



Annual Comprehensive Financial Report

For the Year Ended December 31, 2022

City of Hugo, MN

CITY OF HUGO, MINNESOTA

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022**

**PREPARED BY:
FINANCE DIRECTOR'S OFFICE
FINANCE DIRECTOR
ANNA WOBSE**

CITY OF HUGO, MINNESOTA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2022

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CITY OF HUGO, MINNESOTA
INTRODUCTORY SECTION
December 31, 2022

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June 26, 2023

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 annual comprehensive financial report of the City of Hugo for the fiscal year ended December 31, 2022.

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, 2022, 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, 2022 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, 2022 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 16,354.

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, 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 69.

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 7.47% from a year ago, and has recovered 85% 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 2022 (16,354), or a 23% increase over the 2010 census count.

CITY OF HUGO, MINNESOTA

Economic condition and outlook (continued)

The city has continued to see strong residential development. From 2013 to 2022, an average of 105 single-family homes and 2 townhome/condo dwellings were constructed each year. During 2022, 110 new single-family housing units were constructed with a value of \$44,924,000. New residential development is expected to remain strong in 2023.

Non-residential development is also increasing in response to the growing population, increased demand for goods and services and a strong industrial sector. Over \$98,000,000 in new non-residential development has been constructed within the past five years, including new manufacturing space, a corporate training center and new service-oriented businesses along the CSAH 8 and TH 61 corridors.

The city's tax base is comprised mainly of residential homestead (69.8%) and commercial/industrial property (14.3%). The balance consists of non-homestead residential property (11.4%), agricultural and seasonal recreational property (3.4%), and personal property (1.1%).

The ten largest taxpayers make up 8.34% of the city's net tax capacity, providing the city with a stable source of property tax revenue. The city's industrial parks contain three major employers with a total employee count in excess of 850. Median Effective Buying Income (EBI) is 116% 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 the subsequent year's 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 completed its comprehensive plan update, which occurs on a 10-year cycle. The plan accommodates a population of 40,000 by the year 2040 and includes 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)

- Downtown Park and Infrastructure Investment. Redevelopment of the City's central downtown park along with infrastructure improvements to the downtown area's streets and utilities was completed in 2022. This investment is resulting in new private investment in and revitalization of this area, including new adjacent multi-family development and nearby commercial redevelopment.
- White Bear Lake Schools Bond Referendum. The voter-approved \$326 million school referendum for system-wide school facilities included a new elementary school which opened in Hugo in 2022 and a new transportation facility, along with enhancements to other schools within the City. These improvements add to demand for single-family and multi-family housing and increases the pace of land development.
- 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 5 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.

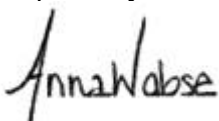
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hugo, Minnesota for its annual comprehensive financial report for the fiscal year ended December 31, 2021. This was the twenty-second 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 annual comprehensive 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,



Anna Wobse
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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended December

December 31, 2021

Christopher P. Morill

Executive Director/CEO

**CITY OF HUGO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
December 31, 2022**

POSITION	NAME	TERM EXPIRES
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ELECTED OFFICIALS

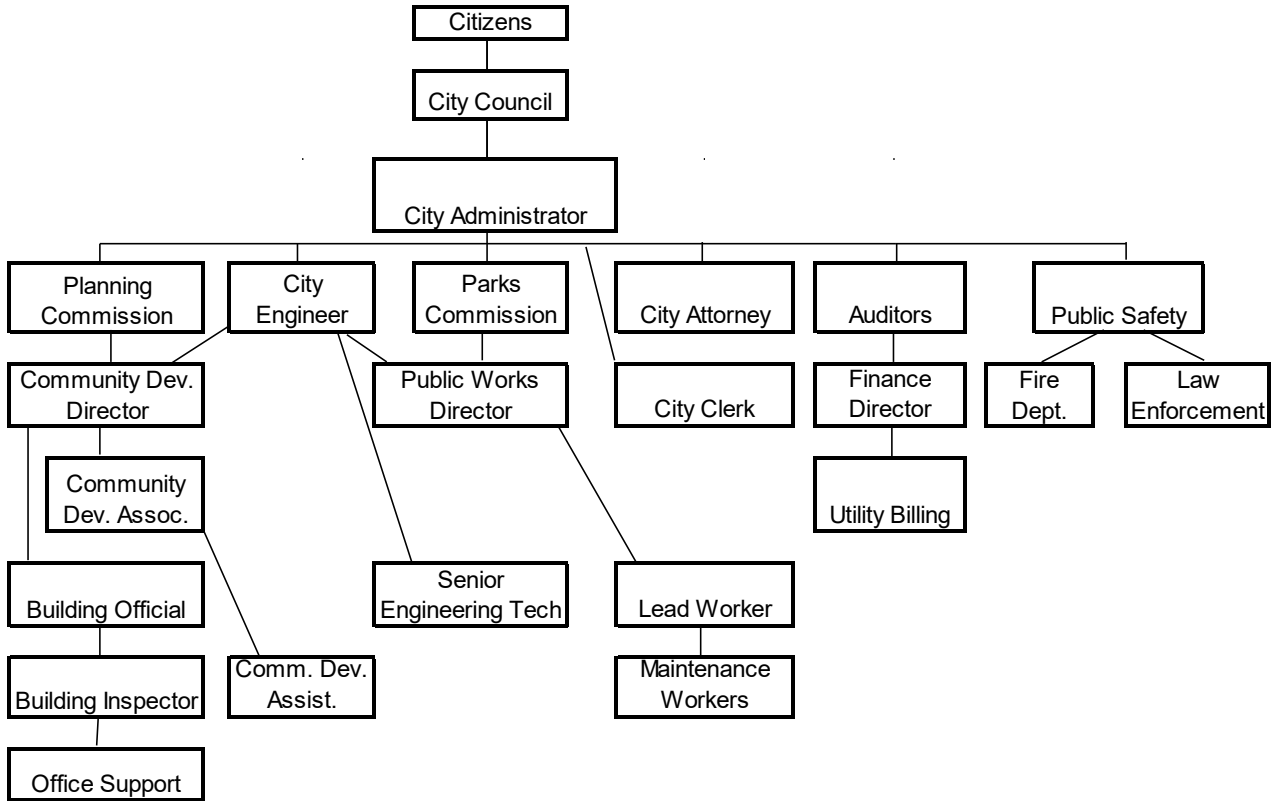
City Council:

Mayor	Tom Weidt	December 31, 2022
Council Member Ward I	Becky Petryk	December 31, 2022
Council Member Ward II	Phil Klein	December 31, 2024
Council Member Ward III	David Strub	December 31, 2022
Council Member At Large	Mike Miron	December 31, 2024

APPOINTED OFFICIALS

City Administrator	Bryan J. Bear	Continuous
Finance Director	Anna Wobse	Continuous
City Clerk	Michele Lindau	Continuous

**CITY OF HUGO, MINNESOTA
ORGANIZATIONAL CHART
December 31, 2022**



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CITY OF HUGO, MINNESOTA
FINANCIAL SECTION
December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hugo, as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise City of Hugo's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 City of Hugo as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Hugo and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle

As described in Note 1 to the basic financial statements, in 2022 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Hugo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hugo's ability to continue as a going concern for a reasonable period of time.

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

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hugo's basic financial statements. The combining and individual nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, supplementary information and statistical section included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Smith, Schepke and Associates, Ltd.

Minneapolis, Minnesota
June 26, 2023

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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, 2022. 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 \$126,160,741 (*net position*). Of this amount, \$47,645,298 (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 \$4,915,735, primarily due to charges for services, operating grants and contributions, capital grants and contributions and property tax collections exceeding operating expenses (including depreciation).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,427,097 or 71 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 \$25,066,721.
- The City of Hugo decreased general long-term debt obligations by \$270,000 during the current fiscal year as a result of scheduled debt payments.
- The City was again recognized in 2022 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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City 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 include 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 seven 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 public improvements fund and the property and equipment acquisition fund, which are considered to be major funds. Data from the other four 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 71), the firefighter's relief fund (page 72), and the other debt service and capital project funds with a budget (pages 73-75) 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 76 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 30-65 of this report.

Other information. The combining and individual fund statements referred to earlier in connection with nonmajor governmental funds can be found on pages 69-75 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$126,160,741 at the close of the most recent fiscal year. A significant portion of the City of Hugo's net position (61 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 10 percent from the prior year due primarily to the construction completed to date on a new public works facility, Lions Park construction, and purchases of machinery and equipment. 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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 34,055,737	\$ 38,717,702	\$ 24,431,400	\$ 24,837,798	\$ 58,487,137	\$ 63,555,500
Capital assets	65,929,237	57,475,436	28,726,975	26,975,117	94,656,212	84,450,553
Total assets	99,984,974	96,193,138	53,158,375	51,812,915	153,143,349	148,006,053
Deferred outflows of resources	596,297	776,482	139,198	181,786	735,495	958,268
Long-term liabilities outstanding	19,552,282	18,997,015	463,683	254,407	20,015,965	19,251,422
Other liabilities	6,957,279	6,622,886	253,641	489,844	7,210,920	7,112,730
Total liabilities	26,509,561	25,619,901	717,324	744,251	27,226,885	26,364,152
Deferred inflows of resources	422,537	1,142,260	68,681	212,903	491,218	1,355,163
Net position:						
Net investment in capital assets	48,217,672	43,269,921	28,556,983	26,637,929	76,774,655	69,907,850
Restricted	1,740,788	1,856,294			1,740,788	1,856,294
Unrestricted	23,690,713	25,081,244	23,954,585	24,399,618	47,645,298	49,480,862
Total net position	\$ 73,649,173	\$ 70,207,459	\$ 52,511,568	\$ 51,037,547	\$ 126,160,741	\$ 121,245,006

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

An additional portion of the City of Hugo's net position (1 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 6 percent from the prior year, primarily as a result of a decrease in the City's net pension asset due to investment performance. The City of Hugo's balance of *unrestricted net position* at December 31, 2022 (\$47,645,298) may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position decreased by 4 percent during the year due primarily expenditures for capital assets.

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 activities, 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 \$3,441,714. The most significant factors accounting for this increase relate to increased property taxes for planned major capital projects.

Business-type activities. Business-type activities increased the City of Hugo's net position by \$1,474,021. The majority of this increase is attributable to charges for utility services, in addition to noncash capital contributions as a result of developer contributions.

A condensed version of the Statement of Activities follows:

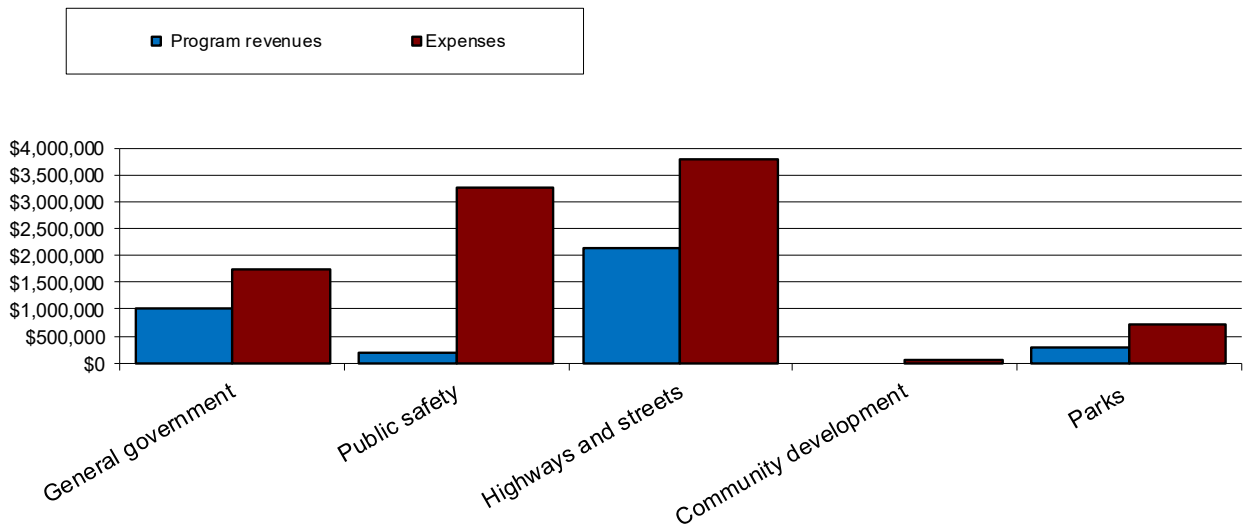
City of Hugo, Minnesota's Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 981,891	\$ 1,479,430	\$ 3,677,995	\$ 5,069,196	\$ 4,659,886	\$ 6,548,626
Operating grants and contributions	451,283	410,903			451,283	410,903
Capital grants and contributions	2,155,336	5,080,510	2,057,641	4,281,759	4,212,977	9,362,269
General revenues:						
Property taxes	9,476,861	8,818,597	277,473	279,176	9,754,334	9,097,773
Grants and contributions not restricted to specific programs	11,968	13,513	4,445	10,206	16,413	23,719
Other	(600,522)	(109,143)	(361,902)	(42,884)	(962,424)	(152,027)
Total revenues	<u>12,476,817</u>	<u>15,693,810</u>	<u>5,655,652</u>	<u>9,597,453</u>	<u>18,132,469</u>	<u>25,291,263</u>
Expenses:						
General government	1,730,045	1,662,059			1,730,045	1,662,059
Public safety	3,244,223	2,543,607			3,244,223	2,543,607
Highways and streets	3,803,932	3,268,954			3,803,932	3,268,954
Community development	70,516	84,304			70,516	84,304
Parks	711,771	729,170			711,771	729,170
Interest on long-term debt	325,873	296,734			325,873	296,734
Sewer and water			3,330,374	2,941,919	3,330,374	2,941,919
Total expenses	<u>9,886,360</u>	<u>8,584,828</u>	<u>3,330,374</u>	<u>2,941,919</u>	<u>13,216,734</u>	<u>11,526,747</u>
Increase in net position before transfers	2,590,457	7,108,982	2,325,278	6,655,534	4,915,735	13,764,516
Transfers	851,257	2,053,185	(851,257)	(2,053,185)		
Increase in net position	3,441,714	9,162,167	1,474,021	4,602,349	4,915,735	13,764,516
Net position, beginning of year	70,207,459	61,045,292	51,037,547	46,435,198	121,245,006	107,480,490
Net position, end of year	<u>\$ 73,649,173</u>	<u>\$ 70,207,459</u>	<u>\$ 52,511,568</u>	<u>\$ 51,037,547</u>	<u>\$ 126,160,741</u>	<u>\$ 121,245,006</u>

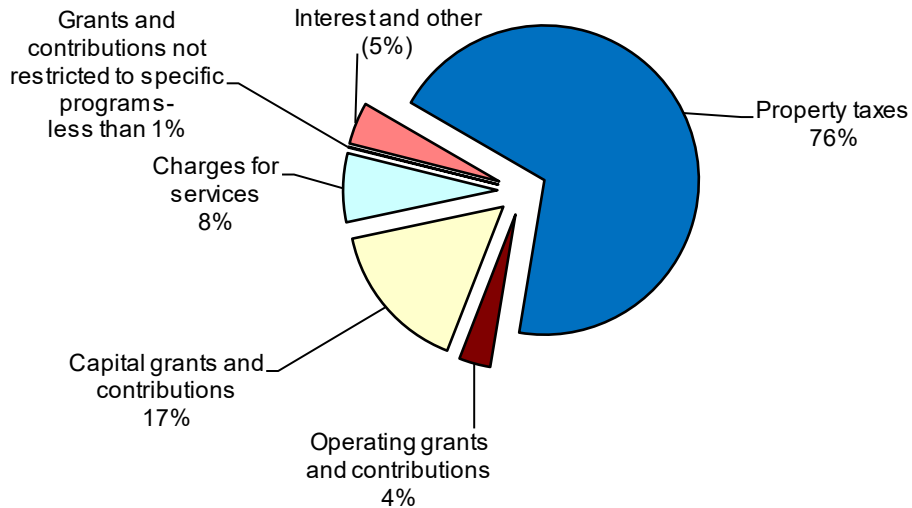
CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



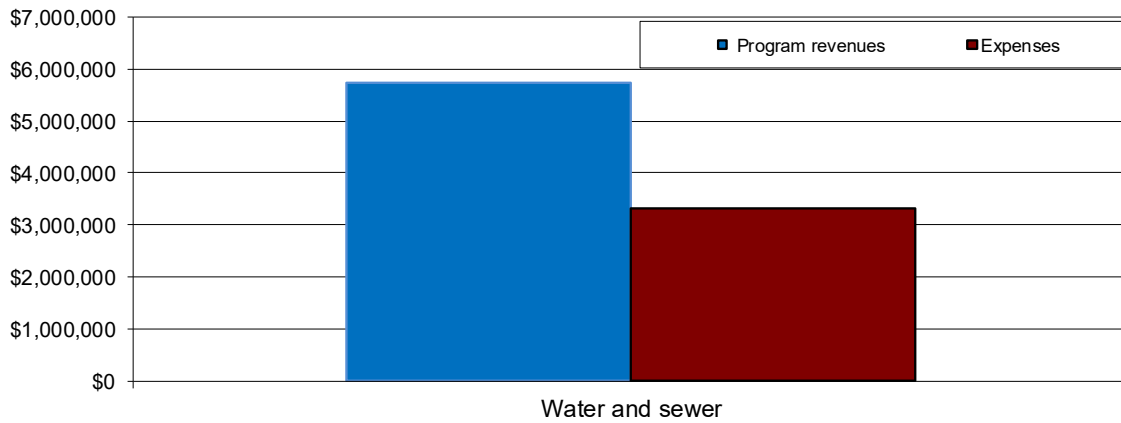
Revenues by Source - Governmental Activities



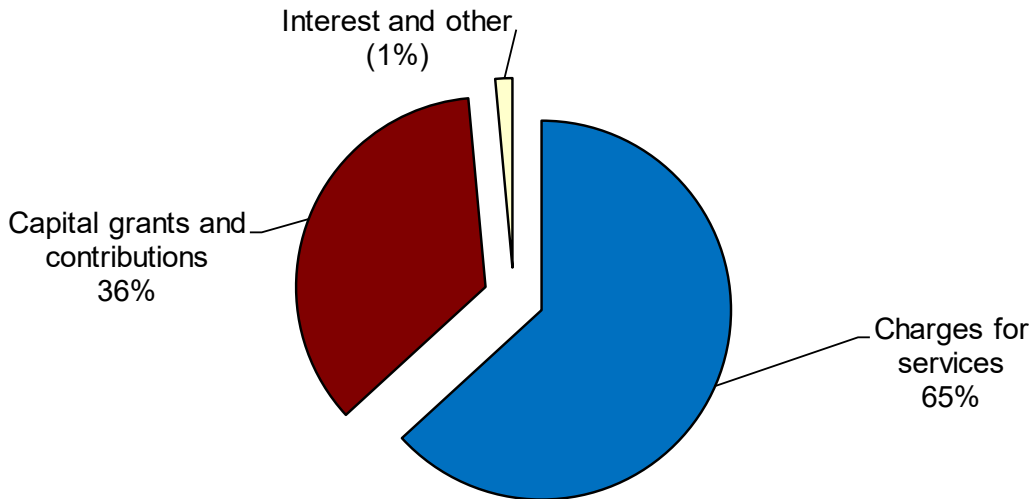
**CITY OF HUGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$25,066,721, a decrease of \$4,547,124 from the prior year primarily as a result of expenses related to capital outlay projects. 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 \$4,427,097. 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 71 percent of total general fund expenditures.

The general fund's total fund balance increased by \$654,388 during the current fiscal year. This year's increase was primarily due to property taxes, licenses and permits, intergovernmental revenues and charges for services revenues related to increased building activity and strong economic conditions in spite of the pandemic.

The public improvements fund decreased its fund balance by \$5,363,447 for the year due primarily to planned capital outlay in excess of transfers from other funds and property taxes and intergovernmental revenues allocated to the fund.

The property and equipment acquisition fund decreased its fund balance by \$63,738 for the year due primarily to capital outlay expenditures in excess of transfers and other revenues allocated to the fund.

The special revenue funds decreased their fund balances by \$131,781 for the year due primarily to capital outlay expenditures in excess of property taxes and developer fees allocated to these funds.

The debt service funds increased their fund balances by \$357,454 for the year ended December 31, 2022 due primarily to property taxes allocated to these funds in excess of scheduled debt service 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 76 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 \$23,954,585 at December 31, 2022. The proprietary fund's net position increased by \$1,474,021 due largely to one-time infrastructure fees for new development and noncash capital contributions from developers.

Despite the City's growth, overall trends in the population's use of the City's municipal water supply has stayed relatively stable. In 2022, the City used approximately 70 million gallons of stormwater for outdoor irrigation use, replacing water from the municipal system. The City has also decreased water usage through other conservation and education efforts. As a result, the municipal water system requires fewer wells and towers to support the population, and the City has reduced future capital expense.

Sewer connections increased 4.1% in 2022 and revenue increased 7.10%. Rates are adjusted to provide adequate funds to cover operating costs, including depreciation, and provide for positive operating income. The cost of sewage treatment imposed by the Metropolitan Council is the largest single expense and continues to increase each year.

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 over \$4.4 million is 71% 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 general government expenses and highways and street 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 \$521,696 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 \$149,132 due primarily to various fees related to increased construction in the City.
- General government expenditures were less than budget by \$307,156 due primarily to lower than anticipated expenditures related to planning and zoning and engineering services.
- Highways and streets expenditures were less than budget by \$450,512 due primarily to lower than expected expenditures for street materials and repairs and maintenance costs.
- Parks expenditures were less than budget by \$156,305 due primarily to lower than expected outside services and supplies expenditures.
- Transfers out of the general fund exceed budget by \$1,099,882 due to unbudgeted transfers of excess funds.

**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, 2022, amounts to \$94,656,212 (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 \$10,205,659, or 12.1 percent. The increase in governmental activities and in business-type activities capital assets is due primarily to the construction completed on a new public works facility and Lions Park improvements and various street construction projects within the City during 2022.

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 5,359,425	\$ 4,928,488	\$ 336,125	\$ 336,125	\$ 5,695,550	\$ 5,264,613
Construction in progress	2,512,371	13,815,315	69,156	4,468,128	2,581,527	18,283,443
Buildings	15,383,846	3,287,037	27,945,627	21,758,516	43,329,473	25,045,553
Improvements other than buildings	5,685,669	458,687			5,685,669	458,687
Machinery and equipment	5,192,541	3,850,800	357,757	412,348	5,550,298	4,263,148
Land improvements			18,310		18,310	
Infrastructure	31,795,385	31,135,109			31,795,385	31,135,109
Total	<u>\$ 65,929,237</u>	<u>\$ 57,475,436</u>	<u>\$ 28,726,975</u>	<u>\$ 26,975,117</u>	<u>\$ 94,656,212</u>	<u>\$ 84,450,553</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 \$16,235,000 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	
	2022	2021	2022	2021	2022	2021
General obligation bonds	<u>\$ 16,235,000</u>	<u>\$ 16,505,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 16,235,000</u>	<u>\$ 16,505,000</u>

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

The City of Hugo's total bonds decreased by \$270,000 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 2022 at 2.3 percent, down from 3.1 percent a year ago. This compares favorably to the State of Minnesota average unemployment rate of 2.7 percent and the United States average rate of 3.6 percent.
- Hugo continues to see new construction growth, primarily in residential properties. The city's total estimated market value increased 7.01% for taxes payable year 2022.

All of these factors were considered in preparing the City of Hugo's budget for the 2023 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 federal and 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, 2022

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CITY OF HUGO, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2022

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and investments	\$ 28,488,318	\$ 22,938,348	\$ 51,426,666
Receivables (net of allowance for uncollectibles, if any)	1,182,898	1,192,115	2,375,013
Lease receivable	48,108	88,774	136,882
Deposits receivable		1,500	1,500
Due from other governmental units	3,351,078	210,663	3,561,741
Net pension asset	985,335		985,335
Capital assets:			
Nondepreciable	7,871,796	405,281	8,277,077
Depreciable, net	58,057,441	28,321,694	86,379,135
Total Assets	99,984,974	53,158,375	153,143,349
Deferred Outflows of Resources			
Deferred outflows from pension activity	596,297	139,198	735,495
Liabilities			
Accounts payable	688,179	210,980	899,159
Accrued interest payable	103,628		103,628
Accrued expenses	105,686	20,653	126,339
Due to other governmental units	27,843	21,008	48,851
Unearned revenue	6,031,943	1,000	6,032,943
Noncurrent liabilities:			
Due within one year	725,294	38,784	764,078
Due in more than one year	17,005,768	12,670	17,018,438
Net pension liability	1,821,220	412,229	2,233,449
Total Liabilities	26,509,561	717,324	27,226,885
Deferred Inflows of Resources			
Deferred inflows from leasing activity	46,702	64,865	111,567
Deferred inflows from pension activity	375,835	3,816	379,651
Total Deferred Inflows of Resources	422,537	68,681	491,218
Net Position			
Net investment in capital assets	48,217,672	28,556,983	76,774,655
Restricted for:			
Creditors	1,073,258		1,073,258
Pensions	667,530		667,530
Unrestricted	23,690,713	23,954,585	47,645,298
Total Net Position	\$ 73,649,173	\$ 52,511,568	\$ 126,160,741

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,730,045	\$ 926,648	\$ 73,613	\$
Public safety	3,244,223	34,026	146,972	
Highways and streets	3,803,932		230,698	1,902,536
Community development	70,516			
Parks	711,771	21,217		252,800
Interest on long-term debt	325,873			
Total governmental activities	<u>9,886,360</u>	<u>981,891</u>	<u>451,283</u>	<u>2,155,336</u>
Business-Type activities:				
Water and sewer	<u>3,330,374</u>	<u>3,677,995</u>		<u>2,057,641</u>
Total	<u>\$ 13,216,734</u>	<u>\$ 4,659,886</u>	<u>\$ 451,283</u>	<u>\$ 4,212,977</u>

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 Activities	Business-Type Activities	Totals
\$ (729,784)	\$	\$ (729,784)
(3,063,225)		(3,063,225)
(1,670,698)		(1,670,698)
(70,516)		(70,516)
(437,754)		(437,754)
(325,873)		(325,873)
<u>(6,297,850)</u>		<u>(6,297,850)</u>
	2,405,262	2,405,262
<u>(6,297,850)</u>	<u>2,405,262</u>	<u>(3,892,588)</u>
9,476,861	277,473	9,754,334
11,968	4,445	16,413
315,339	234,847	550,186
(934,004)	(682,343)	(1,616,347)
18,143	85,594	103,737
851,257	(851,257)	
<u>9,739,564</u>	<u>(931,241)</u>	<u>8,808,323</u>
3,441,714	1,474,021	4,915,735
<u>70,207,459</u>	<u>51,037,547</u>	<u>121,245,006</u>
<u>\$ 73,649,173</u>	<u>\$ 52,511,568</u>	<u>\$ 126,160,741</u>

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CITY OF HUGO, MINNESOTA
FUND FINANCIAL STATEMENTS
December 31, 2022

CITY OF HUGO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	General	Capital Project Fund		Other Governmental Funds	Total
		Public Improvements	Property and Equipment Acquisition		
Assets					
Cash and investments	\$ 7,823,098	\$ 8,847,754	\$ 8,329,840	\$ 3,487,626	\$ 28,488,318
Receivables (Net of Allowance for Uncollectibles, if any):					
Accounts	22,468				22,468
Accrued interest	13,301	22,686	15,262	5,853	57,102
Taxes	83,998	17,584	3,111	12,737	117,430
Special assessments		836,103		149,795	985,898
Lease			48,108		48,108
Due from other governmental units	95,206	3,247,132	1,567	7,173	3,351,078
TOTAL ASSETS	\$ 8,038,071	\$ 12,971,259	\$ 8,397,888	\$ 3,663,184	\$ 33,070,402
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities					
Accounts payable	\$ 115,255	\$ 478,770	\$ 66,860	\$ 27,294	\$ 688,179
Unearned revenue	3,278,192	2,748,951	4,800		6,031,943
Salaries payable	105,686				105,686
Due to other governmental units	27,843				27,843
Total Liabilities	3,526,976	3,227,721	71,660	27,294	6,853,651
Deferred Inflows of Resources					
Unavailable revenue:					
Property taxes	83,998	17,584	3,111	12,737	117,430
Special assessments		836,103		149,795	985,898
Leasing activity			46,702		46,702
Total Deferred Inflows of Resources	83,998	853,687	49,813	162,532	1,150,030
Fund Balance					
Fund Balance:					
Restricted				1,015,923	1,015,923
Committed				2,278,749	2,278,749
Assigned		8,889,851	8,276,415	178,686	17,344,952
Unassigned	4,427,097				4,427,097
Total Fund Balance	4,427,097	8,889,851	8,276,415	3,473,358	25,066,721
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 8,038,071	\$ 12,971,259	\$ 8,397,888	\$ 3,663,184	\$ 33,070,402

See Notes to Financial Statements

**RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2022**

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

Total governmental fund balances (page 18)		\$ 25,066,721
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 88,022,148	
Less: Accumulated depreciation	<u>(22,092,911)</u>	65,929,237
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 117,430	
Deferred and delinquent special assessments	<u>985,898</u>	1,103,328
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$(16,235,000)	
Net pension liability (asset), deferred outflows and inflows from pension activity	(615,423)	
Compensated absences	(573,375)	
Accrued interest	(103,628)	
Unamortized bond premiums and discounts	<u>(922,687)</u>	<u>(18,450,113)</u>
Net position of governmental activities (page 15)		<u><u>\$ 73,649,173</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, 2022

	Capital Project Fund			Other Governmental Funds	Total
	General	Public Improvements	Property and Equipment Acquisition		
Revenues					
Property taxes	\$ 6,955,722	\$ 1,156,314	\$ 238,723	\$ 1,095,518	\$ 9,446,277
Special assessments		337,542		43,277	380,819
Licenses and permits	627,929				627,929
Intergovernmental revenues	448,571	684,728	328	1,505	1,135,132
Charges for services	245,820				245,820
Court fines	34,026				34,026
Other Revenue:					
Investment earnings	69,073	130,866	83,827	31,573	315,339
Net (decrease) in the fair value of investments	(187,310)	(415,324)	(242,939)	(88,431)	(934,004)
Rent	14,915		48,406	5,967	69,288
Developer fees				77,800	77,800
Miscellaneous	16,949		12,000		28,949
Total Revenues	<u>8,225,695</u>	<u>1,894,126</u>	<u>140,345</u>	<u>1,167,209</u>	<u>11,427,375</u>
Expenditures					
Current:					
General government	1,459,727				1,459,727
Public safety	2,329,295				2,329,295
Highways and streets	1,690,467				1,690,467
Community development	33,917				33,917
Parks	554,430				554,430
Unallocated	203,589				203,589
Capital outlay		9,944,575	676,360	294,268	10,915,203
Bond principal retirement				270,000	270,000
Interest on bonds				375,718	375,718
Fiscal charges and other				1,550	1,550
Total Expenditures	<u>6,271,425</u>	<u>9,944,575</u>	<u>676,360</u>	<u>941,536</u>	<u>17,833,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,954,270</u>	<u>(8,050,449)</u>	<u>(536,015)</u>	<u>225,673</u>	<u>(6,406,521)</u>
Other Financing Sources (Uses)					
Sale of capital assets		995,745	12,395		1,008,140
Transfers in		1,691,257	459,882		2,151,139
Transfers out	(1,299,882)				(1,299,882)
Total Other Financing Sources (Uses)	<u>(1,299,882)</u>	<u>2,687,002</u>	<u>472,277</u>		<u>1,859,397</u>
Net change in fund balances	654,388	(5,363,447)	(63,738)	225,673	(4,547,124)
FUND BALANCES, beginning	<u>3,772,709</u>	<u>14,253,298</u>	<u>8,340,153</u>	<u>3,247,685</u>	<u>29,613,845</u>
FUND BALANCES, ending	<u>\$ 4,427,097</u>	<u>\$ 8,889,851</u>	<u>\$ 8,276,415</u>	<u>\$ 3,473,358</u>	<u>\$25,066,721</u>

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, 2022

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

Net change in fund balances - total governmental funds (page 20)		\$ (4,547,124)
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	\$ 10,216,530	
Depreciation expense	<u>(1,888,727)</u>	
		8,327,803
Infrastructure is contributed from developers to governmental activities. The amounts affect governmental net position but do not affect fund balance.		
		1,170,283
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position.		
		(1,044,285)
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	\$ 1,103,328	
Unavailable revenue, Beginning of year	<u>(1,238,042)</u>	
		(134,714)
In the statement of activities, certain operating expenses - net pension liability, net pension asset, and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid)		
Net pension liability	\$ (146,922)	
Net pension asset	(476,997)	
Compensated absences	<u>(27,725)</u>	
		(651,644)
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	\$ 270,000	
Change in accrued interest	17,730	
Change in bond discounts and premium	<u>33,665</u>	
		<u>321,395</u>
Change in net position of governmental activities (pages 16 and 17)		<u><u>\$ 3,441,714</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, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
General Property Taxes				
Ad Valorem	\$ 6,808,478	\$ 6,808,478	\$ 6,779,395	\$ (29,083)
Franchise	164,473	164,473	176,327	11,854
Total General Property Taxes	<u>6,972,951</u>	<u>6,972,951</u>	<u>6,955,722</u>	<u>(17,229)</u>
Licenses and Permits				
Business	18,890	18,890	18,712	(178)
Nonbusiness	87,343	87,343	609,217	521,874
Total Licenses and Permits	<u>106,233</u>	<u>106,233</u>	<u>627,929</u>	<u>521,696</u>
Intergovernmental Revenues				
Homestead and other tax credits			9,288	9,288
Fire 2% insurance aid	100,186	100,186	114,661	14,475
Curbside recycling grant	31,840	31,840	31,878	38
Other aid and grants	181,373	181,373	292,744	111,371
Total Intergovernmental Revenues	<u>313,399</u>	<u>313,399</u>	<u>448,571</u>	<u>135,172</u>
Charges for Services	<u>96,688</u>	<u>96,688</u>	<u>245,820</u>	<u>149,132</u>
Court Fines	<u>38,955</u>	<u>38,955</u>	<u>34,026</u>	<u>(4,929)</u>
Miscellaneous Revenues				
Refunds and reimbursements			2,315	2,315
Investment earnings			69,073	69,073
Net (decrease) in the fair value of investments			(187,310)	(187,310)
Penalties and interest	1,971	1,971	5,028	3,057
Non-levy related taxes	8,311	8,311	9,606	1,295
Rental income	8,675	8,675	14,915	6,240
Total Miscellaneous Revenues	<u>18,957</u>	<u>18,957</u>	<u>(86,373)</u>	<u>(105,330)</u>
TOTAL REVENUES	<u>\$ 7,547,183</u>	<u>\$ 7,547,183</u>	<u>\$ 8,225,695</u>	<u>\$ 678,512</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, 2022

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
General Government				
Mayor and Council				
Personal services	\$ 34,125	\$ 34,125	\$ 28,050	\$ 6,075
Other services and charges	6,239	6,239	2,357	3,882
Ordinance and proceedings	5,500	5,500	3,442	2,058
Total Mayor and Council	45,864	45,864	33,849	12,015
Administration				
Personal services	111,097	111,097	99,088	12,009
Supplies	10,200	10,200	8,598	1,602
Other services and charges	73,634	73,634	66,666	6,968
Professional services	86,089	86,089	74,358	11,731
Capital outlay	2,000	2,000		2,000
Total Administration	283,020	283,020	248,710	34,310
Audio/Video				
Personal services	1,685	1,685	1,330	355
Capital outlay	5,000	5,000	3,620	1,380
Other services and charges	11,535	11,535	9,177	2,358
Total Audio/Video	18,220	18,220	14,127	4,093
Elections				
Supplies	2,000	2,000	2,214	(214)
Other services and charges	21,715	21,715	23,603	(1,888)
Total Elections	23,715	23,715	25,817	(2,102)
Clerk/Treasurer				
Personal services	100,621	100,621	100,822	(201)
Supplies	750	750	40	710
Other services and charges	47,243	47,243	33,080	14,163
Total Clerk/Treasurer	\$ 148,614	\$ 148,614	\$ 133,942	\$ 14,672

(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, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
EXPENDITURES (CONTINUED)				
General Government (Continued)				
Finance Director				
Personal services	\$ 200,939	\$ 200,939	\$ 201,613	\$ (674)
Supplies	3,690	3,690	1,219	2,471
Other services and charges	141,731	141,731	89,675	52,056
Capital outlay	3,000	3,000	2,442	558
Total Finance Director	<u>349,360</u>	<u>349,360</u>	<u>294,949</u>	<u>54,411</u>
Assessing	<u>95,355</u>	<u>95,355</u>	<u>97,744</u>	<u>(2,389)</u>
Planning and Zoning				
Personal services	208,387	208,387	158,971	49,416
Supplies	2,050	2,050	412	1,638
Other services and charges	82,283	82,283	47,819	34,464
Professional services	15,000	15,000	8,267	6,733
Capital outlay	2,000	2,000		2,000
Total Planning and Zoning	<u>309,720</u>	<u>309,720</u>	<u>215,469</u>	<u>94,251</u>
Engineering				
Personal services	140,435	140,435	129,188	11,247
Supplies	5,800	5,800	8,420	(2,620)
Other services and charges	24,818	24,818	19,291	5,527
Professional services	100,100	100,100	56,384	43,716
Capital outlay	1,000	1,000	505	495
Total Engineering	<u>272,153</u>	<u>272,153</u>	<u>213,788</u>	<u>58,365</u>
Legal Fees	<u>107,670</u>	<u>107,670</u>	<u>84,840</u>	<u>22,830</u>
General Government Building				
Personal services	8,400	8,400	8,352	48
Supplies	10,550	10,550	5,884	4,666
Other services and charges	84,242	84,242	74,166	10,076
Capital outlay	10,000	10,000	8,090	1,910
Total General Government Building	<u>113,192</u>	<u>113,192</u>	<u>96,492</u>	<u>16,700</u>
Total General Government	<u>\$ 1,766,883</u>	<u>\$ 1,766,883</u>	<u>\$ 1,459,727</u>	<u>\$ 307,156</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, 2022

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (CONTINUED)				
Public Safety				
Police				
Contracted services	\$ 1,250,700	\$ 1,250,700	\$ 1,248,129	\$ 2,571
Fire Protection				
Personal services	279,920	279,920	288,718	(8,798)
Supplies	44,000	44,000	28,355	15,645
Other services and charges	287,631	287,631	279,529	8,102
Capital outlay	4,000	4,000		4,000
Total Fire Protection	615,551	615,551	596,602	18,949
Protective Inspection				
Personal services	358,753	358,753	312,990	45,763
Supplies	7,500	7,500	2,291	5,209
Other services and charges	168,560	168,560	156,058	12,502
Professional services	3,960	3,960		3,960
Capital outlay	9,200	9,200	1,365	7,835
Total Protective Inspection	547,973	547,973	472,704	75,269
Animal Control				
Professional services	9,500	9,500	11,860	(2,360)
Total Public Safety	2,423,724	2,423,724	2,329,295	94,429
Highways and Streets				
Administration and Engineering				
Personal services	655,004	655,004	608,054	46,950
Supplies	601,934	601,934	377,693	224,241
Other services and charges	704,418	704,418	530,528	173,890
Capital outlay	2,500	2,500		2,500
Total Administration and Engineering	1,963,856	1,963,856	1,516,275	447,581
Streets/Recycling	8,400	8,400	4,500	3,900
Street Lighting	168,723	168,723	169,692	(969)
Total Highways and Streets	\$ 2,140,979	\$ 2,140,979	\$ 1,690,467	\$ 450,512

(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, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
EXPENDITURES (CONTINUED)				
Community Development				
Personal services	\$ 84,502	\$ 84,502	\$ 25,243	\$ 59,259
Other services and charges	26,708	26,708	8,674	18,034
Capital outlay	2,000	2,000		2,000
Total Community Development	<u>113,210</u>	<u>113,210</u>	<u>33,917</u>	<u>79,293</u>
Parks				
Personal services	338,926	338,926	243,630	95,296
Other services and charges	369,809	369,809	310,800	59,009
Capital outlay	2,000	2,000		2,000
Total Parks	<u>710,735</u>	<u>710,735</u>	<u>554,430</u>	<u>156,305</u>
Other Unallocated				
Remittance to Fire Relief Association	100,186	100,186	114,661	(14,475)
Contributions	37,202	37,202	35,273	1,929
Miscellaneous	54,264	54,264	53,655	609
Total Other Unallocated	<u>191,652</u>	<u>191,652</u>	<u>203,589</u>	<u>(11,937)</u>
TOTAL EXPENDITURES	<u>7,347,183</u>	<u>7,347,183</u>	<u>6,271,425</u>	<u>1,075,758</u>
Excess (deficiency) of revenues over (under) expenditures	200,000	200,000	1,954,270	1,754,270
OTHER FINANCING SOURCES (USES)				
Transfers	(200,000)	(200,000)	(1,299,882)	(1,099,882)
Net Change in Fund Balance			654,388	654,388
FUND BALANCE, beginning	<u>3,772,709</u>	<u>3,772,709</u>	<u>3,772,709</u>	
FUND BALANCE, ending	<u>\$ 3,772,709</u>	<u>\$ 3,772,709</u>	<u>\$ 4,427,097</u>	<u>\$ 654,388</u>

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
PROPRIETARY FUND
Statement of Net Position
December 31, 2022

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 22,938,348
Receivables:	
Accounts receivable	977,119
Accrued interest	43,184
Special assessments (net of allowance for uncollectibles)	171,812
Lease	43,205
Due from other governmental units	210,663
Deposits	<u>1,500</u>
Total Current Assets	<u>24,385,831</u>
Noncurrent Assets	
Lease receivable, noncurrent	45,569
Property and Equipment:	
Nondepreciable	405,281
Depreciable	41,211,499
Less: Accumulated depreciation	<u>12,889,805</u>
Total Noncurrent Assets	<u>28,772,544</u>
Total Assets	<u>53,158,375</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pension activity	<u>139,198</u>
LIABILITIES	
Current Liabilities	
Current portion of long-term debt (compensated absences)	38,784
Accounts payable	210,980
Due to other governmental units	21,008
Salaries payable	20,653
Unearned revenue	<u>1,000</u>
Total Current Liabilities	<u>292,425</u>
Long-term Liabilities	
Net pension liability	412,229
Compensated absences, net of current portion	<u>12,670</u>
Total Long-Term Liabilities	<u>424,899</u>
Total Liabilities	<u>717,324</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from leasing activity	64,865
Deferred inflows from pension activity	<u>3,816</u>
Total Deferred Inflows of Resources	<u>68,681</u>
NET POSITION	
Investment in capital assets	28,556,983
Unrestricted	<u>23,954,585</u>
Total Net Position	<u>\$ 52,511,568</u>

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, 2022**

Operating Revenue	
Water charges	\$ 1,585,228
Meter sales	51,200
Sewer charges	1,632,767
Total Operating Revenues	3,269,195
Operating Expenses	
Personal services	637,856
Engineering	35,341
Electricity	162,325
Repairs and maintenance	492,802
Sewer charges - MCES	717,921
Depreciation	874,090
Loss on disposal of capital assets	156,058
Miscellaneous	253,981
Total Operating Expenses	3,330,374
Operating (Loss)	(61,179)
Nonoperating Revenue	
Future infrastructure charges	411,900
Rental income	69,903
Property taxes	277,473
Intergovernmental revenue	4,826
Investment earnings	234,847
Net (decrease) in the fair value of investments	(682,343)
Miscellaneous	12,210
Total Nonoperating Revenue	328,816
Net Income Before Transfers and Contributions	267,637
Capital contributions - special assessments	5,793
Noncash capital contributions	1,934,486
Capital contributions - intergovernmental	50,000
Capital contributions - other	67,362
Transfers out	(851,257)
Change in net position	1,474,021
Net Position, Beginning of Year	51,037,547
Net Position, End of Year	\$ 52,511,568

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
PROPRIETARY FUND
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows From Operating Activities	
Cash received from customers	\$ 3,354,577
Cash paid to suppliers	(1,733,927)
Cash paid to employees	(592,529)
Other income received	108,599
Net Cash Provided By Operating Activities	1,136,720
Cash Flows From Noncapital Financing Activities	
Transfers to other funds	(851,257)
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(942,923)
Special assessments and property taxes received	358,717
Net Cash (Used In) Capital and Related Financing Activities	(584,206)
Cash Flows From Investing Activities	
Investment earnings received	201,237
Net (decrease) in the fair value of investments	(682,343)
Net Cash (Used In) Investing Activities	(481,106)
Net (Decrease) in Cash and Cash Equivalents	(779,849)
Cash and Cash Equivalents, Beginning of Year	23,718,197
Cash and Cash Equivalents, End of Year	\$ 22,938,348
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	\$ (61,179)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	874,090
Loss on disposal of capital assets	156,058
Change in net pension liability	35,747
Future infrastructure charges, included in nonoperating revenues	411,900
Change in lease receivable and deferred inflows of resources	21,660
Other income	86,939
(Increase) Decrease In:	
Accounts receivable	(285,511)
Due from other governmental units	(41,007)
Increase (Decrease) In:	
Accounts payable	(73,130)
Due to other governmental units	1,573
Salaries payable	2,550
Estimated liability for compensated absences	7,030
Net Cash Provided By Operating Activities	\$ 1,136,720
Noncash Investing, Capital and Financing Activities	
Receipt of contributed property	\$ 1,934,486
Capital assets in accounts payable at year end	169,992

See Notes to Financial Statements

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CITY OF HUGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

The City was incorporated under the laws of the State of Minnesota and operates under an elected Mayor-Council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Hugo (the primary government) and its component unit. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the potential component unit's board, is able to impose its will on the potential unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Economic Development Authority of the City of Hugo serves all the citizens of the government and is governed by a board comprised of the City's elected council. The rates for user charges, if any, and bond issuance authorization are approved by the City's council and legal liability for the General Obligation portion of the Authority's debt remains with the City. 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.

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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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.

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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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 *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.

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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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.

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

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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

2. Receivables and payables (continued)

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.

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 inflows of resources 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 4.0% to 4.27%. 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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

3. 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 expensed as incurred.

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

	Useful Life <u>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.

4. 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)

1. Summary of Significant Accounting Policies (Continued)

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

4. 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. Generally, the maximum PTO accumulation per employee is 520 hours and the maximum compensatory time accumulation is 40 hours for salaried nonexempt employees and 120 hours for nonexempt hourly 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.

5. 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.

6. 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. 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)

1. Summary of Significant Accounting Policies (Continued)

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

7. Deferred outflows of resources and deferred inflows of resources

In addition to assets, the financial statements will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources until that time. The City has one type and it is pension-related and is reported on the statement of net position.

In addition to liabilities, the financial statements will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources until that time. The City recognized three types of deferred inflows of resources. The first type occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type is pension related and reported in the statement of net position. The third type is related to leasing activity and reported in the governmental funds balance sheet and the statement of net position.

8. Fund balance

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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

8. Fund balance (continued)

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.

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.

9. Leases

For leases with term exceeding 12 months, the City recognizes a lease liability and a right to use lease asset in the government-wide financial statements.

The right to use lease asset is calculated at the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus certain initial direct costs incurred, minus any lease incentives received. Subsequently, the right to use lease asset is amortized on a straight-line basis over its useful life. The City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. Remeasurement of the right to use lease asset and lease liability occurs when certain changes occur that are likely to have a significant impact on the lease liability.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

9. Leases (continued)

Right to use lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The City leases cell tower space and buildings to external parties. Lease receivables and deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected payments and receipts are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the City's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The City does not have any leases subject to a residual value guarantee.

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. Conduit Debt Obligations

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, 2022, the outstanding principal amount of these bonds was \$18,875,000.

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. The 2015 bonds were paid in full during the year ended December 31, 2022. As of December 31, 2022, the outstanding principal amount of the 2017 bonds was \$3,596,333.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

G. Implementation of New Accounting Principles

During the year, the City implemented GASB Statement No. 87, Leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The implementation of this standard resulted in changing the presentation of the financial statements by including the lease receivable and deferred inflows from leases as of January 1, 2022. The beginning net position has not been impacted by the implementation.

H. 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.

I. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 26, 2023, the date the financial statements were available to be issued.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability

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)

2. Stewardship, Compliance, and Accountability (Continued)

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, 2022).

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, 2022.

3. Detailed Notes on All Funds

A. Deposits and Investments

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

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

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

The City's deposits in banks at December 31, 2022 were entirely covered by federal depository insurance or by collateral held by the City or its agent in the City's name.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (continued)

Investment Policy

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

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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	\$ 329,252
Non-Negotiable Certificates of Deposit	February 2023 - February 2026	N/A	1,645,210
Money Market Funds	N/A	Unrated	22,254,410
U.S. Government Securities	January 2023 - September 2026	N/A	<u>27,197,794</u>
Total			<u>\$ 51,426,666</u>

N/A Not applicable or not available

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

Carrying amount of deposits	\$ 329,252
Investments	<u>51,097,414</u>
Total	<u>\$ 51,426,666</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)

3. Detailed Notes on All Funds (Continued)

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, 2022 were as follows:

Issuer	Investment Type	Value
RBC Wealth Management	Money Market Funds	\$ 22,254,410

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, 2022 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: Observable market-based inputs or unobservable inputs that are corroborated by market data. 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, 2022 were as follows:

	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
U.S. Government Securities	\$27,197,794	\$	\$27,197,794	\$
Total	\$27,197,794	\$	\$27,197,794	\$

B. Due From and To Other Governmental Units

Amounts due from other governmental units as of December 31, 2022 were as follows:

Fund Type	Washington County	State of Minnesota	Metropolitan Council	Other	Total
General	\$ 45,376	\$ 7,891	\$ 36,000	\$ 5,939	\$ 95,206
Special Revenue	743				743
Debt Service	6,430				6,430
Capital Project	10,571	3,238,128			3,248,699
Proprietary	3,703	156,960	50,000		210,663
Total	\$ 66,823	\$ 3,402,979	\$ 86,000	\$ 5,939	\$ 3,561,741

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

B. Due From and To Other Governmental Units (continued)

Amounts due to other governmental units as of December 31, 2022 were as follows:

Fund Type	Washington County	State of Minnesota	Metropolitan Council	Minnesota Unemployment	Total
General	\$ 4,401	\$ 4,849	\$ 12,841	\$ 5,752	\$ 27,843
Proprietary		21,008			21,008
Total	\$ 4,401	\$ 25,857	\$ 12,841	\$ 5,752	\$ 48,851

C. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,928,488	\$ 430,937	\$	\$ 5,359,425
Construction in progress	13,815,315	9,563,307	20,866,251	2,512,371
Total capital assets, not being depreciated	18,743,803	9,994,244	20,866,251	7,871,796
Capital assets, being depreciated:				
Buildings and improvements	7,035,134	13,350,399	2,508,167	17,877,366
Land Improvements	2,034,317	5,276,230		7,310,547
Infrastructure	42,561,146	1,717,868		44,279,014
Machinery and equipment	8,956,774	1,914,323	187,672	10,683,425
Total capital assets, being depreciated	60,587,371	22,258,820	2,695,839	80,150,352
Less accumulated depreciation for:				
Buildings and improvements	3,748,097	239,358	1,493,935	2,493,520
Land Improvements	1,575,630	49,248		1,624,878
Infrastructure	11,426,037	1,057,592		12,483,629
Machinery and equipment	5,105,974	542,529	157,619	5,490,884
Total accumulated depreciation	21,855,738	1,888,727	1,651,554	22,092,911
Total capital assets, being depreciated, net	38,731,633	20,370,093	1,044,285	58,057,441
Governmental activities capital assets, net	\$ 57,475,436	\$ 30,364,337	\$ 21,910,536	\$ 65,929,237

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

C. Capital Assets (continued)

<u>Business-type activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 336,125	\$	\$	\$ 336,125
Construction in progress	4,468,128	84,240	4,483,212	69,156
Total capital assets, not being depreciated	<u>4,804,253</u>	<u>84,240</u>	<u>4,483,212</u>	<u>405,281</u>
Capital assets, being depreciated:				
Buildings and improvements	33,545,447	7,153,452	567,385	40,131,514
Land improvements		18,310		18,310
Machinery and equipment	1,052,459	9,216		1,061,675
Total capital assets, being depreciated	<u>34,597,906</u>	<u>7,180,978</u>	<u>567,385</u>	<u>41,211,499</u>
Less accumulated depreciation for:				
Buildings and improvements	11,786,931	810,283	411,327	12,185,887
Machinery and equipment	640,111	63,807		703,918
Total accumulated depreciation	<u>12,427,042</u>	<u>874,090</u>	<u>411,327</u>	<u>12,889,805</u>
Total capital assets, being depreciated, net	<u>22,170,864</u>	<u>6,306,888</u>	<u>156,058</u>	<u>28,321,694</u>
Business-type activities capital assets, net	<u>\$ 26,975,117</u>	<u>\$ 6,391,128</u>	<u>\$ 4,639,270</u>	<u>\$ 28,726,975</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 103,074
Public safety	261,138
Highways and streets	1,359,825
Parks	147,334
Community development	<u>17,356</u>
Total	<u>\$ 1,888,727</u>

Business-Type Activities:

Sewer and Water	<u>\$ 874,090</u>
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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, if any, 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, 2022 is as follows:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/22</u>
General obligation bonds:				
2011 Improvement Bonds	11/9/2011	2.70% - 3.00%	2027	\$ 220,000
2020 A Capital Improvement Bonds	11/5/2020	1.00% - 5.00%	2046	7,845,000
2021 A Tax Abatement Bonds	10/7/2021	1.10% - 4.00%	2042	8,170,000
Other Liabilities:				
Compensated Absences				624,829
Unamortized premium				1,070,886
Less: Unamortized (discount)				<u>(148,199)</u>
Total Long-term Debt				<u>\$ 17,782,516</u>

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.

The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2022, the City had not utilized approximately \$57,438,000 of its net legal debt margin.

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, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes and Contracts Payable:					
General obligation bonds:					
2011 Improvement Bonds	\$ 335,000	\$	\$ 115,000	\$ 220,000	\$ 40,000
2020 A Capital Improvement Bonds	8,000,000		155,000	7,845,000	225,000
2021 A Tax Abatement Bonds	8,170,000			8,170,000	235,000
Other Liabilities:					
Compensated Absences	545,650	242,125	214,400	573,375	225,294
Unamortized premium	1,109,948		39,062	1,070,886	
Less: Unamortized (discount)	(153,596)		(5,397)	(148,199)	
Governmental Activities Long-term Liabilities	<u>18,007,002</u>	<u>242,125</u>	<u>518,065</u>	<u>17,731,062</u>	<u>725,294</u>
BUSINESS-TYPE ACTIVITIES					
Other Liabilities:					
Compensated Absences	44,424	40,515	33,485	51,454	38,784
Business-Type Activities Long-term Liabilities	<u>44,424</u>	<u>40,515</u>	<u>33,485</u>	<u>51,454</u>	<u>38,784</u>
Total	<u>\$ 18,051,426</u>	<u>\$ 282,640</u>	<u>\$ 551,550</u>	<u>\$ 17,782,516</u>	<u>\$ 764,078</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt (continued)

Debt service requirements to maturity for long-term debt, excluding compensated absences, as of December 31, 2022 were as follows:

Year	General Obligation Debt	
	Principal	Interest
2023	\$ 500,000	\$ 398,345
2024	590,000	374,798
2025	615,000	348,815
2026	645,000	321,540
2027	665,000	293,140
2028-2032	3,510,000	1,084,200
2033-2037	3,890,000	730,879
2038-2042	4,240,000	367,999
2043-2046	1,580,000	63,900
	<u>\$ 16,235,000</u>	<u>\$ 3,983,615</u>

E. 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.

Interfund transfers during the year ended December 31, 2022 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$	\$ 1,299,882
Public Improvements	1,691,257	
Property and Equipment Acquisition	459,882	
Total Major Governmental Funds	<u>2,151,139</u>	<u>1,299,882</u>
Proprietary Funds:		
Water and Sewer Utility Fund		<u>851,257</u>
Total All Funds	<u>\$ 2,151,139</u>	<u>\$ 2,151,139</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Fund Balance and Net Position

The City has committed and assigned portions of fund balance in the governmental funds. A summary at December 31, 2022 is as follows:

	<u>Special Park</u>	<u>Compensated Absences</u>	<u>Firefighter's Relief</u>	<u>Public Improvements</u>	<u>Property and Equipment Acquisition</u>
Committed					
Park improvement	\$ 1,480,476	\$	\$	\$	\$
Compensated absences		798,273			
Total Committed	<u>\$ 1,480,476</u>	<u>\$ 798,273</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Assigned					
Municipal contributions to fire relief	\$	\$	\$ 178,686	\$	\$
Public improvements				8,889,851	
Property and equipment acquisition					8,276,415
Total Assigned	<u>\$</u>	<u>\$</u>	<u>\$ 178,686</u>	<u>\$ 8,889,851</u>	<u>\$ 8,276,415</u>

The City has restricted portions of fund balance in the fund financial statements and net position in the government-wide financial statements. The restricted fund balance and net position represents the portion not available for expenditure or legally segregated for specific future use. A summary of the restricted portion of the fund balance and net position at December 31, 2022 is as follows:

<u>Specific Purpose</u>	<u>Restriction Imposed By</u>			
	<u>Contributors</u>	<u>Grantors</u>	<u>Creditors</u>	<u>Regulations</u>
Restricted Fund Balance				
Debt Service Funds:				
Debt service requirements	<u>\$</u>	<u>\$</u>	<u>\$ 1,015,923</u>	<u>\$</u>
Restricted Net Position				
Debt service requirements	\$	\$	\$ 1,073,258	\$
Pensions				667,530
Total Restricted Net Position	<u>\$</u>	<u>\$</u>	<u>\$ 1,073,258</u>	<u>\$ 667,530</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Leases

The City has entered into a lease agreement with a wireless communication provider. Under the lease, the provider pays the City monthly payments of \$3,459 (adjusted 5% annually) in exchange for providing services to the City residents with antennas on top of the water towers. This lease receivable has been recorded in the sewer and water utility fund and is measured as the present value of the future rent payments expected to be received during the lease term at a discount rate of 0.426%, which is the incremental borrowing rate based on the length of the lease and the City's most recent bond rating.

The City has also entered into lease agreements for two properties that are owned by the City and rented to individuals. Under the leases, the individuals pay the City monthly payments ranging from \$1,200 to \$1,400. The receivable for these two leases has been recorded in the property and equipment acquisition fund and is measured as the present value of the future rent payments expected to be received during the lease terms. The discount rates used in calculation of this receivable range from 1.902% to 2.024%, which are the incremental borrowing rates based on the length of the leases and the City's most recent bond rating.

4. Other Information

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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

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, 2022. 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.

Contracts:

The City has contracted with Washington County to provide police services for 2023 at an hourly rate. Total fees for law enforcement services are estimated to be approximately \$1,376,000. The City can cancel the contract with a 180 day notice.

Other Commitments:

The City has entered into various contracts for constructions projects, including a new public works facility, a new water tower, park improvements and street improvements. As of December 31, 2022, the remaining commitment amount for these projects was \$1,253,721.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. 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. 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a fully 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent.

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)

B. Benefits Provided (continued)

Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022 were \$164,743. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2022, the City reported a liability of \$2,233,449 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 \$16 million. 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 \$65,418.

The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0282 percent at the end of the measurement period and .0281 percent for the beginning of the period.

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)

D. Pension Costs (continued)

City's proportionate share of the net pension liability	\$ 2,233,449
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>65,418</u>
Total	<u>\$ 2,298,867</u>

For the year ended December 31, 2022, the City recognized pension expense of \$182,668 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$9,775 as grant revenue for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, 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 Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 18,655	\$ 23,713
Changes in actuarial assumptions	503,732	8,794
Net collective difference between projected and actual investment earnings	38,866	
Changes in proportion	60,358	
Contributions paid to PERA subsequent to the measurement date	<u>84,545</u>	
Total	<u>\$ 706,156</u>	<u>\$ 32,507</u>

The \$84,545 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, 2023.

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)

D. 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 Amount</u>
2023	\$ 240,377
2024	215,844
2025	(69,100)
2026	201,983

E. Long-Term Expected Return on Investment

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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	<u>100%</u>	

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)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

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)

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund 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.

H. 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:

Sensitivity Analysis		
<i>Net Pension Liability at Different Discount Rates</i>		
	<u>General Employees Fund</u>	
1% Lower	5.50%	\$ 3,527,850
Current Discount Rate	6.50%	2,233,449
1% Higher	7.50%	1,171,841

I. 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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

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, 2022, the plan covered 27 active firefighters and 10 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, 2022 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 \$4,300 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 \$114,661 in state aid to the plan on behalf of the Association for the year ended December 31, 2022, 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 2022, the City levied property taxes but was not required to make a contribution to the Association.

D. Pension Costs

At December 31, 2022, the City reported a net pension asset of \$985,335 for the plan. The net pension asset was measured as of December 31, 2022. 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, 2022.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association (Continued)

D. Pension Costs (Continued)

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance 12/31/21	\$ 1,355,769	\$ 2,720,056	\$ (1,364,287)
Changes for the Year			
Service cost	42,728		42,728
Interest on pension liability	78,370		78,370
Plan changes	13,468		13,468
Contributions (state)		114,661	(114,661)
Net investment income (loss)	(28,038)	(374,085)	346,047
Benefit payments	(71,093)	(71,093)	
Administrative expenses		(13,000)	13,000
Net Changes	35,435	(343,517)	378,952
Balance End of Year 12/31/22	\$ 1,391,204	\$ 2,376,539	\$ (985,335)

During 2022, the benefit level for participants changed from \$4,200 to \$4,300 per year. For the year ended December 31, 2022, the City recognized pension expense of \$476,998. At December 31, 2022, the Association reported deferred inflows of resources and deferred outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$	\$
Changes in actuarial assumptions	22,832	20,239
Liability losses	6,507	49,264
Investment gains		277,641
Total	\$ 29,339	\$ 347,144

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association (Continued)

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 December 31:</u>	<u>Pension Expense Amount</u>
2023	\$ (80,493)
2024	(116,970)
2025	(73,461)
2026	(46,473)
2027	(5,031)
Thereafter	4,623

The total pension expense (benefit) for all plans (including the General Employees Fund and Hugo Firefighter's Relief Association) recognized by the City for the year ended December 31, 2022 was \$659,666.

E. Actuarial Assumptions

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

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 5.75%
- Inflation rate 0%

F. Discount Rate

The discount rate used to measure the total pension liability was 5.75%. 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)

4. Other Information (Continued)

C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association (Continued)

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 percentage point lower or 1 percentage point higher than the current discount rate:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
1% Decrease in Discount Rate (4.75%)	\$ 1,431,276	\$ 2,376,539	\$ (945,263)
Current Discount Rate (5.75%)	1,391,204	2,376,539	(985,335)
1% Increase in Discount Rate (6.75%)	1,353,517	2,376,539	(1,023,022)

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.

2. Asset Allocation

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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association (Continued)

H. Plan Investments (Continued)

2. Asset Allocation (continued)

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	25.00%	2.00%
Fixed income	14.00%	3.90%
Equities	61.00%	7.90%
Total	100%	5.75%

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, 2022.

I. Pension Plan Fiduciary Net Position

Detailed information about the Hugo Firefighter's Relief Association plan's fiduciary net position as of December 31, 2022 is available in a separately-issued financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the Finance Director for the City of Hugo.

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, 2022.

CITY OF HUGO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

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CITY OF HUGO
Schedule of City Contributions
PERA General Employees Retirement Plan
December 31, 2022

Year Ended December 31	Contributions in Relation to			Contributions as a Percentage of Covered Payroll (b/d)	
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		Covered 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	123,174	123,174		1,642,324	7.5%
2019	141,830	141,830		1,891,062	7.5%
2020	150,285	150,285		2,003,797	7.5%
2021	154,488	154,488		2,059,822	7.5%
2022	164,743	164,743		2,196,554	7.5%
2023					

CITY OF HUGO
Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2022

Fiscal Year Ended June 30	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension 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	0.0246%	1,364,707	44,753	1,409,460	1,652,712	85.3%	79.5%
2019	0.0249%	1,376,666	42,665	1,419,331	1,759,035	80.7%	80.2%
2020	0.0273%	1,636,760	50,397	1,687,157	1,944,422	86.8%	79.1%
2021	0.0281%	1,199,996	36,698	1,236,694	2,026,550	61.0%	87.0%
2022	0.0282%	2,233,449	65,418	2,298,867	2,110,234	108.9%	76.7%
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 Changes in the Fire Relief Association Net Pension Asset and Related Ratios
December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 42,728	\$ 38,708	\$ 35,723	\$ 33,935	\$ 42,225	\$ 38,841	\$ 29,273	\$ 29,535	\$ 26,992
Interest	78,370	71,419	70,455	62,933	60,388	53,682	55,403	48,691	49,299
Changes of assumptions			28,358		(36,435)		4,702		(68,945)
Plan changes	13,468	42,282	11,951	17,056	31,891	30,828	13,296	12,058	
Benefit payments	(71,093)					(47,146)	(40,248)		(73,333)
(Gains) losses	(28,038)		8,677		(50,618)		(63,446)		
Net change in total pension liability	35,435	152,409	155,164	113,924	47,451	76,205	(1,020)	90,284	(65,987)
Total pension liability - beginning	1,355,769	1,203,360	1,048,196	934,272	886,821	810,616	811,636	721,352	787,339
Total pension liability - ending	\$ 1,391,204	\$ 1,355,769	\$ 1,203,360	\$ 1,048,196	\$ 934,272	\$ 886,821	\$ 810,616	\$ 811,636	\$ 721,352
Plan fiduciary net position									
Contributions - state	\$ 114,661	\$ 100,186	\$ 96,375	\$ 88,409	\$ 85,740	\$ 82,615	\$ 83,852	\$ 81,540	\$ 75,068
Contributions - city									
Net investment income (loss)	(374,085)	341,447	233,338	322,363	(77,509)	229,871	102,440	3,233	81,754
Benefit payments	(71,093)					(47,146)	(40,248)		(73,333)
Administrative expense	(13,000)	(13,600)	(10,475)	(11,875)	(9,900)	(12,250)	(9,450)	(10,200)	(7,476)
Net change in plan fiduciary net position	(343,517)	428,033	319,238	398,897	(1,669)	253,090	136,594	74,573	76,013
Plan fiduciary net position - beginning	2,720,056	2,292,023	1,972,785	1,573,888	1,575,557	1,322,467	1,185,873	1,111,300	1,035,287
Plan fiduciary net position - ending	\$ 2,376,539	\$ 2,720,056	\$ 2,292,023	\$ 1,972,785	\$ 1,573,888	\$ 1,575,557	\$ 1,322,467	\$ 1,185,873	\$ 1,111,300
Net pension liability (asset) - ending	\$ (985,335)	\$ (1,364,287)	\$ (1,088,663)	\$ (924,589)	\$ (639,616)	\$ (688,736)	\$ (511,851)	\$ (374,237)	\$ (389,948)
Plan fiduciary net position as a percentage of the total pension liability	170.83%	200.63%	190.47%	188.21%	168.46%	177.66%	163.14%	146.11%	154.06%

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 Employer Contributions for the Fire Relief Association
December 31, 2022

Year Ended December 31	Statutorily Required Contributions (a)	Contributions in Relation to Statutorily Required Contribution(b)	Contribution Deficiency (Excess) (a-b)	Non-Employer Contributions	
				State 2% Fire Aid	Other
2014	\$	\$	\$	\$ 75,068	\$
2015				81,540	
2016				83,852	
2017				82,615	
2018				85,740	
2019				88,409	
2020				96,375	
2021				100,186	
2022				114,661	
2023					

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

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CITY OF HUGO, MINNESOTA
COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

December 31, 2022

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CITY OF HUGO, MINNESOTA

NONMAJOR FUNDS

December 31, 2022

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.

DEBT SERVICE FUNDS

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.

General Obligation Bonds Fund:

This fund is used to accumulate resources (property taxes and special assessments) to provide funds for debt service payments.

**CITY OF HUGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2022**

	Special Revenue		Debt Service		Total Nonmajor Governmental Funds
	Special Park Fund	Firefighter's Relief Fund	Compensated Absences	General Obligation Bonds	
Assets					
Cash and investments	\$ 1,504,067	\$ 178,235	\$ 796,760	\$ 1,008,564	\$ 3,487,626
Receivables (Net of Allowance for Uncollectibles, if any):					
Accrued interest	3,100	311	1,513	929	5,853
Taxes	1,290	279		11,168	12,737
Special assessments				149,795	149,795
Due from other governments	603	140		6,430	7,173
TOTAL ASSETS	\$ 1,509,060	\$ 178,965	\$ 798,273	\$ 1,176,886	\$ 3,663,184
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities					
Accounts payable	\$ 27,294	\$	\$	\$	\$ 27,294
Deferred Inflows of Resources					
Unavailable revenue:					
Property taxes	1,290	279		11,168	12,737
Special assessments				149,795	149,795
Total Unavailable revenue	1,290	279		160,963	162,532
Fund Balance					
Fund Balance:					
Restricted				1,015,923	1,015,923
Committed	1,480,476		798,273		2,278,749
Assigned		178,686			178,686
Total Fund Balance	1,480,476	178,686	798,273	1,015,923	3,473,358
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,509,060	\$ 178,965	\$ 798,273	\$ 1,176,886	\$ 3,663,184

CITY OF HUGO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	Special Revenue		Debt Service		Total Nonmajor Governmental Funds
	Special Park Fund	Firefighter's Relief Fund	Compensated Absences	General Obligation Bonds	
REVENUES					
Property taxes	\$ 91,606	\$ 21,330	\$	\$ 982,582	\$ 1,095,518
Special assessments				43,277	43,277
Intergovernmental revenues	126	29		1,350	1,505
Other Revenue:					
Investment earnings	16,965	1,676	8,322	4,610	31,573
Net (decrease) in the fair value of investments	(48,295)	(4,717)	(23,712)	(11,707)	(88,431)
Rent	5,967				5,967
Developer fees	77,800				77,800
TOTAL REVENUES	<u>144,169</u>	<u>18,318</u>	<u>(15,390)</u>	<u>1,020,112</u>	<u>1,167,209</u>
EXPENDITURES					
Capital outlay	294,268				294,268
Bond principal retirement				270,000	270,000
Interest on bonds				375,718	375,718
Fiscal charges and other				1,550	1,550
TOTAL EXPENDITURES	<u>294,268</u>			<u>647,268</u>	<u>941,536</u>
Net change in fund balances	(150,099)	18,318	(15,390)	372,844	225,673
FUND BALANCES, beginning	<u>1,630,575</u>	<u>160,368</u>	<u>813,663</u>	<u>643,079</u>	<u>3,247,685</u>
FUND BALANCES, ending	<u>\$ 1,480,476</u>	<u>\$ 178,686</u>	<u>\$ 798,273</u>	<u>\$ 1,015,923</u>	<u>\$ 3,473,358</u>

**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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 92,000	\$ 92,000	\$ 91,606	\$ (394)
Intergovernmental revenues			126	126
Other revenues:				
Investment earnings			16,965	16,965
Net (decrease) in the fair value of investments			(48,295)	(48,295)
Rent	8,950	8,950	5,967	(2,983)
Developer fees			77,800	77,800
Total Revenues	<u>100,950</u>	<u>100,950</u>	<u>144,169</u>	<u>43,219</u>
EXPENDITURES				
Capital Outlay:				
North Star Wetland Bank			8,268	(8,268)
Trail and amenity development	100,000	100,000	278	99,722
Park improvements	80,000	80,000	281,095	(201,095)
Bernin property	6,600	6,600	4,627	1,973
Total Expenditures	<u>186,600</u>	<u>186,600</u>	<u>294,268</u>	<u>(107,668)</u>
Net Change in Fund Balances	(85,650)	(85,650)	(150,099)	(64,449)
Fund Balance, January 1	<u>1,630,575</u>	<u>1,630,575</u>	<u>1,630,575</u>	
Fund Balance, December 31	<u>\$1,544,925</u>	<u>\$1,544,925</u>	<u>\$1,480,476</u>	<u>\$ (64,449)</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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 21,444	\$ 21,444	\$ 21,330	\$ (114)
Intergovernmental revenues			29	29
Other revenues:				
Investment earnings			1,676	1,676
Net (decrease) in the fair value of investments			(4,717)	(4,717)
Total Revenues	<u>21,444</u>	<u>21,444</u>	<u>18,318</u>	<u>(3,126)</u>
Net Change in Fund Balances	21,444	21,444	18,318	(3,126)
Fund Balance, January 1	<u>160,368</u>	<u>160,368</u>	<u>160,368</u>	
Fund Balance, December 31	<u><u>\$ 181,812</u></u>	<u><u>\$ 181,812</u></u>	<u><u>\$ 178,686</u></u>	<u><u>\$ (3,126)</u></u>

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 989,465	\$ 989,465	\$ 982,582	\$ (6,883)
Special assessments	43,276	43,276	43,277	1
Intergovernmental revenue			1,350	1,350
Other revenues:				
Investment earnings			4,610	4,610
Net (decrease) in the fair value of investments			(11,707)	(11,707)
Total Revenues	1,032,741	1,032,741	1,020,112	(12,629)
EXPENDITURES				
Debt service:				
Principal retirement	270,000	270,000	270,000	
Interest on bonds	375,718	375,718	375,718	
Fiscal charges	1,000	1,000	1,550	(550)
Total Expenditures	646,718	646,718	647,268	(550)
Net Change in Fund Balances	386,023	386,023	372,844	(13,179)
Fund Balance, January 1	643,079	643,079	643,079	
Fund Balance, December 31	\$ 1,029,102	\$ 1,029,102	\$ 1,015,923	\$ (13,179)

**CITY OF HUGO, MINNESOTA
 COMPENSATED ABSENCES
 Schedule of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Other revenues:				
Investment earnings	\$	\$	\$ 8,322	\$ 8,322
Net (decrease) in the fair value of investments			(23,712)	(23,712)
Total Revenues			(15,390)	(15,390)
Net Change in Fund Balances			(15,390)	(15,390)
Fund Balance, January 1	813,663	813,663	813,663	
Fund Balance, December 31	\$ 813,663	\$ 813,663	\$ 798,273	\$ (15,390)

Note: The City adopted a \$0 activity budget in this fund for the year ended December 31, 2022.

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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 240,000	\$ 240,000	\$ 238,723	\$ (1,277)
Intergovernmental			328	328
Other revenues:				
Investment earnings			83,827	83,827
Net (decrease) in the fair value of investments			(242,939)	(242,939)
Rent	23,400	23,400	48,406	25,006
Contributions			12,000	12,000
Total Revenues	263,400	263,400	140,345	(123,055)
EXPENDITURES				
Capital outlay:				
Property and equipment acquisition	646,000	646,000	654,055	(8,055)
Miscellaneous	29,725	29,725	22,305	7,420
Total Expenditures	675,725	675,725	676,360	(635)
Excess (deficiency) of revenues over (under) expenditures	(412,325)	(412,325)	(536,015)	(123,690)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets			12,395	12,395
Transfers in	200,000	200,000	459,882	259,882
Total Other Financing Sources (Uses)	200,000	200,000	472,277	272,277
Net Change in Fund Balances	(212,325)	(212,325)	(63,738)	148,587
Fund Balance, January 1	8,340,153	8,340,153	8,340,153	
Fund Balance, December 31	\$ 8,127,828	\$ 8,127,828	\$ 8,276,415	\$ 148,587

CITY OF HUGO, MINNESOTA
PROPRIETARY FUND
Schedule of Revenues and Expenses - By Department
For the Year Ended December 31, 2022

	Water and Sewer Utility Fund			Totals
	Water Department	Sewer Department	Construction Department	
Operating Revenue				
Water charges	\$ 1,562,846	\$	\$ 22,382	\$ 1,585,228
Meter sales	51,200			51,200
Sewer charges		1,632,767		1,632,767
Total Operating Revenues	<u>1,614,046</u>	<u>1,632,767</u>	<u>22,382</u>	<u>3,269,195</u>
Operating Expenses				
Personal services	319,662	318,194		637,856
Engineering			35,341	35,341
Electricity	134,854	18,656	8,815	162,325
Repairs and maintenance	164,267	65,043	263,492	492,802
Sewer charges - MCES		717,921		717,921
Depreciation	486,202	387,888		874,090
Loss on disposal of capital assets	156,058			156,058
Miscellaneous	138,089	113,027	2,865	253,981
Total Operating Expenses	<u>1,399,132</u>	<u>1,620,729</u>	<u>310,513</u>	<u>3,330,374</u>
Operating Income (Loss)	<u>\$ 214,914</u>	<u>\$ 12,038</u>	<u>\$ (288,131)</u>	<u>(61,179)</u>
Nonoperating Revenue				
Future infrastructure charges				411,900
Rental income				69,903
Property taxes				277,473
Intergovernmental revenue				4,826
Investment earnings				234,847
Net (decrease) in the fair value of investments				(682,343)
Miscellaneous				12,210
Total Nonoperating Revenue				<u>328,816</u>
Net Income Before Transfers and Contributions				267,637
Capital contributions - special assessments				5,793
Noncash capital contributions				1,934,486
Capital contributions - intergovernmental				50,000
Capital contributions - other				67,362
Transfers				<u>(851,257)</u>
Change in Net Position				<u>\$ 1,474,021</u>

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CITY OF HUGO, MINNESOTA
SUPPLEMENTARY INFORMATION
December 31, 2022

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CITY OF HUGO, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
December 31, 2022

	Interest Yield	Maturity	Book Value
CASH:			
Change funds		Open	\$ 200
Petty cash			50
Checking - US Bank		Open	<u>329,002</u>
Total Cash			<u>\$ 329,252</u>
INVESTMENTS:			
Certificates of Deposit - First National Bank of Long Island NY CD	0.500%	02/16/23	\$ 245,000
- Mainstreet Bank of Fairfax VA CD	2.550%	04/26/23	243,736
- Congressional Bank of Potomac MD CD	2.500%	04/28/23	243,660
- State Bank India of Los Angeles CA CD	0.550%	05/16/23	241,668
- Texas Exchange Bank of Crowley TX CD	0.500%	02/12/25	229,355
- BMO Harris Bank CD	0.550%	02/18/26	220,725
- State Bank India of Chicago IL CD	0.600%	02/25/26	<u>221,066</u>
Total Certificates of Deposit			<u>\$ 1,645,210</u>
Money Market Funds - RBC Wealth Management	3.66%	Open	<u>\$22,254,410</u>
Total Money Market Funds			<u>\$22,254,410</u>
U.S. Government Securities:			
Federal Home Loan Bank	0.000%	01/26/23	\$ 498,635
United States Treasury Bill	0.000%	02/09/23	498,005
United States Treasury Note	2.750%	05/31/23	496,290
Federal Home Loan Bank	2.290%	06/16/23	494,025
Federal Home Loan Mortgage	2.750%	06/19/23	495,780
Federal Home Loan Bank	3.000%	06/23/23	495,570
Federal Home Loan Banks	3.125%	07/21/23	496,100
Federal Home Loan Bank	3.000%	08/04/23	495,180
United States Treasury Note	2.500%	08/15/23	493,085
Federal Home Loan Bank	3.330%	08/28/23	497,550
Federal Home Loan Banks	4.000%	09/28/23	498,910
Federal Home Loan Bank	3.000%	10/27/23	492,670
Federal Home Loan Bank	2.500%	11/16/23	171,288
Federal Farm Credit Bank	0.550%	11/24/23	494,967
Federal Farm Credit Bank	0.310%	11/30/23	958,960
Freddie Mac	2.750%	12/29/23	490,150
Federal Home Loan Bank	0.900%	02/28/24	483,110
Federal Home Loan Bank	2.125%	02/28/24	483,545
Federal Farm Credit Bank	0.340%	04/22/24	942,090
Federal Farm Credit Bank	3.640%	07/05/24	344,554
Federal Home Loan Mortgage	3.250%	07/26/24	495,395
Federal Home Loan Bank	3.250%	08/15/24	494,095
Federal Home Loan Banks	3.550%	08/23/24	488,615
Freddie Mac	4.125%	09/30/24	493,410
Freddie Mac	0.400%	10/21/24	925,840
Federal Home Loan Mortgage	4.500%	10/25/24	497,160
Federal Farm Credit Bank	0.300%	11/12/24	921,250
Federal Farm Credit Bank	0.720%	04/28/25	909,790
Freddie Mac	0.500%	10/28/25	896,810
Federal Home Loan Bank	0.510%	11/24/25	895,060
Federal Home Loan Bank	0.550%	11/25/25	893,160
Federal Home Loan Bank	0.375%	01/26/26	895,410
Federal Home Loan Bank	0.580%	02/11/26	439,850
Federal Home Loan Bank	0.550%	02/17/26	443,170
Federal Home Loan Bank	0.400%	02/26/26	445,970
Federal Home Loan Bank	0.650%	03/30/26	904,400
Federal Farm Credit Bank	0.900%	06/15/26	888,910
Federal Home Loan Banks	0.600%	06/30/26	894,270
Federal Home Loan Banks	0.500%	06/30/26	897,430
Federal Home Loan Bank	1.500%	07/20/26	910,670
Federal Home Loan Bank	0.500%	08/10/26	909,920
Federal Home Loan Bank	1.150%	09/15/26	889,790
Federal Home Loan Banks	0.625%	09/28/26	<u>446,955</u>
Total U.S. Government Securities			<u>\$27,197,794</u>
Total Investments			<u>\$51,097,414</u>
Total Cash and Investments			<u>\$51,426,666</u>

**CITY OF HUGO, MINNESOTA
SCHEDULE OF DEBT SERVICE
REQUIREMENTS - ALL FUNDS
DECEMBER 31, 2022**

Year	General Obligation Bonds	
	Principal	Interest
2023	\$ 500,000	\$ 398,345
2024	590,000	374,798
2025	615,000	348,815
2026	645,000	321,540
2027	665,000	293,140
2028	650,000	265,715
2029	675,000	239,215
2030	705,000	211,615
2031	730,000	189,765
2032	750,000	177,890
2033	760,000	169,205
2034	765,000	159,673
2035	775,000	147,955
2036	790,000	134,160
2037	800,000	119,886
2038	815,000	105,213
2039	830,000	90,084
2040	850,000	74,453
2041	865,000	57,850
2042	880,000	40,400
2043	385,000	27,750
2044	390,000	20,000
2045	400,000	12,100
2046	405,000	4,050
	<u>\$ 16,235,000</u>	<u>\$ 3,983,615</u>

**CITY OF HUGO, MINNESOTA
SCHEDULE OF BONDS PAYABLE
DECEMBER 31, 2022**

	<u>Rates</u>	<u>Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Annual Amount</u>	<u>Payment Years</u>	<u>Balance - Beginning of Year</u>	<u>Bond Additions</u>	<u>Bonds Retired</u>	<u>Bonds Outstanding - End of Year</u>	<u>Paying Agent</u>
G.O. Tax Abatement Bonds											
2021A Tax Abatement Bonds	1.10-4.00	2-1; 8-1	10/7/2021	2/1/2042	\$ 235,000	2023	\$8,170,000	\$	\$	\$ 8,170,000	1
					310,000	2024					
					325,000	2025					
					340,000	2026					
					350,000	2027					
					365,000	2028					
					380,000	2029					
					395,000	2030					
					410,000	2031					
					425,000	2032					
					430,000	2033					
					435,000	2034					
					440,000	2035					
					450,000	2036					
					455,000	2037					
					465,000	2038					
					475,000	2039					
					485,000	2040					
					495,000	2041					
					505,000	2042					
G.O. Special Assessment Bonds											
2011 Improvement Bonds	2.70-3.00	2-1; 8-1	11/9/2011	2/1/2027	\$ 40,000	2023	\$ 335,000	\$	\$ 115,000	\$ 220,000	1
					45,000	2024-2027					
G.O. Special Assessment Bonds											
2020A Capital Improvement Bonds	1.00-5.00	2-1; 8-1	11/5/2020	2/1/2046	\$ 225,000	2023	\$8,000,000	\$	\$ 155,000	\$ 7,845,000	1
					235,000	2024					
					245,000	2025					
					260,000	2026					
					270,000	2027					
					285,000	2028					
					295,000	2029					
					310,000	2030					
					320,000	2031					
					325,000	2032					
					330,000	2033					
					330,000	2034					
					335,000	2035					
					340,000	2036					
					345,000	2037					
					350,000	2038					
					355,000	2039					
					365,000	2040					
					370,000	2041					
					375,000	2042					
					385,000	2043					
					390,000	2044					
					400,000	2045					
					405,000	2046					

Paying Agents: 1 - U.S. Bank Trust

Total Bonds Payable

\$16,235,000

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CITY OF HUGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
December 31, 2022

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

<u>Content</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	80
Revenue Capacity These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	90
Debt Capacity These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	97
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	105
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	109

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

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

	Fiscal Year		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Governmental activities			
Net investment in capital assets	\$ 48,217,672	\$ 43,269,921	\$ 39,695,038
Restricted	1,073,258	711,766	604,421
Unrestricted	<u>24,358,243</u>	<u>26,225,772</u>	<u>20,745,833</u>
Total governmental activities net position	<u>\$ 73,649,173</u>	<u>\$ 70,207,459</u>	<u>\$ 61,045,292</u>
Business-type activities			
Net investment in capital assets	\$ 28,556,983	\$ 26,637,929	\$ 23,489,634
Restricted			
Unrestricted	<u>23,954,585</u>	<u>24,399,618</u>	<u>22,945,564</u>
Total business-type activities net position	<u>\$ 52,511,568</u>	<u>\$ 51,037,547</u>	<u>\$ 46,435,198</u>
Primary government			
Net investment in capital assets	\$ 76,774,655	\$ 69,907,850	\$ 57,436,337
Restricted	1,073,258	711,766	2,686,080
Unrestricted	<u>48,312,828</u>	<u>50,625,390</u>	<u>38,630,808</u>
Total primary government net position	<u>\$ 126,160,741</u>	<u>\$ 121,245,006</u>	<u>\$ 107,480,490</u>

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

2019	2018	2017	2016	2015	2014	2013
\$ 36,290,580	\$ 31,052,932	\$ 27,782,762	\$ 26,906,049	\$ 26,217,435	\$ 23,454,304	\$ 21,367,621
2,686,080	3,856,380	4,964,391	5,780,135	6,569,231	7,022,529	13,519,890
15,744,753	14,974,461	11,241,242	9,038,151	6,209,056	6,092,481	(1,175,995)
<u>\$ 54,721,413</u>	<u>\$ 49,883,773</u>	<u>\$ 43,988,395</u>	<u>\$ 41,724,335</u>	<u>\$ 38,995,722</u>	<u>\$ 36,569,314</u>	<u>\$ 33,711,516</u>
\$ 21,145,757	\$ 18,150,804	\$ 17,708,355	\$ 16,735,066	\$ 16,679,906	\$ 16,206,682	\$ 15,928,980
22,886,055	22,798,373	20,602,289	19,838,631	18,934,340	18,100,305	16,828,249
<u>\$ 44,031,812</u>	<u>\$ 40,949,177</u>	<u>\$ 38,310,644</u>	<u>\$ 36,573,697</u>	<u>\$ 35,614,246</u>	<u>\$ 34,306,987</u>	<u>\$ 32,757,229</u>
\$ 57,436,337	\$ 49,203,736	\$ 45,491,117	\$ 43,641,115	\$ 42,897,341	\$ 39,660,986	\$ 37,296,601
2,686,080	3,856,380	4,964,391	5,780,135	6,569,231	7,022,529	13,519,890
38,630,808	37,772,834	31,843,531	28,876,782	25,143,396	24,192,786	15,652,254
<u>\$ 98,753,225</u>	<u>\$ 90,832,950</u>	<u>\$ 82,299,039</u>	<u>\$ 78,298,032</u>	<u>\$ 74,609,968</u>	<u>\$ 70,876,301</u>	<u>\$ 66,468,745</u>

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

	Fiscal Year		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Expenses			
Governmental activities:			
General government	\$ 1,730,045	\$ 1,662,059	\$ 1,663,347
Public safety	3,244,223	2,543,607	2,349,790
Highways and streets	3,803,932	3,268,954	2,674,867
Community development	70,516	84,304	93,557
Parks	711,771	729,170	592,022
Interest on long-term debt	325,873	296,734	103,239
Total governmental activities expenses	<u>9,886,360</u>	<u>8,584,828</u>	<u>7,476,822</u>
Business-Type activities:			
Water and sewer	3,330,374	2,941,919	3,398,225
Total primary government expenses	<u>\$ 13,216,734</u>	<u>\$ 11,526,747</u>	<u>\$ 10,875,047</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 926,648	\$ 1,404,889	\$ 1,184,307
Public safety	34,026	50,341	42,363
Highways and streets			
Community development			
Parks	21,217	24,200	15,583
Operating grants and contributions	451,283	410,903	1,536,263
Capital grants and contributions	2,155,336	5,080,510	2,658,555
Total governmental activities program revenues	<u>3,588,510</u>	<u>6,970,843</u>	<u>5,437,071</u>
Business-type activities:			
Charges for services:			
Water and sewer	3,677,995	5,069,196	3,892,108
Capital grants and contributions	2,057,641	4,281,759	1,241,477
Total business-type activities program revenues	<u>5,735,636</u>	<u>9,350,955</u>	<u>5,133,585</u>
Total primary government program revenues	<u>\$ 9,324,146</u>	<u>\$ 16,321,798</u>	<u>\$ 10,570,656</u>

Schedule 2

	2019	2018	2017	2016	2015	2014	2013
\$	1,398,411	\$ 1,161,448	\$ 1,276,421	\$ 1,197,701	\$ 1,122,799	\$ 1,134,472	\$ 1,065,863
	1,840,685	2,195,157	1,853,038	1,557,907	1,766,538	1,605,641	1,604,478
	2,647,549	2,594,452	2,562,574	1,693,873	2,798,767	1,652,444	2,542,320
	78,649	77,154	104,902	95,450	44,810	29,743	30,483
	606,367	759,167	695,431	691,817	629,830	695,534	628,316
	51,788	80,331	105,337	120,457	245,855	420,400	536,639
	<u>6,623,449</u>	<u>6,867,709</u>	<u>6,597,703</u>	<u>5,357,205</u>	<u>6,608,599</u>	<u>5,538,234</u>	<u>6,408,099</u>
	2,750,777	2,409,969	2,610,342	2,525,203	2,257,189	1,980,909	1,914,195
\$	<u>9,374,226</u>	<u>9,277,678</u>	<u>9,208,045</u>	<u>7,882,408</u>	<u>8,865,788</u>	<u>7,519,143</u>	<u>8,322,294</u>
\$	634,760	\$ 889,034	\$ 830,442	\$ 685,861	\$ 533,119	\$ 537,526	\$ 371,013
	40,920	34,133	37,141	37,793	41,554	36,835	31,477
	26,950	29,700	30,900	24,700	24,700	26,407	27,020
	368,593	312,052	348,677	317,012	342,514	260,534	779,206
	<u>2,851,912</u>	<u>4,699,335</u>	<u>1,208,198</u>	<u>963,391</u>	<u>2,618,455</u>	<u>1,964,258</u>	<u>176,212</u>
	<u>3,923,135</u>	<u>5,964,254</u>	<u>2,455,358</u>	<u>2,028,757</u>	<u>3,560,342</u>	<u>2,825,560</u>	<u>1,384,928</u>
	3,150,366	3,317,341	2,667,449	2,364,489	2,536,840	2,388,668	2,339,417
	1,873,831	1,015,084	1,388,622	606,704	1,041,058	818,017	97,613
	<u>5,024,197</u>	<u>4,332,425</u>	<u>4,056,071</u>	<u>2,971,193</u>	<u>3,577,898</u>	<u>3,206,685</u>	<u>2,437,030</u>
\$	<u>8,947,332</u>	<u>10,296,679</u>	<u>6,511,429</u>	<u>4,999,950</u>	<u>7,138,240</u>	<u>6,032,245</u>	<u>3,821,958</u>

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

	Fiscal Year		
	2022	2021	2020
Net (Expense) Revenue			
Governmental Activities	\$ (6,297,850)	\$ (1,613,985)	\$ (2,039,751)
Business-type activities	2,405,262	6,409,036	1,735,360
Total primary government net revenue	<u>\$ (3,892,588)</u>	<u>\$ 4,795,051</u>	<u>\$ (304,391)</u>
General Revenues and Other Changes In Net Position			
Governmental activities:			
General property taxes	\$ 9,476,861	\$ 8,818,597	\$ 8,201,558
Grants and contributions not restricted to specific programs	11,968	13,513	13,034
Investment earnings	315,339	69,091	126,092
Net increase (decrease) in the fair value of investments	(934,004)	(188,738)	14,050
Refund of unused tax increment			
Miscellaneous	18,143	10,504	8,896
Transfers	851,257	2,053,185	
Total governmental activities	<u>9,739,564</u>	<u>10,776,152</u>	<u>8,363,630</u>
Business-type activities:			
General property taxes	277,473	279,176	278,159
Grants and contributions not restricted to specific programs	4,445	10,206	11
Investment earnings	234,847	53,176	144,825
Net increase (decrease) in the fair value of investments	(682,343)	(145,260)	16,138
Miscellaneous	85,594	49,200	228,893
Transfers	(851,257)	(2,053,185)	
Total business-type activities	<u>(931,241)</u>	<u>(1,806,687)</u>	<u>668,026</u>
Total primary government	<u>\$ 8,808,323</u>	<u>\$ 8,969,465</u>	<u>\$ 9,031,656</u>
Change in Net Position			
Governmental activities	\$ 3,441,714	\$ 9,162,167	\$ 6,323,879
Business-type activities	1,474,021	4,602,349	2,403,386
Total primary government	<u>\$ 4,915,735</u>	<u>\$ 13,764,516</u>	<u>\$ 8,727,265</u>

**Schedule 2
(continued)**

2019	2018	2017	2016	2015	2014	2013
\$ (2,700,314)	\$ (903,455)	\$ (4,142,345)	\$ (3,328,448)	\$ (3,048,257)	\$ (2,712,674)	\$ (5,023,171)
2,273,420	1,922,456	1,445,729	445,990	1,320,709	1,225,776	522,835
<u>\$ (426,894)</u>	<u>\$ 1,019,001</u>	<u>\$ (2,696,616)</u>	<u>\$ (2,882,458)</u>	<u>\$ (1,727,548)</u>	<u>\$ (1,486,898)</u>	<u>\$ (4,500,336)</u>
\$ 6,945,118	\$ 6,574,311	\$ 6,145,465	\$ 5,858,093	\$ 5,930,619	\$ 5,169,220	\$ 4,957,502
11,631	11,437	11,911	12,343	12,987	8,351	7,692
405,455	306,546	144,962	57,287	63,745	97,122	123,271
56,103	5,006	(13,221)	(19,853)	14,946	165,934	(249,734)
	(237,112)					
11,019	30,376	9,728	40,123	10,600	21,566	9,657
108,628	108,269	107,560	109,068	107,839	108,279	104,097
<u>7,537,954</u>	<u>6,798,833</u>	<u>6,406,405</u>	<u>6,057,061</u>	<u>6,140,736</u>	<u>5,570,472</u>	<u>4,952,485</u>
244,757	269,124					
	517					
438,448	339,603	166,647	65,119	74,066	98,298	129,708
60,658	5,544	(15,199)	(22,568)	17,670	194,271	(286,689)
173,980	209,558	247,330	579,978	225,393	139,692	107,704
(108,628)	(108,269)	(107,560)	(109,068)	(107,839)	(108,279)	(104,097)
<u>809,215</u>	<u>716,077</u>	<u>291,218</u>	<u>513,461</u>	<u>209,290</u>	<u>323,982</u>	<u>(153,374)</u>
<u>\$ 8,347,169</u>	<u>\$ 7,514,910</u>	<u>\$ 6,697,623</u>	<u>\$ 6,570,522</u>	<u>\$ 6,350,026</u>	<u>\$ 5,894,454</u>	<u>\$ 4,799,111</u>
\$ 4,837,640	\$ 5,895,378	\$ 2,264,060	\$ 2,728,613	\$ 3,092,479	\$ 2,857,798	\$ (70,686)
3,082,635	2,638,533	1,736,947	959,451	1,529,999	1,549,758	369,461
<u>\$ 7,920,275</u>	<u>\$ 8,533,911</u>	<u>\$ 4,001,007</u>	<u>\$ 3,688,064</u>	<u>\$ 4,622,478</u>	<u>\$ 4,407,556</u>	<u>\$ 298,775</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General fund					
Unassigned	\$ 4,427,097	\$ 3,772,709	\$ 3,392,924	\$ 3,216,648	\$ 3,083,467
Total general fund	<u>4,427,097</u>	<u>3,772,709</u>	<u>3,392,924</u>	<u>3,216,648</u>	<u>3,083,467</u>
All other governmental funds					
Restricted	1,015,923	6,071,599	355,087	1,843,129	2,423,464
Committed	2,278,749	2,444,238	1,899,295	1,998,455	1,965,392
Assigned	<u>17,344,952</u>	<u>17,325,299</u>	<u>22,448,864</u>	<u>11,820,004</u>	<u>12,472,671</u>
Total all other governmental funds	<u>20,639,624</u>	<u>25,841,136</u>	<u>24,703,246</u>	<u>15,661,588</u>	<u>16,861,527</u>
Total governmental funds	<u>\$ 25,066,721</u>	<u>\$ 29,613,845</u>	<u>\$ 28,096,170</u>	<u>\$ 18,878,236</u>	<u>\$ 19,944,994</u>

Schedule 3

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 2,708,918	\$ 2,603,086	\$ 2,422,714	\$ 2,316,449	\$ 2,186,178
<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>
2,976,404	3,243,799	3,478,864	9,193,397	9,567,219
2,097,452	1,864,591	1,814,672	1,591,779	1,432,846
<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>
<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>
<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>

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

	2022	2021	2020	2019	2018
Revenues					
Property taxes	\$ 9,446,277	\$ 8,809,460	\$ 8,197,918	\$ 6,948,669	\$ 6,736,136
Special assessments	380,819	271,287	264,459	235,682	309,712
Licenses and permits	627,929	1,026,042	830,845	416,391	601,126
Intergovernmental revenues	1,135,132	1,699,353	2,210,683	1,433,071	1,588,458
Charges for services	245,820	356,679	332,686	193,049	261,906
Court fines	34,026	50,341	42,363	40,920	33,958
Other Revenue					
Investment earnings	315,339	69,091	126,092	405,455	306,546
Net change in the fair value of investments	(934,004)	(188,738)	14,050	56,103	5,006
Developer fees	77,800	1,229,761	284,526	616,044	1,183,687
Rent	69,288	40,245	32,350	50,130	41,655
Miscellaneous	28,949	35,904	25,105	18,122	23,197
Total Revenues	11,427,375	13,399,425	12,361,077	10,413,636	11,091,387
EXPENDITURES					
General government	1,459,727	1,345,810	1,451,178	1,292,195	1,043,018
Public safety	2,329,295	2,190,712	2,007,857	1,946,090	1,831,314
Highways and streets	1,690,467	1,529,443	1,299,641	1,413,813	1,232,265
Community development	33,917	79,344	87,052	65,937	63,348
Parks	554,430	475,039	449,023	453,119	409,499
Unallocated	203,589	170,856	320,638	163,421	156,037
Debt service					
Bond principal retirement	270,000	110,000	1,600,000	1,875,000	1,680,000
Interest on bonds	375,718	157,611	23,515	55,743	83,057
Fiscal charges	1,550	4,100	3,900	11,473	8,650
Issuance costs		60,683	58,100		
Capital outlay	10,915,203	16,560,702	4,303,134	4,314,766	1,930,783
Total Expenditures	17,833,896	22,684,300	11,604,038	11,591,557	8,437,971
Excess (deficiency) of revenues over (under) expenditures	(6,406,521)	(9,284,875)	757,039	(1,177,921)	2,653,416
OTHER FINANCING SOURCES (USES)					
Issuance of debt		8,170,000	8,000,000		
Net premium (discount) on issuance of debt		545,750	420,895		
Sale of property	1,008,140	33,615	40,000	2,537	21,501
Refund of unused tax increment					(397,623)
Transfers in	2,151,139	3,963,392	2,823,362	1,326,525	1,619,981
Transfers out	(1,299,882)	(1,910,207)	(2,823,362)	(1,217,897)	(1,511,712)
Total other financing sources (uses)	1,859,397	10,802,550	8,460,895	111,165	(267,853)
Net change in fund balances	\$ (4,547,124)	\$ 1,517,675	\$ 9,217,934	\$ (1,066,756)	\$ 2,385,563
Debt service as a percentage of noncapital expenditures	8.68%	3.83%	21.91%	26.56%	25.90%

Schedule 4

	2017	2016	2015	2014	2013
\$	6,145,736	\$ 5,902,992	\$ 5,969,315	\$ 5,180,422	\$ 5,005,479
	434,858	370,756	932,172	345,508	290,505
	508,574	388,743	297,071	248,642	213,255
	1,371,711	1,345,844	1,315,406	1,206,757	1,003,735
	306,671	266,392	207,890	248,497	145,558
	37,141	37,793	41,554	36,835	31,477
	144,962	57,287	63,745	97,122	123,271
	(13,221)	(19,853)	14,946	165,934	(249,734)
	300,095	106,780		404,041	
	40,825	32,695	24,540	31,976	19,525
	34,635	59,900	236,603	326,104	240,127
	<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>
	1,128,413	1,014,614	979,788	986,220	973,069
	1,739,392	1,549,208	1,571,184	1,420,115	1,375,303
	1,200,660	1,182,129	1,204,844	1,204,207	1,199,078
	83,441	76,355	43,498	20,345	17,515
	406,784	375,433	337,316	349,113	321,655
	153,199	137,007	137,210	124,799	134,590
	1,625,000	1,570,000	7,070,000	1,570,000	1,515,000
	106,245	126,237	272,283	450,981	430,069
	8,875	2,675	11,975	5,776	9,102
					59,468
	<u>1,935,215</u>	<u>1,964,923</u>	<u>2,011,111</u>	<u>2,135,570</u>	<u>855,610</u>
	<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>
	924,763	550,748	(4,535,967)	24,712	(67,261)
					5,835,000
					(27,716)
		31,154	1,655		
	1,243,050	2,858,862	959,688	1,029,021	518,621
	(1,135,490)	(2,749,794)	(851,849)	(920,742)	(414,524)
	<u>107,560</u>	<u>140,222</u>	<u>109,494</u>	<u>108,279</u>	<u>5,911,381</u>
\$	<u>1,032,323</u>	<u>\$ 690,970</u>	<u>\$ (4,426,473)</u>	<u>\$ 132,991</u>	<u>\$ 5,844,120</u>
	27.20%	31.40%	60.97%	34.93%	29.42%

**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				
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
2018	1,751,103,900	17,477,312	326,066	17,803,378	16,694,227	36.330	0.01
2019	1,853,516,200	18,588,064	322,697	18,910,761	17,827,447	36.274	0.01
2020	2,024,423,400	20,401,125	326,579	20,727,704	19,568,129	39.279	0.01
2021	2,130,324,400	21,704,446	352,323	22,056,769	20,875,304	39.294	0.01
2022	2,279,738,000	23,452,917	251,245	23,704,162	22,329,989	39.403	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
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	1.91	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	36.36	20.390 - 34.093	30.448	2.088 - 5.275	3.038	88.870 - 109.214
2018	31.784	1.014	32.798	35.316	1.014	36.330	19.349 - 32.161	29.983	1.838 - 5.021	2.949	86.917 - 106.444
2019	31.795	0.946	32.741	35.328	0.946	36.274	18.442 - 31.894	29.682	1.924 - 5.263	2.673	85.462 - 105.786
2020	35.088	0.293	35.381	38.986	0.293	39.279	15.321 - 36.777	28.944	1.926 - 4.850	2.495	84.067 - 112.345
2021	33.452	2.125	35.577	37.169	2.125	39.294	17.278 - 37.074	27.435	1.918 - 4.835	2.454	84.662 - 111.092
2022	31.859	4.004	35.863	35.399	4.004	39.403	19.502 - 34.805	27.532	1.805 - 4.437	2.427	87.129 - 108.604

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)	2022			2013		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
NSP/Xcel Energy	\$ 403,827	1	1.81 %	\$ 297,636	1	2.53 %
Wilson Tool International	256,734	2	1.15	211,040	2	1.79
Victor Hugo Blvd LLC	221,364	3	0.99	164,800	3	1.40
Victor Land Holdings	197,448	4	0.88			
Schwieters Properties	177,286	5	0.79	143,824	4	1.22
Hugo Senior Housing LLC	172,558	6	0.77			
14688 Everton Avenue LLC	139,614	7	0.63			
Mid-West One LLC	107,030	8	0.48			
Martin Prop LLC	101,654	9	0.46	82,356	5	0.70
JWF Victor LLC Etal	85,774	10	0.38	58,816	7	0.50
4L LLC				77,878	6	0.66
POAC Investments LLC				56,092	8	0.48
RJM LLC				53,530	9	0.45
Fairview Health Services				47,348	10	0.40
TOTAL	\$ 1,863,289		8.34 %	\$ 1,193,320		10.13 %

(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 Year Ended December 31	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
			Amount	Percentage of Net Levy	
2013	\$ 4,750,286	\$ 4,740,403	\$ 4,659,447	98.29	\$ 80,956
2014	4,940,809	4,931,497	4,862,330	98.60	69,167
2015	5,717,021	5,703,010	5,654,146	99.14	47,537
2016	5,634,071	5,620,517	5,588,004	99.42	29,840
2017	5,926,478	5,913,546	5,869,735	99.26	41,114
2018	6,589,301	6,576,609	6,525,179	99.22	48,789
2019	7,058,693	7,045,973	7,004,617	99.41	38,853
2020	8,313,782	8,299,972	8,252,060	99.42	38,376
2021	8,916,507	8,902,816	8,848,361	99.39	36,093
2022	9,590,175	9,577,027	9,495,548	99.15	

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

Schedule 8

<u>Total Collections to Date</u>		<u>Percentage of Net Levy</u>	<u>Total Delinquent Taxes (2)</u>	<u>Delinquent Taxes As A % Of Total Net Tax Levy</u>
<u>Amount</u>				
\$	4,740,403	100.00	\$ -	
	4,931,497	100.00	-	
	5,701,683	99.98	1,327	0.02
	5,617,844	99.95	2,673	0.05
	5,910,849	99.95	2,697	0.05
	6,573,968	99.96	2,641	0.04
	7,043,470	99.96	2,503	0.04
	8,290,436	99.89	9,536	0.11
	8,884,454	99.79	18,362	0.21
	9,495,548	99.15	81,479	0.85

**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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Residential	323.201	332.967	286.729	259.93	276.073	280.587	275.255
Commercial Service	13.440	12.105	10.166	12.311	12.49	12.274	15.121
Commercial Irrigation Service	59.906	72.88	56.312	44.971	57.531	66.364	56.511
Industrial Service	7.140	7.66	6.795	6.862	6.436	6.844	10.466
Institutional Service	1.078	2.204	0.991	1.37	1.464	1.777	1.624
Total gallons	<u>404.765</u>	<u>427.816</u>	<u>360.993</u>	<u>325.444</u>	<u>353.994</u>	<u>367.846</u>	<u>358.977</u>

Total direct rate per 1,000 gallons \$ 3.861 \$ 3.826 \$ 3.791 \$ 3.568 \$ 3.526 \$ 2.536 \$ 2.525

Sanitary Sewer (in millions of gallons)

<u>Type of Customer</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Residential	323.201	332.967	286.729	259.93	276.073	280.587	275.255
Commercial	13.440	12.105	10.166	12.311	12.490	12.274	15.121
Industrial	7.140	7.66	6.795	6.862	6.436	6.844	10.466
Institutional	1.078	2.204	0.991	1.37	1.464	1.777	1.624
Total gallons	<u>344.859</u>	<u>354.936</u>	<u>304.681</u>	<u>280.473</u>	<u>296.463</u>	<u>301.482</u>	<u>302.466</u>

Total direct rate per 1,000 gallons \$ 4.735 \$ 4.295 \$ 4.715 \$ 5.163 \$ 4.416 \$ 3.690 \$ 3.641

Schedule 9

<u>2015</u>	<u>2014</u>	<u>2013</u>
249.290	248.144	282.765
12.334	11.318	11.251
72.262	54.870	83.198
9.534	7.599	7.166
1.701	1.375	1.720
<u>345.121</u>	<u>323.306</u>	<u>386.100</u>
\$ 2.515	\$ 2.519	\$ 2.553

<u>2015</u>	<u>2014</u>	<u>2013</u>
249.290	248.144	282.765
12.334	11.318	11.251
9.534	7.599	7.166
1.701	1.375	1.720
<u>272.859</u>	<u>268.436</u>	<u>302.902</u>
\$ 4.049	\$ 3.901	\$ 3.447

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

Other Governmental Activities Debt

Fiscal Year	Special Assessment Bonds	Tax Increment Bonds	Lease Revenue Bonds	Land Use Planning Loan	Certificates of Indebtedness	Capital Improvement Bonds	Tax Abatement Bonds	Total Governmental Activities Debt
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
2018	1,205,536					419,207	2,300,269	3,925,012
2019	657,524					209,939	1,181,719	2,049,182
2020	447,475					8,420,895		8,868,370
2021	337,143					8,408,460	8,715,750	17,461,353
2022	221,804					8,240,771	8,695,113	17,157,688

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

Schedule 10

Business-Type Activities

<u>Utility Revenue Bonds</u>	<u>Total Business Activities Debt</u>	<u>Total Primary Government Debt</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$	\$	\$ 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	0.01	370
		3,925,012	0.00	257
		2,049,182	0.00	133
		8,868,370	0.01	562
		17,461,353	0.01	1,087
		17,157,688	N/A	1,049

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

General Bonded Debt Outstanding

Fiscal Year	Special Assessment Bonds	Tax Increment Bonds	Lease Revenue Bonds	Certificates of Indebtedness	Capital Improvement Bonds	Tax Abatement Bonds	Utility Revenue Bonds	Total
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
2018	1,205,536				419,207	2,300,269		3,925,012
2019	657,524				209,939	1,181,719		2,049,182
2020	447,475				8,420,895			8,868,370
2021	337,143				8,408,460	8,715,750		17,461,353
2022	221,804				8,240,771	8,695,113		17,157,688

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

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: Available in Debt Service	Net General Bonded Debt Outstanding	Percentage of Actual Market Value of Property	Per Capita
\$ (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
(2,423,464)	1,501,548	0.09%	98
(1,843,129)	206,053	0.01%	13
(355,087)	8,513,283	0.42%	539
(643,079)	16,818,274	0.79%	1,046
(1,015,923)	16,141,765	0.71%	987

CITY OF HUGO, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL
ACTIVITIES DEBT
December 31, 2022

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^(a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Independent School District #624	\$375,050,000	17.91%	\$ 67,171,455
Independent School District #831	157,255,000	6.88%	10,819,144
Independent School District #832	45,165,000	5.51%	2,488,592
Independent School District #834	81,265,000	0.94%	763,891
Other debt			
Washington County	108,685,000	6.49%	7,053,657
Metropolitan Council / Transit	218,520,000	0.54%	<u>1,180,008</u>
Subtotal, overlapping debt			89,476,747
City direct debt	17,157,688		<u>17,157,688</u>
Total direct and overlapping debt			<u><u>\$ 106,634,435</u></u>

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

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

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

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

	Fiscal Year				
	2022	2021	2020	2019	2018
Debt limit	\$ 65,324	\$ 60,741	\$ 57,476	\$ 52,345	\$ 49,240
Total net debt applicable to limit	<u>7,886</u>	<u>8,135</u>	<u>8,421</u>	<u> </u>	<u>144</u>
Legal debt margin	\$ 57,438	\$ 52,606	\$ 49,055	\$ 52,345	\$ 49,096
Total net debt applicable to the limit as a percentage of debt limit	12.07%	13.39%	14.65%	0.00%	0.29%

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 2022

Taxable Market Value	\$ 2,177,472
Debt Limit (3% of market value)	65,324
Debt applicable to limit:	
General obligation bonds	8,241
Less: Amount set aside for repayment of general obligation debt	(355)
Total net debt applicable to limit	7,886
Legal debt margin	\$ 57,438

2017	2016	2015	2014	2013
\$ 44,284	\$ 42,502	\$ 43,322	\$ 36,634	\$ 34,940
303	558	809	1,094	1,391
\$ 43,981	\$ 41,944	\$ 42,513	\$ 35,540	\$ 33,549
0.68%	1.31%	1.87%	2.99%	3.98%

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

Utility Revenue Bonds

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage
				Principal	Interest	
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			
2018	4,145,302	1,728,345	2,416,957			
2019	4,078,915	2,047,008	2,031,907			
2020	4,578,918	2,644,837	1,934,081			
2021	5,438,101	2,155,924	3,282,177			
2022	3,447,746	2,300,226	1,147,520			

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**

YEAR	POPULATION (1)	PERSONAL INCOME (thousands of dollars)	PER CAPITA PERSONAL INCOME (2)	STATE UNEMPLOYMENT RATE (3)	CITY UNEMPLOYMENT RATE (3)
2013	13,878	\$ 751,896	\$ 54,179	4.5	3.9
2014	14,201	819,128	57,681	3.8	3.1
2015	14,352	863,833	60,189	3.7	3.0
2016	14,576	907,400	62,253	4.0	3.3
2017	15,158	986,013	65,049	3.2	2.6
2018	15,247	1,024,156	67,171	3.3	2.7
2019	15,388	1,054,463	68,525	3.5	2.9
2020	15,792	1,141,335	72,273	6.2	5.3
2021	16,071	1,233,176	76,733	3.4	3.1
2022	16,354	N/A	N/A	2.7	2.3

Sources: (1) Metropolitan Council/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

Employer	2022			2013		
	Employees (1)	Rank	Percentage of Total City Employment (3)	Employees (2)	Rank	Percentage of Total City Employment (3)
Wilson Tool	470	1	15.3%	400	1	33.4%
JL Schwieters	250	2	8.1%	103	2	8.6%
Independent School District No. 624	186	3	6.0%	95	3	7.9%
Schwieters Companies Inc	140	4	4.5%	85	4	7.1%
Festival Foods	110	5	3.6%	75	6	6.3%
Blue Heron Grille	80	6	2.6%	83	5	6.9%
Kamps Pallets (formerly Northland Pallet)	75	7	2.4%	52	8	4.3%
Preferred Tool (formerly Imperial Tool Inc.)	25	8	0.8%			
Lametti & Sons	25	9	0.8%			
Entira Family Clinic Hugo	23	10	0.8%			
Glamos Wire/Donner Industries				65	7	5.4%
Wild Wings Game Farm				50	9	4.2%
Stockness Construction				40	10	3.3%

- (1) Telephone survey of individual employers, May 2023
- (2) Telephone survey of individual employers, June 2013
- (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**

<u>Function</u>	2022	2021	2020	2019	2018	2017	2016
City Administrator	0.50	0.50	0.50	0.50	1.00	1.00	1.00
City Clerk	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Finance	2.50	2.50	2.50	2.50	2.33	2.00	2.00
Planning and Zoning	2.00	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	0.00
Engineering	1.33	1.33	1.33	1.33	1.00	1.00	1.00
General Government	<u>7.33</u>	<u>6.33</u>	<u>6.33</u>	<u>6.33</u>	<u>6.33</u>	<u>6.00</u>	<u>6.00</u>
Fire	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Building Inspections	4.00	4.00	3.00	3.00	3.00	3.00	3.00
Public Safety	<u>6.50</u>	<u>6.50</u>	<u>5.50</u>	<u>5.50</u>	<u>5.50</u>	<u>5.50</u>	<u>5.50</u>
Streets and Roadways	8.34	7.34	7.34	7.34	7.34	7.34	6.34
Public Works	<u>8.34</u>	<u>7.34</u>	<u>7.34</u>	<u>7.34</u>	<u>7.34</u>	<u>7.34</u>	<u>6.34</u>
Parks	4.52	4.52	4.52	4.52	4.52	4.52	4.52
Parks and Recreation	<u>4.52</u>	<u>4.52</u>	<u>4.52</u>	<u>4.52</u>	<u>4.52</u>	<u>4.52</u>	<u>4.52</u>
Community Development	0.00	1.00	1.50	1.50	1.50	1.50	1.50
	0.00	1.00	1.50	1.50	1.50	1.50	1.50
Total Governmental Activities	<u>26.69</u>	<u>25.69</u>	<u>25.19</u>	<u>25.19</u>	<u>25.19</u>	<u>24.86</u>	<u>23.86</u>
Water Utility	2.34	2.34	2.34	2.34	2.16	1.33	1.33
Sewer Utility	2.34	2.34	2.34	2.34	2.16	1.33	1.33
Total Business Activities	<u>4.68</u>	<u>4.68</u>	<u>4.68</u>	<u>4.68</u>	<u>4.32</u>	<u>2.66</u>	<u>2.66</u>
Totals for Organization	<u>31.37</u>	<u>30.37</u>	<u>29.87</u>	<u>29.87</u>	<u>29.51</u>	<u>27.52</u>	<u>26.52</u>

Source: City's Adopted Budgets

Schedule 17

<u>2015</u>	<u>2014</u>	<u>2013</u>
1.00	1.00	1.00
1.00	1.00	1.00
2.00	2.00	2.00
1.00	1.00	1.00
0.00	0.00	0.00
<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
6.00	6.00	6.00
2.50	2.50	2.50
<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
5.50	5.50	5.50
<u>6.34</u>	<u>6.34</u>	<u>6.34</u>
6.34	6.34	6.34
<u>4.52</u>	<u>4.52</u>	<u>4.52</u>
4.52	4.52	4.52
<u>1.50</u>	<u>0.50</u>	<u>0.50</u>
1.50	0.50	0.50
<u>23.86</u>	<u>22.86</u>	<u>22.86</u>
1.33	1.33	1.33
<u>1.33</u>	<u>1.33</u>	<u>1.33</u>
<u>2.66</u>	<u>2.66</u>	<u>2.66</u>
<u>26.52</u>	<u>25.52</u>	<u>25.52</u>

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

Function/Program	2022	2021	2020	2019	2018	2017	2016
Planning and Zoning							
Conditional use permits	7	9	5	8	4	3	3
Minor subdivisions	3	1	1	1	0	1	2
Plats/Planned unit developments	8	5	18	10	15	7	12
Rezoning	3	0	1	1	1	0	0
Site plans	4	3	9	2	4	3	2
Variances	7	7	5	6	0	2	5
Fire							
Total emergency responses	380	355	326	325	299	263	238
EMS responses	197	192	167	167	154	99	120
Fire responses	183	163	159	158	145	164	118
Building Inspections							
Residential permit valuations (thousands of dollars)	52,484	80,243	61,999	32,434	42,951	29,180	30,359
Commercial permit valuations (thousands of dollars)	10,969	43,392	29,603	3,710	10,506	11,160	4,074
New dwelling units	110	240	250	105	130	79	108
Water Utility							
Number of customers	4,117	3,946	3,740	3,634	3,529	3,426	3,352
Average daily consumption (thousands of gallons)	1,109	1,172	989	892	970	1,008	983
Sanitary Sewer Utility							
Number of customers	4,254	4,085	3,878	3,770	3,666	3,564	3,490
Average daily flow (thousands of gallons)	945	972	835	768	812	826	829

Sources: Various City Department's annual budget workload measurements

Schedule 18

2015	2014	2013
5	2	5
0	1	1
9	4	9
0	0	0
3	4	2
5	10	4
467	607	601
317	478	440
150	129	161
20,664	27,140	12,398
928	13,759	5,246
69	49	52
3,259	3,195	3,163
946	886	1,058
3,397	3,331	3,298
748	735	830

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

Function/Program	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Bituminous streets (miles)	81	80	79	77	77	75	74	72	71	70
Gravel streets (miles)	20	20	20	20	20	20	20	20	20	20
Street lights	1035	1016	997	966	949	935	932	926	918	910
Storm sewer (miles)	42	42	40	39	39	38	37	36	35	33
Park & Recreation										
Acres of parkland	470.0	470.0	450.0	391.1	391.1	390.7	390.7	389.5	385.0	385.0
Number of parks	19	19	18	17	17	16	16	15	14	14
Water Utility										
Miles of watermain	66	66	64	63	61	60	59	58	57	56
Number of fire hydrants	816	810	774	753	728	715	699	688	680	668
Sanitary Sewer Utility										
Miles of sanitary sewer	60	60	58	57	55	54	53	53	52	51

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

CITY OF HUGO, MINNESOTA

OTHER REPORT SECTION

December 31, 2022

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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, 2022, 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 26, 2023.

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 contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes Sec. 6.65, insofar as they relate to accounting matters. 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's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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, Schafn and Associates, Ltd.

Minneapolis, Minnesota
June 26, 2023