Cities metropolitan area as well as significant residential and commercial development. Rapid growth is further reflected in population estimates in 2017 (15,158), or a 138% increase over the 2000 census count.



## CITY OF HUGO, MINNESOTA

### **Economic condition and outlook (continued)**

The city has continued to see strong residential development. From 2008 to 2017, an average of 91 housing units were constructed each year. During 2017, 75 new single-family housing units and 4 new townhome units were constructed with a value of \$22,014,000. New residential development is expected to remain strong in 2018.

Commercial development is also increasing in response to the growing population and increasing demand for goods and services. Over \$30,000,000 in new commercial development has been constructed within the past five years, including health clinics, dental clinics, daycare facilities and other businesses located primarily along the newly improved CSAH 8 corridor.

The city's tax base is comprised mainly of residential homestead (67.9%) and commercial/industrial property (14.1%). The balance consists of non-homestead residential property (11.9%), agricultural and seasonal recreational property (4.2%), and personal property (1.9%).

The ten largest taxpayers make up 8.71% of the city's net tax capacity, providing the city with a stable source of property tax revenue. The city's industrial parks contain five major employers with a total employee count in excess of 800. Median Effective Buying Income (EBI) is 115% of the state median.

In accordance with the City of Hugo's Financial Policies, the City strives to maintain a fund balance in the General Fund for working capital purposes equal to six months, or 50% of current year budgeted annual operating expenditures. The City also reviews and updates the schedule of fund balances, reserves, and working capital in all other operating funds and determines the adequacy of those balances in conjunction with the budgets set annually. The City strives to maintain a "pay-as-you-go" capital funding program, supporting capital spending without the use of debt whenever feasible. When required, the City restricts long-term borrowing to planned capital improvements approved in the five-year Capital Improvement Plan. The term of any bonds issued is limited to no more than the expected useful life of the asset being financed.

**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:

- 2040 Comprehensive Plan. The city has begun work on updating its comprehensive plan, which occurs on a 10-year cycle. The plan will accommodate a population of 40,000 by the year 2040, and include development of a diverse mix of housing options, connected by a robust pedestrian trail network and ultimately a multi-modal transportation system. A major focus of the city council within this planning cycle is economic development. The city has set aside land for the development of multiple employment centers along transportation corridors, especially TH 61, CSAH 8 and CSAH 4.
- 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 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 2040.

## CITY OF HUGO, MINNESOTA

### Long-term financial planning (continued)

- Emerging Service and Entertainment Industries. With the anticipated stagnation of the retail market segment, the city is well positioned, as the retail sector has not been overbuilt in Hugo. Medical office buildings, service-based uses, professional office space and dining establishments have been constructed in recent years along the major traffic arterials.
- Industrial Expansion and Cultivation of Home-Based Business. The city's industrial sector has seen substantial employment growth within the last 5 years. The city staff is working on several major building expansions within the city's industrial parks. Additionally, the city has created a regulatory environment that encourages small home-based businesses. Major expansion of high-speed internet connectivity occurred in 2017 in the rural residential and agricultural sections of the city, leading to further growth potential of home-based business.
- Water Supply Sustainability. The city has made significant progress toward a city council goal of diversifying the city's water supply. The city has implemented a plan to use storm water as a major source of water for non-potable uses. Several large storm water irrigation systems have been constructed within the last 3 years. This program reduces the city's dependence on its primary water supply from an underground aquifer, and also reduces the peak summertime demand on the city's municipal water supply system.

### 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, 2016. This was the seventeenth 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  
Finance Director



Bryan J. Bear  
City Administrator



Government Finance Officers Association

**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, 2016**

*Christopher P. Morill*

Executive Director/CEO

**CITY OF HUGO, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
December 31, 2017**

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

**ELECTED OFFICIALS**

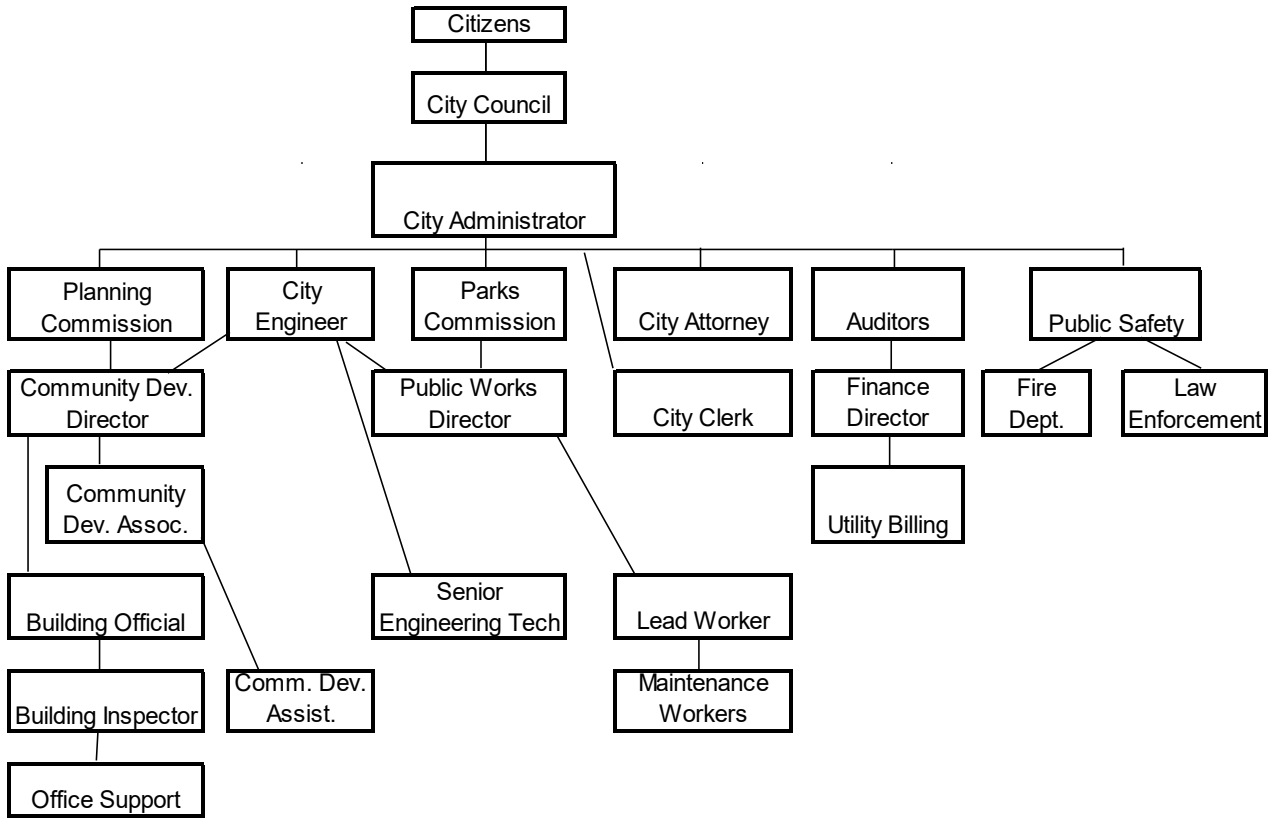
City Council:

|                         |              |                   |
|-------------------------|--------------|-------------------|
| Mayor                   | Tom Weidt    | December 31, 2018 |
| Council Member Ward I   | Becky Petryk | December 31, 2018 |
| Council Member Ward II  | Phil Klein   | December 31, 2020 |
| Council Member Ward III | Chuck Haas   | December 31, 2018 |
| Council Member At Large | Mike Miron   | December 31, 2020 |

**APPOINTED OFFICIALS**

|                    |                 |            |
|--------------------|-----------------|------------|
| City Administrator | Bryan J. Bear   | Continuous |
| Finance Director   | Ronald J. Otkin | Continuous |
| City Clerk         | Michele Lindau  | Continuous |

**CITY OF HUGO, MINNESOTA  
ORGANIZATIONAL CHART  
December 31, 2017**



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**CITY OF HUGO, MINNESOTA**  
**FINANCIAL SECTION**  
**December 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hugo, Minnesota as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hugo, Minnesota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hugo, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, supplementary information and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

*Other Information (continued)*

The combining and individual nonmajor fund financial statements and schedules and the supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Smith, Schepke and Associates, Ltd.*

Minneapolis, Minnesota  
June 8, 2018

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

As management of the City of Hugo, Minnesota, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Hugo for the fiscal year ended December 31, 2017. 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 – iv of this report.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City of Hugo exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$82,299,039 (*net position*). Of this amount, \$31,843,531 (unrestricted net position) 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 position increased by \$4,001,007, primarily due to charges for services and other income in the City's sewer and water fund in excess of operating expenses (including depreciation) as well as capital grants and contributions and property tax revenues received by governmental activities.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,708,918 or 57 percent of total general fund expenditures. Given the uncertainty of state funding, to plan for the future and to be prepared for any contingencies, the City believes 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 \$17,559,431.
- The City of Hugo decreased general long-term debt obligations by \$1,625,000 during the current fiscal year primarily as a result of scheduled debt service payments.
- The City was again recognized in 2017 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 is 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:

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

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.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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, community 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 15-17 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.

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

The City's fund balances are classified by the following types:

Non-spendable – representing that portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.

Restricted – reports resources that have external constraints placed upon their use.

Committed – reports those resources committed for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – represents the portion of fund balance the City intends to use for a specific purpose. The Council has authorized the City Administrator and City Finance Director to assign fund balance.

Unassigned – comparable to the old unreserved, undesignated classification of fund balance, this represents the amount available for any purpose. However, only the General Fund may report a positive fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above, unless a fund has a negative balance.

Detail information regarding the fund balance classifications are found in Notes 1 and 3 in the Notes to the Financial Statements.

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*.

The City of Hugo maintains nine 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 general obligation bonds fund, the public improvements fund and the property and equipment acquisition fund, which are considered to be major funds. Data from the other five 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 fund and certain special revenue, debt service and capital project funds. Budgetary comparison statements have been provided for the general fund (pages 22-26), the special park fund (page 72), the firefighter's relief fund (page 73), the tax increment financing collection fund (page 74), the abatement levy offset fund (page 75), and the other debt service and capital project funds with a budget (pages 76-78) to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 18-21 of this report.

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

**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 27-29 and 79 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 30-67 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 70-78 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position 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 \$82,299,039 at the close of the most recent fiscal year. A significant portion of the City of Hugo's net position (55 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 balance of the City's net investment in capital assets increased 4 percent from the prior year due primarily to the addition of capital assets. The City of Hugo uses its 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 Position**

|                                   | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|-----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                                   | 2017                    | 2016                 | 2017                     | 2016                 | 2017                 | 2016                 |
| Current and other assets          | \$ 23,433,367           | \$ 21,945,362        | \$ 20,984,390            | \$ 20,206,928        | \$ 44,417,757        | \$ 42,152,290        |
| Capital assets                    | 30,360,801              | 30,208,303           | 17,708,355               | 16,735,066           | 48,069,156           | 46,943,369           |
| Total assets                      | <u>53,794,168</u>       | <u>52,153,665</u>    | <u>38,692,745</u>        | <u>36,941,994</u>    | <u>92,486,913</u>    | <u>89,095,659</u>    |
| Deferred outflows of resources    | 161,624                 | 737,470              | 34,314                   | 145,294              | 195,938              | 882,764              |
| Long-term liabilities outstanding | 7,263,603               | 9,213,400            | 306,854                  | 381,105              | 7,570,457            | 9,594,505            |
| Other liabilities                 | 2,593,055               | 1,764,932            | 96,111                   | 92,050               | 2,689,166            | 1,856,982            |
| Total liabilities                 | <u>9,856,658</u>        | <u>10,978,332</u>    | <u>402,965</u>           | <u>473,155</u>       | <u>10,259,623</u>    | <u>11,451,487</u>    |
| Deferred inflows of resources     | 110,739                 | 188,468              | 13,450                   | 40,436               | 124,189              | 228,904              |
| Net assets:                       |                         |                      |                          |                      |                      |                      |
| Net investment in capital assets  | 27,782,762              | 26,906,049           | 17,708,355               | 16,735,066           | 45,491,117           | 43,641,115           |
| Restricted                        | 4,964,391               | 5,780,135            |                          |                      | 4,964,391            | 5,780,135            |
| Unrestricted                      | 11,241,242              | 9,038,151            | 20,602,289               | 19,838,631           | 31,843,531           | 28,876,782           |
| Total net position                | <u>\$ 43,988,395</u>    | <u>\$ 41,724,335</u> | <u>\$ 38,310,644</u>     | <u>\$ 36,573,697</u> | <u>\$ 82,299,039</u> | <u>\$ 78,298,032</u> |



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

An additional portion of the City of Hugo's net position (6 percent) represents resources that are subject to external restrictions on how they may be used. The balance of the City's restricted net position decreased 14 percent from the prior year, primarily as a result of scheduled debt service payments made during the year. The City of Hugo's balance of *unrestricted net position* at December 31, 2017 (\$31,843,531) may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position increased by 10 percent during the year due primarily to property taxes and capital grants received for street and utilities construction.

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

**Governmental activities.** Governmental activities increased the City of Hugo's net position by \$2,264,060. The most significant factors accounting for this increase relate to property taxes and increased service revenue as a result of housing development within the City.

**Business-type activities.** Business-type activities increased the City of Hugo's net position by \$1,736,947. The majority of this increase is attributable to noncash capital contributions and charges for services.

A condensed version of the Statement of Activities follows:

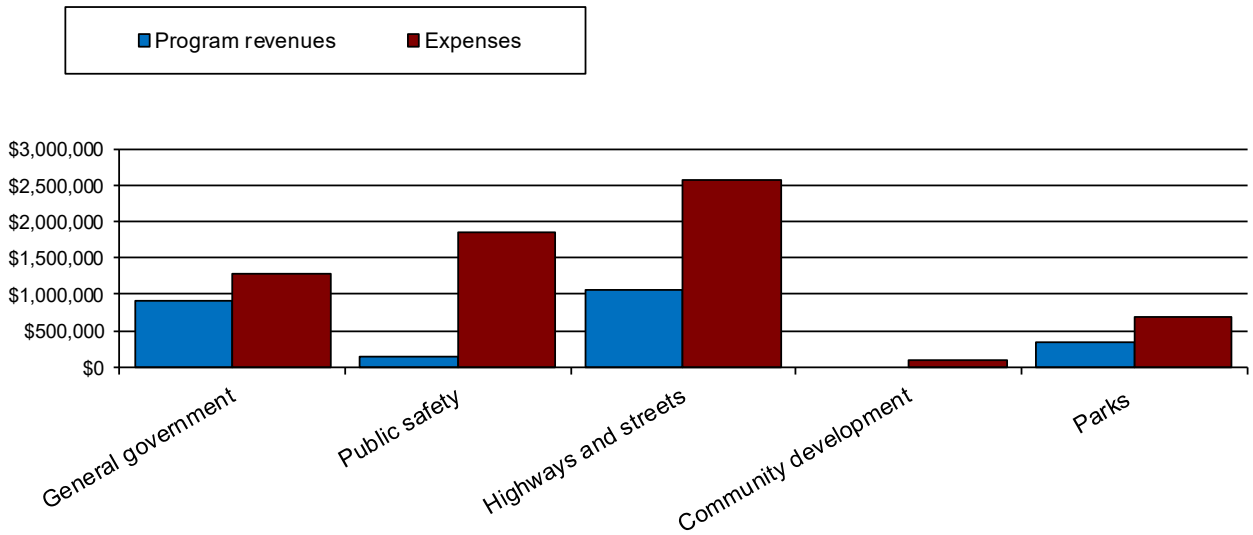
**City of Hugo, Minnesota's Change in Net Position**

|  | Governmental Activities |                      | Business-Type Activities |                      | Totals               |                      |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|  | 2017                    | 2016                 | 2017                     | 2016                 | 2017                 | 2016                 |
| Revenues:  |                         |                      |                          |                      |                      |                      |
| Program revenues:  |                         |                      |                          |                      |                      |                      |
| Charges for services   | \$ 898,483              | \$ 748,354           | \$ 2,667,449             | \$ 2,364,489         | \$ 3,565,932         | \$ 3,112,843         |
| Operating grants and contributions                           | 348,677                 | 317,012              |                          |                      | 348,677              | 317,012              |
| Capital grants and contributions                             | 1,208,198               | 963,391              | 1,388,622                | 606,704              | 2,596,820            | 1,570,095            |
| General revenues:  |                         |                      |                          |                      |                      |                      |
| Property taxes   | 6,145,465               | 5,858,093            |                          |                      | 6,145,465            | 5,858,093            |
| Grants and contributions not restricted to specific programs | 11,911                  | 12,343               |                          |                      | 11,911               | 12,343               |
| Other  | 141,469                 | 77,557               | 398,778                  | 622,529              | 540,247              | 700,086              |
| Total revenues   | <u>8,754,203</u>        | <u>7,976,750</u>     | <u>4,454,849</u>         | <u>3,593,722</u>     | <u>13,209,052</u>    | <u>11,570,472</u>    |
| Expenses:  |                         |                      |                          |                      |                      |                      |
| General government   | 1,276,421               | 1,197,701            |                          |                      | 1,276,421            | 1,197,701            |
| Public safety  | 1,853,038               | 1,557,907            |                          |                      | 1,853,038            | 1,557,907            |
| Highways and streets   | 2,562,574               | 1,693,873            |                          |                      | 2,562,574            | 1,693,873            |
| Community development  | 104,902                 | 95,450               |                          |                      | 104,902              | 95,450               |
| Parks  | 695,431                 | 691,817              |                          |                      | 695,431              | 691,817              |
| Interest on long-term debt                                   | 105,337                 | 120,457              |                          |                      | 105,337              | 120,457              |
| Sewer and water  |                         |                      | 2,610,342                | 2,525,203            | 2,610,342            | 2,525,203            |
| Total expenses   | <u>6,597,703</u>        | <u>5,357,205</u>     | <u>2,610,342</u>         | <u>2,525,203</u>     | <u>9,208,045</u>     | <u>7,882,408</u>     |
| Increase in net position before transfers                    | 2,156,500               | 2,619,545            | 1,844,507                | 1,068,519            | 4,001,007            | 3,688,064            |
| Transfers  | 107,560                 | 109,068              | (107,560)                | (109,068)            |                      |                      |
| Increase in net position                                     | 2,264,060               | 2,728,613            | 1,736,947                | 959,451              | 4,001,007            | 3,688,064            |
| Net position, beginning of year                              | 41,724,335              | 38,995,722           | 36,573,697               | 35,614,246           | 78,298,032           | 74,609,968           |
| Net position, end of year                                    | <u>\$ 43,988,395</u>    | <u>\$ 41,724,335</u> | <u>\$ 38,310,644</u>     | <u>\$ 36,573,697</u> | <u>\$ 82,299,039</u> | <u>\$ 78,298,032</u> |

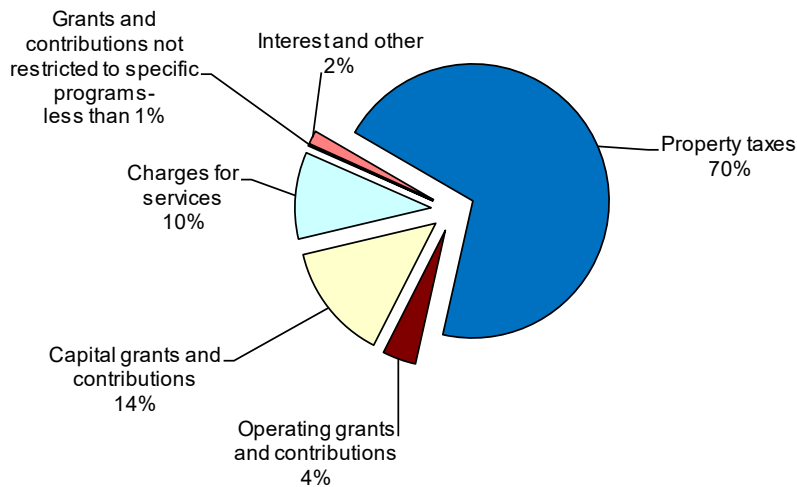
## CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



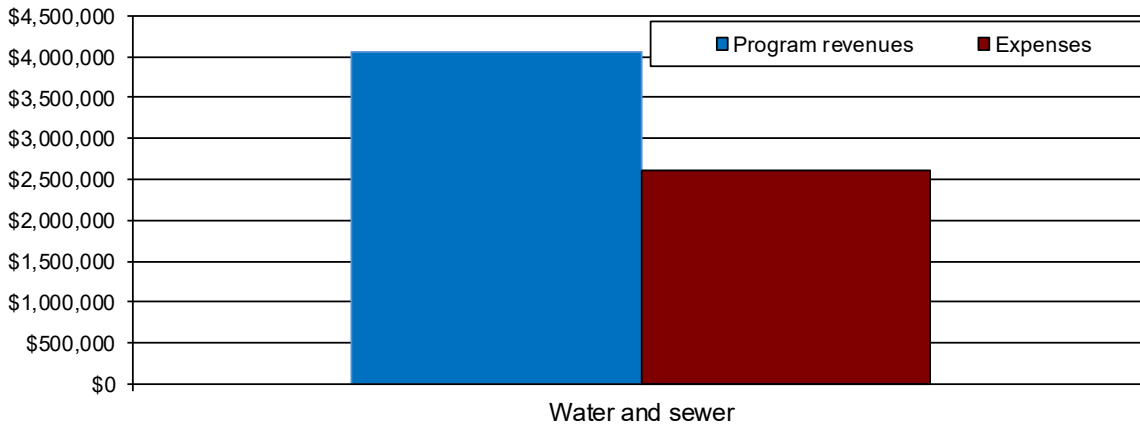
### Revenues by Source - Governmental Activities



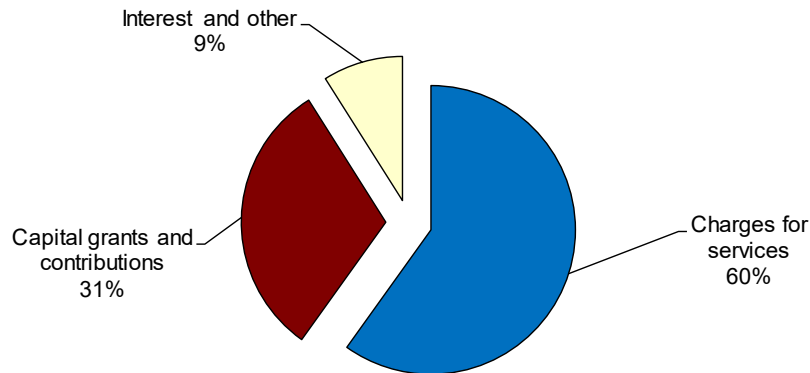
**CITY OF HUGO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, *committed, assigned and unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Hugo's governmental funds reported combined ending fund balances of \$17,559,431, an increase of \$1,032,323 from the prior year primarily as a result of increased licenses and permits and developer fees due to increased building in the City. The entire ending fund balance of the governmental funds constitutes *spendable fund balance*, which is further classified as *restricted, committed, assigned or unassigned*.

The general fund is the chief operating fund of the City of Hugo. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,708,918. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 57 percent of total general fund expenditures.

The general fund's total fund balance increased by \$105,832 during the current fiscal year. This year's increase was primarily due to licenses and permits and charges for services revenues in excess of expectations related to increased building activity.

The general obligations bonds fund decreased its fund balance by \$282,956 for the year due primarily to debt service payments in excess of property taxes and intergovernmental revenues allocated to this fund. The public improvements fund increased its fund balance by \$232,702 for the year due primarily to intergovernmental revenues, transfers from other funds and collection of property taxes and special assessments in excess of capital outlay expenditures. The property and equipment acquisition fund increased its fund balance by \$714,008 for the year due primarily to transfers from other funds in excess of capital outlay expenditures.

The special revenue funds increased their fund balances by \$366,199 for the year due primarily to collection of property taxes and developer fees in excess of capital outlay expenditures.

The debt service funds (other than the general obligations fund as described as a major fund above) have a total fund balance of \$750,851 as of December 31, 2017. These fund balances decreased by \$103,462 for the year due primarily to transfers to other funds for bond principal and interest payments.

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

**Proprietary funds.** The City of Hugo's proprietary funds statements found on pages 27-29 and 79 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary fund totaled \$20,602,289 at December 31, 2017. The proprietary fund's net position increased by \$1,736,947 due largely to one-time infrastructure fees for new development and noncash capital contributions from developers.

Although metered water connections increased 2.2% in 2017, revenue from the sale of water increased 4.2%. This was primarily due to an increase in water sold for irrigation purposes due to a relatively drier summer as opposed to record rainfall in 2016. Increasing calls for higher water conservation may lead to the need to adjust rates in 2018.

Although sewer connections increased 2.1% in 2017, revenue remained relatively similar to 2016. The sewer utility had operating income of \$2,371 in 2017, a decrease of \$71,311 from **2016**. This was primarily due to increasing sewage treatment costs imposed by the Metropolitan Council. Sewer utility rates were last adjusted in 2013 and may need to be readjusted in 2018.

### **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 \$2.70 million is 57% of general fund expenditures. The City's general fund year end results were better than budgeted, particularly in nonbusiness licenses revenue and charges for services, as well as highways and street expenses and park expenses for which the city traditionally budgets conservatively. 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 \$403,916 due primarily to higher than budgeted building permit revenue as a result of increased construction in the City.
- Charges for services revenue exceeded budget by \$202,902 due primarily to various fees related to increased construction in the City.
- General government expenditures were less than budget by \$86,104 due primarily to lower than budgeted legal and other professional services.
- Public safety expenditures were less than budget by \$78,650 due primarily to lower than budgeted police and fire protection services.
- Highways and streets expenditures were less than budget by \$276,223 due primarily to lower than expected street materials and repairs and maintenance costs.
- Parks expenditures were less than budget by \$49,060 due primarily to lower than expected insurance premiums for park facilities and lower expenses for park programming activities.

**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, 2017, amounts to \$48,069,156 (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 \$1,125,787, or 2.4 percent. The increase in governmental activities and in business-type activities capital assets is due primarily to various street construction projects within the City during 2017.

**City of Hugo, Minnesota's Capital Assets**  
(net of depreciation)

|                                   | Governmental Activities |                      | Business-Type Activities |                      | Totals               |                      |
|-----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                                   | 2017                    | 2016                 | 2017                     | 2016                 | 2017                 | 2016                 |
| Land                              | \$ 4,632,761            | \$ 4,631,808         | \$ 259,560               | \$ 259,560           | \$ 4,892,321         | \$ 4,891,368         |
| Construction in progress          |                         |                      | 61,499                   | 48,245               | 61,499               | 48,245               |
| Buildings                         | 3,415,408               | 3,570,052            | 17,212,225               | 16,217,227           | 20,627,633           | 19,787,279           |
| Improvements other than buildings | 190,742                 | 318,646              |                          |                      | 190,742              | 318,646              |
| Machinery and equipment           | 2,414,535               | 2,474,360            | 175,071                  | 210,034              | 2,589,606            | 2,684,394            |
| Infrastructure                    | 19,707,355              | 19,213,437           |                          |                      | 19,707,355           | 19,213,437           |
| Total                             | <u>\$ 30,360,801</u>    | <u>\$ 30,208,303</u> | <u>\$ 17,708,355</u>     | <u>\$ 16,735,066</u> | <u>\$ 48,069,156</u> | <u>\$ 46,943,369</u> |

Additional information on the City of Hugo's capital assets can be found in Note 3:C. on pages 47-48 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Hugo had \$5,600,000 in bonds outstanding. The entire amount of this debt is backed by the full faith and credit of the government.

**City of Hugo, Minnesota's Outstanding Debt**  
General Obligation Bonds Payable

|                          | Governmental Activities |                     | Business-Type Activities |           | Total               |                     |
|--------------------------|-------------------------|---------------------|--------------------------|-----------|---------------------|---------------------|
|                          | 2017                    | 2016                | 2017                     | 2016      | 2017                | 2016                |
| General obligation bonds | <u>\$ 5,600,000</u>     | <u>\$ 7,225,000</u> | <u>\$</u>                | <u>\$</u> | <u>\$ 5,600,000</u> | <u>\$ 7,225,000</u> |

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

The City of Hugo's total bonds, certificates and notes payable decreased by \$1,625,000 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3:D., beginning on page 49.

The City of Hugo maintains an AA+ bond rating on its general obligation bonds from Standard and Poor's.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City of Hugo (Washington County) ended 2017 at 2.7 percent, down from 3.4 percent a year ago. This compares favorably to the State of Minnesota average unemployment rate of 3.4 percent and the United States average rate of 4.1 percent.
- Hugo continues to see new construction growth, primarily in residential properties. The city's total market valuation of existing properties increased 1.9% for taxes payable year 2017. New construction added 2.0%, making the overall increase 3.9%.

All of these factors were considered in preparing the City of Hugo's budget for the 2018 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.

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**CITY OF HUGO, MINNESOTA**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**December 31, 2017**

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**CITY OF HUGO, MINNESOTA**  
**STATEMENT OF NET POSITION**

December 31, 2017

|  | Governmental<br>Activities | Business-Type<br>Activities | Totals        |
|--|----------------------------|-----------------------------|---------------|
| <b>Assets</b>  |                            |                             |               |
| Cash and investments                                 | \$ 20,029,838              | \$ 20,343,711               | \$ 40,373,549 |
| Receivables (net of allowance<br>for uncollectibles) | 1,173,322                  | 639,179                     | 1,812,501     |
| Deposits receivable                                  |                            | 1,500                       | 1,500         |
| Due from other governmental units                    | 1,541,471                  |                             | 1,541,471     |
| Net pension asset                                    | 688,736                    |                             | 688,736       |
| Capital assets:                                      |                            |                             |               |
| Nondepreciable                                       | 4,632,761                  | 321,059                     | 4,953,820     |
| Depreciable, net                                     | 25,728,040                 | 17,387,296                  | 43,115,336    |
| Total Assets   | 53,794,168                 | 38,692,745                  | 92,486,913    |
| <b>Deferred Outflows of Resources</b>                |                            |                             |               |
| Deferred outflows from pension activity              | 161,624                    | 34,314                      | 195,938       |
| <b>Liabilities</b>                                   |                            |                             |               |
| Accounts payable                                     | 269,596                    | 77,529                      | 347,125       |
| Accrued interest payable                             | 39,797                     |                             | 39,797        |
| Accrued expenses                                     | 38,735                     | 4,009                       | 42,744        |
| Due to other governmental units                      | 520,924                    | 13,573                      | 534,497       |
| Unearned revenue                                     | 1,724,003                  | 1,000                       | 1,725,003     |
| Noncurrent liabilities:                              |                            |                             |               |
| Due within one year                                  | 1,830,092                  | 20,740                      | 1,850,832     |
| Due in more than one year                            | 4,121,861                  | 1,780                       | 4,123,641     |
| Net pension liability                                | 1,311,650                  | 284,334                     | 1,595,984     |
| Total Liabilities                                    | 9,856,658                  | 402,965                     | 10,259,623    |
| <b>Deferred Inflows of Resources</b>                 |                            |                             |               |
| Deferred inflows from pension activity               | 110,739                    | 13,450                      | 124,189       |
| <b>Net Position</b>                                  |                            |                             |               |
| Net investment in capital assets                     | 27,782,762                 | 17,708,355                  | 45,491,117    |
| Restricted for:                                      |                            |                             |               |
| Creditors  | 4,552,931                  |                             | 4,552,931     |
| Regulations  | 411,460                    |                             | 411,460       |
| Unrestricted   | 11,241,242                 | 20,602,289                  | 31,843,531    |
| Total Net Position                                   | \$ 43,988,395              | \$ 38,310,644               | \$ 82,299,039 |

**See Notes to Financial Statements**

**CITY OF HUGO, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2017

| <u>Functions/Programs</u>     | <u>Expenses</u> | <u>Program Revenues</u>         |   |   |
|-------------------------------|-----------------|---------------------------------|---|---|
|                               |                 | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> |
| Governmental activities:      |                 |                                 |   |   |
| General government            | \$ 1,276,421    | \$ 830,442                      | \$ 81,259   | \$  |
| Public safety                 | 1,853,038       | 37,141                          | 95,709  |   |
| Highways and streets          | 2,562,574       |                                 | 171,709   | 888,468   |
| Community development         | 104,902         |                                 |   |   |
| Parks                         | 695,431         | 30,900                          |   | 319,730   |
| Interest on long-term debt    | 105,337         |                                 |   |   |
| Total governmental activities | 6,597,703       | 898,483                         | 348,677   | 1,208,198                                       |
| Business-Type activities:     |                 |                                 |   |   |
| Water and sewer               | 2,610,342       | 2,667,449                       |   | 1,388,622                                       |
| Total                         | \$ 9,208,045    | \$ 3,565,932                    | \$ 348,677  | \$ 2,596,820                                    |

General revenues:  
General property taxes  
Grants and contributions not restricted to specific programs  
Investment earnings  
Net (decrease) in fair value of investments  
Miscellaneous  
Transfers  
Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

**See Notes to Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

| Governmental<br>Activities | Business-Type<br>Activities | Totals               |
|----------------------------|-----------------------------|----------------------|
| \$ (364,720)               | \$                          | \$ (364,720)         |
| (1,720,188)                |                             | (1,720,188)          |
| (1,502,397)                |                             | (1,502,397)          |
| (104,902)                  |                             | (104,902)            |
| (344,801)                  |                             | (344,801)            |
| (105,337)                  |                             | (105,337)            |
| <u>(4,142,345)</u>         |                             | <u>(4,142,345)</u>   |
|                            | 1,445,729                   | 1,445,729            |
| <u>(4,142,345)</u>         | <u>1,445,729</u>            | <u>(2,696,616)</u>   |
| 6,145,465                  |                             | 6,145,465            |
| 11,911                     |                             | 11,911               |
| 144,962                    | 166,647                     | 311,609              |
| (13,221)                   | (15,199)                    | (28,420)             |
| 9,728                      | 247,330                     | 257,058              |
| 107,560                    | (107,560)                   |                      |
| <u>6,406,405</u>           | <u>291,218</u>              | <u>6,697,623</u>     |
| 2,264,060                  | 1,736,947                   | 4,001,007            |
| <u>41,724,335</u>          | <u>36,573,697</u>           | <u>78,298,032</u>    |
| <u>\$ 43,988,395</u>       | <u>\$ 38,310,644</u>        | <u>\$ 82,299,039</u> |

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**CITY OF HUGO, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**December 31, 2017**

**CITY OF HUGO, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

|   | Debt Service        |                                | Capital Project        |  | Other<br>Governmental<br>Funds | Total                |
|---|---------------------|--------------------------------|------------------------|--|--------------------------------|----------------------|
|   | Fund                |                                | Fund                   |  |                                |                      |
|   | General             | General<br>Obligation<br>Bonds | Public<br>Improvements | Property and<br>Equipment<br>Acquisition |                                |                      |
| <b>Assets</b>   |                     |                                |                        |  |                                |                      |
| Cash and investments  | \$ 5,075,034        | \$ 2,562,107                   | \$ 4,683,352           | \$ 5,115,227                             | \$ 2,594,118                   | \$ 20,029,838        |
| Receivables (Net of Allowance for<br>Uncollectibles)                          |                     |                                |                        |  |                                |                      |
| Accounts  | 34,838              |                                |                        |  |                                | 34,838               |
| Accrued interest  | 5,469               | 2,837                          | 6,513                  | 5,980                                    | 3,243                          | 24,042               |
| Taxes   | 56,373              | 9,853                          | 7,520                  |  | 1,564                          | 75,310               |
| Special assessments   |                     | 460,634                        | 578,498                |  |                                | 1,039,132            |
| Due from other governmental units   | 23,971              | 1,517,500                      |                        |  |                                | 1,541,471            |
| <b>TOTAL ASSETS</b>   | <b>\$ 5,195,685</b> | <b>\$ 4,552,931</b>            | <b>\$ 5,275,883</b>    | <b>\$ 5,121,207</b>                      | <b>\$ 2,598,925</b>            | <b>\$ 22,744,631</b> |
| <b>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balance</b>       |                     |                                |                        |  |                                |                      |
| <b>Liabilities</b>  |                     |                                |                        |  |                                |                      |
| Accounts payable  | \$ 148,632          | \$                             | \$ 120,077             | \$ 887                                   | \$                             | \$ 269,596           |
| Unearned revenue  | 1,722,103           |                                |                        | 1,900                                    |                                | 1,724,003            |
| Salaries payable  | 38,735              |                                |                        |  |                                | 38,735               |
| Due to other governmental units   | 520,924             |                                |                        |  |                                | 520,924              |
| Total Liabilities   | <u>2,430,394</u>    |                                | <u>120,077</u>         | <u>2,787</u>                             |                                | <u>2,553,258</u>     |
| <b>Deferred Inflows of Resources</b>  |                     |                                |                        |  |                                |                      |
| Unavailable revenue:  |                     |                                |                        |  |                                |                      |
| Property taxes  | 56,373              | 9,853                          | 7,520                  |  | 1,564                          | 75,310               |
| Special assessments   |                     | 460,634                        | 578,498                |  |                                | 1,039,132            |
| Due from other governmental units   |                     | 1,517,500                      |                        |  |                                | 1,517,500            |
| Total Deferred Inflows of Resources   | <u>56,373</u>       | <u>1,987,987</u>               | <u>586,018</u>         |  | <u>1,564</u>                   | <u>2,631,942</u>     |
| <b>Fund Balance</b>   |                     |                                |                        |  |                                |                      |
| Fund Balance  |                     |                                |                        |  |                                |                      |
| Restricted  |                     | 2,564,944                      |                        |  | 411,460                        | 2,976,404            |
| Committed   |                     |                                |                        |  | 2,097,452                      | 2,097,452            |
| Assigned  |                     |                                | 4,569,788              | 5,118,420                                | 88,449                         | 9,776,657            |
| Unassigned  | 2,708,918           |                                |                        |  |                                | 2,708,918            |
| Total Fund Balance  | <u>2,708,918</u>    | <u>2,564,944</u>               | <u>4,569,788</u>       | <u>5,118,420</u>                         | <u>2,597,361</u>               | <u>17,559,431</u>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCE</b> | <b>\$ 5,195,685</b> | <b>\$ 4,552,931</b>            | <b>\$ 5,275,883</b>    | <b>\$ 5,121,207</b>                      | <b>\$ 2,598,925</b>            | <b>\$ 22,744,631</b> |

**See Notes to Financial Statements**



**CITY OF HUGO, MINNESOTA  
RECONCILIATION OF NET POSITION IN THE  
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES  
IN THE FUND BASIS FINANCIAL STATEMENTS  
December 31, 2017**

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

|  |                     |                             |
|--|---------------------|-----------------------------|
| Total governmental fund balances (page 18)   |                     | \$ 17,559,431               |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                  |                     |                             |
| Governmental funds - capital assets  | \$ 48,179,209       |                             |
| Less: Accumulated depreciation   | <u>(17,818,408)</u> | 30,360,801                  |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.              |                     |                             |
| Delinquent property taxes  | \$ 75,310           |                             |
| Deferred and delinquent special assessments  | 1,039,132           |                             |
| Due from other governmental units  | <u>1,517,500</u>    | 2,631,942                   |
| 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  | \$ (5,600,000)      |                             |
| Net pension liability (asset), deferred outflows and inflows from pension activity   | (572,029)           |                             |
| Compensated absences   | (345,944)           |                             |
| Accrued interest   | (39,797)            |                             |
| Unamortized bond premiums and discounts  | <u>(6,009)</u>      | <u>(6,563,779)</u>          |
| Net position of governmental activities (page 15)  |                     | <u><u>\$ 43,988,395</u></u> |

**See Notes to Financial Statements**

**CITY OF HUGO, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

|  | Debt Service                   |                        | Capital Project                          |                     | Other<br>Governmental<br>Funds | Total                |
|--|--------------------------------|------------------------|--|---------------------|--------------------------------|----------------------|
|  | Fund                           |                        | Fund                                     |                     |                                |                      |
|  | General<br>Obligation<br>Bonds | Public<br>Improvements | Property and<br>Equipment<br>Acquisition |                     |                                |                      |
| <b>Revenues</b>  |                                |                        |  |                     |                                |                      |
| Property taxes   | \$ 4,752,258                   | \$ 605,997             | \$ 601,291                               | \$                  | \$ 186,190                     | \$ 6,145,736         |
| Special assessments  |                                | 122,119                | 312,739                                  |                     |                                | 434,858              |
| Licenses and permits   | 508,574                        |                        |  |                     |                                | 508,574              |
| Intergovernmental revenues                                   | 186,930                        | 496,404                | 688,142                                  |                     | 235                            | 1,371,711            |
| Charges for services   | 306,671                        |                        |  |                     |                                | 306,671              |
| Court fines  | 37,141                         |                        |  |                     |                                | 37,141               |
| Other Revenue  |                                |                        |  |                     |                                |                      |
| Investment earnings  | 30,961                         | 17,230                 | 40,632                                   | 36,785              | 19,354                         | 144,962              |
| Net (decrease) in the fair value<br>of investments           | (2,824)                        | (1,571)                | (3,706)                                  | (3,355)             | (1,765)                        | (13,221)             |
| Rent   | 9,075                          |                        |  | 22,800              | 8,950                          | 40,825               |
| Developer fees   |                                |                        | 28,728                                   |                     | 271,367                        | 300,095              |
| Miscellaneous  | 15,000                         |                        | 19,635                                   |                     |                                | 34,635               |
| <b>Total Revenues</b>  | <b>5,843,786</b>               | <b>1,240,179</b>       | <b>1,687,461</b>                         | <b>56,230</b>       | <b>484,331</b>                 | <b>9,311,987</b>     |
| <b>Expenditures</b>  |                                |                        |  |                     |                                |                      |
| Current:   |                                |                        |  |                     |                                |                      |
| General government   | 1,128,413                      |                        |  |                     |                                | 1,128,413            |
| Public safety  | 1,739,392                      |                        |  |                     |                                | 1,739,392            |
| Highways and streets   | 1,200,660                      |                        |  |                     |                                | 1,200,660            |
| Community development  | 83,441                         |                        |  |                     |                                | 83,441               |
| Parks  | 406,784                        |                        |  |                     |                                | 406,784              |
| Unallocated  | 153,199                        |                        |  |                     |                                | 153,199              |
| Capital outlay   |                                |                        | 1,579,759                                | 243,287             | 112,169                        | 1,935,215            |
| Bond principal retirement                                    |                                | 1,625,000              |  |                     |                                | 1,625,000            |
| Interest on bonds  |                                | 106,245                |  |                     |                                | 106,245              |
| Fiscal charges and other                                     |                                | 8,875                  |  |                     |                                | 8,875                |
| <b>Total Expenditures</b>                                    | <b>4,711,889</b>               | <b>1,740,120</b>       | <b>1,579,759</b>                         | <b>243,287</b>      | <b>112,169</b>                 | <b>8,387,224</b>     |
| Excess (deficiency) of revenues<br>over (under) expenditures | 1,131,897                      | (499,941)              | 107,702                                  | (187,057)           | 372,162                        | 924,763              |
| <b>Other Financing Sources (Uses)</b>                        |                                |                        |  |                     |                                |                      |
| Transfers in   |                                | 216,985                | 125,000                                  | 901,065             |                                | 1,243,050            |
| Transfers out  | (1,026,065)                    |                        |  |                     | (109,425)                      | (1,135,490)          |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(1,026,065)</b>             | <b>216,985</b>         | <b>125,000</b>                           | <b>901,065</b>      | <b>(109,425)</b>               | <b>107,560</b>       |
| Net change in fund balances                                  | 105,832                        | (282,956)              | 232,702                                  | 714,008             | 262,737                        | 1,032,323            |
| <b>FUND BALANCES, beginning</b>                              | <b>2,603,086</b>               | <b>2,847,900</b>       | <b>4,337,086</b>                         | <b>4,404,412</b>    | <b>2,334,624</b>               | <b>16,527,108</b>    |
| <b>FUND BALANCES, ending</b>                                 | <b>\$ 2,708,918</b>            | <b>\$ 2,564,944</b>    | <b>\$ 4,569,788</b>                      | <b>\$ 5,118,420</b> | <b>\$ 2,597,361</b>            | <b>\$ 17,559,431</b> |

**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, 2017**

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

|  |              |
|--|--------------|
| Net change in fund balances - total governmental funds (page 20) | \$ 1,032,323 |
|--|--------------|

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|                            |                    |         |
|----------------------------|--------------------|---------|
| Capital outlay-capitalized | \$ 2,023,282       |         |
| Depreciation expense       | <u>(1,318,269)</u> | 705,013 |

|   |           |
|---|-----------|
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets. | (552,515) |
|---|-----------|

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

|  |                    |           |
|--|--------------------|-----------|
| Unavailable revenue, End of year       | \$ 2,631,942       |           |
| Unavailable revenue, Beginning of year | <u>(3,190,210)</u> | (558,268) |

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 | (23,740) |
|----------------------|----------|

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

|  |              |           |
|--|--------------|-----------|
| Principal retirement on long-term debt | \$ 1,625,000 |           |
| Change in net pension liability        | 26,464       |           |
| Change in accrued interest             | 8,942        |           |
| Change in bond discounts and premium   | <u>841</u>   | 1,661,247 |

|   |                            |
|---|----------------------------|
| Change in net position of governmental activities (pages 16 and 17) | <u><u>\$ 2,264,060</u></u> |
|---|----------------------------|

**See Notes to Financial Statements**

**CITY OF HUGO, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2017**

|  | Budgeted Amounts    |                     | Actual              | Variance                   |
|--|---------------------|---------------------|---------------------|----------------------------|
|  | Original            | Final               |                     | Favorable<br>(Unfavorable) |
| <b>REVENUES</b>                                    |                     |                     |                     |                            |
| <b>General Property Taxes</b>                      |                     |                     |                     |                            |
| Ad Valorem   | \$ 4,606,455        | \$ 4,606,455        | \$ 4,590,241        | \$ (16,214)                |
| Franchise  | 154,330             | 154,330             | 162,017             | 7,687                      |
| Total General Property Taxes                       | <u>4,760,785</u>    | <u>4,760,785</u>    | <u>4,752,258</u>    | <u>(8,527)</u>             |
| <b>Licenses and Permits</b>                        |                     |                     |                     |                            |
| Business   | 17,955              | 17,955              | 20,890              | 2,935                      |
| Nonbusiness  | 86,703              | 86,703              | 487,684             | 400,981                    |
| Total Licenses and Permits                         | <u>104,658</u>      | <u>104,658</u>      | <u>508,574</u>      | <u>403,916</u>             |
| <b>Intergovernmental Revenues</b>                  |                     |                     |                     |                            |
| Homestead and other tax credits                    |                     |                     | 9,962               | 9,962                      |
| Fire 2% insurance aid                              | 80,916              | 80,916              | 84,551              | 3,635                      |
| Curbside recycling grant                           | 30,376              | 30,376              | 30,808              | 432                        |
| Pera rate increase aid                             | 1,451               | 1,451               | 1,451               |                            |
| Other aid and grants                               | 52,000              | 52,000              | 60,158              | 8,158                      |
| Total Intergovernmental Revenues                   | <u>164,743</u>      | <u>164,743</u>      | <u>186,930</u>      | <u>22,187</u>              |
| <b>Charges for Services</b>                        | <u>103,769</u>      | <u>103,769</u>      | <u>306,671</u>      | <u>202,902</u>             |
| <b>Court Fines</b>                                 | <u>36,615</u>       | <u>36,615</u>       | <u>37,141</u>       | <u>526</u>                 |
| <b>Miscellaneous Revenues</b>                      |                     |                     |                     |                            |
| Refunds and reimbursements                         |                     |                     | 1,630               | 1,630                      |
| Investment earnings                                | 17,400              | 17,400              | 30,961              | 13,561                     |
| Net (decrease) in the fair value<br>of investments |                     |                     | (2,824)             | (2,824)                    |
| Penalties and interest                             | 3,470               | 3,470               | 5,272               | 1,802                      |
| Non-levy related taxes                             | 8,740               | 8,740               | 8,098               | (642)                      |
| Rental income                                      | 5,990               | 5,990               | 9,075               | 3,085                      |
| Total Miscellaneous Revenues                       | <u>35,600</u>       | <u>35,600</u>       | <u>52,212</u>       | <u>16,612</u>              |
| <b>TOTAL REVENUES</b>                              | <u>\$ 5,206,170</u> | <u>\$ 5,206,170</u> | <u>\$ 5,843,786</u> | <u>\$ 637,616</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, 2017**

|                            | Budgeted Amounts |            | Actual     | Variance<br>Favorable<br>(Unfavorable) |
|----------------------------|------------------|------------|------------|--|
|                            | Original         | Final      |            |  |
| <b>EXPENDITURES</b>        |                  |            |            |  |
| <b>General Government</b>  |                  |            |            |  |
| Mayor and Council          |                  |            |            |  |
| Personal services          | \$ 34,125        | \$ 34,125  | \$ 25,200  | \$ 8,925                               |
| Other services and charges | 6,298            | 6,298      | 2,143      | 4,155                                  |
| Ordinance and proceedings  | 4,100            | 4,100      | 2,062      | 2,038                                  |
| Total Mayor and Council    | 44,523           | 44,523     | 29,405     | 15,118                                 |
| Administration             |                  |            |            |  |
| Personal services          | 69,191           | 69,191     | 69,244     | (53)                                   |
| Supplies                   | 8,200            | 8,200      | 8,073      | 127                                    |
| Other services and charges | 47,743           | 47,743     | 44,576     | 3,167                                  |
| Professional services      | 57,299           | 57,299     | 45,412     | 11,887                                 |
| Capital outlay             | 2,000            | 2,000      | 1,187      | 813                                    |
| Total Administration       | 184,433          | 184,433    | 168,492    | 15,941                                 |
| Audio/Video                |                  |            |            |  |
| Personal services          | 1,475            | 1,475      | 931        | 544                                    |
| Capital outlay             | 4,000            | 4,000      |            | 4,000                                  |
| Other services and charges | 8,160            | 8,160      | 5,398      | 2,762                                  |
| Total Audio/Video          | 13,635           | 13,635     | 6,329      | 7,306                                  |
| Elections                  |                  |            |            |  |
| Other services and charges | 4,150            | 4,150      | 3,857      | 293                                    |
| Clerk/Treasurer            |                  |            |            |  |
| Personal services          | 86,992           | 86,992     | 79,090     | 7,902                                  |
| Supplies                   | 250              | 250        |            | 250                                    |
| Other services and charges | 46,081           | 46,081     | 38,394     | 7,687                                  |
| Total Clerk/Treasurer      | \$ 133,323       | \$ 133,323 | \$ 117,484 | \$ 15,839                              |

**(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, 2017**

|                                       | Budgeted Amounts    |                     | Actual              | Variance                   |
|---------------------------------------|---------------------|---------------------|---------------------|----------------------------|
|                                       | Original            | Final               |                     | Favorable<br>(Unfavorable) |
| <b>EXPENDITURES (CONTINUED)</b>       |                     |                     |                     |                            |
| <b>General Government (Continued)</b> |                     |                     |                     |                            |
| Finance Director                      |                     |                     |                     |                            |
| Personal services                     | \$ 170,013          | \$ 170,013          | \$ 170,078          | \$ (65)                    |
| Supplies                              | 1,250               | 1,250               | 1,500               | (250)                      |
| Other services and charges            | 66,066              | 66,066              | 61,046              | 5,020                      |
| Capital outlay                        | 3,000               | 3,000               |                     | 3,000                      |
| Total Finance Director                | <u>240,329</u>      | <u>240,329</u>      | <u>232,624</u>      | <u>7,705</u>               |
| Assessing                             | <u>79,257</u>       | <u>79,257</u>       | <u>73,275</u>       | <u>5,982</u>               |
| Planning and Zoning                   |                     |                     |                     |                            |
| Personal services                     | 79,080              | 79,080              | 79,180              | (100)                      |
| Supplies                              | 500                 | 500                 | 1,947               | (1,447)                    |
| Other services and charges            | 31,059              | 31,059              | 32,055              | (996)                      |
| Professional services                 | 57,405              | 57,405              | 70,224              | (12,819)                   |
| Capital outlay                        | 2,000               | 2,000               |                     | 2,000                      |
| Total Planning and Zoning             | <u>170,044</u>      | <u>170,044</u>      | <u>183,406</u>      | <u>(13,362)</u>            |
| Engineering                           |                     |                     |                     |                            |
| Personal services                     | 93,111              | 93,111              | 89,098              | 4,013                      |
| Supplies                              | 4,950               | 4,950               | 2,040               | 2,910                      |
| Other services and charges            | 20,608              | 20,608              | 18,433              | 2,175                      |
| Professional services                 | 30,000              | 30,000              | 28,922              | 1,078                      |
| Capital outlay                        | 3,150               | 3,150               |                     | 3,150                      |
| Total Engineering                     | <u>151,819</u>      | <u>151,819</u>      | <u>138,493</u>      | <u>13,326</u>              |
| Legal Fees                            | <u>96,325</u>       | <u>96,325</u>       | <u>74,593</u>       | <u>21,732</u>              |
| General Government Building           |                     |                     |                     |                            |
| Personal services                     | 6,880               | 6,880               | 7,555               | (675)                      |
| Supplies                              | 5,350               | 5,350               | 4,083               | 1,267                      |
| Other services and charges            | 64,554              | 64,554              | 61,578              | 2,976                      |
| Capital outlay                        | 19,895              | 19,895              | 27,239              | (7,344)                    |
| Total General Government Building     | <u>96,679</u>       | <u>96,679</u>       | <u>100,455</u>      | <u>(3,776)</u>             |
| Total General Government              | <u>\$ 1,214,517</u> | <u>\$ 1,214,517</u> | <u>\$ 1,128,413</u> | <u>\$ 86,104</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, 2017**

|                                      | Budgeted Amounts |              | Actual       | Variance                   |
|--------------------------------------|------------------|--------------|--------------|----------------------------|
|                                      | Original         | Final        |              | Favorable<br>(Unfavorable) |
| <b>EXPENDITURES (CONTINUED)</b>      |                  |              |              |                            |
| <b>Public Safety</b>                 |                  |              |              |                            |
| Police                               |                  |              |              |                            |
| Contracted services                  | \$ 1,020,876     | \$ 1,020,876 | \$ 958,791   | \$ 62,085                  |
| Fire Protection                      |                  |              |              |                            |
| Personal services                    | 183,225          | 183,225      | 191,485      | (8,260)                    |
| Supplies                             | 23,900           | 23,900       | 30,002       | (6,102)                    |
| Other services and charges           | 269,027          | 269,027      | 213,040      | 55,987                     |
| Total Fire Protection                | 476,152          | 476,152      | 434,527      | 41,625                     |
| Protective Inspection                |                  |              |              |                            |
| Personal services                    | 208,581          | 208,581      | 208,661      | (80)                       |
| Supplies                             | 1,075            | 1,075        | 1,691        | (616)                      |
| Other services and charges           | 99,358           | 99,358       | 103,284      | (3,926)                    |
| Professional services                | 4,000            | 4,000        | 3,431        | 569                        |
| Capital outlay                       | 2,000            | 2,000        | 22,820       | (20,820)                   |
| Total Protective Inspection          | 315,014          | 315,014      | 339,887      | (24,873)                   |
| Animal Control                       |                  |              |              |                            |
| Professional services                | 6,000            | 6,000        | 6,187        | (187)                      |
| Total Public Safety                  | 1,818,042        | 1,818,042    | 1,739,392    | 78,650                     |
| <b>Highways and Streets</b>          |                  |              |              |                            |
| Administration and Engineering       |                  |              |              |                            |
| Personal services                    | 514,818          | 514,818      | 466,637      | 48,181                     |
| Supplies                             | 463,197          | 463,197      | 270,332      | 192,865                    |
| Other services and charges           | 341,478          | 341,478      | 314,593      | 26,885                     |
| Capital outlay                       | 2,500            | 2,500        |              | 2,500                      |
| Total Administration and Engineering | 1,321,993        | 1,321,993    | 1,051,562    | 270,431                    |
| Streets/Recycling                    | 15,251           | 15,251       | 13,084       | 2,167                      |
| Street Lighting                      | 139,639          | 139,639      | 136,014      | 3,625                      |
| Total Highways and Streets           | \$ 1,476,883     | \$ 1,476,883 | \$ 1,200,660 | \$ 276,223                 |

(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, 2017**

|  | Budgeted Amounts |              | Actual       | Variance                   |
|--|------------------|--------------|--------------|----------------------------|
|  | Original         | Final        |              | Favorable<br>(Unfavorable) |
| <b>EXPENDITURES (CONTINUED)</b>                              |                  |              |              |                            |
| <b>Community Development</b>                                 |                  |              |              |                            |
| Personal services  | \$ 83,740        | \$ 83,740    | \$ 67,218    | \$ 16,522                  |
| Other services and charges                                   | 15,564           | 15,564       | 15,545       | 19                         |
| Capital outlay   | 2,000            | 2,000        | 678          | 1,322                      |
| Total Community Development                                  | 101,304          | 101,304      | 83,441       | 17,863                     |
| <b>Parks</b>   |                  |              |              |                            |
| Personal services  | 242,923          | 242,923      | 233,633      | 9,290                      |
| Other services and charges                                   | 210,921          | 210,921      | 173,151      | 37,770                     |
| Capital outlay   | 2,000            | 2,000        |              | 2,000                      |
| Total Parks  | 455,844          | 455,844      | 406,784      | 49,060                     |
| <b>Other Unallocated</b>                                     |                  |              |              |                            |
| Remittance to Fire Relief Association                        | 80,916           | 80,916       | 84,551       | (3,635)                    |
| Contributions  | 17,250           | 17,250       | 27,037       | (9,787)                    |
| Miscellaneous  | 41,414           | 41,414       | 41,611       | (197)                      |
| Total Other Unallocated                                      | 139,580          | 139,580      | 153,199      | (13,619)                   |
| <b>TOTAL EXPENDITURES</b>                                    | 5,206,170        | 5,206,170    | 4,711,889    | 494,281                    |
| Excess (deficiency) of revenues<br>over (under) expenditures |                  |              | 1,131,897    | 1,131,897                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                  |              |              |                            |
| Transfers Out  |                  |              | (1,026,065)  | (1,026,065)                |
| <b>Net Change in Fund Balance</b>                            |                  |              | 105,832      | 105,832                    |
| <b>FUND BALANCE, beginning</b>                               | 2,603,086        | 2,603,086    | 2,603,086    |                            |
| <b>FUND BALANCE, ending</b>                                  | \$ 2,603,086     | \$ 2,603,086 | \$ 2,708,918 | \$ 105,832                 |

**See Notes to Financial Statements**



**CITY OF HUGO, MINNESOTA  
 PROPRIETARY FUND  
 Statement of Net Position  
 December 31, 2017**

|   |               |
|---|---------------|
| <b>ASSETS</b>   |               |
| <b>Current Assets</b>                                     |               |
| Cash and cash equivalents                                 | \$ 20,343,711 |
| Receivables   |               |
| Accounts receivable                                       | 416,801       |
| Accrued interest  | 27,723        |
| Special assessments (net of allowance for uncollectibles) | 194,655       |
| Deposits  | 1,500         |
| Total Current Assets                                      | 20,984,390    |
| <b>Noncurrent Assets</b>                                  |               |
| Property and Equipment                                    |               |
| Nondepreciable  | 321,059       |
| Depreciable   | 26,919,007    |
| Total Property and Equipment                              | 27,240,066    |
| Less: Accumulated depreciation                            | 9,531,711     |
| Net Property and Equipment                                | 17,708,355    |
| <b>Total Assets</b>                                       | 38,692,745    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                     |               |
| Deferred outflows from pension activity                   | 34,314        |
| <b>LIABILITIES</b>  |               |
| <b>Current Liabilities</b>                                |               |
| Current portion of long-term debt (compensated absences)  | 20,740        |
| Accounts payable  | 77,529        |
| Due to other governmental units                           | 13,573        |
| Salaries payable  | 4,009         |
| Unearned revenue  | 1,000         |
| Total Current Liabilities                                 | 116,851       |
| <b>Long-term Liabilities</b>                              |               |
| Net pension liability                                     | 284,334       |
| Compensated absences, net of current portion              | 1,780         |
| Total Long-Term Liabilities                               | 286,114       |
| <b>Total Liabilities</b>                                  | 402,965       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                      |               |
| Deferred inflows from pension activity                    | 13,450        |
| <b>NET POSITION</b>                                       |               |
| Net investment in capital assets                          | 17,708,355    |
| Unrestricted  | 20,602,289    |
| <b>Total Net Position</b>                                 | \$ 38,310,644 |

**See Notes to Financial Statements**

**CITY OF HUGO, MINNESOTA  
 PROPRIETARY FUND  
 Statement of Revenues, Expenses  
 and Changes in Fund Net Position  
 For the Year Ended December 31, 2017**

|  |                             |
|--|-----------------------------|
| <hr/>  |                             |
| <b>Operating Revenue</b>                             |                             |
| Water charges  | \$ 894,832                  |
| Meter sales  | 28,023                      |
| Sewer charges  | 1,112,334                   |
| Total Operating Revenues                             | <u>2,035,189</u>            |
| <b>Operating Expenses</b>                            |                             |
| Personal services                                    | 379,640                     |
| Engineering  | 128,756                     |
| Electricity  | 97,452                      |
| Repairs and maintenance                              | 707,723                     |
| Sewer charges - MCES                                 | 547,133                     |
| Depreciation   | 623,210                     |
| Miscellaneous  | 126,428                     |
| Total Operating Expenses                             | <u>2,610,342</u>            |
| <b>Operating (Loss)</b>                              | <u>(575,153)</u>            |
| <b>Nonoperating Revenue</b>                          |                             |
| Future infrastructure charges                        | 632,260                     |
| Rental income  | 35,826                      |
| Intergovernmental revenue                            | 52,212                      |
| Investment earnings                                  | 166,647                     |
| Net decrease in the fair value of investments        | (15,199)                    |
| Miscellaneous  | 159,292                     |
| Total Nonoperating Revenue                           | <u>1,031,038</u>            |
| <b>Net Income Before Transfers and Contributions</b> | 455,885                     |
| Capital contributions - special assessments          | 45,529                      |
| Noncash capital contributions                        | 1,343,093                   |
| Transfers out  | <u>(107,560)</u>            |
| Change in net position                               | 1,736,947                   |
| <b>Net Position, Beginning of Year</b>               | <u>36,573,697</u>           |
| <b>Net Position, End of Year</b>                     | <u><u>\$ 38,310,644</u></u> |

**See Notes to Financial Statements**

**CITY OF HUGO, MINNESOTA**  
**PROPRIETARY FUND**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

|  |               |
|--|---------------|
| <b>Cash Flows From Operating Activities</b>  |               |
| Cash received from customers   | \$ 2,805,328  |
| Cash paid to suppliers   | (1,603,534)   |
| Cash paid to employees   | (369,794)     |
| Other income received  | 247,330       |
| Net Cash Provided By Operating Activities  | 1,079,330     |
| <b>Cash Flows From Noncapital Financing Activities</b>                                     |               |
| Transfers to other funds   | (107,560)     |
| <b>Cash Flows From Capital and Related Financing Activities</b>                            |               |
| Acquisition of capital assets  | (253,406)     |
| Special assessments and property taxes received  | 82,336        |
| Net Cash (Used In) Capital and Related Financing Activities                                | (171,070)     |
| <b>Cash Flows From Investing Activities</b>  |               |
| Investment earnings received   | 159,864       |
| Net (decrease) in the fair value of investments  | (15,199)      |
| Net Cash Provided By Investing Activities  | 144,665       |
| <b>Net Increase in Cash and Cash Equivalents</b>   | 945,365       |
| <b>Cash and Cash Equivalents, Beginning of Year</b>  | 19,398,346    |
| <b>Cash and Cash Equivalents, End of Year</b>  | \$ 20,343,711 |
| <b>RECONCILIATION OF OPERATING INCOME<br/>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |               |
| Operating (loss)   | \$ (575,153)  |
| Adjustments to reconcile operating (loss) to<br>net cash provided by operating activities  |               |
| Depreciation   | 623,210       |
| Change in net pension liability  | 14,037        |
| Future infrastructure charges, included in nonoperating revenues                           | 632,260       |
| Other income   | 247,330       |
| (Increase) Decrease In:  |               |
| Accounts receivable  | 137,879       |
| Increase (Decrease) In:  |               |
| Accounts payable   | 2,384         |
| Due to other governmental units  | 1,574         |
| Salaries payable   | 103           |
| Estimated liability for compensated absences   | (4,294)       |
| Net Cash Provided By Operating Activities  | \$ 1,079,330  |
| <b>Noncash Investing, Capital and Financing Activities</b>                                 |               |
| Receipt of contributed property  | \$ 1,343,093  |

**See Notes to Financial Statements**

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**CITY OF HUGO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

## CITY OF HUGO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies

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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. Activities of the Economic Development Authority, if any, will be included in the General Obligation Bonds Fund or a new fund will be created. The debt issued by the Authority (if any) is included in noncurrent liabilities on the statement of net position. The Authority does not issue separate financial statements.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. **Summary of Significant Accounting Policies (Continued)**

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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 position 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)

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1. Summary of Significant Accounting Policies (Continued)

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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 *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.

The *public improvements 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.



CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

---

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

The *property and equipment acquisition fund* accounts 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.

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.

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.

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.

**CITY OF HUGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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**D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position 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)

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1. **Summary of Significant Accounting Policies (Continued)**

---

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position 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 4.27% to 7.50%. 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 inflows of resources 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 applicable 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)

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1. Summary of Significant Accounting Policies (Continued)

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D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position 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 are defined by the government as assets with an initial, individual cost of more than \$5,000 and 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, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at estimated acquisition 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.

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

The City reviews its property, plant and equipment for impairment whenever events indicate the decline in service utility of the capital asset is significant in magnitude and the event of change in circumstances is outside the normal cycle of the capital assets.

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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. **Summary of Significant Accounting Policies (Continued)**

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D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

5. Compensated absences benefits (continued)

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. The City has created a debt service fund to ensure funds are 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 position.

Bond premiums and discounts 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 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.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

---

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

7. Fund equity

In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – amounts are restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Committed – includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Council rescinds or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The Council has delegated the power to assign fund balances to the City Administrator and Finance Director.

Unassigned – includes positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds. The general fund is the only governmental fund that can report a positive unassigned fund balance.

**CITY OF HUGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

---

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

7. Fund equity (continued)

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts when expenditures are made.

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. Use of estimates

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

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, 2017 was \$155,797.

Additionally, the City issued lease revenue bonds during 2014 to provide funding to a private sector entity for a project deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. As of December 31, 2017, the outstanding principal amount of these bonds was \$20,920,000.

**CITY OF HUGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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**G. Conduit Debt Obligations (continued)**

The City also issued lease revenue bonds during 2015 and 2017 to provide funding to a nonprofit entity for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. As of December 31, 2017, the outstanding principal amount of the 2015 bonds was \$8,640,228 and the outstanding principal balance of the 2017 bonds was \$4,923,750.

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**2. Stewardship, Compliance, and Accountability**

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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 Fund, certain Special Revenue and 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, Special Revenue Funds, Debt Service Funds and certain Capital Projects Funds.



**CITY OF HUGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**2. Stewardship, Compliance, and Accountability**

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Budgetary Information (continued)

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 cannot 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, 2017).

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as commitments 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, 2017.

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**3. Detailed Notes on All Funds**

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**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, 2017 were entirely covered by federal depository insurance or by collateral held by the City or its agent in the City's name.

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**CITY OF HUGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**3. Detailed Notes on All Funds**

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**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. The City does not have a formal policy related to interest rate risk for its investments, but 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.

**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)

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:

| Investment                             | Range of Maturities          | Rating     | Value               |
|--|------------------------------|------------|---------------------|
| Cash                                   | N/A                          | N/A        | \$ 270,247          |
| Non-Negotiable Certificates of Deposit | March 2018 - August 2018     | N/A        | 4,164,788           |
| Money Market Funds                     | N/A                          | Unrated    | 20,927,411          |
| U.S. Government Securities             | January 2018 - November 2022 | AAA - AA+* | 15,011,103          |
| Total                                  |                              |            | <u>\$40,373,549</u> |

N/A Not applicable or not available

\* Where rated

A reconciliation of cash and temporary investments as shown on the Statement of Net Position for the City follows:

|                             |                     |
|-----------------------------|---------------------|
| Carrying amount of deposits | \$ 270,247          |
| Investments                 | <u>40,103,302</u>   |
| Total                       | <u>\$40,373,549</u> |

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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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A. Deposits and Investments (continued)

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 represented 5% or more of total investments as of December 31, 2017 were as follows:

| <u>Issuer</u>         | <u>Investment Type</u> | <u>Value</u>  |
|-----------------------|------------------------|---------------|
| RBC Wealth Management | Money Market Funds     | \$ 20,927,411 |

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, 2017 all investments were insured or registered or the securities were held by the City or its agent in the City's name.

Fair Value Measurements

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical assets or liabilities in inactive markets
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (continued)

Fair Value Measurements (continued)

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The City's investments within the fair value hierarchy at December 31, 2017 and 2016 were as follows:

| As of December 31, 2017    |                                     |                            |                     |           |
|----------------------------|-------------------------------------|----------------------------|---------------------|-----------|
|                            | Assets<br>Measured at<br>Fair Value | Fair Value Hierarchy Level |                     |           |
|                            |                                     | Level 1                    | Level 2             | Level 3   |
| U.S. Government Securities | \$15,011,103                        | \$                         | \$15,011,103        | \$        |
| Total                      | <u>\$15,011,103</u>                 | <u>\$</u>                  | <u>\$15,011,103</u> | <u>\$</u> |
| As of December 31, 2016    |                                     |                            |                     |           |
|                            | Assets<br>Measured at<br>Fair Value | Fair Value Hierarchy Level |                     |           |
|                            |                                     | Level 1                    | Level 2             | Level 3   |
| U.S. Government Securities | \$ 9,133,534                        | \$                         | \$ 9,133,534        | \$        |
| Total                      | <u>\$ 9,133,534</u>                 | <u>\$</u>                  | <u>\$ 9,133,534</u> | <u>\$</u> |

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, 2017 were as follows:

| Fund Type    | Washington<br>County | Ind. School<br>District #624 | Total               |
|--------------|----------------------|------------------------------|---------------------|
| General      | \$ 23,971            | \$                           | \$ 23,971           |
| Debt Service |                      | 1,517,500                    | 1,517,500           |
| Total        | <u>\$ 23,971</u>     | <u>\$ 1,517,500</u>          | <u>\$ 1,541,471</u> |

Amounts due to other governmental units as of December 31, 2017 were as follows:

| Fund Type   | Washington<br>County | State of<br>Minnesota | Metropolitan<br>Council | Total             |
|-------------|----------------------|-----------------------|-------------------------|-------------------|
| General     | \$ 498,013           | \$ 5,690              | \$ 17,221               | \$ 520,924        |
| Proprietary |                      | 13,573                |                         | 13,573            |
| Total       | <u>\$ 498,013</u>    | <u>\$ 19,263</u>      | <u>\$ 17,221</u>        | <u>\$ 534,497</u> |

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

| <b>Governmental Activities</b>               | Beginning<br>Balance | Increases         | Decreases         | Ending<br>Balance    |
|--|----------------------|-------------------|-------------------|----------------------|
| Capital assets, not being depreciated:       |                      |                   |                   |                      |
| Land   | \$ 4,631,808         | \$ 953            | \$                | \$ 4,632,761         |
| Total capital assets, not being depreciated  | <u>4,631,808</u>     | <u>953</u>        |                   | <u>4,632,761</u>     |
| Capital assets, being depreciated:           |                      |                   |                   |                      |
| Buildings and improvements                   | 6,249,358            | 50,886            |                   | 6,300,244            |
| Land Improvements                            | 1,566,117            |                   |                   | 1,566,117            |
| Infrastructure                               | 28,323,266           | 1,689,563         | 1,074,210         | 28,938,619           |
| Machinery and equipment                      | 6,602,177            | 281,880           | 142,589           | 6,741,468            |
| Total capital assets, being depreciated      | <u>42,740,918</u>    | <u>2,022,329</u>  | <u>1,216,799</u>  | <u>43,546,448</u>    |
| Less accumulated depreciation for:           |                      |                   |                   |                      |
| Buildings and improvements                   | 2,679,306            | 205,530           |                   | 2,884,836            |
| Land Improvements                            | 1,247,471            | 127,904           |                   | 1,375,375            |
| Infrastructure                               | 9,109,829            | 690,660           | 569,225           | 9,231,264            |
| Machinery and equipment                      | 4,127,817            | 294,175           | 95,059            | 4,326,933            |
| Total accumulated depreciation               | <u>17,164,423</u>    | <u>1,318,269</u>  | <u>664,284</u>    | <u>17,818,408</u>    |
| Total capital assets, being depreciated, net | <u>25,576,495</u>    | <u>704,060</u>    | <u>552,515</u>    | <u>25,728,040</u>    |
| Governmental activities capital assets, net  | <u>\$ 30,208,303</u> | <u>\$ 705,013</u> | <u>\$ 552,515</u> | <u>\$ 30,360,801</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>              | <u>Beginning Balance</u> | <u>Increases</u>  | <u>Decreases</u> | <u>Ending Balance</u> |
|--|--------------------------|-------------------|------------------|-----------------------|
| Capital assets, not being depreciated:       |                          |                   |                  |                       |
| Land   | \$ 259,560               | \$                | \$               | \$ 259,560            |
| Construction in progress                     | 48,245                   | 13,254            |                  | 61,499                |
| Total capital assets, not being depreciated  | <u>307,805</u>           | <u>13,254</u>     |                  | <u>321,059</u>        |
| Capital assets, being depreciated:           |                          |                   |                  |                       |
| Buildings and improvements                   | 24,724,044               | 1,583,245         |                  | 26,307,289            |
| Machinery and equipment                      | 611,718                  |                   |                  | 611,718               |
| Total capital assets, being depreciated      | <u>25,335,762</u>        | <u>1,583,245</u>  |                  | <u>26,919,007</u>     |
| Less accumulated depreciation for:           |                          |                   |                  |                       |
| Buildings and improvements                   | 8,506,817                | 588,247           |                  | 9,095,064             |
| Machinery and equipment                      | 401,684                  | 34,963            |                  | 436,647               |
| Total accumulated depreciation               | <u>8,908,501</u>         | <u>623,210</u>    |                  | <u>9,531,711</u>      |
| Total capital assets, being depreciated, net | <u>16,427,261</u>        | <u>960,035</u>    |                  | <u>17,387,296</u>     |
| Business-type activities capital assets, net | <u>\$ 16,735,066</u>     | <u>\$ 973,289</u> | <u>\$</u>        | <u>\$ 17,708,355</u>  |

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

|                       |                     |
|-----------------------|---------------------|
| General government    | \$ 75,905           |
| Public safety         | 134,222             |
| Highways and streets  | 894,393             |
| Parks                 | 208,250             |
| Community development | <u>5,499</u>        |
| Total                 | <u>\$ 1,318,269</u> |

**Business-Type Activities:**

|                 |                   |
|-----------------|-------------------|
| Sewer and Water | <u>\$ 623,210</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, 2017 is as follows:

|                                | <u>Issue Date</u> | <u>Range of Interest Rates</u> | <u>Final Maturity</u> | <u>Balance 12/31/17</u>    |
|--------------------------------|-------------------|--------------------------------|-----------------------|----------------------------|
| General obligation bonds:      |                   |                                |                       |                            |
| 2007 A Improvement Bonds       | 10/17/2007        | 4.00% - 4.15%                  | 2023                  | \$ 410,000                 |
| 2009 A Improvement Bonds       | 7/21/2009         | 3.50% - 3.875%                 | 2020                  | 295,000                    |
| 2009 B Tax Abatement Bonds     | 11/5/2009         | 3.00%                          | 2020                  | 325,000                    |
| 2010 Capital Improvement Bonds | 8/19/2010         | 2.50%                          | 2018                  | 135,000                    |
| 2011 Improvement Bonds         | 11/9/2011         | 2.00% - 3.00%                  | 2027                  | 775,000                    |
| 2013 Crossover Refunding Bonds | 3/20/2013         | 0.85% - 1.15%                  | 2020                  | 3,660,000                  |
| Other Liabilities:             |                   |                                |                       |                            |
| Compensated Absences           |                   |                                |                       | 368,464                    |
| Unamortized premium            |                   |                                |                       | 15,353                     |
| Less: Unamortized (discount)   |                   |                                |                       | <u>(9,344)</u>             |
| <b>Total Long-term Debt</b>    |                   |                                |                       | <b><u>\$ 5,974,473</u></b> |

Liquidation of the compensated absences liability occurs within the department and fund (typically the General Fund for the governmental fund liability) 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, 2017:

|   | Beginning<br>Balance | Additions         | Reductions          | Ending<br>Balance   | Amounts<br>Due Within<br>One Year |
|---|----------------------|-------------------|---------------------|---------------------|-----------------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                    |                      |                   |                     |                     |                                   |
| Bonds and Notes and Contracts Payable:            |                      |                   |                     |                     |                                   |
| General obligation bonds:                         |                      |                   |                     |                     |                                   |
| 2007 A Improvement Bonds                          | \$ 485,000           | \$                | \$ 75,000           | \$ 410,000          | \$ 75,000                         |
| 2009 A Improvement Bonds                          | 390,000              |                   | 95,000              | 295,000             | 95,000                            |
| 2009 B Tax Abatement Bonds                        | 425,000              |                   | 100,000             | 325,000             | 105,000                           |
| 2010 Capital Improvement Bonds                    | 265,000              |                   | 130,000             | 135,000             | 135,000                           |
| 2011 Improvement Bonds                            | 885,000              |                   | 110,000             | 775,000             | 110,000                           |
| 2013 Crossover Refunding Bonds                    | 4,775,000            |                   | 1,115,000           | 3,660,000           | 1,160,000                         |
| Other Liabilities:                                |                      |                   |                     |                     |                                   |
| Compensated Absences                              | 322,204              | 163,532           | 139,792             | 345,944             | 150,092                           |
| Unamortized premium                               | 20,546               |                   | 5,193               | 15,353              |                                   |
| Less: Unamortized (discount)                      | (13,696)             |                   | (4,352)             | (9,344)             |                                   |
| Governmental Activities<br>Long-term Liabilities  | <u>7,554,054</u>     | <u>163,532</u>    | <u>1,765,633</u>    | <u>5,951,953</u>    | <u>1,830,092</u>                  |
| <b>BUSINESS-TYPE ACTIVITIES</b>                   |                      |                   |                     |                     |                                   |
| Other Liabilities:                                |                      |                   |                     |                     |                                   |
| Compensated Absences                              | <u>26,814</u>        | <u>20,401</u>     | <u>24,695</u>       | <u>22,520</u>       | <u>20,740</u>                     |
| Business-Type Activities<br>Long-term Liabilities | <u>26,814</u>        | <u>20,401</u>     | <u>24,695</u>       | <u>22,520</u>       | <u>20,740</u>                     |
| Total   | <u>\$ 7,580,868</u>  | <u>\$ 183,933</u> | <u>\$ 1,790,328</u> | <u>\$ 5,974,473</u> | <u>\$ 1,850,832</u>               |

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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D. Long-Term Debt (continued)

The City has entered into a joint powers agreement with Independent School District Number 624 (ISD #624) to issue tax abatement bonds 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 Position. 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 Position for 50% of amounts expended for the project.

Debt Service Requirements

Debt service requirements to maturity for long-term debt, excluding compensated absences, as of December 31, 2017 were as follows:

| Year      | General Obligation Debt |                   |
|-----------|-------------------------|-------------------|
|           | Principal               | Interest          |
| 2018      | \$ 1,680,000            | \$ 83,058         |
| 2019      | 1,615,000               | 58,403            |
| 2020      | 1,675,000               | 32,636            |
| 2021      | 185,000                 | 16,341            |
| 2022      | 180,000                 | 10,913            |
| 2023-2027 | 265,000                 | 17,472            |
|           | <u>\$ 5,600,000</u>     | <u>\$ 218,823</u> |

**CITY OF HUGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**E. Tax Increment Districts**

The City of Hugo enters into property tax abatement agreements through the use of tax increment financing districts with local businesses under various Minnesota Statutes. Under these statutes, the City annually abates taxes collected above the districts' base tax capacity which is established during adoption of the tax increment district. These agreements are established to foster economic development and redevelopment through creating jobs, removing blight and providing affordable housing. The City uses Minnesota Statutes 469.001 to 469.047 and 469.174 to 469.179 (The Tax Increment Act) to create these districts.

The City of Hugo is the administering authority for the *City of Hugo Tax Increment Financing District, No. 1-1* and for the *City of Hugo Tax Increment Financing District, No. 1-2*. The districts are redevelopment type and authorized under Minnesota law chapter 469.174 to 469.179 (The Tax Increment Act). District No. 1-1 was certified in 1997 and will continue until December 31, 2023. District No. 1-2 was certified in 2010 and will continue until 2036.

Information regarding District No. 1-1 and 1-2 is as follows:

|  | <u>District No. 1-1</u> | <u>District No. 1-2</u> |
|--|-------------------------|-------------------------|
| Original net tax capacity                          | \$ 429                  | \$ 253,799              |
| Current net tax capacity                           | 82,356                  | 297,309                 |
| Captured net tax capacity:                         |                         |                         |
| Retained by authority                              | 81,927                  |                         |
| Total general obligation tax increment bond issued | 4,030,000               |                         |
| Amounts redeemed                                   | <u>4,030,000</u>        |                         |
| Outstanding bonds at December 31, 2017             | <u>\$</u>               | <u>\$</u>               |

The City did not abate any property taxes related to these tax increment districts during the year ended December 31, 2017.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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F. Interfund Transfers

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 utility fund were used to finance various infrastructure projects in the City projects funds.

Interfund transfers during the year ended December 31, 2017 were as follows:

|                                    | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------------|---------------------|----------------------|
| Major Governmental Funds:          |                     |                      |
| General                            | \$                  | \$ 1,026,065         |
| General Obligation Bonds           | 216,985             |                      |
| Property and Equipment Acquisition | 901,065             |                      |
| Public Improvements                | 125,000             |                      |
| Non-Major Governmental Funds:      |                     |                      |
| Abatement Levy Offset              |                     | 109,425              |
| Total Governmental Funds           | <u>1,243,050</u>    | <u>1,135,490</u>     |
| Proprietary Funds:                 |                     |                      |
| Water and Sewer Utility Fund       |                     | <u>107,560</u>       |
| Total All Funds                    | <u>\$ 1,243,050</u> | <u>\$ 1,243,050</u>  |

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Fund Equity

The City has committed and assigned portions of fund equity in the governmental funds. A summary at December 31, 2017 is as follows:

|  | Special Park        | Abatement<br>Levy Offset | Compensated<br>Absences | Firefighter's<br>Relief | Public<br>Improvements | Property and<br>Equipment<br>Acquisition |
|--|---------------------|--------------------------|-------------------------|-------------------------|------------------------|--|
| <b>Committed</b>                       |                     |                          |                         |                         |                        |  |
| Park improvement                       | \$ 1,346,601        | \$                       | \$                      | \$                      | \$                     | \$                                       |
| Bond principal retirement              |                     | 270,240                  |                         |                         |                        |  |
| Compensated absences                   |                     |                          | 480,611                 |                         |                        |  |
| <b>Total Committed</b>                 | <b>\$ 1,346,601</b> | <b>\$ 270,240</b>        | <b>\$ 480,611</b>       | <b>\$</b>               | <b>\$</b>              | <b>\$</b>                                |
| <b>Assigned</b>                        |                     |                          |                         |                         |                        |  |
| Municipal contributions to fire relief | \$                  | \$                       | \$                      | \$ 88,449               | \$                     | \$                                       |
| Public improvements                    |                     |                          |                         |                         | 4,569,788              |  |
| Property and equipment acquisition     |                     |                          |                         |                         |                        | 5,118,420                                |
| <b>Total Assigned</b>                  | <b>\$</b>           | <b>\$</b>                | <b>\$</b>               | <b>88,449</b>           | <b>4,569,788</b>       | <b>5,118,420</b>                         |

The City has restricted portions of fund balance in the fund financial statements and fund equity in the government-wide financial statements. The restricted fund balance / equity represents the portion not available for expenditure or legally segregated for specific future use. A summary of the restricted portion of the fund balance / equity at December 31, 2017 is as follows:

| Specific Purpose                     | Restriction Imposed By |           |                     |                   |
|--------------------------------------|------------------------|-----------|---------------------|-------------------|
|                                      | Contributors           | Grantors  | Creditors           | Regulations       |
| <b>Restricted Fund Balance</b>       |                        |           |                     |                   |
| Debt Service Funds:                  |                        |           |                     |                   |
| Debt service requirements            | \$                     | \$        | \$ 2,564,944        | \$                |
| TIF Capital Project Fund:            |                        |           |                     |                   |
| Tax increment financing plan         |                        |           |                     | 411,460           |
| <b>Total Restricted Fund Balance</b> | <b>\$</b>              | <b>\$</b> | <b>\$ 2,564,944</b> | <b>\$ 411,460</b> |
| <b>Restricted Net Position</b>       |                        |           |                     |                   |
| Debt service requirements            | \$                     | \$        | \$ 4,552,931        | \$                |
| Tax increment financing plan         |                        |           |                     | 411,460           |
| <b>Total Restricted Net Position</b> | <b>\$</b>              | <b>\$</b> | <b>\$ 4,552,931</b> | <b>\$ 411,460</b> |

**CITY OF HUGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information**

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**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:**

Although the City is occasionally involved in litigation, management was unaware of any pending lawsuits in which the City was involved as of December 31, 2017. It is the opinion of management that any potential claim regarding any lawsuits against the City would be covered by the liability insurance of the City and that any potential claim against the City would not materially affect the financial statements.

**Law Enforcement Services Contract:**

The City has contracted with Washington County to provide police services for 2018 at an hourly rate. Total fees for law enforcement services are estimated to be approximately \$1,022,000. The City can cancel the contract with a 180 day notice.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Pension Plans

1. Public Employees Retirement Association (PERA) - Defined Benefit

A. Plan Description

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

All full-time and certain part-time employees of the City of Hugo are covered by the General Employees Plan. General Employees Plan 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraph 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.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of 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 ten 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 ten years and 1.7 percent for each remaining year.



CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

A. Plan Description (continued)

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 members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

B. Contributions

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017 were \$123,397. The City's contributions were equal to the required contributions as set by state statute.

C. Pension Costs

At December 31, 2017, the City reported a liability of \$1,595,984 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$20,065. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, **2016** through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was .0250 percent which was an increase of .0002 percent from its proportion measured as of June 30, **2016**.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

C. Pension Costs (continued)

For the year ended December 31, 2017, the City recognized pension expense of \$83,805 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$580 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience   | \$  | \$ 48,992                                    |
| Changes in actuarial assumptions                              | 102,850                                       |  |
| Difference between projected and actual investment earnings   | 7,321   |  |
| Changes in proportion   |   | 18,801                                       |
| Contributions paid to PERA subsequent to the measurement date | <u>62,001</u>                                 |  |
| Total   | <u>\$ 172,172</u>                             | <u>\$ 67,793</u>                             |

\$62,001 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

C. Pension Costs (Continued)

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

| <u>Year ending December 31:</u> | <u>Pension Expense<br/>Amount</u> |
|---------------------------------|-----------------------------------|
| 2018                            | \$ 38,391                         |
| 2019                            | 98,484                            |
| 2020                            | (26,751)                          |
| 2021                            | (67,746)                          |

D. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

|                              |                |
|------------------------------|----------------|
| Inflation                    | 2.50% per year |
| Active Member Payroll Growth | 3.25% per year |
| Investment Rate of Return    | 7.50%          |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1 percent per year through 2044 and then 2.5 percent for all future years.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

D. Actuarial Assumptions (continued)

The following changes in actuarial assumptions occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

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

| <b>Asset Class</b>   | <b>Target Allocation</b> | <b>Long-Term Expected<br/>Real Rate of Return</b> |
|----------------------|--------------------------|---|
| Domestic Stocks      | 39%                      | 5.10%   |
| International Stocks | 19%                      | 5.30%   |
| Bonds                | 20%                      | 0.75%   |
| Alternative Assets   | 20%                      | 5.90%   |
| Cash                 | 2%                       | 0.0%  |
| Total                | <hr/> 100%               |   |

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Pension Liability Sensitivity

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

|                       | <u>General Employees Fund</u> |              |
|-----------------------|-------------------------------|--------------|
| 1% Lower              | 6.50%                         | \$ 2,475,489 |
| Current Discount Rate | 7.50%                         | 1,595,984    |
| 1% Higher             | 8.50%                         | 875,949      |

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**CITY OF HUGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information (Continued)**

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**C. Pension Plans (Continued)**

**2. Hugo Firefighter's Relief Association**

**A. Plan Description**

The Hugo Firefighter's Relief Association administers a single-employer defined benefit pension plan (the Plan) available to volunteer firefighters. As of December 31, 2017, the plan covered 28 active firefighters and 6 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 424 A. The December 31, 2017 information is the latest reported for this Plan.

**B. Benefits Provided**

Volunteer firefighters for the City are members of the Hugo Firefighter's Relief Association. Association members are eligible to receive a lump sum benefit after 20 years of service with a minimum retirement age of 50. Currently retirees receive a benefit of \$3,500 for every year of service. These benefit provisions and all other requirements are consistent with State statutes. Volunteers of the fire department are not required to contribute to the relief association. Members with 10 years of service receive partial vesting at 60% of the 20-year rate and 4% added for every one year of service beyond ten years up to 20 years.

**C. Contributions**

The Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes, and voluntary City contributions. The State of Minnesota contributed \$82,615 in state aid to the plan on behalf of the Association for the year ended December 31, 2017, which was recorded as revenue. The City levies property taxes for the benefit of the Association and passes through state aids allocated to the plan, all in accordance with State statutes. During 2017, at the Association's direction, the City did not levy any property taxes to be paid to the Association.

**D. Pension Costs**

At December 31, 2017, the City reported a net pension asset of \$688,736 for the plan. The net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by applying an actuarial formula to specific census data certified by the fire department as of December 31, 2017.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association

D. Pension Costs (continued)

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

|                               | Total<br>Pension<br>Liability (a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(Asset) (a-b) |
|-------------------------------|-----------------------------------|--|---|
| Beginning Balance 12/31/16    | \$ 810,616                        | \$ 1,322,467                             | \$ (511,851)                              |
| Changes for the Year          |                                   |  |   |
| Service cost                  | 38,841                            |  | 38,841                                    |
| Interest on pension liability | 53,682                            |  | 53,682                                    |
| Plan changes                  | 30,828                            |  | 30,828                                    |
| Contributions (state)         |                                   | 82,615                                   | (82,615)                                  |
| Net investment income         |                                   | 229,871                                  | (229,871)                                 |
| Benefit payments              | (47,146)                          | (47,146)                                 |   |
| Administrative expenses       |                                   | (12,250)                                 | 12,250                                    |
| Net Changes                   | 76,205                            | 253,090                                  | (176,885)                                 |
| Balance End of Year 12/31/17  | \$ 886,821                        | \$ 1,575,557                             | \$ (688,736)                              |

During 2017, the benefit level for participants changed from \$3,300 to \$3,500 per year. For the year ended December 31, 2017, the City recognized pension expense (benefit) of \$(96,232).

At December 31, 2017, the Association reported deferred inflows of resources and deferred outflows of resources related to pension from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between projected and actual<br>investment earnings | \$ 19,587                            | \$ 56,396                           |
| Changes in actuarial assumptions                               | 4,179                                |                                     |
| Total  | \$ 23,766                            | \$ 56,396                           |

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association

D. Pension Costs (continued)

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

| <u>Year ending June 30:</u> | <u>Pension Expense<br/>Amount</u> |
|-----------------------------|-----------------------------------|
| 2018                        | \$ 668                            |
| 2019                        | 670                               |
| 2020                        | 2,913                             |
| 2021                        | (10,776)                          |
| Thereafter                  | (26,105)                          |

E. Actuarial Assumptions

The total pension liability at December 31, 2017 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.50%
- Inflation rate 0%

F. Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions to the Plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association

G. Pension Liability Sensitivity

The following presents the City's net pension asset for the Association's plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

|                                  | <u>1% Decrease<br/>in Discount<br/>Rate (5.50%)</u> | <u>Discount Rate<br/>(6.50%)</u> | <u>1% Increase in<br/>Discount Rate<br/>(7.50%)</u> |
|----------------------------------|---|----------------------------------|---|
| Net pension liability (asset) \$ | (670,984)   | \$ (688,736)                     | \$ (705,467)  |

H. Plan Investments

1. Investment Policy

All investments undertaken by the plan are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association

H. Plan Investments (Continued)

2. Asset Allocation

The long-term target asset allocation and long-term expected real rate of return is the following:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Cash               | 5.00%                    | 2.25%   |
| Fixed income       | 17.00%                   | 3.30%   |
| Equities           | 75.00%                   | 7.50%   |
| Other              | 3.00%                    | 6.00%   |
| Total              | 100%                     | 6.50%   |

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

3. Description of significant investment policy changes during the year

The Association made no significant changes to their investment policy during the year ended December 31, 2017.

I. Pension Plan Fiduciary Net Position

Detailed information about the Hugo Firefighter's Relief Association plan's fiduciary net position as of December 31, 2017 is available in a separately-issued financial report that includes financial statements and required supplementary information.

**CITY OF HUGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Other Information (Continued)**

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D. 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, 2017.

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**CITY OF HUGO, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2017**

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**CITY OF HUGO**  
**Schedule of City Contributions**  
**PERA General Employees Retirement Plan**  
**December 31, 2017**

| Year Ended December 31 | Contributions<br>in Relation to                |  |  | Contributions as a<br>Percentage of<br>Covered Payroll<br>(b/d) |                        |
|------------------------|--|--|--|---|------------------------|
|                        | Statutorily<br>Required<br>Contribution<br>(a) | Statutorily<br>Required<br>Contribution<br>(b) | Contribution<br>Deficiency<br>(Excess) (a-b) |   | Covered<br>Payroll (d) |
| 2014                   | \$ 103,560                                     | \$ 103,560                                     | \$   | \$ 1,428,404  | 7.3%                   |
| 2015                   | 111,569  | 111,569  |  | 1,487,583   | 7.5%                   |
| 2016                   | 117,578  | 117,578  |  | 1,567,687   | 7.5%                   |
| 2017                   | 123,397  | 123,397  |  | 1,645,287   | 7.5%                   |
| 2018                   |  |  |  |   |                        |
| 2019                   |  |  |  |   |                        |
| 2020                   |  |  |  |   |                        |
| 2021                   |  |  |  |   |                        |
| 2022                   |  |  |  |   |                        |
| 2023                   |  |  |  |   |                        |

**CITY OF HUGO**  
**Schedule of Proportionate Share of Net Pension Liability**  
**PERA General Employees Retirement Plan**  
**December 31, 2017**

| Fiscal<br>Year<br>Ended<br>June 30 | City's<br>Proportionate<br>Share<br>(Percentage)<br>of the Net<br>Pension<br>Liability<br>(Asset) | City's<br>Proportionate<br>Share<br>(Amount) of<br>the Net<br>Pension<br>Liability<br>(Asset) (a) | State's<br>Proportionate<br>Share (Amount)<br>of the Net<br>Pension Liability<br>Associated with<br>the City (b) | City's<br>Proportionate<br>Share of the Net<br>Pension Liability<br>and the State's<br>Proportionate<br>Share of the Net<br>Pension Liability<br>Associated with<br>the City (a+b) | City's Covered<br>Payroll (c) | City's<br>Proportionate<br>Share of the Net<br>Pension Liability<br>(Asset) as a<br>Percentage of its<br>Covered Payroll<br>((a+b)/c) | Plan Fiduciary<br>Net Position as a<br>Percentage of the<br>Total Pension<br>Liability |
|------------------------------------|---|---|--|--|-------------------------------|---|--|
|                                    |   |   |  |  |                               |   |  |
| 2015                               | 0.0245%   | 1,269,717   |  | 1,269,717  | 1,487,583                     | 85.4%   | 78.2%  |
| 2016                               | 0.0248%   | 2,013,637   | 26,274   | 2,039,911  | 1,567,687                     | 130.1%  | 68.9%  |
| 2017                               | 0.0250%   | 1,595,984   | 20,065   | 1,616,049  | 1,645,287                     | 98.2%   | 75.9%  |
| 2018                               |   |   |  |  |                               |   |  |
| 2019                               |   |   |  |  |                               |   |  |
| 2020                               |   |   |  |  |                               |   |  |
| 2021                               |   |   |  |  |                               |   |  |
| 2022                               |   |   |  |  |                               |   |  |
| 2023                               |   |   |  |  |                               |   |  |

Note: These schedules are intended to provide information for ten years. The City will include that information as it becomes available.

**CITY OF HUGO, MINNESOTA**  
**Schedule of Funding Progress for the Fire Relief Association**  
**December 31, 2017**

| <u>Actuarial<br/>Valuation Date</u> | <u>Actuarial Accrued<br/>Liability (AAL)<br/>Valuation of Plan<br/>Assets (a)</u> | <u>Actuarial<br/>Valuation of Plan<br/>Assets (b)</u> | <u>Net Pension<br/>Liability (Asset)<br/>(a-b)</u> |
|-------------------------------------|---|---|--|
| 12/31/2015                          | \$ 811,636  | \$ 1,185,873  | \$ (374,237)                                       |
| 12/31/2016                          | 810,616   | 1,322,467   | (511,851)  |
| 12/31/2017                          | 886,821   | 1,575,557   | (688,736)  |
| 12/31/2018                          |   |   |  |
| 12/31/2019                          |   |   |  |
| 12/31/2020                          |   |   |  |
| 12/31/2021                          |   |   |  |
| 12/31/2022                          |   |   |  |
| 12/31/2023                          |   |   |  |
| 12/31/2024                          |   |   |  |

**CITY OF HUGO, MINNESOTA**  
**Schedule of Employer Contributions for the Fire Relief Association**  
**December 31, 2017**

| <u>Year Ended<br/>December 31</u> | <u>Actuarially<br/>determined<br/>contributions (a)</u> | <u>Actual<br/>contributions<br/>paid (b)</u> | <u>Contributions<br/>deficiency<br/>(excess) (a-b)</u> |
|-----------------------------------|---|--|--|
| 2015                              | \$  | \$   | \$   |
| 2016                              |   |  |  |
| 2017                              |   |  |  |
| 2018                              |   |  |  |
| 2019                              |   |  |  |
| 2020                              |   |  |  |
| 2021                              |   |  |  |
| 2022                              |   |  |  |
| 2023                              |   |  |  |
| 2024                              |   |  |  |

Note: These schedules are intended to provide information for ten years. The City will include that information as it becomes available.



**CITY OF HUGO, MINNESOTA**  
**COMBINING AND INDIVIDUAL FUND**  
**STATEMENTS AND SCHEDULES**  
**December 31, 2017**

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**CITY OF HUGO, MINNESOTA**

**NONMAJOR FUNDS**

**December 31, 2017**

**SPECIAL REVENUE FUNDS**

**Special Park Fund:**

This 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.

**Firefighter's Relief Fund:**

This fund was established by City Council resolution to set aside funds for municipal contributions to the Hugo Firefighter's Relief Association.

**Tax Increment Financing Collection Fund:**

This fund is an accumulation of tax increment proceeds and land sales.

**DEBT SERVICE FUNDS**

**Abatement Levy Offset Fund:**

This fund is used to offset the property tax levies required to retire certain bonds issued by the City.

**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.

**CITY OF HUGO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2017**

|  | Special Revenue      |                                 |   | Debt Service                |                         | Total Nonmajor<br>Governmental<br>Funds |
|--|----------------------|---------------------------------|---|-----------------------------|-------------------------|---|
|  | Special<br>Park Fund | Firefighter's<br>Relief<br>Fund | Tax Increment<br>Financing<br>Collection Fund | Abatement<br>Levy<br>Offset | Compensated<br>Absences |   |
| <b>Assets</b>  |                      |                                 |   |                             |                         |   |
| Cash and investments   | \$ 1,345,058         | \$ 88,340                       | \$ 410,938                                    | \$ 269,840                  | \$ 479,942              | \$ 2,594,118                            |
| Receivables (Net of Allowance<br>for Uncollectibles)                             |                      |                                 |   |                             |                         |   |
| Accrued interest   | 1,543                | 109                             | 522   | 400                         | 669                     | 3,243                                   |
| Taxes  | 1,371                | 193                             |   |                             |                         | 1,564                                   |
| <b>TOTAL ASSETS</b>  | <b>\$ 1,347,972</b>  | <b>\$ 88,642</b>                | <b>\$ 411,460</b>                             | <b>\$ 270,240</b>           | <b>\$ 480,611</b>       | <b>\$ 2,598,925</b>                     |
| <b>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balance</b>          |                      |                                 |   |                             |                         |   |
| <b>Deferred Inflows of Resources</b>   |                      |                                 |   |                             |                         |   |
| Unavailable revenue:   |                      |                                 |   |                             |                         |   |
| Property Taxes   | \$ 1,371             | \$ 193                          | \$  | \$                          | \$                      | \$ 1,564                                |
| <b>Fund Balance</b>  |                      |                                 |   |                             |                         |   |
| Fund Balance   |                      |                                 |   |                             |                         |   |
| Restricted   |                      |                                 | 411,460                                       |                             |                         | 411,460                                 |
| Committed  | 1,346,601            |                                 |   | 270,240                     | 480,611                 | 2,097,452                               |
| Assigned   |                      | 88,449                          |   |                             |                         | 88,449                                  |
| Total Fund Balance   | 1,346,601            | 88,449                          | 411,460                                       | 270,240                     | 480,611                 | 2,597,361                               |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES<br/>AND FUND BALANCE</b> | <b>\$ 1,347,972</b>  | <b>\$ 88,642</b>                | <b>\$ 411,460</b>                             | <b>\$ 270,240</b>           | <b>\$ 480,611</b>       | <b>\$ 2,598,925</b>                     |

**CITY OF HUGO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

|  | Special Revenue      |                                 |   | Debt Service                |                         | Total Nonmajor<br>Governmental<br>Funds |
|--|----------------------|---------------------------------|---|-----------------------------|-------------------------|---|
|  | Special<br>Park Fund | Firefighter's<br>Relief<br>Fund | Tax Increment<br>Financing<br>Collection Fund | Abatement<br>Levy<br>Offset | Compensated<br>Absences |   |
| <b>REVENUES</b>  |                      |                                 |   |                             |                         |   |
| Property taxes   | \$ 94,615            | \$ 13,690                       | \$ 77,885                                     | \$                          | \$                      | \$ 186,190                              |
| Intergovernmental revenues                                   | 205                  | 30                              |   |                             |                         | 235                                     |
| Other Revenue  |                      |                                 |   |                             |                         |   |
| Investment earnings  | 8,979                | 655                             | 3,159   | 2,481                       | 4,080                   | 19,354                                  |
| Net (decrease) in the fair value<br>of investments           | (819)                | (60)                            | (288)   | (226)                       | (372)                   | (1,765)                                 |
| Rent   | 8,950                |                                 |   |                             |                         | 8,950                                   |
| Developer fees   | 271,367              |                                 |   |                             |                         | 271,367                                 |
| <b>TOTAL REVENUES</b>  | <b>383,297</b>       | <b>14,315</b>                   | <b>80,756</b>                                 | <b>2,255</b>                | <b>3,708</b>            | <b>484,331</b>                          |
| <b>EXPENDITURES</b>  |                      |                                 |   |                             |                         |   |
| Capital outlay   | 46,974               |                                 | 65,195  |                             |                         | 112,169                                 |
| Excess (deficiency) of revenues<br>over (under) expenditures | 336,323              | 14,315                          | 15,561  | 2,255                       | 3,708                   | 372,162                                 |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>                    |                      |                                 |   |                             |                         |   |
| Transfers out  |                      |                                 |   | (109,425)                   |                         | (109,425)                               |
| <b>Net change in fund balances</b>                           | <b>336,323</b>       | <b>14,315</b>                   | <b>15,561</b>                                 | <b>(107,170)</b>            | <b>3,708</b>            | <b>262,737</b>                          |
| <b>FUND BALANCES, beginning</b>                              | <b>1,010,278</b>     | <b>74,134</b>                   | <b>395,899</b>                                | <b>377,410</b>              | <b>476,903</b>          | <b>2,334,624</b>                        |
| <b>FUND BALANCES, ending</b>                                 | <b>\$ 1,346,601</b>  | <b>\$ 88,449</b>                | <b>\$ 411,460</b>                             | <b>\$ 270,240</b>           | <b>\$ 480,611</b>       | <b>\$ 2,597,361</b>                     |

**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, 2017**

|  | <u>Budgeted Amounts</u> |                    | Actual             | Variance with                              |
|--|-------------------------|--------------------|--------------------|--|
|  | Original                | Final              |                    | Final Budget<br>Favorable<br>(Unfavorable) |
| <b>REVENUES</b>                                    |                         |                    |                    |  |
| Property taxes                                     | \$ 94,922               | \$ 94,922          | \$ 94,615          | \$ (307)                                   |
| Intergovernmental revenues                         |                         |                    | 205                | 205  |
| Other revenues                                     |                         |                    |                    |  |
| Investment earnings                                |                         |                    | 8,979              | 8,979                                      |
| Net (decrease) in the fair value<br>of investments |                         |                    | (819)              | (819)                                      |
| Rent   | 8,950                   | 8,950              | 8,950              |  |
| Developer fees                                     |                         |                    | 271,367            | 271,367                                    |
| <b>Total Revenues</b>                              | <u>103,872</u>          | <u>103,872</u>     | <u>383,297</u>     | <u>279,425</u>                             |
| <b>EXPENDITURES</b>                                |                         |                    |                    |  |
| Capital Outlay                                     |                         |                    |                    |  |
| Trail and amenity development                      | 100,000                 | 100,000            |                    | 100,000                                    |
| Park improvements                                  |                         |                    | 40,886             | (40,886)                                   |
| Heritage Ponds Park                                |                         |                    | 1,035              | (1,035)                                    |
| Lions Park   |                         |                    | 982                | (982)                                      |
| Bernin property                                    | 4,828                   | 4,828              | 4,071              | 757  |
| <b>Total Expenditures</b>                          | <u>104,828</u>          | <u>104,828</u>     | <u>46,974</u>      | <u>57,854</u>                              |
| <b>Net Change in Fund Balances</b>                 | (956)                   | (956)              | 336,323            | 337,279                                    |
| <b>Fund Balance, January 1</b>                     | <u>1,010,278</u>        | <u>1,010,278</u>   | <u>1,010,278</u>   |  |
| <b>Fund Balance, December 31</b>                   | <u>\$1,009,322</u>      | <u>\$1,009,322</u> | <u>\$1,346,601</u> | <u>\$ 337,279</u>                          |

**CITY OF HUGO, MINNESOTA  
FIREFIGHTER'S RELIEF FUND  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2017**

|  | <u>Budgeted Amounts</u> |                  | Actual           | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|--|-------------------------|------------------|------------------|---|
|  | Original                | Final            |                  |   |
| <b>REVENUES</b>                                    |                         |                  |                  |   |
| Property taxes                                     | \$ 13,742               | \$ 13,742        | \$ 13,690        | \$ (52)   |
| Intergovernmental revenues                         |                         |                  | 30               | 30  |
| Other revenues                                     |                         |                  |                  |   |
| Investment earnings                                |                         |                  | 655              | 655   |
| Net (decrease) in the fair value<br>of investments |                         |                  | (60)             | (60)  |
| <b>Total Revenues</b>                              | <u>13,742</u>           | <u>13,742</u>    | <u>14,315</u>    | <u>573</u>  |
| <b>Net Change in Fund Balances</b>                 | 13,742                  | 13,742           | 14,315           | 573   |
| <b>Fund Balance, January 1</b>                     | <u>74,134</u>           | <u>74,134</u>    | <u>74,134</u>    |   |
| <b>Fund Balance, December 31</b>                   | <u>\$ 87,876</u>        | <u>\$ 87,876</u> | <u>\$ 88,449</u> | <u>\$ 573</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, 2017**

|  | Budgeted Amounts |            | Actual     | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|--|------------------|------------|------------|---|
|  | Original         | Final      |            |   |
| <b>REVENUES</b>                                    |                  |            |            |   |
| Property taxes                                     | \$ 80,416        | \$ 80,416  | \$ 77,885  | \$ (2,531)  |
| Other revenues                                     |                  |            |            |   |
| Investment earnings                                |                  |            | 3,159      | 3,159   |
| Net (decrease) in the fair value<br>of investments |                  |            | (288)      | (288)   |
| <b>Total Revenues</b>                              | 80,416           | 80,416     | 80,756     | 340   |
| <b>EXPENDITURES</b>                                |                  |            |            |   |
| Capital outlay                                     | 64,703           | 64,703     | 65,195     | (492)   |
| Excess of revenues over expenditure                | 15,713           | 15,713     | 15,561     | (152)   |
| <b>Other Financing Sources (Uses)</b>              |                  |            |            |   |
| Transfers Out                                      | (19,734)         | (19,734)   |            | 19,734  |
| <b>Net Change in Fund Balances</b>                 | (4,021)          | (4,021)    | 15,561     | 19,582  |
| <b>Fund Balance, January 1</b>                     | 395,899          | 395,899    | 395,899    |   |
| <b>Fund Balance, December 31</b>                   | \$ 391,878       | \$ 391,878 | \$ 411,460 | \$ 19,582   |



**CITY OF HUGO, MINNESOTA**  
**ABATEMENT LEVY OFFSET**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2017**

|  | Budgeted Amounts |            | Actual     | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|--|------------------|------------|------------|---|
|  | Original         | Final      |            |   |
| <b>REVENUES</b>                                    |                  |            |            |   |
| Other revenues                                     |                  |            |            |   |
| Investment earnings                                | \$               | \$         | \$ 2,481   | \$ 2,481  |
| Net (decrease) in the fair value<br>of investments |                  |            | (226)      | (226)   |
|  |                  |            |            |   |
| <b>Total Revenues</b>                              |                  |            | 2,255      | 2,255   |
| <b>Other Financing Sources (Uses)</b>              |                  |            |            |   |
| Transfers out                                      | (109,425)        | (109,425)  | (109,425)  |   |
|  |                  |            |            |   |
| <b>Net Change in Fund Balances</b>                 | (109,425)        | (109,425)  | (107,170)  | 2,255   |
| <b>Fund Balance, January 1</b>                     | 377,410          | 377,410    | 377,410    |   |
|  |                  |            |            |   |
| <b>Fund Balance, December 31</b>                   | \$ 267,985       | \$ 267,985 | \$ 270,240 | \$ 2,255  |
|  |                  |            |            |   |

**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, 2017**

|  | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| <b>REVENUES</b>  |                     |                     |                     |   |
| Property taxes   | \$ 606,793          | \$ 606,793          | \$ 605,997          | \$ (796)  |
| Special assessments  | 90,509              | 90,509              | 122,119             | 31,610  |
| Intergovernmental revenue                                    | 495,090             | 495,090             | 496,404             | 1,314   |
| Other revenues   |                     |                     |                     |   |
| Investment earnings  |                     |                     | 17,230              | 17,230  |
| Net (decrease) in the fair value<br>of investments           |                     |                     | (1,571)             | (1,571)   |
| <b>Total Revenues</b>  | <b>1,192,392</b>    | <b>1,192,392</b>    | <b>1,240,179</b>    | <b>47,787</b>   |
| <b>EXPENDITURES</b>  |                     |                     |                     |   |
| Debt service   |                     |                     |                     |   |
| Principal retirement   | 1,625,000           | 1,625,000           | 1,625,000           |   |
| Interest on bonds  | 106,245             | 106,245             | 106,245             |   |
| Fiscal charges   | 25,275              | 25,275              | 8,875               | 16,400  |
| <b>Total Expenditures</b>                                    | <b>1,756,520</b>    | <b>1,756,520</b>    | <b>1,740,120</b>    | <b>16,400</b>   |
| Excess (deficiency) of revenues<br>over (under) expenditures | (564,128)           | (564,128)           | (499,941)           | 64,187  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |   |
| Transfers in   | 216,985             | 216,985             | 216,985             |   |
| <b>Net Change in Fund Balances</b>                           | <b>(347,143)</b>    | <b>(347,143)</b>    | <b>(282,956)</b>    | <b>64,187</b>   |
| <b>Fund Balance, January 1</b>                               | <b>2,847,900</b>    | <b>2,847,900</b>    | <b>2,847,900</b>    |   |
| <b>Fund Balance, December 31</b>                             | <b>\$ 2,500,757</b> | <b>\$ 2,500,757</b> | <b>\$ 2,564,944</b> | <b>\$ 64,187</b>  |

**CITY OF HUGO, MINNESOTA  
 COMPENSATED ABSENCES  
 Schedule of Revenues, Expenditures  
 and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2017**

|  | <u>Budgeted Amounts</u> |                   | Actual            | Variance with<br>Final Budget |
|--|-------------------------|-------------------|-------------------|-------------------------------|
|  | Original                | Final             |                   | Favorable<br>(Unfavorable)    |
| <b>REVENUES</b>                                    |                         |                   |                   |                               |
| Other revenues                                     |                         |                   |                   |                               |
| Investment earnings                                | \$                      | \$                | \$ 4,080          | \$ 4,080                      |
| Net (decrease) in the fair value<br>of investments |                         |                   | (372)             | (372)                         |
| <b>Total Revenues</b>                              |                         |                   | <u>3,708</u>      | <u>3,708</u>                  |
| <b>Net Change in Fund Balances</b>                 |                         |                   | 3,708             | 3,708                         |
| <b>Fund Balance, January 1</b>                     | 476,903                 | 476,903           | 476,903           |                               |
| <b>Fund Balance, December 31</b>                   | <u>\$ 476,903</u>       | <u>\$ 476,903</u> | <u>\$ 480,611</u> | <u>\$ 3,708</u>               |

Note: The City adopted a \$0 activity budget in this fund for the year ended December 31, 2017.

**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, 2017**

|  | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| <b>REVENUES</b>  |                     |                     |                     |   |
| Other revenues   |                     |                     |                     |   |
| Investment earnings  | \$                  | \$                  | \$ 36,785           | \$ 36,785   |
| Net increase in the fair value<br>of investments             |                     |                     | (3,355)             | (3,355)   |
| Rent   | 22,800              | 22,800              | 22,800              |   |
| <b>Total Revenues</b>  | <u>22,800</u>       | <u>22,800</u>       | <u>56,230</u>       | <u>33,430</u>   |
| <b>EXPENDITURES</b>  |                     |                     |                     |   |
| Capital outlay   |                     |                     |                     |   |
| Property and equipment acquisition                           | 465,000             | 465,000             | 232,774             | 232,226   |
| Miscellaneous  | 12,020              | 12,020              | 10,513              | 1,507   |
| <b>Total Expenditures</b>                                    | <u>477,020</u>      | <u>477,020</u>      | <u>243,287</u>      | <u>233,733</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures | (454,220)           | (454,220)           | (187,057)           | 267,163   |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |   |
| Transfers in   |                     |                     | 901,065             | 901,065   |
| <b>Net Change in Fund Balances</b>                           | (454,220)           | (454,220)           | 714,008             | 1,168,228   |
| <b>Fund Balance, January 1</b>                               | <u>4,404,412</u>    | <u>4,404,412</u>    | <u>4,404,412</u>    |   |
| <b>Fund Balance, December 31</b>                             | <u>\$ 3,950,192</u> | <u>\$ 3,950,192</u> | <u>\$ 5,118,420</u> | <u>\$ 1,168,228</u>   |

**CITY OF HUGO, MINNESOTA**  
**PROPRIETARY FUND**  
**Schedule of Revenues and Expenses - By Department**  
**For the Year Ended December 31, 2017**

|  | Water and Sewer Utility Fund |                     |                            | Totals              |
|--|------------------------------|---------------------|----------------------------|---------------------|
|  | Water<br>Department          | Sewer<br>Department | Construction<br>Department |                     |
| <b>Operating Revenue</b>                             |                              |                     |                            |                     |
| Sale of water  | \$ 894,832                   | \$                  | \$                         | \$ 894,832          |
| Meter sales  | 28,023                       |                     |                            | 28,023              |
| Sewer charges  |                              | 1,112,334           |                            | 1,112,334           |
| Total Operating Revenues                             | <u>922,855</u>               | <u>1,112,334</u>    |                            | <u>2,035,189</u>    |
| <b>Operating Expenses</b>                            |                              |                     |                            |                     |
| Compensation   | 189,820                      | 189,820             |                            | 379,640             |
| Engineering  | 20,690                       | 17,000              | 91,066                     | 128,756             |
| Electricity  | 87,551                       | 9,589               | 312                        | 97,452              |
| Repairs and maintenance                              | 212,298                      | 52,586              | 442,839                    | 707,723             |
| Sewer charges - MCES                                 |                              | 547,133             |                            | 547,133             |
| Depreciation   | 387,417                      | 235,793             |                            | 623,210             |
| Miscellaneous  | 65,886                       | 58,042              | 2,500                      | 126,428             |
| Total Operating Expenses                             | <u>963,662</u>               | <u>1,109,963</u>    | <u>536,717</u>             | <u>2,610,342</u>    |
| <b>Operating Income (Loss)</b>                       | <u>\$ (40,807)</u>           | <u>\$ 2,371</u>     | <u>\$ (536,717)</u>        | <u>(575,153)</u>    |
| <b>Other Revenue (Expense)</b>                       |                              |                     |                            |                     |
| Future infrastructure charges                        |                              |                     |                            | 632,260             |
| Rental income  |                              |                     |                            | 35,826              |
| Intergovernmental revenue                            |                              |                     |                            | 52,212              |
| Investment earnings                                  |                              |                     |                            | 166,647             |
| Net (decrease) in the fair value of investments      |                              |                     |                            | (15,199)            |
| Miscellaneous  |                              |                     |                            | 159,292             |
| Total Other Revenue (Expense)                        |                              |                     |                            | <u>1,031,038</u>    |
| <b>Net Income Before Transfers and Contributions</b> |                              |                     |                            | 455,885             |
| Capital contributions - special assessments          |                              |                     |                            | 45,529              |
| Noncash capital contributions                        |                              |                     |                            | 1,343,093           |
| Transfers  |                              |                     |                            | <u>(107,560)</u>    |
| <b>Change in Net Position</b>                        |                              |                     |                            | <u>\$ 1,736,947</u> |

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**CITY OF HUGO, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**December 31, 2017**

**CITY OF HUGO, MINNESOTA**  
**SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS**  
**December 31, 2017**

|  | Interest<br>Yield | Maturity | Book<br>Value |
|--|-------------------|----------|---------------|
| <b>CASH:</b>   |                   |          |               |
| Change funds   |                   | Open     | \$ 200        |
| Petty cash   |                   |          | 50            |
| Checking - US Bank                                     |                   | Open     | 269,997       |
| Total Cash   |                   |          | \$ 270,247    |
| <b>INVESTMENTS:</b>                                    |                   |          |               |
| Certificates of Deposit - Bank Prairie of Olathe KS CD | 0.900%            | 03/07/18 | 245,000       |
| - TCF National Bank CD                                 | 0.850%            | 03/08/18 | 245,000       |
| - Banc California of Irvine CA CD                      | 0.850%            | 03/15/18 | 245,000       |
| - Republic Bank of Chicago IL CD                       | 0.900%            | 03/15/18 | 245,000       |
| - S & T Bank of Indiana PA CD                          | 1.000%            | 03/15/18 | 245,000       |
| - BankUnited National Association CD                   | 0.900%            | 03/16/18 | 245,000       |
| - Wells Fargo Bank National Association CD             | 1.100%            | 04/13/18 | 244,788       |
| - ZBNA CD  | 1.200%            | 05/08/18 | 245,000       |
| - Bank of China of New York NY CD                      | 1.300%            | 06/15/18 | 245,000       |
| - State Bank India of New York NY CD                   | 1.300%            | 06/15/18 | 245,000       |
| - Investors Bank of Short Hills CD                     | 1.350%            | 06/21/18 | 245,000       |
| - Berkshire Bank of Pittsfield MA CD                   | 1.400%            | 08/28/18 | 245,000       |
| - State Bank India of Los Angeles CA CD                | 1.400%            | 08/28/18 | 245,000       |
| - Citizens Community Federal CD                        | 1.350%            | 08/29/18 | 245,000       |
| - Santander Bank National CD                           | 1.450%            | 08/30/18 | 245,000       |
| - Morgan Stanley Bank of Utah CD                       | 1.400%            | 08/31/18 | 245,000       |
| - Morgan Stanley Private Bank CD                       | 1.400%            | 08/31/18 | 245,000       |
| Total Certificates of Deposit                          |                   |          | \$ 4,164,788  |
| Money Market Funds - RBC Wealth Management             | 0.01%             | Open     | \$20,927,411  |
| Total Money Market Funds                               |                   |          | \$20,927,411  |
| <b>U.S. Government Securities:</b>                     |                   |          |               |
| Federal Farm Credit Bank                               | 3.150%            | 01/12/18 | 100,058       |
| Federal Farm Credit Bank                               | 1.040%            | 03/26/18 | 499,660       |
| Federal National Mortgage Association                  | 1.050%            | 03/27/18 | 259,784       |
| Federal Home Loan Mortgage                             | 0.950%            | 04/19/18 | 249,613       |
| Federal National Mortgage Association                  | 1.000%            | 04/30/18 | 499,185       |
| Federal Home Loan Banks                                | 1.040%            | 06/29/18 | 498,430       |
| Federal Farm Credit Bank                               | 1.000%            | 07/18/18 | 398,492       |
| Federal Home Loan Banks                                | 1.375%            | 08/15/19 | 498,605       |
| Federal Home Loan Mortgage                             | 1.250%            | 11/22/19 | 495,805       |
| Federal Home Loan Bank                                 | 1.500%            | 12/30/19 | 498,865       |
| Federal National Mortgage Association                  | 1.250%            | 12/30/19 | 497,205       |



**CITY OF HUGO, MINNESOTA**  
**SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS**  
**December 31, 2017**

|                                       | <b>Interest</b> |                 | <b>Book</b>                 |
|---------------------------------------|-----------------|-----------------|-----------------------------|
|                                       | <b>Yield</b>    | <b>Maturity</b> | <b>Value</b>                |
| <b>INVESTMENTS:</b>                   |                 |                 |                             |
| U.S. Government Securities:           |                 |                 |                             |
| Federal Home Loan Mortgage            | 1.125%          | 02/28/20        | 499,820                     |
| Federal Home Loan Mortgage            | 1.375%          | 05/22/20        | 99,467                      |
| Federal Home Loan Mortgage            | 1.500%          | 05/22/20        | 397,404                     |
| Federal Home Loan Mortgage            | 1.500%          | 05/28/20        | 497,300                     |
| Federal Home Loan Mortgage            | 1.375%          | 06/12/20        | 154,414                     |
| Federal Home Loan Bank                | 1.500%          | 06/29/20        | 499,135                     |
| Federal Home Loan Mortgage            | 1.000%          | 08/24/20        | 493,245                     |
| Federal Home Loan Mortgage            | 1.250%          | 10/29/20        | 394,716                     |
| Federal Home Loan Bank                | 1.625%          | 11/27/20        | 498,940                     |
| Federal Home Loan Mortgage            | 1.500%          | 05/28/21        | 494,800                     |
| Federal National Mortgage Association | 1.500%          | 06/30/21        | 486,330                     |
| Federal Home Loan Banks               | 1.000%          | 07/27/21        | 493,265                     |
| Federal Home Loan Mortgage            | 1.150%          | 08/24/21        | 492,710                     |
| Federal Home Loan Bank                | 1.250%          | 11/08/21        | 490,775                     |
| Federal Home Loan Bank                | 1.250%          | 11/23/21        | 494,290                     |
| Federal Home Loan Mortgage            | 2.000%          | 11/23/21        | 496,785                     |
| Federal Home Loan Banks               | 1.500%          | 12/21/21        | 544,885                     |
| Federal Home Loan Mortgage            | 1.750%          | 03/29/22        | 498,145                     |
| Federal Home Loan Mortgage            | 1.500%          | 05/09/22        | 497,280                     |
| Federal Home Loan Mortgage            | 1.500%          | 05/24/22        | 497,305                     |
| Federal Home Loan Mortgage            | 1.500%          | 06/15/22        | 498,275                     |
| Federal Home Loan Mortgage            | 1.500%          | 06/29/22        | 497,645                     |
| Federal Home Loan Bank                | 2.000%          | 11/25/22        | 498,470                     |
| Total U.S. Government Securities      |                 |                 | <u>\$ 15,011,103</u>        |
| Total Investments                     |                 |                 | <u>\$ 40,103,302</u>        |
| Total Cash and Investments            |                 |                 | <u><u>\$ 40,373,549</u></u> |

**CITY OF HUGO, MINNESOTA  
SCHEDULE OF DEBT SERVICE  
REQUIREMENTS - ALL FUNDS  
DECEMBER 31, 2017**

| Year | General Obligation Bonds and<br>Certificates |            |
|------|--|------------|
|      | Principal                                    | Interest   |
| 2018 | \$ 1,680,000                                 | \$ 83,058  |
| 2019 | 1,615,000                                    | 58,403     |
| 2020 | 1,675,000                                    | 32,636     |
| 2021 | 185,000                                      | 16,341     |
| 2022 | 180,000                                      | 10,913     |
| 2023 | 85,000                                       | 6,739      |
| 2024 | 45,000                                       | 4,658      |
| 2025 | 45,000                                       | 3,375      |
| 2026 | 45,000                                       | 2,025      |
| 2027 | 45,000                                       | 675        |
|      | \$ 5,600,000                                 | \$ 218,823 |

**CITY OF HUGO, MINNESOTA  
SCHEDULE OF BONDS PAYABLE  
DECEMBER 31, 2017**

|                                      | <u>Rates</u> | <u>Dates</u> | <u>Issue Date</u> | <u>Final Maturity<br/>Date</u> | <u>Annual Amount</u>                      | <u>Payment Years</u>                   | <u>Balance -<br/>Beginning of<br/>Year</u> | <u>Bonds<br/>Retired</u> | <u>Bonds<br/>Outstanding -<br/>End of Year</u> | <u>Paying<br/>Agent</u> |
|--------------------------------------|--------------|--------------|-------------------|--------------------------------|---|--|--|--------------------------|--|-------------------------|
| <b>G.O. Refunding Bonds</b>          |              |              |                   |                                |   |  |  |                          |  |                         |
| 2013 Crossover Refunding Bonds       | 0.85-1.15    | 2-1; 8-1     | 3/20/2013         | 2/1/2020                       | \$ 1,160,000<br>1,220,000<br>1,280,000    | 2018<br>2019<br>2020                   | \$4,775,000                                | \$1,115,000              | \$ 3,660,000                                   | 1                       |
| <b>G.O. Special Assessment Bonds</b> |              |              |                   |                                |   |  |  |                          |  |                         |
| 2011 Improvement Bonds               | 2.00-3.00    | 2-1; 8-1     | 11/9/2011         | 2/1/2027                       | \$ 110,000<br>115,000<br>40,000<br>45,000 | 2018-2021<br>2022<br>2023<br>2024-2027 | \$ 885,000                                 | \$ 110,000               | \$ 775,000                                     | 1                       |
| <b>G.O. Property Tax Bonds</b>       |              |              |                   |                                |   |  |  |                          |  |                         |
| 2010 Capital Improvement Bonds       | 2.50         | 2-1; 8-1     | 8/1/2010          | 2/1/2018                       | \$ 135,000                                | 2018                                   | \$ 265,000                                 | \$ 130,000               | \$ 135,000                                     | 1                       |
| <b>G.O. Special Assessment Bonds</b> |              |              |                   |                                |   |  |  |                          |  |                         |
| 2009A Improvement Bonds              | 3.50-3.875   | 2-1; 8-1     | 7/21/2009         | 2/1/2020                       | \$ 95,000<br>100,000                      | 2018<br>2019-2020                      | \$ 390,000                                 | \$ 95,000                | \$ 295,000                                     | 1                       |
| <b>G.O. Tax Abatement Bonds</b>      |              |              |                   |                                |   |  |  |                          |  |                         |
| 2009B Tax Abatement Bonds            | 3.00         | 2-1; 8-1     | 11/5/2009         | 2/1/2020                       | \$ 105,000<br>110,000                     | 2018<br>2019-2020                      | \$ 425,000                                 | \$ 100,000               | \$ 325,000                                     | 1                       |
| <b>G.O. Special Assessment Bonds</b> |              |              |                   |                                |   |  |  |                          |  |                         |
| 2007A Improvement Bonds              | 4.00-4.15    | 2-1; 8-1     | 10/17/2007        | 2/1/2023                       | \$ 75,000<br>65,000<br>45,000             | 2018-2021<br>2022<br>2023              | \$ 485,000                                 | \$ 75,000                | \$ 410,000                                     | 1                       |
| Paying Agents: 1 - U.S. Bank Trust   |              |              |                   |                                |   |  | Total Bonds Payable                        |                          | <u>\$ 5,600,000</u>                            |                         |

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**CITY OF HUGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**December 31, 2017**

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.

| <b><u>Content</u></b>  | <b><u>Page</u></b> |
|--|--------------------|
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.   | 84                 |
| <b>Revenue Capacity</b><br>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.   | 94                 |
| <b>Debt Capacity</b><br>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.                            | 101                |
| <b>Demographic and Economic Information</b><br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.                                    | 109                |
| <b>Operating Information</b><br>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. | 113                |

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF HUGO, MINNESOTA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(Accrual Basis of Accounting)

|   | <b>Fiscal Year</b>   |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          |
| Governmental activities                     |                      |                      |                      |
| Net investment in capital assets            | \$ 27,782,762        | \$ 26,906,049        | \$ 26,217,435        |
| Restricted                                  | 4,964,391            | 5,780,135            | 6,569,231            |
| Unrestricted                                | <u>11,241,242</u>    | <u>9,038,151</u>     | <u>6,209,056</u>     |
| Total governmental activities net position  | <u>\$ 43,988,395</u> | <u>\$ 41,724,335</u> | <u>\$ 38,995,722</u> |
| Business-type activities                    |                      |                      |                      |
| Net investment in capital assets            | \$ 17,708,355        | \$ 16,735,066        | \$ 16,679,906        |
| Restricted                                  |                      |                      |                      |
| Unrestricted                                | <u>20,602,289</u>    | <u>19,838,631</u>    | <u>18,934,340</u>    |
| Total business-type activities net position | <u>\$ 38,310,644</u> | <u>\$ 36,573,697</u> | <u>\$ 35,614,246</u> |
| Primary government                          |                      |                      |                      |
| Net investment in capital assets            | \$ 45,491,117        | \$ 43,641,115        | \$ 42,897,341        |
| Restricted                                  | 4,964,391            | 5,780,135            | 6,569,231            |
| Unrestricted                                | <u>31,843,531</u>    | <u>28,876,782</u>    | <u>25,143,396</u>    |
| Total primary government net position       | <u>\$ 82,299,039</u> | <u>\$ 78,298,032</u> | <u>\$ 74,609,968</u> |

Note: The City adopted GASB Statement No 65 in 2013. Amounts in this schedule prior to 2012 have not been restated for GASB Statement No. 65.

The City adopted GASB Statements No. 68 and 71 in 2015. Amounts in this schedule prior to 2015 have not been restated for GASB Statements No. 68 and 71.

## Schedule 1

| 2014                 | 2013                 | 2012                 | 2011                 | 2010                 | 2009                 | 2008                 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 23,454,304        | \$ 21,367,621        | \$ 21,481,371        | \$ 21,076,493        | \$ 22,085,591        | \$ 19,521,661        | \$ 20,958,423        |
| 7,022,529            | 13,519,890           | 8,465,178            | 3,380,316            |                      |                      |                      |
| 6,092,481            | (1,175,995)          | 3,835,653            | 8,416,890            | 10,776,350           | 11,217,879           | 7,923,894            |
| <u>\$ 36,569,314</u> | <u>\$ 33,711,516</u> | <u>\$ 33,782,202</u> | <u>\$ 32,873,699</u> | <u>\$ 32,861,941</u> | <u>\$ 30,739,540</u> | <u>\$ 28,882,317</u> |
| <br>                 |                      |                      |                      |                      |                      |                      |
| \$ 16,206,682        | \$ 15,928,980        | \$ 16,152,741        | \$ 15,987,237        | \$ 15,946,269        | \$ 13,768,023        | \$ 13,788,320        |
| 18,100,305           | 16,828,249           | 16,235,027           | 14,173,388           | 13,395,948           | 14,976,026           | 13,966,966           |
| <u>\$ 34,306,987</u> | <u>\$ 32,757,229</u> | <u>\$ 32,387,768</u> | <u>\$ 30,160,625</u> | <u>\$ 29,342,217</u> | <u>\$ 28,744,049</u> | <u>\$ 27,755,286</u> |
| <br>                 |                      |                      |                      |                      |                      |                      |
| \$ 39,660,986        | \$ 37,296,601        | \$ 37,634,112        | \$ 37,063,730        | \$ 38,031,860        | \$ 33,289,684        | \$ 34,746,743        |
| 7,022,529            | 13,519,890           | 8,465,178            | 3,380,316            |                      |                      |                      |
| 24,192,786           | 15,652,254           | 20,070,680           | 22,590,278           | 24,172,298           | 26,193,905           | 21,890,860           |
| <u>\$ 70,876,301</u> | <u>\$ 66,468,745</u> | <u>\$ 66,169,970</u> | <u>\$ 63,034,324</u> | <u>\$ 62,204,158</u> | <u>\$ 59,483,589</u> | <u>\$ 56,637,603</u> |

**CITY OF HUGO, MINNESOTA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(Accrual Basis of Accounting)

|   | <b>Fiscal Year</b>  |                     |                     |
|---|---------------------|---------------------|---------------------|
|   | 2017                | 2016                | 2015                |
| <b>Expenses</b>                                 |                     |                     |                     |
| Governmental activities:                        |                     |                     |                     |
| General government                              | \$ 1,276,421        | \$ 1,197,701        | \$ 1,122,799        |
| Public safety                                   | 1,853,038           | 1,557,907           | 1,766,538           |
| Highways and streets                            | 2,562,574           | 1,693,873           | 2,798,767           |
| Community development                           | 104,902             | 95,450              | 44,810              |
| Parks   | 695,431             | 691,817             | 629,830             |
| Interest on long-term debt                      | 105,337             | 120,457             | 245,855             |
| Total governmental activities expenses          | <u>6,597,703</u>    | <u>5,357,205</u>    | <u>6,608,599</u>    |
| Business-Type activities:                       |                     |                     |                     |
| Water and sewer                                 | 2,610,342           | 2,525,203           | 2,257,189           |
| Total primary government expenses               | <u>\$ 9,208,045</u> | <u>\$ 7,882,408</u> | <u>\$ 8,865,788</u> |
| <b>Program Revenues</b>                         |                     |                     |                     |
| Governmental activities:                        |                     |                     |                     |
| Charges for services:                           |                     |                     |                     |
| General government                              | \$ 830,442          | \$ 685,861          | \$ 533,119          |
| Public safety                                   | 37,141              | 37,793              | 41,554              |
| Highways and streets                            |                     |                     |                     |
| Community development                           |                     |                     |                     |
| Parks   | 30,900              | 24,700              | 24,700              |
| Operating grants and contributions              | 348,677             | 317,012             | 342,514             |
| Capital grants and contributions                | 1,208,198           | 963,391             | 2,618,455           |
| Total governmental activities program revenues  | <u>2,455,358</u>    | <u>2,028,757</u>    | <u>3,560,342</u>    |
| Business-type activities:                       |                     |                     |                     |
| Charges for services:                           |                     |                     |                     |
| Water and sewer                                 | 2,667,449           | 2,364,489           | 2,536,840           |
| Capital grants and contributions                | 1,388,622           | 606,704             | 1,041,058           |
| Total business-type activities program revenues | <u>4,056,071</u>    | <u>2,971,193</u>    | <u>3,577,898</u>    |
| Total primary government program revenues       | <u>\$ 6,511,429</u> | <u>\$ 4,999,950</u> | <u>\$ 7,138,240</u> |



Schedule 2

| 2014                | 2013                | 2012                | 2011                | 2010                 | 2009                | 2008                |
|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| \$ 1,134,472        | \$ 1,065,863        | \$ 1,067,927        | \$ 1,053,948        | \$ 1,085,789         | \$ 1,248,415        | \$ 1,539,156        |
| 1,605,641           | 1,604,478           | 1,564,118           | 1,530,435           | 1,404,480            | 1,503,033           | 1,419,224           |
| 1,652,444           | 2,542,320           | 2,433,615           | 2,672,496           | 4,981,297            | 2,467,723           | 2,927,427           |
| 29,743              | 30,483              | 28,593              | 194,508             | 194,704              | 202,069             | 195,102             |
| 695,534             | 628,316             | 578,792             | 598,387             | 548,569              | 451,118             | 613,217             |
| 420,400             | 536,639             | 515,183             | 494,872             | 687,954              | 630,395             | 645,538             |
| <u>5,538,234</u>    | <u>6,408,099</u>    | <u>6,188,228</u>    | <u>6,544,646</u>    | <u>8,902,793</u>     | <u>6,502,753</u>    | <u>7,339,664</u>    |
| 1,980,909           | 1,914,195           | 1,720,993           | 1,922,499           | 2,101,368            | 2,162,573           | 1,743,071           |
| <u>\$ 7,519,143</u> | <u>\$ 8,322,294</u> | <u>\$ 7,909,221</u> | <u>\$ 8,467,145</u> | <u>\$ 11,004,161</u> | <u>\$ 8,665,326</u> | <u>\$ 9,082,735</u> |
| <br>                |                     |                     |                     |                      |                     |                     |
| \$ 537,526          | \$ 371,013          | \$ 478,209          | \$ 292,519          | \$ 368,515           | \$ 453,546          | \$ 1,135,846        |
| 36,835              | 31,477              | 39,092              | 50,068              | 56,813               | 47,892              | 57,326              |
|                     |                     |                     |                     |                      |                     | 17,696              |
| 26,407              | 27,020              | 29,113              | 36,514              | 112,433              | 24,516              | 24,258              |
| 260,534             | 779,206             | 741,340             | 775,350             | 569,054              | 778,401             | 406,259             |
| 1,964,258           | 176,212             | 420,143             | 74,332              | 3,691,149            | 841,942             | 68,418              |
| <u>2,825,560</u>    | <u>1,384,928</u>    | <u>1,707,897</u>    | <u>1,228,783</u>    | <u>4,797,964</u>     | <u>2,146,297</u>    | <u>1,709,803</u>    |
| <br>                |                     |                     |                     |                      |                     |                     |
| 2,388,668           | 2,339,417           | 2,784,960           | 2,276,159           | 2,337,983            | 2,544,390           | 2,775,372           |
| 818,017             | 97,613              | 149,899             | 8,927               | 66,755               | 18,501              | 65,831              |
| <u>3,206,685</u>    | <u>2,437,030</u>    | <u>2,934,859</u>    | <u>2,285,086</u>    | <u>2,404,738</u>     | <u>2,562,891</u>    | <u>2,841,203</u>    |
| <u>\$ 6,032,245</u> | <u>\$ 3,821,958</u> | <u>\$ 4,642,756</u> | <u>\$ 3,513,869</u> | <u>\$ 7,202,702</u>  | <u>\$ 4,709,188</u> | <u>\$ 4,551,006</u> |

**CITY OF HUGO, MINNESOTA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(Accrual Basis of Accounting)

|   | <b>Fiscal Year</b>    |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
|   | 2017                  | 2016                  | 2015                  |
| <b>Net (Expense) Revenue</b>                                    |                       |                       |                       |
| Governmental Activities   | \$ (4,142,345)        | \$ (3,328,448)        | \$ (3,048,257)        |
| Business-type activities  | 1,445,729             | 445,990               | 1,320,709             |
| Total primary government net revenue                            | <u>\$ (2,696,616)</u> | <u>\$ (2,882,458)</u> | <u>\$ (1,727,548)</u> |
| <b>General Revenues and Other Changes<br/>In Net Position</b>   |                       |                       |                       |
| Governmental activities:  |                       |                       |                       |
| General property taxes  | \$ 6,145,465          | \$ 5,858,093          | \$ 5,930,619          |
| Grants and contributions not restricted<br>to specific programs | 11,911                | 12,343                | 12,987                |
| Investment earnings   | 144,962               | 57,287                | 63,745                |
| Net increase (decrease) in the fair<br>value of investments     | (13,221)              | (19,853)              | 14,946                |
| Miscellaneous   | 9,728                 | 40,123                | 10,600                |
| Transfers   | 107,560               | 109,068               | 107,839               |
| Total governmental activities                                   | <u>6,406,405</u>      | <u>6,057,061</u>      | <u>6,140,736</u>      |
| Business-type activities:                                       |                       |                       |                       |
| General property taxes  |                       |                       |                       |
| Grants and contributions not restricted<br>to specific programs |                       |                       |                       |
| Investment earnings   | 166,647               | 65,119                | 74,066                |
| Net increase (decrease) in the fair<br>value of investments     | (15,199)              | (22,568)              | 17,670                |
| Miscellaneous   | 247,330               | 579,978               | 225,393               |
| Transfers   | (107,560)             | (109,068)             | (107,839)             |
| Total business-type activities                                  | <u>291,218</u>        | <u>513,461</u>        | <u>209,290</u>        |
| Total primary government  | <u>\$ 6,697,623</u>   | <u>\$ 6,570,522</u>   | <u>\$ 6,350,026</u>   |
| <b>Change in Net Position</b>                                   |                       |                       |                       |
| Governmental activities   | \$ 2,264,060          | \$ 2,728,613          | \$ 3,092,479          |
| Business-type activities  | 1,736,947             | 959,451               | 1,529,999             |
| Total primary government  | <u>\$ 4,001,007</u>   | <u>\$ 3,688,064</u>   | <u>\$ 4,622,478</u>   |

Note: The City adopted GASB Statement No 65 in 2013. Amounts in this schedule prior to 2012 have not been restated for GASB Statement No. 65.

**Schedule 2  
(continued)**

| 2014                  | 2013                  | 2012                  | 2011                  | 2010                  | 2009                  | 2008                  |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ (2,712,674)        | \$ (5,023,171)        | \$ (4,480,331)        | \$ (5,315,863)        | \$ (4,104,829)        | \$ (4,356,456)        | \$ (5,629,861)        |
| 1,225,776             | 522,835               | 1,213,866             | 362,587               | 303,370               | 400,318               | 1,098,132             |
| <u>\$ (1,486,898)</u> | <u>\$ (4,500,336)</u> | <u>\$ (3,266,465)</u> | <u>\$ (4,953,276)</u> | <u>\$ (3,801,459)</u> | <u>\$ (3,956,138)</u> | <u>\$ (4,531,729)</u> |
|                       |                       |                       |                       |                       |                       |                       |
| \$ 5,169,220          | \$ 4,957,502          | \$ 5,164,809          | \$ 5,254,269          | \$ 5,770,883          | \$ 5,506,486          | \$ 5,330,462          |
| 8,351                 | 7,692                 | 9,278                 | 3,753                 | 3,770                 | 213,564               | 443,941               |
| 97,122                | 123,271               | 117,355               | 173,136               | 338,671               | 380,820               | 555,189               |
| 165,934               | (249,734)             |                       |                       |                       |                       |                       |
| 21,566                | 9,657                 | 40,171                | 67,721                | 9,093                 | 8,101                 | 7,875                 |
| 108,279               | 104,097               | 104,475               | (171,258)             | 104,813               | 104,708               | 114,273               |
| <u>5,570,472</u>      | <u>4,952,485</u>      | <u>5,436,088</u>      | <u>5,327,621</u>      | <u>6,227,230</u>      | <u>6,213,679</u>      | <u>6,451,740</u>      |
|                       |                       |                       |                       |                       |                       |                       |
|                       |                       |                       |                       | 5,033                 | 141,153               | 140,422               |
|                       |                       |                       |                       |                       | 7,181                 | 25,504                |
| 98,298                | 129,708               | 119,149               | 190,576               | 300,479               | 451,949               | 609,365               |
| 194,271               | (286,689)             |                       |                       |                       |                       |                       |
| 139,692               | 107,704               | 998,603               | 93,987                | 94,099                | 92,870                | 40,999                |
| (108,279)             | (104,097)             | (104,475)             | 171,258               | (104,813)             | (104,708)             | (114,273)             |
| 323,982               | (153,374)             | 1,013,277             | 455,821               | 294,798               | 588,445               | 702,017               |
| <u>\$ 5,894,454</u>   | <u>\$ 4,799,111</u>   | <u>\$ 6,449,365</u>   | <u>\$ 5,783,442</u>   | <u>\$ 6,522,028</u>   | <u>\$ 6,802,124</u>   | <u>\$ 7,153,757</u>   |
|                       |                       |                       |                       |                       |                       |                       |
| \$ 2,857,798          | \$ (70,686)           | \$ 955,757            | \$ 11,758             | \$ 2,122,401          | \$ 1,857,223          | \$ 821,879            |
| 1,549,758             | 369,461               | 2,227,143             | 818,408               | 598,168               | 988,763               | 1,800,149             |
| <u>\$ 4,407,556</u>   | <u>\$ 298,775</u>     | <u>\$ 3,182,900</u>   | <u>\$ 830,166</u>     | <u>\$ 2,720,569</u>   | <u>\$ 2,845,986</u>   | <u>\$ 2,622,028</u>   |

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

|                                    | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          | <u>2014</u>          | <u>2013</u>          |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General fund                       |                      |                      |                      |                      |                      |
| Unreserved                         | \$                   | \$                   | \$                   | \$                   | \$                   |
| Unassigned                         | 2,708,918            | 2,603,086            | 2,422,714            | 2,316,449            | 2,186,178            |
| Total general fund                 | <u>2,708,918</u>     | <u>2,603,086</u>     | <u>2,422,714</u>     | <u>2,316,449</u>     | <u>2,186,178</u>     |
| All other governmental funds       |                      |                      |                      |                      |                      |
| Reserved                           |                      |                      |                      |                      |                      |
| Unreserved, reported in:           |                      |                      |                      |                      |                      |
| Special revenue funds              |                      |                      |                      |                      |                      |
| Debt service funds                 |                      |                      |                      |                      |                      |
| Capital projects funds             |                      |                      |                      |                      |                      |
| Restricted                         | 2,976,404            | 3,243,799            | 3,478,864            | 9,193,397            | 9,567,219            |
| Committed                          | 2,097,452            | 1,864,591            | 1,814,672            | 1,591,779            | 1,432,846            |
| Assigned                           | <u>9,776,657</u>     | <u>8,815,632</u>     | <u>8,119,888</u>     | <u>7,160,986</u>     | <u>6,943,377</u>     |
| Total all other governmental funds | <u>14,850,513</u>    | <u>13,924,022</u>    | <u>13,413,424</u>    | <u>17,946,162</u>    | <u>17,943,442</u>    |
| Total governmental funds           | <u>\$ 17,559,431</u> | <u>\$ 16,527,108</u> | <u>\$ 15,836,138</u> | <u>\$ 20,262,611</u> | <u>\$ 20,129,620</u> |

Note: The City implemented GASB Statement No. 54 in 2011; therefore, classifications of fund balance changed in 2011 and subsequent years.

**Schedule 3**

| <u>2012</u>          | <u>2011</u>          | <u>2010</u>          | <u>2009</u>          | <u>2008</u>          |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$                   | \$                   | \$ 2,181,107         | \$ 2,111,128         | \$ 2,067,361         |
| 2,109,985            | 2,160,273            |                      |                      |                      |
| <u>2,109,985</u>     | <u>2,160,273</u>     | <u>2,181,107</u>     | <u>2,111,128</u>     | <u>2,067,361</u>     |
|                      |                      |                      | 100,000              | 251,142              |
|                      |                      | 436,572              | 1,806,400            | 610,038              |
|                      |                      | 3,168,547            | 2,895,071            | 2,164,718            |
|                      |                      | 6,820,406            | 6,930,513            | 5,586,276            |
| 3,940,302            | 3,380,316            |                      |                      |                      |
| 1,518,457            | 714,894              |                      |                      |                      |
| <u>6,716,756</u>     | <u>7,679,292</u>     |                      |                      |                      |
| <u>12,175,515</u>    | <u>11,774,502</u>    | <u>10,425,525</u>    | <u>11,731,984</u>    | <u>8,612,174</u>     |
| <u>\$ 14,285,500</u> | <u>\$ 13,934,775</u> | <u>\$ 12,606,632</u> | <u>\$ 13,843,112</u> | <u>\$ 10,679,535</u> |

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

|  | <u>2017</u>         | <u>2016</u>       | <u>2015</u>           | <u>2014</u>       | <u>2013</u>         |
|--|---------------------|-------------------|-----------------------|-------------------|---------------------|
| <b>Revenues</b>  |                     |                   |                       |                   |                     |
| Property taxes   | \$ 6,145,736        | \$ 5,902,992      | \$ 5,969,315          | \$ 5,180,422      | \$ 5,005,479        |
| Special assessments  | 434,858             | 370,756           | 932,172               | 345,508           | 290,505             |
| Licenses and permits   | 508,574             | 388,743           | 297,071               | 248,642           | 213,255             |
| Intergovernmental revenues                                   | 1,371,711           | 1,345,844         | 1,315,406             | 1,206,757         | 1,003,735           |
| Charges for services   | 306,671             | 266,392           | 207,890               | 248,497           | 145,558             |
| Court fines  | 37,141              | 37,793            | 41,554                | 36,835            | 31,477              |
| Other Revenue  |                     |                   |                       |                   |                     |
| Investment earnings  | 144,962             | 57,287            | 63,745                | 97,122            | 123,271             |
| Net change in the fair value of investments                  | (13,221)            | (19,853)          | 14,946                | 165,934           | (249,734)           |
| Developer fees   | 300,095             | 106,780           |                       | 404,041           |                     |
| Land sales   |                     |                   |                       |                   |                     |
| Rent   | 40,825              | 32,695            | 24,540                | 31,976            | 19,525              |
| Insurance settlement   |                     |                   |                       |                   |                     |
| Miscellaneous  | 34,635              | 59,900            | 236,603               | 326,104           | 240,127             |
| Total Revenues   | <u>9,311,987</u>    | <u>8,549,329</u>  | <u>9,103,242</u>      | <u>8,291,838</u>  | <u>6,823,198</u>    |
| <b>EXPENDITURES</b>  |                     |                   |                       |                   |                     |
| General government   | 1,128,413           | 1,014,614         | 979,788               | 986,220           | 973,069             |
| Public safety  | 1,739,392           | 1,549,208         | 1,571,184             | 1,420,115         | 1,375,303           |
| Highways and streets   | 1,200,660           | 1,182,129         | 1,204,844             | 1,204,207         | 1,199,078           |
| Community development  | 83,441              | 76,355            | 43,498                | 20,345            | 17,515              |
| Parks  | 406,784             | 375,433           | 337,316               | 349,113           | 321,655             |
| Unallocated  | 153,199             | 137,007           | 137,210               | 124,799           | 134,590             |
| Debt service   |                     |                   |                       |                   |                     |
| Bond principal retirement                                    | 1,625,000           | 1,570,000         | 7,070,000             | 1,570,000         | 1,515,000           |
| Interest on bonds  | 106,245             | 126,237           | 272,283               | 450,981           | 430,069             |
| Fiscal charges   | 8,875               | 2,675             | 11,975                | 5,776             | 9,102               |
| Issuance costs   |                     |                   |                       |                   | 59,468              |
| Advance refunding escrow                                     |                     |                   |                       |                   |                     |
| Capital outlay   | <u>1,935,215</u>    | <u>1,964,923</u>  | <u>2,011,111</u>      | <u>2,135,570</u>  | <u>855,610</u>      |
| Total Expenditures   | <u>8,387,224</u>    | <u>7,998,581</u>  | <u>13,639,209</u>     | <u>8,267,126</u>  | <u>6,890,459</u>    |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>924,763</u>      | <u>550,748</u>    | <u>(4,535,967)</u>    | <u>24,712</u>     | <u>(67,261)</u>     |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>                    |                     |                   |                       |                   |                     |
| Issuance of debt   |                     |                   |                       |                   | 5,835,000           |
| Premium (Discount) on issuance<br>of debt                    |                     |                   |                       |                   | (27,716)            |
| Payment to bond escrow agent                                 |                     |                   |                       |                   |                     |
| Sale of property   |                     | 31,154            | 1,655                 |                   |                     |
| Transfers in   | 1,243,050           | 2,858,862         | 959,688               | 1,029,021         | 518,621             |
| Transfers out  | (1,135,490)         | (2,749,794)       | (851,849)             | (920,742)         | (414,524)           |
| Total other financing<br>sources (uses)                      | <u>107,560</u>      | <u>140,222</u>    | <u>109,494</u>        | <u>108,279</u>    | <u>5,911,381</u>    |
| Net change in fund balances                                  | <u>\$ 1,032,323</u> | <u>\$ 690,970</u> | <u>\$ (4,426,473)</u> | <u>\$ 132,991</u> | <u>\$ 5,844,120</u> |
| Debt service as a percentage<br>of noncapital expenditures   | 27.20%              | 31.40%            | 60.97%                | 34.93%            | 29.42%              |

**Schedule 4**

|    | <b>2012</b> | <b>2011</b>  | <b>2010</b>    | <b>2009</b>  | <b>2008</b>  |
|----|-------------|--------------|----------------|--------------|--------------|
| \$ | 5,318,041   | \$ 5,223,887 | \$ 5,563,298   | \$ 5,474,995 | \$ 5,278,287 |
|    | 406,071     | 624,953      | 316,848        | 536,069      | 330,382      |
|    | 302,752     | 167,373      | 210,829        | 348,343      | 1,022,525    |
|    | 769,373     | 792,938      | 3,372,522      | 1,345,592    | 840,100      |
|    | 159,122     | 120,308      | 146,107        | 86,072       | 153,692      |
|    | 39,092      | 50,068       | 56,813         | 47,762       | 57,026       |
|    | 117,355     | 173,782      | 338,671        | 380,820      | 555,189      |
|    |             |              |                | 7,752        | 44,343       |
|    | 16,765      | 24,364       | 29,310         | 30,697       | 31,238       |
|    | 202,573     | 204,763      | 361,557        | 33,136       | 35,694       |
|    | 7,331,144   | 7,382,436    | 10,395,955     | 8,291,238    | 8,348,476    |
|    | 958,965     | 900,935      | 911,625        | 964,806      | 1,336,479    |
|    | 1,355,607   | 1,333,944    | 1,195,244      | 1,300,168    | 1,236,755    |
|    | 1,157,640   | 1,166,248    | 1,307,156      | 1,073,741    | 1,264,979    |
|    | 22,797      | 181,021      | 183,342        | 175,409      | 157,234      |
|    | 317,301     | 297,422      | 252,874        | 182,051      | 161,881      |
|    | 104,377     | 119,753      | 109,741        | 100,323      | 94,055       |
|    | 1,260,000   | 1,120,000    | 2,425,000      | 785,000      | 700,000      |
|    | 463,374     | 476,157      | 676,857        | 608,321      | 631,185      |
|    | 48,967      | 52,333       | 48,463         | 29,403       | 5,643        |
|    |             |              | 225,080        |              |              |
|    | 1,403,591   | 1,575,007    | 4,832,777      | 2,600,215    | 3,245,278    |
|    | 7,092,619   | 7,222,820    | 12,168,159     | 7,819,437    | 8,833,489    |
|    | 238,525     | 159,616      | (1,772,204)    | 471,801      | (485,013)    |
|    |             | 1,325,000    | 1,340,000      | 2,570,000    |              |
|    |             | 5,185        | 20,772         | 17,068       |              |
|    |             |              | (929,861)      |              |              |
|    | 7,725       | 9,600        |                |              |              |
|    | 2,076,262   | 705,068      | 2,333,972      | 1,478,522    | 2,429,789    |
|    | (1,971,787) | (876,326)    | (2,229,159)    | (1,373,814)  | (2,315,516)  |
|    | 112,200     | 1,168,527    | 535,724        | 2,691,776    | 114,273      |
| \$ | 350,725     | \$ 1,328,143 | \$ (1,236,480) | \$ 3,163,577 | \$ (370,740) |
|    | 29.40%      | 25.82%       | 30.31%         | 23.00%       | 19.40%       |

**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 |                    |                                 |                     |   |
| 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  |
| 2010         | 1,485,921,700          | 15,126,688    | 262,716           | 15,389,404         | 13,891,937                      | 34.274              | 0.01  |
| 2011         | 1,360,991,900          | 14,025,951    | 248,164           | 14,274,115         | 12,630,639                      | 34.236              | 0.01  |
| 2012         | 1,341,568,000          | 13,065,273    | 255,652           | 13,320,925         | 12,247,068                      | 36.498              | 0.01  |
| 2013         | 1,295,537,600          | 12,545,414    | 276,956           | 12,822,370         | 11,774,742                      | 36.511              | 0.01  |
| 2014         | 1,344,215,300          | 13,111,735    | 284,514           | 13,396,249         | 12,355,637                      | 36.417              | 0.01  |
| 2015         | 1,554,927,700          | 15,374,167    | 283,928           | 15,658,095         | 14,603,836                      | 36.318              | 0.01  |
| 2016         | 1,532,535,200          | 15,086,691    | 293,209           | 15,379,900         | 14,294,114                      | 36.323              | 0.01  |
| 2017         | 1,592,305,900          | 15,714,605    | 308,597           | 16,023,202         | 14,938,652                      | 36.360              | 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 |  |
| 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                                 |  |
| 2010        | 27.975                   | 3.191                       | 31.166                    | 31.083                   | 3.191                       | 34.274                    | 12.895 - 26.389   | 27.775            | 1.511 - 4.153                              | 2.558                    | 75.905 - 95.149                                 |  |
| 2011        | 27.874                   | 3.265                       | 31.139                    | 30.971                   | 3.265                       | 34.236                    | 15.411 - 34.330   | 29.772            | 1.725 - 4.275                              | 2.664                    | 80.711 - 105.277                                |  |
| 2012        | 29.403                   | 3.828                       | 33.231                    | 32.669                   | 3.828                       | 36.497                    | 17.331 - 38.360   | 31.939            | 2.340 - 4.906                              | 2.909                    | 87.750 - 114.611                                |  |
| 2013        | 29.326                   | 3.927                       | 33.253                    | 32.585                   | 3.927                       | 36.512                    | 22.018 - 37.105   | 34.225            | 2.517 - 5.307                              | 3.163                    | 95.176 - 116.312                                |  |
| 2014        | 30.152                   | 2.915                       | 33.067                    | 33.502                   | 2.915                       | 36.417                    | 23.150 - 39.770   | 32.811            | 2.387 - 5.066                              | 3.127                    | 94.542 - 117.191                                |  |
| 2015        | 30.612                   | 2.304                       | 32.916                    | 34.013                   | 2.305                       | 36.318                    | 21.124 - 34.496   | 30.186            | 2.185 - 4.769                              | 2.826                    | 89.237 - 108.595                                |  |
| 2016        | 30.972                   | 1.910                       | 32.882                    | 34.413                   | 1.910                       | 36.323                    | 19.849 - 34.107   | 30.564            | 2.192 - 5.111                              | 3.195                    | 88.682 - 109.300                                |  |
| 2017        | 31.086                   | 1.820                       | 32.906                    | 34.540                   | 1.820                       | 36.360                    | 20.390 - 34.093   | 30.448            | 2.088 - 5.275                              | 3.038                    | 88.870 - 109.214                                |  |

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)             | 2017                       |      |   | 2008                       |      |   |
|---------------------------|----------------------------|------|---|----------------------------|------|---|
|                           | Taxable<br>Tax<br>Capacity | Rank | Percentage<br>of Total City<br>Tax<br>Capacity<br>Value | Taxable<br>Tax<br>Capacity | Rank | Percentage<br>of Total City<br>Tax<br>Capacity<br>Value |
| NSP/Xcel Energy           | \$ 372,525                 | 1    | 2.49 %  | \$ 246,087                 | 1    | 1.74 %  |
| Wilson Tool International | 210,802                    | 2    | 1.41  | 203,340                    | 2    | 1.44  |
| Victor Hugo Blvd LLC      | 164,368                    | 3    | 1.10  | 162,982                    | 3    | 1.15  |
| Schwieters Properties     | 129,316                    | 4    | 0.87  | 139,492                    | 4    | 0.98  |
| Hugo Senior Housing LLC   | 85,994                     | 5    | 0.58  |                            |      |   |
| Martin Prop LLC           | 82,356                     | 6    | 0.55  |                            |      |   |
| 14688 Everton LLC         | 71,316                     | 7    | 0.48  |                            |      |   |
| Lake Area Bank            | 68,286                     | 8    | 0.46  |                            |      |   |
| JWF Victor LLC Etal       | 58,766                     | 9    | 0.39  |                            |      |   |
| 4L LLC                    | 57,238                     | 10   | 0.38  |                            |      |   |
| E & G Development LLC     |                            |      |   | 104,836                    | 5    | 0.74  |
| Spirit SPE Portfolio LLC  |                            |      |   | 82,156                     | 6    | 0.58  |
| Pulte Homes of MN Corp    |                            |      |   | 74,554                     | 7    | 0.53  |
| POA-Scherer LLC           |                            |      |   | 63,115                     | 8    | 0.45  |
| Nor-Lakes Holding Co LLC  |                            |      |   | 56,328                     | 9    | 0.40  |
| POAC Investments LLC      |                            |      |   | 52,310                     | 10   | 0.37  |
| <b>TOTAL</b>              | <b>\$ 1,300,967</b>        |      | <b>8.71 %</b>   | <b>\$ 1,185,200</b>        |      | <b>8.38 %</b>   |

(1) Source: Washington County Taxation Division

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

| Fiscal<br>Year<br>Ended<br>December 31 | Taxes Levied<br>for the<br>Fiscal Year | Net Tax Levy<br>for the<br>Fiscal Year (1) | Collected within the<br>Fiscal Year of the Levy |                           | Collections<br>in Subsequent<br>Years |
|--|--|--|---|---------------------------|---------------------------------------|
|  |  |  | Amount  | Percentage<br>of Net Levy |                                       |
| 2008                                   | \$ 5,190,509                           | \$ 4,947,318                               | \$ 4,790,304                                    | 96.83                     | \$ 155,753                            |
| 2009                                   | 5,330,059                              | 4,985,828                                  | 4,842,016                                       | 97.12                     | 141,906                               |
| 2010                                   | 5,218,217                              | 4,932,445                                  | 4,742,253                                       | 96.14                     | 185,209                               |
| 2011                                   | 4,839,717                              | 4,528,339                                  | 4,363,947                                       | 96.37                     | 157,832                               |
| 2012                                   | 4,960,596                              | 4,950,356                                  | 4,860,849                                       | 98.19                     | 88,290                                |
| 2013                                   | 4,750,286                              | 4,740,403                                  | 4,659,447                                       | 98.29                     | 79,468                                |
| 2014                                   | 4,940,809                              | 4,931,497                                  | 4,862,330                                       | 98.60                     | 67,634                                |
| 2015                                   | 5,717,021                              | 5,703,010                                  | 5,654,146                                       | 99.14                     | 44,433                                |
| 2016                                   | 5,634,071                              | 5,620,517                                  | 5,588,004                                       | 99.42                     | 24,394                                |
| 2017                                   | 5,926,478                              | 5,913,546                                  | 5,869,735                                       | 99.26                     |                                       |

- (1) Tax Levy adjusted for powerlines and market value credit in all years, 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> |           | Percentage<br>of Net Levy | Total<br>Delinquent<br>Taxes (2) | Delinquent<br>Taxes As A<br>% Of Total<br>Net Tax Levy |
|----------------------------------|-----------|---------------------------|----------------------------------|--|
| <u>Amount</u>                    |           |                           |                                  |  |
| \$                               | 4,946,057 | 99.97                     | \$ 1,261                         | 0.03   |
|                                  | 4,983,922 | 99.96                     | 1,906                            | 0.04   |
|                                  | 4,927,462 | 99.90                     | 4,983                            | 0.10   |
|                                  | 4,521,779 | 99.86                     | 6,560                            | 0.14   |
|                                  | 4,949,139 | 99.98                     | 1,217                            | 0.02   |
|                                  | 4,738,915 | 99.97                     | 1,488                            | 0.03   |
|                                  | 4,929,964 | 99.97                     | 1,533                            | 0.03   |
|                                  | 5,698,579 | 99.92                     | 4,431                            | 0.08   |
|                                  | 5,612,398 | 99.86                     | 8,119                            | 0.14   |
|                                  | 5,869,735 | 99.26                     | 43,811                           | 0.74   |

**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>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    | <u>2013</u>    | <u>2012</u>    |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Residential                         | 280.587        | 275.255        | 249.290        | 248.144        | 282.765        | 299.950        |
| Commercial Service                  | 12.274         | 15.121         | 12.334         | 11.318         | 11.251         | 11.616         |
| Industrial Service                  | 6.844          | 10.466         | 9.534          | 7.599          | 7.166          | 7.211          |
| Irrigation Service                  | 66.364         | 56.511         | 72.262         | 54.870         | 83.198         | 104.747        |
| Institutional Service               | 1.777          | 1.624          | 1.701          | 1.375          | 1.720          | 1.926          |
| Total gallons                       | <u>367.846</u> | <u>358.977</u> | <u>345.121</u> | <u>323.306</u> | <u>386.100</u> | <u>425.450</u> |
| Total direct rate per 1,000 gallons | \$ 2.536       | \$ 2.525       | \$ 2.515       | \$ 2.519       | \$ 2.553       | \$ 2.468       |

**Sanitary Sewer ( in millions of gallons)**

| <u>Type of Customer</u>             | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    | <u>2013</u>    | <u>2012</u>    |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Residential                         | 280.587        | 275.255        | 249.290        | 248.144        | 282.765        | 299.950        |
| Commercial                          | 12.274         | 15.121         | 12.334         | 11.318         | 11.251         | 11.616         |
| Industrial                          | 6.844          | 10.466         | 9.534          | 7.599          | 7.166          | 7.211          |
| Institutional                       | 1.777          | 1.624          | 1.701          | 1.375          | 1.720          | 1.926          |
| Total gallons                       | <u>301.482</u> | <u>302.466</u> | <u>272.859</u> | <u>268.436</u> | <u>302.902</u> | <u>320.703</u> |
| Total direct rate per 1,000 gallons | \$ 3.690       | \$ 3.641       | \$ 4.049       | \$ 3.901       | \$ 3.447       | \$ 3.435       |

### Schedule 9

| <u>2011</u>    | <u>2010</u>    | <u>2009</u>    | <u>2008</u>    |
|----------------|----------------|----------------|----------------|
| 243.366        | 252.179        | 271.084        | 243.067        |
| 11.090         | 11.861         | 11.462         | 11.715         |
| 7.159          | 6.487          | 6.644          | 8.291          |
| 73.703         | 89.290         | 106.387        | 72.778         |
| 1.465          | 2.025          | 1.488          | 1.757          |
| <u>336.783</u> | <u>361.842</u> | <u>397.065</u> | <u>337.608</u> |
| \$ 2.553       | \$ 2.477       | \$ 2.541       | \$ 2.593       |

| <u>2011</u>    | <u>2010</u>    | <u>2009</u>    | <u>2008</u>    |
|----------------|----------------|----------------|----------------|
| 243.366        | 252.179        | 271.084        | 243.067        |
| 11.090         | 11.861         | 11.462         | 11.715         |
| 7.159          | 6.487          | 6.644          | 8.291          |
| 1.465          | 2.025          | 1.488          | 1.757          |
| <u>263.080</u> | <u>272.552</u> | <u>290.678</u> | <u>264.830</u> |
| \$ 4.279       | \$ 3.647       | \$ 3.019       | \$ 3.282       |

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

**Other Governmental Activities Debt**

| Fiscal<br>Year | Special<br>Assessment<br>Bonds | Tax<br>Increment<br>Bonds | Lease<br>Revenue<br>Bonds | Land Use<br>Planning<br>Loan | Capital<br>Improvement<br>Bonds | Tax<br>Abatement<br>Bonds | Total<br>Governmental<br>Activities<br>Debt |
|----------------|--------------------------------|---------------------------|---------------------------|------------------------------|---------------------------------|---------------------------|---|
| 2008           | \$ 1,187,339                   | \$ 1,465,000              | \$ 1,910,000              | \$ 40,000                    | \$ 2,084,974                    | \$ 7,763,790              | \$ 14,451,103                               |
| 2009           | 2,044,406                      | 1,360,000                 | 1,720,000                 |                              | 1,943,326                       | 9,212,261                 | 16,279,993                                  |
| 2010           | 1,954,226                      |                           |                           |                              | 3,156,190                       | 8,982,063                 | 14,092,479                                  |
| 2011           | 3,094,222                      |                           |                           |                              | 2,817,550                       | 8,397,025                 | 14,308,797                                  |
| 2012           | 2,913,745                      |                           |                           |                              | 2,449,004                       | 7,692,153                 | 13,054,902                                  |
| 2013           | 2,623,253                      |                           |                           |                              | 3,106,102                       | 11,626,924                | 17,356,279                                  |
| 2014           | 2,337,744                      |                           |                           |                              | 2,728,486                       | 10,730,773                | 15,797,003                                  |
| 2015           | 2,052,219                      |                           |                           |                              | 1,439,671                       | 5,310,697                 | 8,802,587                                   |
| 2016           | 1,766,676                      |                           |                           |                              | 1,102,916                       | 4,362,258                 | 7,231,850                                   |
| 2017           | 1,486,115                      |                           |                           |                              | 761,112                         | 3,358,782                 | 5,606,009                                   |

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

Note: The City adopted GASB Statement No. 65 in 2013. Amounts in this schedule prior to 2012 have not been restated for GASB Statement No. 65.



**Schedule 10**

**Business-Type Activities**

| <u>Utility<br/>Revenue<br/>Bonds</u> | <u>Total<br/>Business<br/>Activities<br/>Debt</u> | <u>Total<br/>Primary<br/>Government<br/>Debt</u> | <u>Percentage<br/>of Personal<br/>Income</u> | <u>Per<br/>Capita</u> |
|--------------------------------------|---|--|--|-----------------------|
| \$ 2,120,000                         | \$ 2,120,000                                      | \$ 16,571,103                                    | 0.03   | \$ 1,318              |
| 1,925,000                            | 1,925,000   | 18,204,993                                       | 0.03   | 1,385                 |
|                                      |   | 14,092,479                                       | 0.02   | 1,057                 |
|                                      |   | 14,308,797                                       | 0.02   | 1,057                 |
|                                      |   | 13,054,902                                       | 0.02   | 950                   |
|                                      |   | 17,356,279                                       | 0.02   | 1,251                 |
|                                      |   | 15,797,003                                       | 0.02   | 1,112                 |
|                                      |   | 8,802,587  | 0.01   | 613                   |
|                                      |   | 7,231,850  | 0.01   | 496                   |
|                                      |   | 5,606,009  | N/A  | 370                   |

**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 | Capital Improvement Bonds | Tax Abatement Bonds | Utility Revenue Bonds | Total         |
|-------------|--------------------------|---------------------|---------------------|---------------------------|---------------------|-----------------------|---------------|
| 2008        | \$ 1,187,339             | \$ 1,465,000        | \$ 1,910,000        | \$ 2,084,974              | \$ 7,763,790        | \$ 2,120,000          | \$ 16,531,103 |
| 2009        | 2,044,406                | 1,360,000           | 1,720,000           | 1,943,326                 | 9,212,261           | 1,925,000             | 18,204,993    |
| 2010        | 1,954,226                |                     |                     | 3,156,190                 | 8,982,063           |                       | 14,092,479    |
| 2011        | 3,094,222                |                     |                     | 2,817,550                 | 8,397,025           |                       | 14,308,797    |
| 2012        | 2,913,745                |                     |                     | 2,449,004                 | 7,692,153           |                       | 13,054,902    |
| 2013        | 2,623,253                |                     |                     | 3,106,102                 | 11,626,924          |                       | 17,356,279    |
| 2014        | 2,337,744                |                     |                     | 2,728,486                 | 10,730,773          |                       | 15,797,003    |
| 2015        | 2,052,219                |                     |                     | 1,439,671                 | 5,310,697           |                       | 8,802,587     |
| 2016        | 1,766,676                |                     |                     | 1,102,916                 | 4,362,258           |                       | 7,231,850     |
| 2017        | 1,486,115                |                     |                     | 761,112                   | 3,358,782           |                       | 5,606,009     |

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.  
See Schedule 15 for personal income and population data  
See Schedule 5 for estimated market value information

Note: The City adopted GASB statement No. 65 in 2013. Amounts in this schedule prior to 2012 have not been restated for GASB Statement No. 65.

Source: City of Hugo Finance Department

(1) Includes funds of \$5,693,117 (2014) and \$5,742,264 (2013) in an escrow account to cover two years of interest payments on the Series 2013A Bonds and the 2015-2020 maturities of the Series 2004A and Series 2005A Bonds.

**Schedule 11**

| Less:<br>Available<br>in Debt<br>Service | Net<br>General<br>Bonded<br>Debt<br>Outstanding | Percentage<br>of Actual<br>Market Value<br>of Property | Per<br>Capita |
|--|---|--|---------------|
| \$ (1,941,654)                           | \$ 14,589,449                                   | 0.93%  | \$ 1,160      |
| (2,451,764)                              | 15,753,229                                      | 1.00%  | 1,199         |
| (2,720,919)                              | 11,371,560                                      | 0.77%  | 853           |
| (3,135,598)                              | 11,173,199                                      | 0.82%  | 825           |
| (3,656,596)                              | 9,398,306                                       | 0.70%  | 684           |
| (9,225,641) (1)                          | 8,130,638                                       | 0.63%  | 586           |
| (8,830,050) (1)                          | 6,966,953                                       | 0.52%  | 491           |
| (3,099,683)                              | 5,702,904                                       | 0.37%  | 397           |
| (2,847,900)                              | 4,383,950                                       | 0.29%  | 301           |
| (2,564,944)                              | 3,041,065                                       | 0.19%  | 201           |

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

December 31, 2017

| <u>Governmental Unit</u>                 | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable <sup>(a)</sup></u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|--|-----------------------------|---|--|
| <b>Debt repaid with property taxes</b>   |                             |   |  |
| Independent School District #624         | \$ 88,915,000               | 14.56%  | 12,946,024   |
| Independent School District #831         | 159,565,000                 | 3.37%   | 5,377,340  |
| Independent School District #832         | 51,850,000                  | 4.43%   | 2,296,955  |
| Independent School District #834         | 108,130,000                 | 0.90%   | 973,170  |
| <b>Other debt</b>                        |                             |   |  |
| Washington County                        | 126,060,000                 | 5.19%   | 6,540,914  |
| Regional Transit                         | 188,620,614                 | 0.50%   | 946,465  |
| Subtotal, overlapping debt               |                             |   | 29,080,868   |
| <b>City direct debt</b>                  | 5,606,009                   |   | 5,606,009  |
| <b>Total direct and overlapping debt</b> |                             |   | <u>\$ 34,686,877</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.

<sup>(a)</sup> 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.

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

|   | <b>Fiscal Year</b> |            |            |              |              |
|---|--------------------|------------|------------|--------------|--------------|
|   | 2017               | 2016       | 2015       | 2014         | 2013         |
| Debt limit  | \$ 44,284          | \$ 42,502  | \$ 43,322  | \$ 36,634    | \$ 34,940    |
| Total net debt applicable to limit                                      | <u>303</u>         | <u>558</u> | <u>809</u> | <u>1,094</u> | <u>1,391</u> |
| Legal debt margin   | \$ 43,981          | \$ 41,944  | \$ 42,513  | \$ 35,540    | \$ 33,549    |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 0.68%              | 1.31%      | 1.87%      | 2.99%        | 3.98%        |

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 2017

|  |              |
|--|--------------|
| Taxable Market Value   | \$ 1,476,142 |
| Debt Limit (3% of market value)                                    | 44,284       |
| Debt applicable to limit:  |              |
| General obligation bonds   | 760          |
| Less: Amount set aside for repayment<br>of general obligation debt | (457)        |
| Total net debt applicable to limit                                 | 303          |
| Legal debt margin  | \$ 43,981    |

| 2012      | 2011      | 2010      | 2009      | 2008      |
|-----------|-----------|-----------|-----------|-----------|
| \$ 36,356 | \$ 39,099 | \$ 42,332 | \$ 43,873 | \$ 43,092 |
| 1,767     | 2,179     | 2,537     | 2,891     | 3,263     |
| \$ 34,589 | \$ 36,920 | \$ 39,795 | \$ 40,982 | \$ 39,829 |
| 4.86%     | 5.57%     | 5.99%     | 6.59%     | 7.57%     |

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

Utility Revenue Bonds

| Fiscal<br>Year | Gross<br>Revenue (1) | Operating<br>Expenses (2) | Net<br>Available<br>Revenue | Debt Service (3) |           | Coverage |
|----------------|----------------------|---------------------------|-----------------------------|------------------|-----------|----------|
|                |                      |                           |                             | Principal        | Interest  |          |
| 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     |
| 2010           | 2,760,541            | 1,564,187                 | 1,196,354                   | 1,925,000        | 25,958    | 0.61     |
| 2011           | 2,569,649            | 1,405,593                 | 1,164,056                   |                  |           |          |
| 2012           | 3,920,983            | 1,196,586                 | 2,724,397                   |                  |           |          |
| 2013           | 2,301,642            | 1,385,995                 | 915,647                     |                  |           |          |
| 2014           | 2,848,133            | 1,429,577                 | 1,418,556                   |                  |           |          |
| 2015           | 2,861,130            | 1,669,777                 | 1,191,353                   |                  |           |          |
| 2016           | 3,024,094            | 1,918,625                 | 1,105,469                   |                  |           |          |
| 2017           | 3,111,756            | 1,987,132                 | 1,124,624                   |                  |           |          |

**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. All utility revenue bonds were paid off in 2010.



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

| <b>YEAR</b> | <b>POPULATION (1)</b> | <b>PERSONAL<br/>INCOME</b><br>(thousands of<br>dollars) | <b>PER CAPITA<br/>PERSONAL<br/>INCOME (2)</b> | <b>STATE<br/>UNEMPLOYMENT<br/>RATE (3)</b> | <b>CITY<br/>UNEMPLOYMENT<br/>RATE (3)</b> |
|-------------|-----------------------|---|---|--|---|
| 2008        | 12,573                | 615,235   | 48,933  | 6.6  | 6.0                                       |
| 2009        | 13,140                | 603,888   | 45,958  | 7.5  | 7.0                                       |
| 2010        | 13,332                | 628,644   | 47,153  | 7.0  | 6.1                                       |
| 2011        | 13,536                | 683,758   | 50,514  | 5.7  | 5.2                                       |
| 2012        | 13,739                | 716,132   | 52,124  | 5.3  | 4.7                                       |
| 2013        | 13,878                | 736,866   | 53,096  | 4.5  | 3.9                                       |
| 2014        | 14,201                | 796,719   | 56,103  | 3.8  | 3.1                                       |
| 2015        | 14,352                | 838,329   | 58,412  | 3.7  | 3.0                                       |
| 2016        | 14,576                | 870,901   | 59,749  | 4.0  | 3.4                                       |
| 2017        | 15,158                | N/A   | N/A   | 3.4  | 2.7                                       |

Sources: (1) Metropolitan Council/2010-Census Bureau  
(2) Bureau of Economic Analysis - Washington County, Minnesota  
(3) Estimate based on County unemployment rate provided by Minnesota Department of  
Employment and Economic Development

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

| <u>Employer</u>                     | <u>2017</u>          |             |  | <u>2008</u>          |             |  |
|-------------------------------------|----------------------|-------------|--|----------------------|-------------|--|
|                                     | <u>Employees (1)</u> | <u>Rank</u> | <u>Percentage of<br/>Total City<br/>Employment (3)</u> | <u>Employees (2)</u> | <u>Rank</u> | <u>Percentage of<br/>Total City<br/>Employment (3)</u> |
| Wilson Tool                         | 450                  | 1           | 15.7%  | 700                  | 1           | 32.8%  |
| JL Schwieters                       | 205                  | 2           | 7.2%   |                      |             |  |
| Lametti & Sons, Inc.                | 130                  | 3           | 4.5%   |                      |             |  |
| Schwieters Companies Inc            | 125                  | 4           | 4.4%   | 228                  | 2           | 10.7%  |
| Festival Foods                      | 80                   | 5           | 2.8%   | 115                  | 3           | 5.4%   |
| Independent School District No. 624 | 66                   | 6           | 2.3%   | 80                   | 4           | 3.7%   |
| Blue Heron Grille                   | 65                   | 7           | 2.3%   |                      |             |  |
| Northland Pallet                    | 61                   | 8           | 2.1%   |                      |             |  |
| Glamos Wire/Donner Industries       | 40                   | 9           | 1.4%   | 40                   | 6           | 1.9%   |
| Wild Wings Game Farm                | 35                   | 10          | 1.2%   |                      |             |  |
| Pearson Mechanical                  |                      |             |  | 45                   | 5           | 2.1%   |
| American Structural Metals          |                      |             |  | 40                   | 6           | 1.9%   |
| Imperial Tool, Inc.                 |                      |             |  | 25                   | 7           | 1.2%   |
| Granger's Inc.                      |                      |             |  | 23                   | 8           | 1.1%   |
| Nor-Lakes Services                  |                      |             |  | 23                   | 8           | 1.1%   |

(1) Telephone survey of individual employers, March 2018

(2) Telephone survey of individual employers, April 2008

(3) City staff estimate based on Metropolitan Council estimate of employment

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

| <b>Function</b>                      | <b>2017</b>  | <b>2016</b>  | <b>2015</b>  | <b>2014</b>  | <b>2013</b>  | <b>2012</b>  |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City Administrator                   | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         |
| City Clerk                           | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         |
| Finance                              | 2.00         | 2.00         | 2.00         | 2.00         | 2.00         | 2.00         |
| Planning and Zoning                  | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         |
| General Government Buildings         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| Engineering                          | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         |
| <b>General Government</b>            | <b>6.00</b>  | <b>6.00</b>  | <b>6.00</b>  | <b>6.00</b>  | <b>6.00</b>  | <b>6.00</b>  |
|                                      |              |              |              |              |              |              |
| Fire                                 | 2.50         | 2.50         | 2.50         | 2.50         | 2.50         | 2.50         |
| Building Inspections                 | 3.00         | 3.00         | 3.00         | 3.00         | 3.00         | 3.00         |
| <b>Public Safety</b>                 | <b>5.50</b>  | <b>5.50</b>  | <b>5.50</b>  | <b>5.50</b>  | <b>5.50</b>  | <b>5.50</b>  |
|                                      |              |              |              |              |              |              |
| Streets and Roadways                 | 7.34         | 6.34         | 6.34         | 6.34         | 6.34         | 6.34         |
| <b>Public Works</b>                  | <b>7.34</b>  | <b>6.34</b>  | <b>6.34</b>  | <b>6.34</b>  | <b>6.34</b>  | <b>6.34</b>  |
|                                      |              |              |              |              |              |              |
| Parks                                | 4.52         | 4.52         | 4.52         | 4.52         | 4.52         | 4.52         |
| <b>Parks and Recreation</b>          | <b>4.52</b>  | <b>4.52</b>  | <b>4.52</b>  | <b>4.52</b>  | <b>4.52</b>  | <b>4.52</b>  |
|                                      |              |              |              |              |              |              |
| Community Development                | 1.50         | 1.50         | 1.50         | 0.50         | 0.50         | 0.50         |
|                                      | 1.50         | 1.50         | 1.50         | 0.50         | 0.50         | 0.50         |
| <b>Total Governmental Activities</b> | <b>24.86</b> | <b>23.86</b> | <b>23.86</b> | <b>22.86</b> | <b>22.86</b> | <b>22.86</b> |
|                                      |              |              |              |              |              |              |
| Water Utility                        | 1.33         | 1.33         | 1.33         | 1.33         | 1.33         | 1.33         |
| Sewer Utility                        | 1.33         | 1.33         | 1.33         | 1.33         | 1.33         | 1.33         |
| <b>Total Business Activities</b>     | <b>2.66</b>  | <b>2.66</b>  | <b>2.66</b>  | <b>2.66</b>  | <b>2.66</b>  | <b>2.66</b>  |
|                                      |              |              |              |              |              |              |
| <b>Totals for Organization</b>       | <b>27.52</b> | <b>26.52</b> | <b>26.52</b> | <b>25.52</b> | <b>25.52</b> | <b>25.52</b> |

Source: City's Adopted Budgets

**Schedule 17**

| <u>2011</u>  | <u>2010</u>  | <u>2009</u>  | <u>2008</u>  |
|--------------|--------------|--------------|--------------|
| 1.00         | 2.00         | 1.95         | 1.91         |
| 1.00         | 1.00         | 1.00         | 1.00         |
| 2.00         | 2.00         | 2.00         | 1.00         |
| 1.00         | 1.00         | 1.00         | 2.00         |
| 0.36         | 0.50         | 0.50         | 0.50         |
| 1.00         | 1.00         | 1.00         | 1.00         |
| <u>6.36</u>  | <u>7.50</u>  | <u>7.45</u>  | <u>7.41</u>  |
|              |              |              |              |
| 2.50         | 2.50         | 2.50         | 2.50         |
| 3.69         | 4.00         | 4.00         | 4.00         |
| <u>6.19</u>  | <u>6.50</u>  | <u>6.50</u>  | <u>6.50</u>  |
|              |              |              |              |
| 6.34         | 6.34         | 6.34         | 6.34         |
| <u>6.34</u>  | <u>6.34</u>  | <u>6.34</u>  | <u>6.34</u>  |
|              |              |              |              |
| 4.52         | 3.09         | 3.09         | 2.29         |
| <u>3.09</u>  | <u>3.09</u>  | <u>3.09</u>  | <u>2.29</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>25.41</u> | <u>25.43</u> | <u>25.38</u> | <u>24.54</u> |
|              |              |              |              |
| 1.33         | 1.33         | 1.33         | 1.33         |
| 1.33         | 1.33         | 1.33         | 1.33         |
| <u>2.66</u>  | <u>2.66</u>  | <u>2.66</u>  | <u>2.66</u>  |
|              |              |              |              |
| <u>28.07</u> | <u>28.09</u> | <u>28.04</u> | <u>27.20</u> |

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

| <b>Function/Program</b>                                 | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Planning and Zoning</b>                              |             |             |             |             |             |             |
| Conditional use permits                                 | 3           | 3           | 5           | 2           | 5           | 1           |
| Minor subdivisions                                      | 1           | 2           | 0           | 1           | 1           | 0           |
| Plats/Planned unit developments                         | 7           | 12          | 9           | 4           | 9           | 1           |
| Rezoning  | 0           | 0           | 0           | 0           | 0           | 0           |
| Site plans  | 3           | 2           | 3           | 4           | 2           | 5           |
| Variances   | 2           | 5           | 5           | 10          | 4           | 3           |
| <b>Fire</b>   |             |             |             |             |             |             |
| Total emergency responses                               | 263         | 238         | 467         | 607         | 601         | 573         |
| EMS responses   | 99          | 120         | 317         | 478         | 440         | 356         |
| Fire responses  | 164         | 118         | 150         | 129         | 161         | 217         |
| <b>Building Inspections</b>                             |             |             |             |             |             |             |
| Residential permit valuations<br>(thousands of dollars) | 29,180      | 30,359      | 20,664      | 27,140      | 12,398      | 18,083      |
| Commercial permit valuations<br>(thousands of dollars)  | 11,160      | 4,074       | 928         | 13,759      | 5,246       | 10,482      |
| New dwelling units                                      | 79          | 108         | 69          | 49          | 52          | 89          |
| <b>Water Utility</b>                                    |             |             |             |             |             |             |
| Number of customers                                     | 3,426       | 3,352       | 3,259       | 3,195       | 3,163       | 3,109       |
| Average daily consumption<br>(thousands of gallons)     | 1,008       | 983         | 946         | 886         | 1,058       | 1,166       |
| <b>Sanitary Sewer Utility</b>                           |             |             |             |             |             |             |
| Number of customers                                     | 3,564       | 3,490       | 3,397       | 3,331       | 3,298       | 3,248       |
| Average daily flow<br>(thousands of gallons)            | 826         | 829         | 748         | 735         | 830         | 879         |

Sources: Various City Department's annual budget workload measurements

**Schedule 18**

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|-------------|-------------|-------------|-------------|
| 6           | 6           | 4           | 2           |
| 4           | 1           | 1           | 1           |
| 2           | 3           | 3           | 8           |
| 1           | 1           | 0           | 1           |
| 3           | 3           | 0           | 5           |
| 2           | 6           | 4           | 11          |
| 537         | 609         | 550         | 496         |
| 371         | 437         | 402         | 362         |
| 166         | 172         | 148         | 134         |
| 11,160      | 16,254      | 26,625      | 59,953      |
| 783         | 1,042       | 2,739       | 6,925       |
| 50          | 86          | 147         | 184         |
| 3,077       | 2,973       | 2,880       | 2,774       |
| 923         | 991         | 1,088       | 925         |
| 3,119       | 3,098       | 3,005       | 2,894       |
| 721         | 747         | 796         | 726         |

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

| <b>Function/Program</b>    | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> | <b>2008</b> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Fire                       |             |             |             |             |             |             |             |             |             |             |
| Stations                   | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Public Works               |             |             |             |             |             |             |             |             |             |             |
| Bituminous streets (miles) | 75          | 74          | 72          | 71          | 70          | 70          | 69          | 68          | 68          | 68          |
| Gravel streets (miles)     | 20          | 20          | 20          | 20          | 20          | 20          | 21          | 21          | 21          | 21          |
| Street lights              | 935         | 932         | 926         | 918         | 910         | 910         | 910         | 899         | 881         | 869         |
| Storm sewer (miles)        | 38          | 37          | 36          | 35          | 33          | 33          | 33          | 33          | 33          | 33          |
| Park & Recreation          |             |             |             |             |             |             |             |             |             |             |
| Acres of parkland          | 390.7       | 390.7       | 389.5       | 385.0       | 385.0       | 385.0       | 385.0       | 385.0       | 385.0       | 260.0       |
| Number of parks            | 16          | 16          | 15          | 14          | 14          | 14          | 14          | 14          | 14          | 13          |
| Water Utility              |             |             |             |             |             |             |             |             |             |             |
| Miles of watermain         | 60          | 59          | 58          | 57          | 56          | 55          | 55          | 54          | 54          | 54          |
| Number of fire hydrants    | 715         | 699         | 688         | 680         | 668         | 666         | 661         | 653         | 640         | 631         |
| Sanitary Sewer Utility     |             |             |             |             |             |             |             |             |             |             |
| Miles of sanitary sewer    | 54          | 53          | 53          | 52          | 51          | 51          | 51          | 50          | 50          | 50          |

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



**CITY OF HUGO, MINNESOTA**

**OTHER REPORT SECTION**

**December 31, 2017**

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## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Hugo, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise the City of Hugo, Minnesota's basic financial statements, and have issued our report thereon dated June 8, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota State Statutes Sec. 6.65, contains seven 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 audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Hugo, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Hugo, Minnesota's noncompliance with the above referenced provisions.

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

*Smith, Schafner and Associates, Ltd.*

Minneapolis, Minnesota  
June 8, 2018

