



Annual Comprehensive Financial Report

For the Year Ended December 31, 2021

City of Hugo, MN

CITY OF HUGO, MINNESOTA

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2021**

**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, 2021**

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CITY OF HUGO, MINNESOTA
INTRODUCTORY SECTION
December 31, 2021

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

June 23, 2022

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, 2021.

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, 2021, 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, 2021 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, 2021 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 16,264.

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 68.

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 6.41% from a year ago, and has recovered 72% 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 2021 (16,264), or a 22% 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 2012 to 2021, an average of 100 single-family homes and 2 townhome/condo dwellings were constructed each year. During 2021, 192 new single-family housing units and 48 new townhome/condo units were constructed with a value of \$84,561,000. New residential development is expected to remain strong in 2022.

Commercial development is also increasing in response to the growing population and increasing demand for goods and services. Over \$98,000,000 in new commercial development has been constructed within the past five years, including health clinics, dental clinics, daycare facilities and other businesses located primarily along the improved CSAH 8 corridor and manufacturing within the City's main industrial park.

The city's tax base is comprised mainly of residential homestead (69.7%) and commercial/industrial property (14.1%). The balance consists of non-homestead residential property (11.1%), agricultural and seasonal recreational property (3.5%), and personal property (1.6%).

The ten largest taxpayers make up 8.84% 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 650. Median Effective Buying Income (EBI) is 118% 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 will be completed in summer 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 recent voter-approved \$326 million school referendum for system-wide school facilities includes a new elementary school opening in Hugo in fall 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.

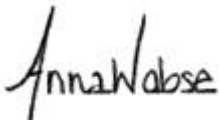
AWARDS AND ACKNOWLEDGEMENTS

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, 2020. This was the twenty-first 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 31, 2020

Christopher P. Morrill

Executive Director/CEO

**CITY OF HUGO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
December 31, 2021**

POSITION	NAME	TERM EXPIRES
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ELECTED OFFICIALS

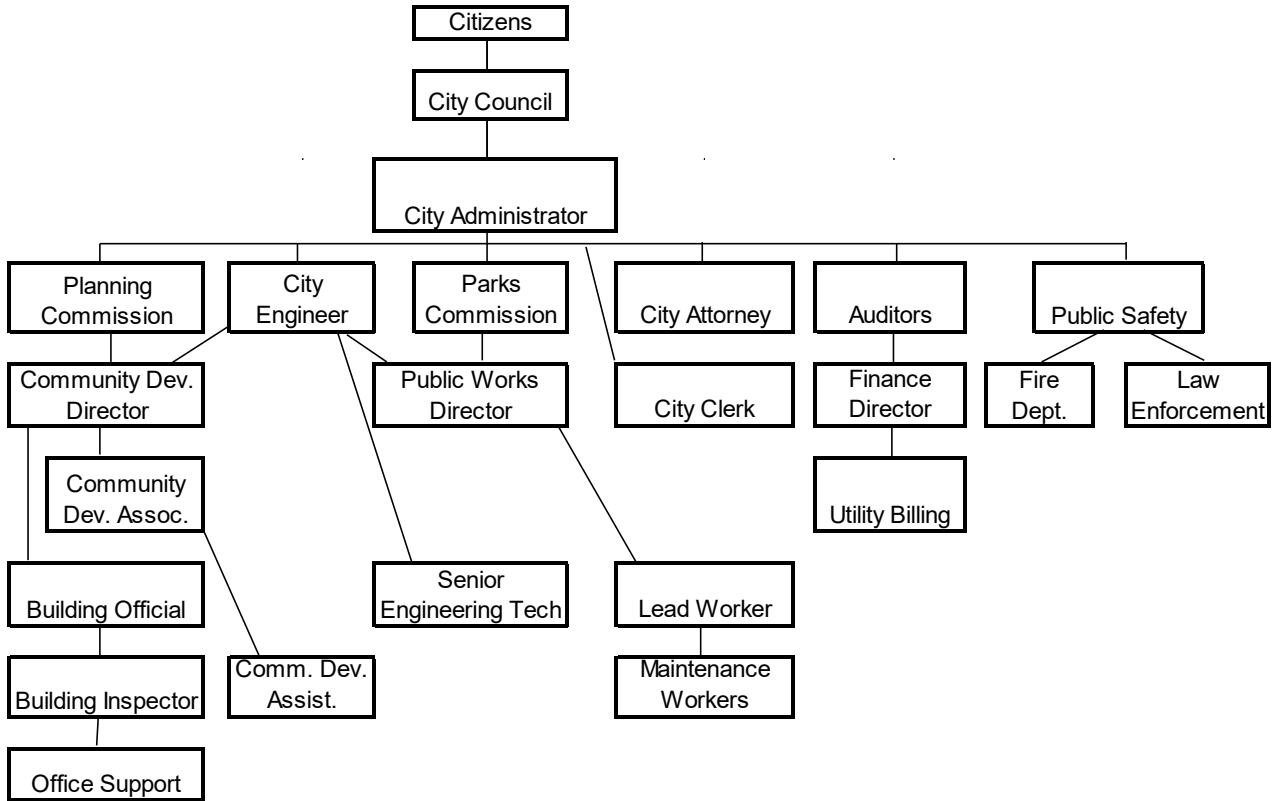
City Council:

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, 2021**



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CITY OF HUGO, MINNESOTA
FINANCIAL SECTION
December 31, 2021

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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, 2021, 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, 2021, 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.

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 one year after the date that the financial statements are issued.

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 introductory section, combining and individual nonmajor fund financial statements, and supplementary information 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. The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the 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, Schafn and Associates, Ltd.

Minneapolis, Minnesota
June 23, 2022

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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, 2021. 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 \$121,245,006 (*net position*). Of this amount, \$50,625,390 (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 \$13,764,516, primarily due to charges for services, operating grants and contributions and capital grants and contributions since property tax collection were more than operating expenses (including depreciation).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,772,709 or 65 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 \$29,613,845.
- The City of Hugo increased general long-term debt obligations by \$8,060,000 during the current fiscal year as a result of issuance of debt for improvements to Lions Park.
- The City was again recognized in 2021 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 70), the firefighter's relief fund (page 71), and the other debt service and capital project funds with a budget (pages 72-74) 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 75 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 30-64 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 68-74 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 \$121,245,006 at the close of the most recent fiscal year. A significant portion of the City of Hugo's net position (58 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 11 percent from the prior year due primarily to the addition of infrastructure-type assets, construction completed to date on a new public works facility, a new water tower and park improvements, 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 38,717,702	\$ 34,299,403	\$ 24,837,798	\$ 23,545,807	\$ 63,555,500	\$ 57,845,210
Capital assets	57,475,436	41,845,025	26,975,117	23,489,634	84,450,553	65,334,659
Total assets	96,193,138	76,144,428	51,812,915	47,035,441	148,006,053	123,179,869
Deferred outflows of resources	776,482	194,260	181,786	45,489	958,268	239,749
Long-term liabilities outstanding	18,997,015	10,583,118	254,407	337,272	19,251,422	10,920,390
Other liabilities	6,622,886	4,419,452	489,844	300,184	7,112,730	4,719,636
Total liabilities	25,619,901	15,002,570	744,251	637,456	26,364,152	15,640,026
Deferred inflows of resources	1,142,260	290,826	212,903	8,276	1,355,163	299,102
Net position:						
Net investment in capital assets	43,269,921	39,695,038	26,637,929	23,489,634	69,907,850	63,184,672
Restricted	711,766	604,421			711,766	604,421
Unrestricted	26,225,772	20,745,833	24,399,618	22,945,564	50,625,390	43,691,397
Total net position	\$ 70,207,459	\$ 61,045,292	\$ 51,037,547	\$ 46,435,198	\$ 121,245,006	\$ 107,480,490

**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 increased 18 percent from the prior year, primarily as a result of property taxes allocated to the General Obligation Bonds debt service fund in excess of scheduled debt service payments made during the year. The City of Hugo's balance of *unrestricted net position* at December 31, 2021 (\$50,625,390) may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position increased by 16 percent during the year due primarily to increased property taxes and building permits as a result of continued building within the City.

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 \$9,162,167. The most significant factors accounting for this increase relate to increased property taxes for planned major capital projects, increased capital grants and noncash capital contributions as a result of developer contributions, and increased service revenue as a result of housing development within the City.

Business-type activities. Business-type activities increased the City of Hugo's net position by \$4,602,349. 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:

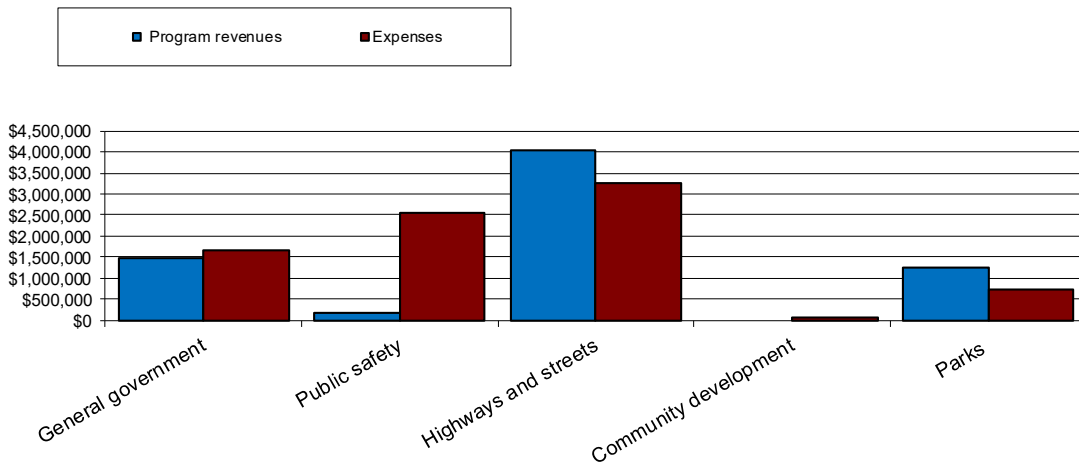
City of Hugo, Minnesota's Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,479,430	\$ 1,242,253	\$ 5,069,196	\$ 3,892,108	\$ 6,548,626	\$ 5,134,361
Operating grants and contributions	410,903	1,536,263			410,903	1,536,263
Capital grants and contributions	5,080,510	2,658,555	4,281,759	1,241,477	9,362,269	3,900,032
General revenues:						
Property taxes	8,818,597	8,201,558	279,176	278,159	9,097,773	8,479,717
Grants and contributions not restricted to specific programs	13,513	13,034	10,206	11	23,719	13,045
Other	(109,143)	149,038	(42,884)	389,856	(152,027)	538,894
Total revenues	<u>15,693,810</u>	<u>13,800,701</u>	<u>9,597,453</u>	<u>5,801,611</u>	<u>25,291,263</u>	<u>19,602,312</u>
Expenses:						
General government	1,662,059	1,663,347			1,662,059	1,663,347
Public safety	2,543,607	2,349,790			2,543,607	2,349,790
Highways and streets	3,268,954	2,674,867			3,268,954	2,674,867
Community development	84,304	93,557			84,304	93,557
Parks	729,170	592,022			729,170	592,022
Interest on long-term debt	296,734	103,239			296,734	103,239
Sewer and water			2,941,919	3,398,225	2,941,919	3,398,225
Total expenses	<u>8,584,828</u>	<u>7,476,822</u>	<u>2,941,919</u>	<u>3,398,225</u>	<u>11,526,747</u>	<u>10,875,047</u>
Increase in net position before transfers	7,108,982	6,323,879	6,655,534	2,403,386	13,764,516	8,727,265
Transfers	2,053,185		(2,053,185)			
Increase in net position	9,162,167	6,323,879	4,602,349	2,403,386	13,764,516	8,727,265
Net position, beginning of year	61,045,292	54,721,413	46,435,198	44,031,812	107,480,490	98,753,225
Net position, end of year	<u>\$ 70,207,459</u>	<u>\$ 61,045,292</u>	<u>\$ 51,037,547</u>	<u>\$ 46,435,198</u>	<u>\$ 121,245,006</u>	<u>\$ 107,480,490</u>

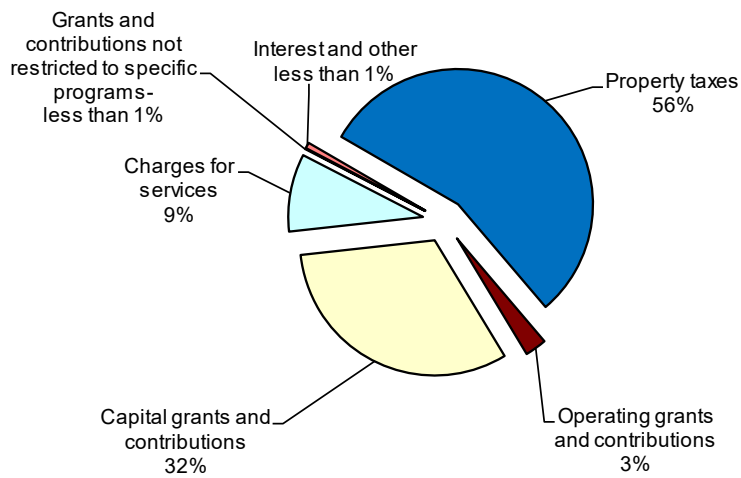
CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



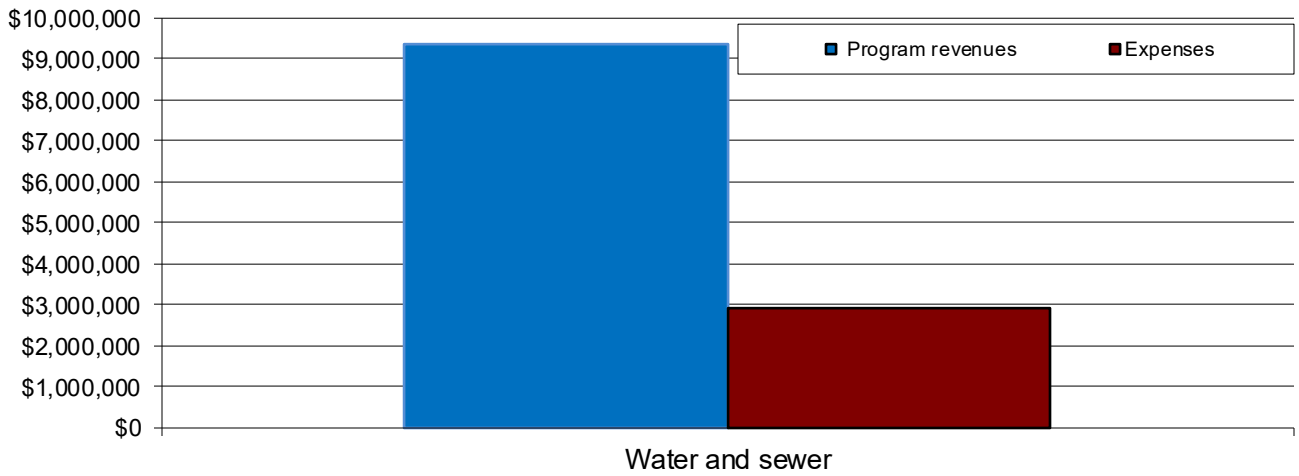
Revenues by Source - Governmental Activities



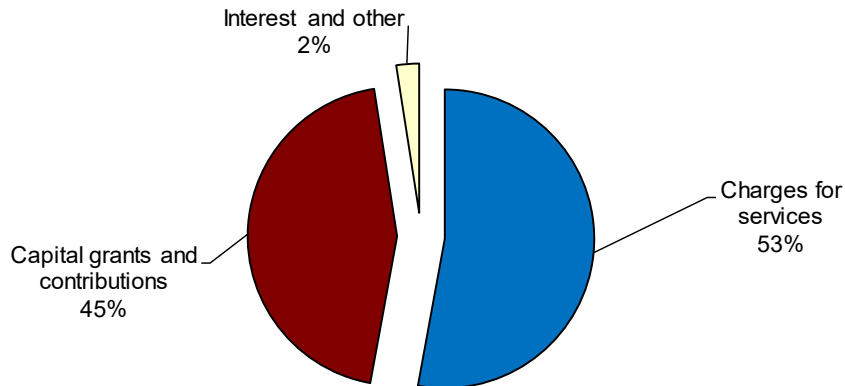
**CITY OF HUGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$29,613,845, an increase of \$1,517,675 from the prior year primarily as a result of transfers from the enterprise funds to support construction of the new public works facility. 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 \$3,772,709. 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 65 percent of total general fund expenditures.

The general fund's total fund balance increased by \$379,785 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 \$511,801 for the year due primarily to capital outlay in excess of proceeds from the issuance of debt, transfers from other funds, and property taxes and intergovernmental revenues allocated to the fund.

The property and equipment acquisition fund increased its fund balance by \$800,008 for the year due primarily to transfers from the general fund.

The special revenue funds increased their fund balances by \$303,664 for the year due primarily to property taxes and developer fees allocated to these fund in excess of capital outlay expenditures.

The debt service funds increased their fund balances by \$546,019 for the year ended December 31, 2021 due primarily to property taxes allocated to these funds and transfers from other 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 75 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 \$24,399,618 at December 31, 2021. The proprietary fund's net position increased by \$4,602,349 due largely to one-time infrastructure fees for new development and noncash capital contributions from developers.

Although metered water connections increased by 5.5% in 2021, total water use increased by 66 million gallons. The significant increase in usage is due primarily to the fact that the summer of 2021 was dryer than average, increasing the need for outside water use. In addition, residents continue to spend more time in their homes during the COVID-19 pandemic.

Sewer connections increased 5.3% in 2021 and revenue increased 6.13%. 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 nearly \$3.8 million is 65% 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 \$921,359 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 \$259,841 due primarily to various fees related to increased construction in the City.
- General government expenditures were less than budget by \$251,504 due primarily to lower than anticipated expenditures related to planning and zoning.
- Highways and streets expenditures were less than budget by \$367,947 due primarily to lower than expected expenditures for street materials and repairs and maintenance costs.
- Parks expenditures were less than budget by \$105,859 due primarily to lower than expected personal services and supplies expenditures.
- Transfers out of the general fund exceed budget by \$1,710,207 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, 2021, amounts to \$84,450,553 (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 \$19,115,894, or 29.3 percent. The increase in governmental activities and in business-type activities capital assets is due primarily to the construction completed to date on a new water tower, work-in-process on a new public works facility, work-in-process on Lions Park improvements and various street construction projects within the City during 2021.

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

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 4,928,488	\$ 4,646,753	\$ 336,125	\$ 336,125	\$ 5,264,613	\$ 4,982,878
Construction in progress	13,815,315	1,702,512	4,468,128	3,766,062	18,283,443	5,468,574
Buildings	3,287,037	3,154,766	21,758,516	18,963,675	25,045,553	22,118,441
Improvements other than buildings	458,687	437,722			458,687	437,722
Machinery and equipment	3,850,800	4,045,197	412,348	423,772	4,263,148	4,468,969
Infrastructure	31,135,109	27,858,075			31,135,109	27,858,075
Total	<u>\$ 57,475,436</u>	<u>\$ 41,845,025</u>	<u>\$ 26,975,117</u>	<u>\$ 23,489,634</u>	<u>\$ 84,450,553</u>	<u>\$ 65,334,659</u>

Additional information on the City of Hugo's capital assets can be found in Note 3:C. on pages 46-47 of this report.

Long-term debt. At the end of the current fiscal year, the City of Hugo had \$16,505,000 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	
	2021	2020	2021	2020	2021	2020
General obligation bonds	<u>\$ 16,505,000</u>	<u>\$ 8,445,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 16,505,000</u>	<u>\$ 8,445,000</u>

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

The City of Hugo's total bonds increased by \$8,060,000 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3:D., beginning on page 48.

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 2021 at 3.1 percent, down from 5.3 percent a year ago. This compares favorably to the State of Minnesota average unemployment rate of 3.4 percent and the United States average rate of 5.3 percent.
- Hugo continues to see new construction growth, primarily in residential properties. The city's total estimated market value increased 5.23% for taxes payable year 2021.

All of these factors were considered in preparing the City of Hugo's budget for the 2022 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, 2021

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CITY OF HUGO, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2021

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and investments	\$ 34,639,356	\$ 23,718,197	\$ 58,357,553
Receivables (net of allowance for uncollectibles, if any)	789,171	948,445	1,737,616
Deposits receivable		1,500	1,500
Due from other governmental units	1,924,888	169,656	2,094,544
Net pension asset	1,364,287		1,364,287
Capital assets:			
Nondepreciable	18,743,803	4,804,253	23,548,056
Depreciable, net	38,731,633	22,170,864	60,902,497
Total Assets	96,193,138	51,812,915	148,006,053
Deferred Outflows of Resources			
Deferred outflows from pension activity	776,482	181,786	958,268
Liabilities			
Accounts payable	3,743,215	451,306	4,194,521
Accrued interest payable	121,358		121,358
Accrued expenses	95,318	18,103	113,421
Due to other governmental units	74,069	19,435	93,504
Unearned revenue	2,588,926	1,000	2,589,926
Noncurrent liabilities:			
Due within one year	608,155	33,374	641,529
Due in more than one year	17,398,847	11,050	17,409,897
Net pension liability	990,013	209,983	1,199,996
Total Liabilities	25,619,901	744,251	26,364,152
Deferred Inflows of Resources			
Deferred inflows from pension activity	1,142,260	212,903	1,355,163
Net Position			
Net investment in capital assets	43,269,921	26,637,929	69,907,850
Restricted for:			
Creditors	711,766		711,766
Unrestricted	26,225,772	24,399,618	50,625,390
Total Net Position	\$ 70,207,459	\$ 51,037,547	\$ 121,245,006

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,662,059	\$ 1,404,889	\$ 83,244	\$
Public safety	2,543,607	50,341	126,951	
Highways and streets	3,268,954		200,708	3,850,749
Community development	84,304			
Parks	729,170	24,200		1,229,761
Interest on long-term debt	296,734			
Total governmental activities	<u>8,584,828</u>	<u>1,479,430</u>	<u>410,903</u>	<u>5,080,510</u>
Business-Type activities:				
Water and sewer	<u>2,941,919</u>	<u>5,069,196</u>		<u>4,281,759</u>
Total	<u>\$ 11,526,747</u>	<u>\$ 6,548,626</u>	<u>\$ 410,903</u>	<u>\$ 9,362,269</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
\$ (173,926)	\$	\$ (173,926)
(2,366,315)		(2,366,315)
782,503		782,503
(84,304)		(84,304)
524,791		524,791
(296,734)		(296,734)
<u>(1,613,985)</u>		<u>(1,613,985)</u>
	6,409,036	6,409,036
<u>(1,613,985)</u>	<u>6,409,036</u>	<u>4,795,051</u>
8,818,597	279,176	9,097,773
13,513	10,206	23,719
69,091	53,176	122,267
(188,738)	(145,260)	(333,998)
10,504	49,200	59,704
<u>2,053,185</u>	<u>(2,053,185)</u>	
<u>10,776,152</u>	<u>(1,806,687)</u>	<u>8,969,465</u>
9,162,167	4,602,349	13,764,516
<u>61,045,292</u>	<u>46,435,198</u>	<u>107,480,490</u>
<u>\$ 70,207,459</u>	<u>\$ 51,037,547</u>	<u>\$ 121,245,006</u>

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CITY OF HUGO, MINNESOTA
FUND FINANCIAL STATEMENTS
December 31, 2021

CITY OF HUGO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	Capital Project Fund				Total
	General	Public Improvements	Property and Equipment Acquisition	Other Governmental Funds	
Assets					
Cash and investments	\$ 6,430,714	\$ 16,612,703	\$ 8,350,501	\$ 3,245,438	\$ 34,639,356
Receivables (Net of Allowance for Uncollectibles, if any):					
Accounts	70,155				70,155
Accrued interest	2,965	5,600	2,984	1,016	12,565
Taxes	66,487	13,901	1,835	5,347	87,570
Special assessments		433,121		185,760	618,881
Due from other governmental units	71,501	1,844,686	2,480	6,221	1,924,888
TOTAL ASSETS	\$ 6,641,822	\$ 18,910,011	\$ 8,357,800	\$ 3,443,782	\$ 37,353,415
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities					
Accounts payable	\$ 180,479	\$ 3,543,834	\$ 13,912	\$ 4,990	\$ 3,743,215
Unearned revenue	2,452,760	134,266	1,900		2,588,926
Salaries payable	95,318				95,318
Due to other governmental units	74,069				74,069
Total Liabilities	<u>2,802,626</u>	<u>3,678,100</u>	<u>15,812</u>	<u>4,990</u>	<u>6,501,528</u>
Deferred Inflows of Resources					
Unavailable revenue:					
Property taxes	66,487	13,901	1,835	5,347	87,570
Special assessments		433,121		185,760	618,881
Intergovernmental revenue		531,591			531,591
Total Deferred Inflows of Resources	<u>66,487</u>	<u>978,613</u>	<u>1,835</u>	<u>191,107</u>	<u>1,238,042</u>
Fund Balance					
Fund Balance:					
Restricted		5,428,520		643,079	6,071,599
Committed				2,444,238	2,444,238
Assigned		8,824,778	8,340,153	160,368	17,325,299
Unassigned	3,772,709				3,772,709
Total Fund Balance	<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>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 6,641,822	\$ 18,910,011	\$ 8,357,800	\$ 3,443,782	\$ 37,353,415

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, 2021**

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

Total governmental fund balances (page 18)		\$ 29,613,845
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 79,331,174	
Less: Accumulated depreciation	<u>(21,855,738)</u>	
		57,475,436
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 87,570	
Deferred and delinquent special assessments	618,881	
Due from other governmental units	<u>531,591</u>	
		1,238,042
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	\$(16,505,000)	
Net pension liability (asset), deferred outflows and inflows from pension activity	8,496	
Compensated absences	(545,650)	
Accrued interest	(121,358)	
Unamortized bond premiums and discounts	<u>(956,352)</u>	
		<u>(18,119,864)</u>
Net position of governmental activities (page 15)		<u>\$ 70,207,459</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, 2021

	Capital Project Fund			Other Governmental Funds	Total
	General	Public Improvements	Property and Equipment Acquisition		
Revenues					
Property taxes	\$ 6,250,855	\$ 1,718,151	\$ 239,932	\$ 600,522	\$ 8,809,460
Special assessments		202,127		69,160	271,287
Licenses and permits	1,026,042				1,026,042
Intergovernmental revenues	401,139	1,296,901	375	938	1,699,353
Charges for services	356,679				356,679
Court fines	50,341				50,341
Other Revenue:					
Investment earnings	16,390	30,636	16,500	5,565	69,091
Net (decrease) in the fair value of investments	(44,772)	(83,694)	(45,068)	(15,204)	(188,738)
Rent	7,895		23,400	8,950	40,245
Developer fees		945,103		284,658	1,229,761
Miscellaneous	16,627		19,277		35,904
Total Revenues	<u>8,081,196</u>	<u>4,109,224</u>	<u>254,416</u>	<u>954,589</u>	<u>13,399,425</u>
Expenditures					
Current:					
General government	1,345,810				1,345,810
Public safety	2,190,712				2,190,712
Highways and streets	1,529,443				1,529,443
Community development	79,344				79,344
Parks	475,039				475,039
Unallocated	170,856				170,856
Capital outlay		15,589,277	878,023	93,402	16,560,702
Bond principal retirement				110,000	110,000
Interest on bonds				157,611	157,611
Fiscal charges and other				4,100	4,100
Bond issuance costs		60,683			60,683
Total Expenditures	<u>5,791,204</u>	<u>15,649,960</u>	<u>878,023</u>	<u>365,113</u>	<u>22,684,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,289,992</u>	<u>(11,540,736)</u>	<u>(623,607)</u>	<u>589,476</u>	<u>(9,284,875)</u>
Other Financing Sources (Uses)					
Issuance of debt		8,170,000			8,170,000
Premium on issuance of bonds		638,529			638,529
Discount on issuance of bonds		(92,779)			(92,779)
Sale of capital assets			33,615		33,615
Transfers in		2,313,185	1,390,000	260,207	3,963,392
Transfers out	(1,910,207)				(1,910,207)
Total Other Financing Sources (Uses)	<u>(1,910,207)</u>	<u>11,028,935</u>	<u>1,423,615</u>	<u>260,207</u>	<u>10,802,550</u>
Net change in fund balances	379,785	(511,801)	800,008	849,683	1,517,675
FUND BALANCES, beginning	<u>3,392,924</u>	<u>14,765,099</u>	<u>7,540,145</u>	<u>2,398,002</u>	<u>28,096,170</u>
FUND BALANCES, ending	<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>

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, 2021

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

Net change in fund balances - total governmental funds (page 20)		\$ 1,517,675
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	\$ 15,698,957	
Depreciation expense	<u>(1,734,264)</u>	
		13,964,693
Infrastructure is contributed from developers to governmental activities. The amounts affect governmental net position but do not affect fund balance.		
		1,783,336
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position.		
		(117,618)
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	\$ 1,238,042	
Unavailable revenue, Beginning of year	<u>(729,367)</u>	
		508,675
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	\$ 74,167	
Net pension asset	282,312	
Compensated absences	<u>(170,982)</u>	
		185,497
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	\$ 110,000	
Issuance of long-term debt	(8,170,000)	
Change in accrued interest	(87,109)	
Change in bond discounts and premium	<u>(532,982)</u>	
		<u>(8,680,091)</u>
Change in net position of governmental activities (pages 16 and 17)		<u>\$ 9,162,167</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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
General Property Taxes				
Ad Valorem	\$ 6,080,491	\$ 6,080,491	\$ 6,085,251	\$ 4,760
Franchise	164,685	164,685	165,604	919
Total General Property Taxes	<u>6,245,176</u>	<u>6,245,176</u>	<u>6,250,855</u>	<u>5,679</u>
Licenses and Permits				
Business	17,640	17,640	19,814	2,174
Nonbusiness	87,043	87,043	1,006,228	919,185
Total Licenses and Permits	<u>104,683</u>	<u>104,683</u>	<u>1,026,042</u>	<u>921,359</u>
Intergovernmental Revenues				
Homestead and other tax credits			9,513	9,513
Fire 2% insurance aid	95,375	95,375	100,186	4,811
Curbside recycling grant	31,488	31,488	76,486	44,998
Other aid and grants	167,132	167,132	214,954	47,822
Total Intergovernmental Revenues	<u>293,995</u>	<u>293,995</u>	<u>401,139</u>	<u>107,144</u>
Charges for Services	<u>96,838</u>	<u>96,838</u>	<u>356,679</u>	<u>259,841</u>
Court Fines	<u>35,470</u>	<u>35,470</u>	<u>50,341</u>	<u>14,871</u>
Miscellaneous Revenues				
Refunds and reimbursements			666	666
Investment earnings			16,390	16,390
Net (decrease) in the fair value of investments			(44,772)	(44,772)
Penalties and interest	1,623	1,623	6,123	4,500
Non-levy related taxes	7,987	7,987	9,838	1,851
Rental income	75	75	7,895	7,820
Total Miscellaneous Revenues	<u>9,685</u>	<u>9,685</u>	<u>(3,860)</u>	<u>(13,545)</u>
TOTAL REVENUES	<u>\$ 6,785,847</u>	<u>\$ 6,785,847</u>	<u>\$ 8,081,196</u>	<u>\$ 1,295,349</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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
EXPENDITURES				
General Government				
Mayor and Council				
Personal services	\$ 34,125	\$ 34,125	\$ 19,750	\$ 14,375
Other services and charges	6,244	6,244	1,972	4,272
Ordinance and proceedings	5,500	5,500	2,295	3,205
Total Mayor and Council	<u>45,869</u>	<u>45,869</u>	<u>24,017</u>	<u>21,852</u>
Administration				
Personal services	86,984	86,984	88,055	(1,071)
Supplies	10,600	10,600	8,993	1,607
Other services and charges	65,934	65,934	60,855	5,079
Professional services	75,286	75,286	65,338	9,948
Capital outlay	2,000	2,000		2,000
Total Administration	<u>240,804</u>	<u>240,804</u>	<u>223,241</u>	<u>17,563</u>
Audio/Video				
Personal services	1,612	1,612	1,237	375
Capital outlay	5,000	5,000	2,263	2,737
Other services and charges	9,128	9,128	8,730	398
Total Audio/Video	<u>15,740</u>	<u>15,740</u>	<u>12,230</u>	<u>3,510</u>
Elections				
Other services and charges	<u>5,891</u>	<u>5,891</u>	<u>6,140</u>	<u>(249)</u>
Clerk/Treasurer				
Personal services	96,288	96,288	96,283	5
Supplies	2,050	2,050		2,050
Other services and charges	48,545	48,545	33,255	15,290
Total Clerk/Treasurer	<u>\$ 146,883</u>	<u>\$ 146,883</u>	<u>\$ 129,538</u>	<u>\$ 17,345</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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
EXPENDITURES (CONTINUED)				
General Government (Continued)				
Finance Director				
Personal services	\$ 236,337	\$ 236,337	\$ 217,527	\$ 18,810
Supplies	5,740	5,740	3,582	2,158
Other services and charges	103,181	103,181	106,779	(3,598)
Capital outlay	3,000	3,000		3,000
Total Finance Director	<u>348,258</u>	<u>348,258</u>	<u>327,888</u>	<u>20,370</u>
Assessing	<u>87,985</u>	<u>87,985</u>	<u>91,241</u>	<u>(3,256)</u>
Planning and Zoning				
Personal services	190,490	190,490	118,338	72,152
Supplies	3,250	3,250	48	3,202
Other services and charges	78,355	78,355	41,797	36,558
Professional services	15,000	15,000	8,137	6,863
Capital outlay	2,000	2,000		2,000
Total Planning and Zoning	<u>289,095</u>	<u>289,095</u>	<u>168,320</u>	<u>120,775</u>
Engineering				
Personal services	132,271	132,271	121,051	11,220
Supplies	6,650	6,650	5,245	1,405
Other services and charges	22,451	22,451	18,774	3,677
Professional services	50,100	50,100	45,987	4,113
Capital outlay	1,515	1,515	505	1,010
Total Engineering	<u>212,987</u>	<u>212,987</u>	<u>191,562</u>	<u>21,425</u>
Legal Fees	<u>99,795</u>	<u>99,795</u>	<u>91,552</u>	<u>8,243</u>
General Government Building				
Personal services	7,900	7,900	8,346	(446)
Supplies	10,050	10,050	5,641	4,409
Other services and charges	76,057	76,057	64,624	11,433
Capital outlay	10,000	10,000	1,470	8,530
Total General Government Building	<u>104,007</u>	<u>104,007</u>	<u>80,081</u>	<u>23,926</u>
Total General Government	<u>\$ 1,597,314</u>	<u>\$ 1,597,314</u>	<u>\$ 1,345,810</u>	<u>\$ 251,504</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, 2021

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (CONTINUED)				
Public Safety				
Police				
Contracted services	\$ 1,269,884	\$ 1,269,884	\$ 1,190,908	\$ 78,976
Fire Protection				
Personal services	226,003	226,003	237,157	(11,154)
Supplies	41,500	41,500	46,870	(5,370)
Other services and charges	259,851	259,851	243,861	15,990
Capital outlay	4,000	4,000		4,000
Total Fire Protection	531,354	531,354	527,888	3,466
Protective Inspection				
Personal services	261,433	261,433	310,789	(49,356)
Supplies	4,775	4,775	4,741	34
Other services and charges	137,585	137,585	145,092	(7,507)
Professional services	4,460	4,460		4,460
Capital outlay	7,495	7,495	2,725	4,770
Total Protective Inspection	415,748	415,748	463,347	(47,599)
Animal Control				
Professional services	6,500	6,500	8,569	(2,069)
Total Public Safety	2,223,486	2,223,486	2,190,712	32,774
Highways and Streets				
Administration and Engineering				
Personal services	591,479	591,479	544,012	47,467
Supplies	552,852	552,852	319,025	233,827
Other services and charges	582,953	582,953	468,676	114,277
Capital outlay	2,500	2,500		2,500
Total Administration and Engineering	1,729,784	1,729,784	1,331,713	398,071
Streets/Recycling	8,400	8,400	47,319	(38,919)
Street Lighting	159,206	159,206	150,411	8,795
Total Highways and Streets	\$ 1,897,390	\$ 1,897,390	\$ 1,529,443	\$ 367,947

(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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
EXPENDITURES (CONTINUED)				
Community Development				
Personal services	\$ 95,185	\$ 95,185	\$ 62,747	\$ 32,438
Other services and charges	27,700	27,700	16,597	11,103
Capital outlay	2,000	2,000		2,000
Total Community Development	<u>124,885</u>	<u>124,885</u>	<u>79,344</u>	<u>45,541</u>
Parks				
Personal services	306,369	306,369	254,362	52,007
Other services and charges	272,529	272,529	220,677	51,852
Capital outlay	2,000	2,000		2,000
Total Parks	<u>580,898</u>	<u>580,898</u>	<u>475,039</u>	<u>105,859</u>
Other Unallocated				
Remittance to Fire Relief Association	95,375	95,375	100,186	(4,811)
Contributions	20,002	20,002	23,401	(3,399)
Miscellaneous	46,497	46,497	47,269	(772)
Total Other Unallocated	<u>161,874</u>	<u>161,874</u>	<u>170,856</u>	<u>(8,982)</u>
TOTAL EXPENDITURES	<u>6,585,847</u>	<u>6,585,847</u>	<u>5,791,204</u>	<u>794,643</u>
Excess (deficiency) of revenues over (under) expenditures	200,000	200,000	2,289,992	2,089,992
OTHER FINANCING SOURCES (USES)				
Transfers	(200,000)	(200,000)	(1,910,207)	(1,710,207)
Net Change in Fund Balance			379,785	379,785
FUND BALANCE, beginning	<u>3,392,924</u>	<u>3,392,924</u>	<u>3,392,924</u>	
FUND BALANCE, ending	<u>\$ 3,392,924</u>	<u>\$ 3,392,924</u>	<u>\$ 3,772,709</u>	<u>\$ 379,785</u>

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
PROPRIETARY FUND
Statement of Net Position
December 31, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 23,718,197
Receivables:	
Accounts receivable	691,608
Accrued interest	9,574
Special assessments (net of allowance for uncollectibles)	247,263
Due from other governmental units	169,656
Deposits	1,500
	24,837,798
Total Current Assets	24,837,798

Noncurrent Assets

Property and Equipment:	
Nondepreciable	4,804,253
Depreciable	34,597,906
Total Property and Equipment	39,402,159
Less: Accumulated depreciation	12,427,042
Net Property and Equipment	26,975,117
Total Assets	51,812,915

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows from pension activity	181,786
	181,786

LIABILITIES

Current Liabilities

Current portion of long-term debt (compensated absences)	33,374
Accounts payable	451,306
Due to other governmental units	19,435
Salaries payable	18,103
Unearned revenue	1,000
	523,218
Total Current Liabilities	523,218

Long-term Liabilities

Net pension liability	209,983
Compensated absences, net of current portion	11,050
	221,033
Total Long-Term Liabilities	221,033

Total Liabilities

744,251

DEFERRED INFLOWS OF RESOURCES

Deferred inflows from pension activity	212,903
	212,903

NET POSITION

Investment in capital assets	26,637,929
Unrestricted	24,399,618
	24,399,618
Total Net Position	\$ 51,037,547

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, 2021**

Operating Revenue	
Water charges	\$ 1,896,257
Meter sales	85,697
Sewer charges	<u>1,524,553</u>
Total Operating Revenues	<u>3,506,507</u>
Operating Expenses	
Personal services	554,337
Engineering	204,252
Electricity	121,826
Repairs and maintenance	499,772
Sewer charges - MCES	600,563
Depreciation	785,995
Miscellaneous	<u>175,174</u>
Total Operating Expenses	<u>2,941,919</u>
Operating Income	<u>564,588</u>
Nonoperating Revenue	
Future infrastructure charges	1,361,291
Rental income	39,404
Property taxes	279,176
Intergovernmental revenue	212,040
Investment earnings	53,176
Net (decrease) in the fair value of investments	(145,260)
Miscellaneous	<u>9,360</u>
Total Nonoperating Revenue	<u>1,809,187</u>
Net Income Before Transfers and Contributions	2,373,775
Capital contributions - special assessments	122,407
Noncash capital contributions	3,517,195
Capital contributions - intergovernmental	538,920
Capital contributions - other	103,237
Transfers out	<u>(2,053,185)</u>
Change in net position	4,602,349
Net Position, Beginning of Year	<u>46,435,198</u>
Net Position, End of Year	<u>\$ 51,037,547</u>

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
PROPRIETARY FUND
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows From Operating Activities	
Cash received from customers	\$ 4,682,643
Cash paid to suppliers	(1,522,909)
Cash paid to employees	(564,922)
Other income received	260,804
Net Cash Provided By Operating Activities	2,855,616
Cash Flows From Noncapital Financing Activities	
Transfers to other funds	(2,053,185)
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(5,094)
Special assessments and property taxes received	279,675
Net Cash Provided By Capital and Related Financing Activities	274,581
Cash Flows From Investing Activities	
Investment earnings received	50,227
Net (decrease) in the fair value of investments	(145,260)
Net Cash (Used In) Investing Activities	(95,033)
Net Increase in Cash and Cash Equivalents	981,979
Cash and Cash Equivalents, Beginning of Year	22,736,218
Cash and Cash Equivalents, End of Year	\$ 23,718,197
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 564,588
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	785,995
Change in net pension liability	(18,367)
Future infrastructure charges, included in nonoperating revenues	1,361,291
Other income	260,804
(Increase) Decrease In:	
Accounts receivable	(15,499)
Due from other governmental units	(169,656)
Increase (Decrease) In:	
Accounts payable	80,134
Due to other governmental units	(1,456)
Salaries payable	3,950
Estimated liability for compensated absences	3,832
Net Cash Provided By Operating Activities	\$ 2,855,616
Noncash Investing, Capital and Financing Activities	
Receipt of contributed property	\$ 3,517,195
Capital assets in accounts payable at year end	337,188

See Notes to Financial Statements

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CITY OF HUGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

A. Reporting Entity (Continued)

Related Organizations

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net 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.

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)

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

The *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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

The City reports the following major proprietary funds:

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

1. Cash and investments (including cash equivalents)

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

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 or Equity (continued)

1. Cash and investments (including cash equivalents) (continued)

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

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

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

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.

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 or Equity (continued)

2. Receivables and payables (continued)

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 6.25%. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The net amount of delinquent assessments receivable are fully offset by deferred inflows of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

3. 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.

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 or Equity (continued)

3. Capital assets (continued)

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:

	<u>Useful Life 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.

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 exempt employees and 120 hours for nonexempt employees. The compensation is computed at the employee's rate of pay at the time of termination. The City has created a debt service fund to ensure funds are available to pay for compensated absences. Transfers are made from the General Fund as deemed necessary to fund the Compensated Absences Debt Service Fund.

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.

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 or Equity (continued)

5. Long-term obligations (continued)

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.

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 two 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.

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 or Equity (continued)

8. Fund equity

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

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

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

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

The City classifies governmental fund balances as follows:

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

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

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

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

8. Fund equity (continued)

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

E. Concentration of Credit Risk

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

F. 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, 2021, the outstanding principal amount of these bonds was \$19,355,000.

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. As of December 31, 2021, the outstanding principal amount of the 2015 bonds was \$6,879,005 and the outstanding principal balance of the 2017 bonds was \$3,774,234.

G. 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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

H. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 23, 2022, the date the financial statements were available to be issued.

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, 2021).

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, 2021.

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, 2021 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:

<u>Investment</u>	<u>Range of Maturities</u>	<u>Rating</u>	<u>Value</u>
Cash	N/A	N/A	\$ 219,545
Non-Negotiable Certificates of Deposit	April 2022 - February 2026	N/A	1,978,196
Money Market Funds	N/A	Unrated	38,434,677
U.S. Government Securities	November 2023 - September 2026	N/A	<u>17,725,135</u>
Total			<u>\$ 58,357,553</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	\$ 219,545
Investments	<u>58,138,008</u>
Total	<u>\$ 58,357,553</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, 2021 were as follows:

Issuer	Investment Type	Value
RBC Wealth Management	Money Market Funds	\$ 38,434,677

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, 2021 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, 2021 were as follows:

	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
U.S. Government Securities	\$17,725,135	\$	\$17,725,135	\$
Total	\$17,725,135	\$	\$17,725,135	\$

B. Due From and To Other Governmental Units

Amounts due from other governmental units as of December 31, 2021 were as follows:

Fund Type	Washington County	State of Minnesota	Metropolitan Council	Other	Total
General	\$ 64,029	\$ 3,806	\$	\$ 3,666	\$ 71,501
Special Revenue	1,136				1,136
Debt Service	5,085				5,085
Capital Project	21,361	1,825,805			1,847,166
Proprietary	3,603	156,960	1,013	8,080	169,656
Total	\$ 95,214	\$ 1,986,571	\$ 1,013	\$ 11,746	\$ 2,094,544

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, 2021 were as follows:

Fund Type	Washington County	State of Minnesota	Metropolitan Council	Total
General	\$ 4,301	\$ 13,005	\$ 56,763	\$ 74,069
Proprietary		19,435		19,435
Total	<u>\$ 4,301</u>	<u>\$ 32,440</u>	<u>\$ 56,763</u>	<u>\$ 93,504</u>

C. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,646,753	\$ 281,735	\$	\$ 4,928,488
Construction in progress	1,702,512	12,112,803		13,815,315
Total capital assets, not being depreciated	<u>6,349,265</u>	<u>12,394,538</u>		<u>18,743,803</u>
Capital assets, being depreciated:				
Buildings and improvements	6,687,196	440,882	92,944	7,035,134
Land Improvements	1,977,278	67,919	10,880	2,034,317
Infrastructure	38,410,400	4,217,611	66,865	42,561,146
Machinery and equipment	8,696,154	361,343	100,723	8,956,774
Total capital assets, being depreciated	<u>55,771,028</u>	<u>5,087,755</u>	<u>271,412</u>	<u>60,587,371</u>
Less accumulated depreciation for:				
Buildings and improvements	3,532,430	226,006	10,339	3,748,097
Land Improvements	1,539,556	43,327	7,253	1,575,630
Infrastructure	10,552,325	940,577	66,865	11,426,037
Machinery and equipment	4,650,957	524,354	69,337	5,105,974
Total accumulated depreciation	<u>20,275,268</u>	<u>1,734,264</u>	<u>153,794</u>	<u>21,855,738</u>
Total capital assets, being depreciated, net	<u>35,495,760</u>	<u>3,353,491</u>	<u>117,618</u>	<u>38,731,633</u>
Governmental activities capital assets, net	<u>\$ 41,845,025</u>	<u>\$ 15,748,029</u>	<u>\$ 117,618</u>	<u>\$ 57,475,436</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

C. Capital Assets (continued)

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 336,125	\$	\$	\$ 336,125
Construction in progress	3,766,062	702,066		4,468,128
Total capital assets, not being depreciated	4,102,187	702,066		4,804,253
Capital assets, being depreciated:				
Buildings and improvements	30,028,252	3,517,195		33,545,447
Machinery and equipment	1,000,242	52,217		1,052,459
Total capital assets, being depreciated	31,028,494	3,569,412		34,597,906
Less accumulated depreciation for:				
Buildings and improvements	11,064,577	722,354		11,786,931
Machinery and equipment	576,470	63,641		640,111
Total accumulated depreciation	11,641,047	785,995		12,427,042
Total capital assets, being depreciated, net	19,387,447	2,783,417		22,170,864
Business-type activities capital assets, net	<u>\$ 23,489,634</u>	<u>\$ 3,485,483</u>	<u>\$</u>	<u>\$ 26,975,117</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 96,774
Public safety	257,975
Highways and streets	1,207,841
Parks	166,175
Community development	5,499
Total	<u>\$ 1,734,264</u>

Business-Type Activities:

Sewer and Water	<u>\$ 785,995</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, 2021 is as follows:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/21</u>
General obligation bonds:				
2011 Improvement Bonds	11/9/2011	2.35% - 3.00%	2027	\$ 335,000
2020 A Capital Improvement Bonds	11/5/2020	1.00% - 5.00%	2046	8,000,000
2021 A Tax Abatement Bonds	10/7/2021	1.10% - 4.00%	2042	8,170,000
Other Liabilities:				
Compensated Absences				590,074
Unamortized premium				1,109,948
Less: Unamortized (discount)				<u>(153,596)</u>
Total Long-term Debt				<u>\$ 18,051,426</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, 2021, the City had not utilized approximately \$52,606,000 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, 2021:

	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	\$ 445,000	\$	\$ 110,000	\$ 335,000	\$ 115,000
2020 A Capital Improvement Bonds	8,000,000			8,000,000	155,000
2021 A Tax Abatement Bonds		8,170,000		8,170,000	
Other Liabilities:					
Compensated Absences	374,668	403,174	232,192	545,650	338,154
Unamortized premium	486,039	638,528	14,619	1,109,948	
Less: Unamortized (discount)	(62,669)	(92,779)	(1,852)	(153,596)	
Governmental Activities Long-term Liabilities	<u>9,243,038</u>	<u>9,118,923</u>	<u>354,959</u>	<u>18,007,002</u>	<u>608,154</u>
BUSINESS-TYPE ACTIVITIES					
Other Liabilities:					
Compensated Absences	40,592	34,276	30,444	44,424	33,374
Business-Type Activities Long-term Liabilities	<u>40,592</u>	<u>34,276</u>	<u>30,444</u>	<u>44,424</u>	<u>33,374</u>
Total	<u>\$ 9,283,630</u>	<u>\$ 9,153,199</u>	<u>\$ 385,403</u>	<u>\$ 18,051,426</u>	<u>\$ 641,528</u>

During the year ended December 31, 2020, the City issued \$8 million of general obligation bonds to construct a new public works facility. As of December 31, 2021, the City had spent all of the bond proceeds on the new facility, which was still in progress at year end.

During the year ended December 31, 2021, the City issued \$8.17 million of general obligation bonds to improve Lions Park. As of December 31, 2021, the City had spent \$2,741,480 of the bond proceeds on the new facility, which was still in progress at year end. The remaining bond proceeds will be used to complete construction and improvements, which is expected to occur in 2022.

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, 2021 were as follows:

Year	General Obligation Debt	
	Principal	Interest
2022	\$ 270,000	\$ 375,718
2023	500,000	398,345
2024	590,000	374,798
2025	615,000	348,815
2026	645,000	321,540
2027-2031	3,425,000	1,199,450
2032-2036	3,840,000	788,883
2037-2041	4,160,000	447,485
2042-2046	2,460,000	104,300
	<u>\$ 16,505,000</u>	<u>\$ 4,359,333</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, 2021 were as follows:

	Transfers In	Transfers Out
Major Governmental Funds:		
General	\$	\$ 1,910,207
Public Improvements	2,313,185	
Property and Equipment Acquisition	1,390,000	
Total Major Governmental Funds	<u>3,703,185</u>	<u>1,910,207</u>
Nonmajor Governmental Funds:		
Compensated Absences	<u>260,207</u>	
Proprietary Funds:		
Water and Sewer Utility Fund		<u>2,053,185</u>
Total All Funds	<u>\$ 3,963,392</u>	<u>\$ 3,963,392</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Fund Equity

The City has committed and assigned portions of fund equity in the governmental funds. A summary at December 31, 2021 is as follows:

	Special Park	Compensated Absences	Firefighter's Relief	Public Improvements	Property and Equipment Acquisition
Committed					
Park improvement	\$ 1,630,575	\$	\$	\$	\$
Compensated absences		813,663			
Total Committed	<u>\$ 1,630,575</u>	<u>\$ 813,663</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Assigned					
Municipal contributions to fire relief	\$	\$	\$ 160,368	\$	\$
Public improvements				8,824,778	
Property and equipment acquisition					8,340,153
Total Assigned	<u>\$</u>	<u>\$</u>	<u>\$ 160,368</u>	<u>\$ 8,824,778</u>	<u>\$ 8,340,153</u>

The City has restricted portions of fund balance in the fund financial statements and fund equity in the government-wide financial statements. The restricted fund balance / equity represents the portion not available for expenditure or legally segregated for specific future use. A summary of the restricted portion of the fund balance / equity at December 31, 2021 is as follows:

Specific Purpose	Restriction Imposed By			
	Contributors	Grantors	Creditors	Regulations
Restricted Fund Balance				
Debt Service Funds:				
Unspent bond proceeds	\$	\$	\$ 5,428,520	\$
Debt service requirements			643,079	
Total Restricted Fund Balance	<u>\$</u>	<u>\$</u>	<u>\$ 6,071,599</u>	<u>\$</u>
Restricted Net Position				
Debt service requirements	<u>\$</u>	<u>\$</u>	<u>\$ 711,766</u>	<u>\$</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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, 2021. 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 2022 at an hourly rate. Total fees for law enforcement services are estimated to be approximately \$1,240,000. 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, 2021, the remaining commitment amount for these projects was \$7,150,475.

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 2021 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, 2021 were \$154,488. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2021, the City reported a liability of \$1,199,996 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 \$36,698.

The net pension liability was measured as of June 30, 2021 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0281 percent at the end of the measurement period and .0273 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	\$ 1,199,996
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>36,698</u>
Total	<u>\$ 1,236,694</u>

For the year ended December 31, 2021, the City recognized pension (benefit) of (\$92,534) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,961 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, 2021, 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	\$ 6,533	\$ 36,603
Changes in actuarial assumptions	732,693	25,068
Net collective difference between projected and actual investment earnings		1,039,241
Changes in proportion	106,479	
Contributions paid to PERA subsequent to the measurement date	<u>78,071</u>	
Total	<u>\$ 923,776</u>	<u>\$ 1,100,912</u>

The \$78,071 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, 2022.

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>
2022	\$ 749
2023	26,017
2024	1,484
2025	(283,457)

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, 2021, 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 29 years of service and 6.0 percent per year thereafter.

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 2021:

Changes in Actuarial Assumptions:

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

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 2021 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%	\$ 2,447,379
Current Discount Rate	6.50%	1,199,996
1% Higher	7.50%	176,442

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, 2021, the plan covered 22 active firefighters and 11 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, 2021 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 \$4,200 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 \$100,186 in state aid to the plan on behalf of the Association for the year ended December 31, 2021, 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 2021, the City levied property taxes but was not required to make a contribution to the Association.

D. Pension Costs

At December 31, 2021, the City reported a net pension asset of \$1,364,287 for the plan. The net pension asset was measured as of December 31, 2021. 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, 2021.

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 12/31/20	\$ 1,203,360	\$ 2,292,023	\$ (1,088,663)
Changes for the Year			
Service cost	38,708		38,708
Interest on pension liability	71,419		71,419
Plan changes	42,282		42,282
Contributions (state)		100,186	(100,186)
Net investment income (loss)		341,447	(341,447)
Administrative expenses		(13,600)	13,600
Net Changes	152,409	428,033	(275,624)
Balance End of Year 12/31/21	\$ 1,355,769	\$ 2,720,056	\$ (1,364,287)

During 2021, the benefit level for participants changed from \$3,900 to \$4,200 per year. For the year ended December 31, 2021, the City recognized pension expense (benefit) of \$(282,312). At December 31, 2021, 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	\$	\$ 61,939
Changes in actuarial assumptions	26,900	24,288
Liability losses	7,592	
Investment gains		168,024
Total	\$ 34,492	\$ 254,251

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>
2022	\$ (67,687)
2023	(39,059)
2024	(75,536)
2025	(32,027)
2026	(5,044)
Thereafter	(406)

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, 2021 was \$(374,846).

E. Actuarial Assumptions

The total pension liability at December 31, 2021 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%)	\$ 1,405,083	\$ 2,720,056	\$ (1,314,973)
Current Discount Rate (5.75%)	1,355,769	2,720,056	(1,364,287)
1% Increase in Discount Rate (6.75%)	1,310,102	2,720,056	(1,409,954)

H. Plan Investments

1. Investment Policy

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association (Continued)

H. Plan Investments (Continued)

2. Asset Allocation

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	17.00%	1.80%
Fixed income	14.00%	3.00%
Equities	69.00%	7.10%
Total	100%	5.75%

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

3. Description of significant investment policy changes during the year

The Association made no significant changes to their investment policy during the year ended December 31, 2021.

I. Pension Plan Fiduciary Net Position

Detailed information about the Hugo Firefighter's Relief Association plan's fiduciary net position as of December 31, 2021 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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

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, 2021.

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CITY OF HUGO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

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CITY OF HUGO
Schedule of City Contributions
PERA General Employees Retirement Plan
December 31, 2021

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					
2023					

CITY OF HUGO
Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2021

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							
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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability								
Service cost	\$ 38,708	\$ 35,723	\$ 33,935	\$ 42,225	\$ 38,841	\$ 29,273	\$ 29,535	\$ 26,992
Interest	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	42,282	11,951	17,056	31,891	30,828	13,296	12,058	
Benefit payments					(47,146)	(40,248)		(73,333)
(Gains) losses		8,677		(50,618)		(63,446)		
Net change in total pension liability	<u>152,409</u>	<u>155,164</u>	<u>113,924</u>	<u>47,451</u>	<u>76,205</u>	<u>(1,020)</u>	<u>90,284</u>	<u>(65,987)</u>
Total pension liability - beginning	<u>1,203,360</u>	<u>1,048,196</u>	<u>934,272</u>	<u>886,821</u>	<u>810,616</u>	<u>811,636</u>	<u>721,352</u>	<u>787,339</u>
Total pension liability - ending	<u>\$ 1,355,769</u>	<u>\$ 1,203,360</u>	<u>\$ 1,048,196</u>	<u>\$ 934,272</u>	<u>\$ 886,821</u>	<u>\$ 810,616</u>	<u>\$ 811,636</u>	<u>\$ 721,352</u>
Plan fiduciary net position								
Contributions - state	\$ 100,186	\$ 96,375	\$ 88,409	\$ 85,740	\$ 82,615	\$ 83,852	\$ 81,540	\$ 75,068
Contributions - city								
Net investment income (loss)	341,447	233,338	322,363	(77,509)	229,871	102,440	3,233	81,754
Benefit payments					(47,146)	(40,248)		(73,333)
Administrative expense	(13,600)	(10,475)	(11,875)	(9,900)	(12,250)	(9,450)	(10,200)	(7,476)
Net change in plan fiduciary net position	<u>428,033</u>	<u>319,238</u>	<u>398,897</u>	<u>(1,669)</u>	<u>253,090</u>	<u>136,594</u>	<u>74,573</u>	<u>76,013</u>
Plan fiduciary net position - beginning	<u>2,292,023</u>	<u>1,972,785</u>	<u>1,573,888</u>	<u>1,575,557</u>	<u>1,322,467</u>	<u>1,185,873</u>	<u>1,111,300</u>	<u>1,035,287</u>
Plan fiduciary net position - ending	<u>\$ 2,720,056</u>	<u>\$ 2,292,023</u>	<u>\$ 1,972,785</u>	<u>\$ 1,573,888</u>	<u>\$ 1,575,557</u>	<u>\$ 1,322,467</u>	<u>\$ 1,185,873</u>	<u>\$ 1,111,300</u>
Net pension liability (asset) - ending	<u>\$ (1,364,287)</u>	<u>\$ (1,088,663)</u>	<u>\$ (924,589)</u>	<u>\$ (639,616)</u>	<u>\$ (688,736)</u>	<u>\$ (511,851)</u>	<u>\$ (374,237)</u>	<u>\$ (389,948)</u>
Plan fiduciary net position as a percentage of the total pension liability	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, 2021

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					
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, 2021

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CITY OF HUGO, MINNESOTA

NONMAJOR FUNDS

December 31, 2021

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, 2021**

	Special Revenue		Debt Service		Total Nonmajor Governmental Funds
	Special Park Fund	Firefighter's Relief Fund	Compensated Absences	General Obligation Bonds	
Assets					
Cash and investments	\$ 1,634,010	\$ 160,129	\$ 813,439	\$ 637,860	\$ 3,245,438
Receivables (Net of Allowance for Uncollectibles, if any):					
Accrued interest	598	60	224	134	1,016
Taxes	897	165		4,285	5,347
Special assessments				185,760	185,760
Due from other governments	957	179		5,085	6,221
TOTAL ASSETS	\$ 1,636,462	\$ 160,533	\$ 813,663	\$ 833,124	\$ 3,443,782
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities					
Accounts payable	\$ 4,990	\$	\$	\$	\$ 4,990
Deferred Inflows of Resources					
Unavailable revenue:					
Property taxes	897	165		4,285	5,347
Special assessments				185,760	185,760
Total Unavailable revenue	897	165		190,045	191,107
Fund Balance					
Fund Balance:					
Restricted				643,079	643,079
Committed	1,630,575		813,663		2,444,238
Assigned		160,368			160,368
Total Fund Balance	1,630,575	160,368	813,663	643,079	3,247,685
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,636,462	\$ 160,533	\$ 813,663	\$ 833,124	\$ 3,443,782

CITY OF HUGO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	Special Revenue		Debt Service		Total Nonmajor Governmental Funds
	Special Park Fund	Firefighter's Relief Fund	Compensated Absences	General Obligation Bonds	
REVENUES					
Property taxes	\$ 92,239	\$ 17,291	\$	\$ 490,992	\$ 600,522
Special assessments				69,160	69,160
Intergovernmental revenues	144	27		767	938
Other Revenue:					
Investment earnings	3,272	329	1,261	703	5,565
Net (decrease) in the fair value of investments	(8,945)	(899)	(3,441)	(1,919)	(15,204)
Rent	8,950				8,950
Developer fees	284,658				284,658
TOTAL REVENUES	380,318	16,748	(2,180)	559,703	954,589
EXPENDITURES					
Current:					
Capital outlay	93,402				93,402
Bond principal retirement				110,000	110,000
Interest on bonds				157,611	157,611
Fiscal charges and other				4,100	4,100
TOTAL EXPENDITURES	93,402			271,711	365,113
Excess (deficiency) of revenues over (under) expenditures	286,916	16,748	(2,180)	287,992	589,476
OTHER FINANCING SOURCES (USES)					
Transfers in			260,207		260,207
Net change in fund balances	286,916	16,748	258,027	287,992	849,683
FUND BALANCES, beginning	1,343,659	143,620	555,636	355,087	2,398,002
FUND BALANCES, ending	\$ 1,630,575	\$ 160,368	\$ 813,663	\$ 643,079	\$ 3,247,685

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, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 92,000	\$ 92,000	\$ 92,239	\$ 239
Intergovernmental revenues			144	144
Other revenues:				
Investment earnings			3,272	3,272
Net (decrease) in the fair value of investments			(8,945)	(8,945)
Rent	8,950	8,950	8,950	
Developer fees			284,658	284,658
Total Revenues	<u>100,950</u>	<u>100,950</u>	<u>380,318</u>	<u>279,368</u>
EXPENDITURES				
Parks				
Capital Outlay:				
Trail and amenity development	116,000	116,000	13,545	102,455
Park improvements	150,000	150,000	74,722	75,278
Bernin property	6,500	6,500	5,135	1,365
Total Expenditures	<u>272,500</u>	<u>272,500</u>	<u>93,402</u>	<u>179,098</u>
Net Change in Fund Balances	(171,550)	(171,550)	286,916	458,466
Fund Balance, January 1	<u>1,343,659</u>	<u>1,343,659</u>	<u>1,343,659</u>	
Fund Balance, December 31	<u>\$1,172,109</u>	<u>\$1,172,109</u>	<u>\$1,630,575</u>	<u>\$ 458,466</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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 17,250	\$ 17,250	\$ 17,291	\$ 41
Intergovernmental revenues			27	27
Other revenues:				
Investment earnings			329	329
Net (decrease) in the fair value of investments			(899)	(899)
Total Revenues	<u>17,250</u>	<u>17,250</u>	<u>16,748</u>	<u>(502)</u>
Net Change in Fund Balances	17,250	17,250	16,748	(502)
Fund Balance, January 1	<u>143,620</u>	<u>143,620</u>	<u>143,620</u>	
Fund Balance, December 31	<u>\$ 160,870</u>	<u>\$ 160,870</u>	<u>\$ 160,368</u>	<u>\$ (502)</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 490,397	\$ 490,397	\$ 490,992	\$ 595
Special assessments	56,631	56,631	69,160	12,529
Intergovernmental revenue			767	767
Other revenues:				
Investment earnings			703	703
Net (decrease) in the fair value of investments			(1,919)	(1,919)
Total Revenues	547,028	547,028	559,703	12,675
EXPENDITURES				
Debt service:				
Principal retirement	110,000	110,000	110,000	
Interest on bonds	157,611	157,611	157,611	
Fiscal charges	1,000	1,000	4,100	(3,100)
Total Expenditures	268,611	268,611	271,711	(3,100)
Net Change in Fund Balances	278,417	278,417	287,992	9,575
Fund Balance, January 1	355,087	355,087	355,087	
Fund Balance, December 31	\$ 633,504	\$ 633,504	\$ 643,079	\$ 9,575

**CITY OF HUGO, MINNESOTA
 COMPENSATED ABSENCES
 Schedule of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Other revenues:				
Investment earnings	\$	\$	\$ 1,261	\$ 1,261
Net (decrease) in the fair value of investments			(3,441)	(3,441)
Total Revenues			(2,180)	(2,180)
OTHER FINANCING SOURCES				
Transfers in			260,207	260,207
Net Change in Fund Balances			258,027	258,027
Fund Balance, January 1	555,636	555,636	555,636	
Fund Balance, December 31	\$ 555,636	\$ 555,636	\$ 813,663	\$ 258,027

Note: The City adopted a \$0 activity budget in this fund for the year ended December 31, 2021.

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 240,000	\$ 240,000	\$ 239,932	\$ (68)
Intergovernmental			375	375
Other revenues:				
Investment earnings			16,500	16,500
Net (decrease) in the fair value of investments			(45,068)	(45,068)
Rent	23,400	23,400	23,400	
Contributions			19,277	19,277
Total Revenues	263,400	263,400	254,416	(8,984)
EXPENDITURES				
Capital outlay:				
Property and equipment acquisition	453,000	453,000	864,467	(411,467)
Miscellaneous	12,804	12,804	13,556	(752)
Total Expenditures	465,804	465,804	878,023	(412,219)
Excess (deficiency) of revenues over (under) expenditures	(202,404)	(202,404)	(623,607)	(421,203)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets			33,615	33,615
Transfers in	440,000	440,000	1,390,000	950,000
Total Other Financing Sources (Uses)	440,000	440,000	1,423,615	983,615
Net Change in Fund Balances	237,596	237,596	800,008	562,412
Fund Balance, January 1	7,540,145	7,540,145	7,540,145	
Fund Balance, December 31	\$ 7,777,741	\$ 7,777,741	\$ 8,340,153	\$ 562,412

CITY OF HUGO, MINNESOTA
PROPRIETARY FUND
Schedule of Revenues and Expenses - By Department
For the Year Ended December 31, 2021

	Water and Sewer Utility Fund			Totals
	Water Department	Sewer Department	Construction Department	
Operating Revenue				
Water charges	\$ 1,636,857	\$	\$ 259,400	\$ 1,896,257
Meter sales	85,697			85,697
Sewer charges		1,524,553		1,524,553
Total Operating Revenues	<u>1,722,554</u>	<u>1,524,553</u>	<u>259,400</u>	<u>3,506,507</u>
Operating Expenses				
Personal services	277,170	277,167		554,337
Engineering	19,997		184,255	204,252
Electricity	105,652	9,753	6,421	121,826
Repairs and maintenance	286,458	54,061	159,253	499,772
Sewer charges - MCES		600,563		600,563
Depreciation	447,768	338,227		785,995
Miscellaneous	95,973	76,512	2,689	175,174
Total Operating Expenses	<u>1,233,018</u>	<u>1,356,283</u>	<u>352,618</u>	<u>2,941,919</u>
Operating Income (Loss)	<u>\$ 489,536</u>	<u>\$ 168,270</u>	<u>\$ (93,218)</u>	<u>564,588</u>
Nonoperating Revenue				
Future infrastructure charges				1,361,291
Rental income				39,404
Property taxes				279,176
Intergovernmental revenue				212,040
Investment earnings				53,176
Net (decrease) in the fair value of investments				(145,260)
Miscellaneous				9,360
Total Nonoperating Revenue				<u>1,809,187</u>
Net Income Before Transfers and Contributions				2,373,775
Capital contributions - special assessments				122,407
Noncash capital contributions				3,517,195
Capital contributions - intergovernmental				538,920
Capital contributions - other				103,237
Transfers				<u>(2,053,185)</u>
Change in Net Position				<u>\$ 4,602,349</u>

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CITY OF HUGO, MINNESOTA
SUPPLEMENTARY INFORMATION
December 31, 2021

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CITY OF HUGO, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
December 31, 2021

	<u>Interest Yield</u>	<u>Maturity</u>	<u>Book Value</u>
CASH:			
Change funds		Open	\$ 200
Petty cash			50
Checking - US Bank		Open	<u>219,295</u>
Total Cash			<u>\$ 219,545</u>
INVESTMENTS:			
Certificates of Deposit - Goldman Sachs Bank of NY CD	2.600%	04/11/22	\$ 246,615
- Sallie Mae Bank of Salt Lake City CD	2.600%	04/11/22	246,615
- Wells Fargo Bank CD	2.600%	04/12/22	246,632
- Mainstreet Bank of Fairfax VA CD	2.550%	04/26/23	251,784
- Congressional Bank of Potomac MD CD	2.500%	04/28/23	251,659
- Texas Exchange Bank of Crowley TX CD	0.500%	02/12/25	246,717
- BMO Harris Bank CD	0.550%	02/18/26	243,862
- State Bank India of Chicago IL CD	0.600%	02/25/26	<u>244,312</u>
Total Certificates of Deposit			<u>\$ 1,978,196</u>
Money Market Funds - RBC Wealth Management	0.01%	Open	<u>\$ 38,434,677</u>
Total Money Market Funds			<u>\$ 38,434,677</u>
U.S. Government Securities:			
Federal Farm Credit Bank	0.310%	11/30/23	\$ 992,230
Federal Farm Credit Bank	0.340%	04/22/24	988,140
Freddie Mac	0.400%	10/21/24	984,390
Federal Farm Credit Bank	0.300%	11/12/24	980,860
Federal Farm Credit Bank	0.720%	04/28/25	987,190
Freddie Mac	0.500%	10/28/25	974,080
Federal Home Loan Bank	0.510%	11/24/25	973,880
Federal Home Loan Bank	0.550%	11/25/25	975,390
Federal Home Loan Bank	0.250%	01/26/26	981,910
Federal Home Loan Bank	0.580%	02/11/26	486,825
Federal Home Loan Bank	0.550%	02/17/26	489,185
Federal Home Loan Bank	0.400%	02/26/26	490,565
Federal Home Loan Bank	0.550%	03/30/26	990,460
Federal Farm Credit Bank	0.900%	06/15/26	983,480
Federal Home Loan Banks	0.600%	06/30/26	989,940
Federal Home Loan Banks	0.500%	06/30/26	985,860
Federal Home Loan Bank	0.300%	07/20/26	997,560
Federal Home Loan Bank	0.250%	08/10/26	991,640
Federal Home Loan Bank	0.500%	09/15/26	985,770
Federal Home Loan Banks	0.500%	09/28/26	<u>495,780</u>
Total U.S. Government Securities			<u>\$ 17,725,135</u>
Total Investments			<u>\$ 58,138,008</u>
Total Cash and Investments			<u>\$ 58,357,553</u>

**CITY OF HUGO, MINNESOTA
SCHEDULE OF DEBT SERVICE
REQUIREMENTS - ALL FUNDS
DECEMBER 31, 2021**

Year	General Obligation Bonds	
	Principal	Interest
2022	\$ 270,000	\$ 375,718
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>\$ 16,505,000</u>	<u>\$ 4,359,333</u>

**CITY OF HUGO, MINNESOTA
SCHEDULE OF BONDS PAYABLE
DECEMBER 31, 2021**

	<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	2.35-3.00	2-1; 8-1	11/9/2011	2/1/2027	\$ 115,000	2022	\$ 445,000	\$	\$ 110,000	\$ 335,000	1
					40,000	2023					
					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	\$ 155,000	2022	\$8,000,000	\$	\$	\$ 8,000,000	1
					225,000	2023					
					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

\$16,505,000

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CITY OF HUGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
December 31, 2021

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.	79
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	89
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.	96
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.	104
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.	108

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>2021</u>	<u>2020</u>	<u>2019</u>
Governmental activities			
Net investment in capital assets	\$ 43,269,921	\$ 39,695,038	\$ 36,290,580
Restricted	711,766	604,421	2,686,080
Unrestricted	<u>26,225,772</u>	<u>20,745,833</u>	<u>15,744,753</u>
Total governmental activities net position	<u>\$ 70,207,459</u>	<u>\$ 61,045,292</u>	<u>\$ 54,721,413</u>
Business-type activities			
Net investment in capital assets	\$ 26,637,929	\$ 23,489,634	\$ 21,145,757
Restricted			
Unrestricted	<u>24,399,618</u>	<u>22,945,564</u>	<u>22,886,055</u>
Total business-type activities net position	<u>\$ 51,037,547</u>	<u>\$ 46,435,198</u>	<u>\$ 44,031,812</u>
Primary government			
Net investment in capital assets	\$ 69,907,850	\$ 63,184,672	\$ 57,436,337
Restricted	711,766	604,421	2,686,080
Unrestricted	<u>50,625,390</u>	<u>43,691,397</u>	<u>38,630,808</u>
Total primary government net position	<u>\$ 121,245,006</u>	<u>\$ 107,480,490</u>	<u>\$ 98,753,225</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

2018	2017	2016	2015	2014	2013	2012
\$ 31,052,932	\$ 27,782,762	\$ 26,906,049	\$ 26,217,435	\$ 23,454,304	\$ 21,367,621	\$ 21,481,371
3,856,380	4,964,391	5,780,135	6,569,231	7,022,529	13,519,890	8,465,178
14,974,461	11,241,242	9,038,151	6,209,056	6,092,481	(1,175,995)	3,835,653
<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>	<u>\$ 33,782,202</u>
\$ 18,150,804	\$ 17,708,355	\$ 16,735,066	\$ 16,679,906	\$ 16,206,682	\$ 15,928,980	\$ 16,152,741
22,798,373	20,602,289	19,838,631	18,934,340	18,100,305	16,828,249	16,235,027
<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>	<u>\$ 32,387,768</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>\$ 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>	<u>\$ 66,169,970</u>

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

	Fiscal Year		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Expenses			
Governmental activities:			
General government	\$ 1,662,059	\$ 1,663,347	\$ 1,398,411
Public safety	2,543,607	2,349,790	1,840,685
Highways and streets	3,268,954	2,674,867	2,647,549
Community development	84,304	93,557	78,649
Parks	729,170	592,022	606,367
Interest on long-term debt	<u>296,734</u>	<u>103,239</u>	<u>51,788</u>
Total governmental activities expenses	<u>8,584,828</u>	<u>7,476,822</u>	<u>6,623,449</u>
Business-Type activities:			
Water and sewer	<u>2,941,919</u>	<u>3,398,225</u>	<u>2,750,777</u>
Total primary government expenses	<u>\$ 11,526,747</u>	<u>\$ 10,875,047</u>	<u>\$ 9,374,226</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 1,404,889	\$ 1,184,307	\$ 634,760
Public safety	50,341	42,363	40,920
Highways and streets			
Community development			
Parks	24,200	15,583	26,950
Operating grants and contributions	410,903	1,536,263	368,593
Capital grants and contributions	<u>5,080,510</u>	<u>2,658,555</u>	<u>2,851,912</u>
Total governmental activities program revenues	<u>6,970,843</u>	<u>5,437,071</u>	<u>3,923,135</u>
Business-type activities:			
Charges for services:			
Water and sewer	5,069,196	3,892,108	3,150,366
Capital grants and contributions	<u>4,281,759</u>	<u>1,241,477</u>	<u>1,873,831</u>
Total business-type activities program revenues	<u>9,350,955</u>	<u>5,133,585</u>	<u>5,024,197</u>
Total primary government program revenues	<u>\$ 16,321,798</u>	<u>\$ 10,570,656</u>	<u>\$ 8,947,332</u>

Schedule 2

	2018	2017	2016	2015	2014	2013	2012
\$	1,161,448	\$ 1,276,421	\$ 1,197,701	\$ 1,122,799	\$ 1,134,472	\$ 1,065,863	\$ 1,067,927
	2,195,157	1,853,038	1,557,907	1,766,538	1,605,641	1,604,478	1,564,118
	2,594,452	2,562,574	1,693,873	2,798,767	1,652,444	2,542,320	2,433,615
	77,154	104,902	95,450	44,810	29,743	30,483	28,593
	759,167	695,431	691,817	629,830	695,534	628,316	578,792
	80,331	105,337	120,457	245,855	420,400	536,639	515,183
	<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>	<u>6,188,228</u>
	2,409,969	2,610,342	2,525,203	2,257,189	1,980,909	1,914,195	1,720,993
\$	<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>	<u>7,909,221</u>
\$	889,034	\$ 830,442	\$ 685,861	\$ 533,119	\$ 537,526	\$ 371,013	\$ 478,209
	34,133	37,141	37,793	41,554	36,835	31,477	39,092
	29,700	30,900	24,700	24,700	26,407	27,020	29,113
	312,052	348,677	317,012	342,514	260,534	779,206	741,340
	4,699,335	1,208,198	963,391	2,618,455	1,964,258	176,212	420,143
	<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>	<u>1,707,897</u>
	3,317,341	2,667,449	2,364,489	2,536,840	2,388,668	2,339,417	2,784,960
	1,015,084	1,388,622	606,704	1,041,058	818,017	97,613	149,899
	4,332,425	4,056,071	2,971,193	3,577,898	3,206,685	2,437,030	2,934,859
\$	<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>	<u>4,642,756</u>

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

	Fiscal Year		
	2021	2020	2019
Net (Expense) Revenue			
Governmental Activities	\$ (1,613,985)	\$ (2,039,751)	\$ (2,700,314)
Business-type activities	6,409,036	1,735,360	2,273,420
Total primary government net revenue	<u>\$ 4,795,051</u>	<u>\$ (304,391)</u>	<u>\$ (426,894)</u>
General Revenues and Other Changes In Net Position			
Governmental activities:			
General property taxes	\$ 8,818,597	\$ 8,201,558	\$ 6,945,118
Grants and contributions not restricted to specific programs	13,513	13,034	11,631
Investment earnings	69,091	126,092	405,455
Net increase (decrease) in the fair value of investments	(188,738)	14,050	56,103
Refund of unused tax increment			
Miscellaneous	10,504	8,896	11,019
Transfers	2,053,185		108,628
Total governmental activities	<u>10,776,152</u>	<u>8,363,630</u>	<u>7,537,954</u>
Business-type activities:			
General property taxes	279,176	278,159	244,757
Grants and contributions not restricted to specific programs	10,206	11	
Investment earnings	53,176	144,825	438,448
Net increase (decrease) in the fair value of investments	(145,260)	16,138	60,658
Miscellaneous	49,200	228,893	173,980
Transfers	(2,053,185)		(108,628)
Total business-type activities	<u>(1,806,687)</u>	<u>668,026</u>	<u>809,215</u>
Total primary government	<u>\$ 8,969,465</u>	<u>\$ 9,031,656</u>	<u>\$ 8,347,169</u>
Change in Net Position			
Governmental activities	\$ 9,162,167	\$ 6,323,879	\$ 4,837,640
Business-type activities	4,602,349	2,403,386	3,082,635
Total primary government	<u>\$ 13,764,516</u>	<u>\$ 8,727,265</u>	<u>\$ 7,920,275</u>

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

**Schedule 2
(continued)**

2018	2017	2016	2015	2014	2013	2012
\$ (903,455)	\$ (4,142,345)	\$ (3,328,448)	\$ (3,048,257)	\$ (2,712,674)	\$ (5,023,171)	\$ (4,480,331)
1,922,456	1,445,729	445,990	1,320,709	1,225,776	522,835	1,213,866
<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>	<u>\$ (3,266,465)</u>
\$ 6,574,311	\$ 6,145,465	\$ 5,858,093	\$ 5,930,619	\$ 5,169,220	\$ 4,957,502	\$ 5,164,809
11,437	11,911	12,343	12,987	8,351	7,692	9,278
306,546	144,962	57,287	63,745	97,122	123,271	117,355
5,006	(13,221)	(19,853)	14,946	165,934	(249,734)	
(237,112)						
30,376	9,728	40,123	10,600	21,566	9,657	40,171
108,269	107,560	109,068	107,839	108,279	104,097	104,475
<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>	<u>5,436,088</u>
269,124			-			
517						
339,603	166,647	65,119	74,066	98,298	129,708	119,149
5,544	(15,199)	(22,568)	17,670	194,271	(286,689)	
209,558	247,330	579,978	225,393	139,692	107,704	998,603
(108,269)	(107,560)	(109,068)	(107,839)	(108,279)	(104,097)	(104,475)
<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>1,013,277</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>	<u>\$ 6,449,365</u>
\$ 5,895,378	\$ 2,264,060	\$ 2,728,613	\$ 3,092,479	\$ 2,857,798	\$ (70,686)	\$ 955,757
2,638,533	1,736,947	959,451	1,529,999	1,549,758	369,461	2,227,143
<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>	<u>\$ 3,182,900</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General fund					
Unassigned	\$ 3,772,709	\$ 3,392,924	\$ 3,216,648	\$ 3,083,467	\$ 2,708,918
Total general fund	<u>3,772,709</u>	<u>3,392,924</u>	<u>3,216,648</u>	<u>3,083,467</u>	<u>2,708,918</u>
All other governmental funds					
Restricted	6,071,599	355,087	1,843,129	2,423,464	2,976,404
Committed	2,444,238	1,899,295	1,998,455	1,965,392	2,097,452
Assigned	<u>17,325,299</u>	<u>22,448,864</u>	<u>11,820,004</u>	<u>12,472,671</u>	<u>9,776,657</u>
Total all other governmental funds	<u>25,841,136</u>	<u>24,703,246</u>	<u>15,661,588</u>	<u>16,861,527</u>	<u>14,850,513</u>
Total governmental funds	<u>\$ 29,613,845</u>	<u>\$ 28,096,170</u>	<u>\$ 18,878,236</u>	<u>\$ 19,944,994</u>	<u>\$ 17,559,431</u>

Schedule 3

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 2,603,086	\$ 2,422,714	\$ 2,316,449	\$ 2,186,178	\$ 2,109,985
<u>2,603,086</u>	<u>2,422,714</u>	<u>2,316,449</u>	<u>2,186,178</u>	<u>2,109,985</u>
3,243,799	3,478,864	9,193,397	9,567,219	3,940,302
1,864,591	1,814,672	1,591,779	1,432,846	1,518,457
<u>8,815,632</u>	<u>8,119,888</u>	<u>7,160,986</u>	<u>6,943,377</u>	<u>6,716,756</u>
<u>13,924,022</u>	<u>13,413,424</u>	<u>17,946,162</u>	<u>17,943,442</u>	<u>12,175,515</u>
<u>\$ 16,527,108</u>	<u>\$ 15,836,138</u>	<u>\$ 20,262,611</u>	<u>\$ 20,129,620</u>	<u>\$ 14,285,500</u>

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

	2021	2020	2019	2018	2017
Revenues					
Property taxes	\$ 8,809,460	\$ 8,197,918	\$ 6,948,669	\$ 6,736,136	\$ 6,145,736
Special assessments	271,287	264,459	235,682	309,712	434,858
Licenses and permits	1,026,042	830,845	416,391	601,126	508,574
Intergovernmental revenues	1,699,353	2,210,683	1,433,071	1,588,458	1,371,711
Charges for services	356,679	332,686	193,049	261,906	306,671
Court fines	50,341	42,363	40,920	33,958	37,141
Other Revenue					
Investment earnings	69,091	126,092	405,455	306,546	144,962
Net change in the fair value of investments	(188,738)	14,050	56,103	5,006	(13,221)
Developer fees	1,229,761	284,526	616,044	1,183,687	300,095
Rent	40,245	32,350	50,130	41,655	40,825
Miscellaneous	35,904	25,105	18,122	23,197	34,635
Total Revenues	<u>13,399,425</u>	<u>12,361,077</u>	<u>10,413,636</u>	<u>11,091,387</u>	<u>9,311,987</u>
EXPENDITURES					
General government	1,345,810	1,451,178	1,292,195	1,043,018	1,128,413
Public safety	2,190,712	2,007,857	1,946,090	1,831,314	1,739,392
Highways and streets	1,529,443	1,299,641	1,413,813	1,232,265	1,200,660
Community development	79,344	87,052	65,937	63,348	83,441
Parks	475,039	449,023	453,119	409,499	406,784
Unallocated	170,856	320,638	163,421	156,037	153,199
Debt service					
Bond principal retirement	110,000	1,600,000	1,875,000	1,680,000	1,625,000
Interest on bonds	157,611	23,515	55,743	83,057	106,245
Fiscal charges	4,100	3,900	11,473	8,650	8,875
Issuance costs	60,683	58,100			
Capital outlay	16,560,702	4,303,134	4,314,766	1,930,783	1,935,215
Total Expenditures	<u>22,684,300</u>	<u>11,604,038</u>	<u>11,591,557</u>	<u>8,437,971</u>	<u>8,387,224</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,284,875)</u>	<u>757,039</u>	<u>(1,177,921)</u>	<u>2,653,416</u>	<u>924,763</u>
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	33,615	40,000	2,537	21,501	
Refund of unused tax increment				(397,623)	
Transfers in	3,963,392	2,823,362	1,326,525	1,619,981	1,243,050
Transfers out	(1,910,207)	(2,823,362)	(1,217,897)	(1,511,712)	(1,135,490)
Total other financing sources (uses)	<u>10,802,550</u>	<u>8,460,895</u>	<u>111,165</u>	<u>(267,853)</u>	<u>107,560</u>
Net change in fund balances	<u>\$ 1,517,675</u>	<u>\$ 9,217,934</u>	<u>\$ (1,066,756)</u>	<u>\$ 2,385,563</u>	<u>\$ 1,032,323</u>
Debt service as a percentage of noncapital expenditures	3.83%	21.91%	26.56%	25.90%	27.20%

Schedule 4

	2016	2015	2014	2013	2012
\$	5,902,992	\$ 5,969,315	\$ 5,180,422	\$ 5,005,479	\$ 5,318,041
	370,756	932,172	345,508	290,505	406,071
	388,743	297,071	248,642	213,255	302,752
	1,345,844	1,315,406	1,206,757	1,003,735	769,373
	266,392	207,890	248,497	145,558	159,122
	37,793	41,554	36,835	31,477	39,092
	57,287	63,745	97,122	123,271	117,355
	(19,853)	14,946	165,934	(249,734)	
	106,780		404,041		
	32,695	24,540	31,976	19,525	16,765
	59,900	236,603	326,104	240,127	202,573
	<u>8,549,329</u>	<u>9,103,242</u>	<u>8,291,838</u>	<u>6,823,198</u>	<u>7,331,144</u>
	1,014,614	979,788	986,220	973,069	958,965
	1,549,208	1,571,184	1,420,115	1,375,303	1,355,607
	1,182,129	1,204,844	1,204,207	1,199,078	1,157,640
	76,355	43,498	20,345	17,515	22,797
	375,433	337,316	349,113	321,655	317,301
	137,007	137,210	124,799	134,590	104,377
	1,570,000	7,070,000	1,570,000	1,515,000	1,260,000
	126,237	272,283	450,981	430,069	463,374
	2,675	11,975	5,776	9,102	48,967
				59,468	
	<u>1,964,923</u>	<u>2,011,111</u>	<u>2,135,570</u>	<u>855,610</u>	<u>1,403,591</u>
	<u>7,998,581</u>	<u>13,639,209</u>	<u>8,267,126</u>	<u>6,890,459</u>	<u>7,092,619</u>
	550,748	(4,535,967)	24,712	(67,261)	238,525
				5,835,000	
				(27,716)	
	31,154	1,655			7,725
	2,858,862	959,688	1,029,021	518,621	2,076,262
	(2,749,794)	(851,849)	(920,742)	(414,524)	(1,971,787)
	<u>140,222</u>	<u>109,494</u>	<u>108,279</u>	<u>5,911,381</u>	<u>112,200</u>
\$	<u>690,970</u>	<u>\$ (4,426,473)</u>	<u>\$ 132,991</u>	<u>\$ 5,844,120</u>	<u>\$ 350,725</u>
	31.40%	60.97%	34.93%	29.42%	29.40%

SCHEDULE 5

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

Payable Year	Estimated Market Value	Tax Capacity		Total Tax Capacity	Total Adjusted Tax Capacity (1)	City Urban Tax Rate	% of Tax Capacity to Total Estimated Market Value
		Real Property	Personal Property				
2012	\$ 1,341,568,000	\$ 13,065,273	\$ 255,652	\$ 13,320,925	\$ 12,247,068	36.498	% 0.01
2013	1,295,537,600	12,545,414	276,956	12,822,370	11,774,742	36.511	0.01
2014	1,344,215,300	13,111,735	284,514	13,396,249	12,355,637	36.417	0.01
2015	1,554,927,700	15,374,167	283,928	15,658,095	14,603,836	36.318	0.01
2016	1,532,535,200	15,086,691	293,209	15,379,900	14,294,114	36.323	0.01
2017	1,592,305,900	15,714,605	308,597	16,023,202	14,938,652	36.360	0.01
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

(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
	2012	29.403 %	3.828 %	33.231 %	32.669 %	3.828 %	36.497 %	17.331 - 38.360 %	31.939 %	2.340 - 4.906 %	2.909 %
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	34.54	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

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)	2021			2012		
	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	\$ 478,899	1	2.29 %	\$ 268,586	1	2.19 %
Wilson Tool International	254,854	2	1.22	211,040	2	1.72
Victor Hugo Blvd LLC	192,366	3	0.92	164,800	3	1.35
Victor Land Holdings	190,069	4	0.91			
Hugo Senior Housing LLC	169,833	5	0.81			
Schwieters Properties	157,182	6	0.75	143,824	4	1.17
14688 Everton Avenue LLC	122,696	7	0.59			
Mid-West One LLC	106,452	8	0.51			
Martin Prop LLC	100,054	9	0.48	82,158	5	0.67
JWF Victor LLC Etal	75,200	10	0.36	58,816	8	0.48
4L LLC				77,878	6	0.64
RJM LLC				59,426	7	0.49
POAC Investments LLC				56,092	9	0.46
Fairview Health Services				47,348	10	0.39
TOTAL	\$ 1,847,605		8.84 %	\$ 1,169,968		9.56 %

(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 Amount	Percentage of Net Levy	Collections in Subsequent Years
2012	\$ 4,960,596	\$ 4,950,356	\$ 4,860,849	98.19	\$ 89,507
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	39,834
2018	6,589,301	6,576,609	6,525,179	99.22	45,514
2019	7,058,693	7,045,973	7,004,617	99.41	35,172
2020	8,313,782	8,299,972	8,252,060	99.42	32,402
2021	8,916,507	8,902,816	8,848,361	99.39	

(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>				
\$	4,950,356	100.00	\$	
	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
	5,909,569	99.93	3,977	0.07
	6,570,693	99.91	5,916	0.09
	7,039,789	99.91	6,184	0.09
	8,284,462	99.81	15,510	0.19
	8,848,361	99.39	54,455	0.61

**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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Residential	332.967	286.729	259.93	276.073	280.587	275.255	249.290
Commercial Service	12.105	10.166	12.311	12.49	12.274	15.121	12.334
Commercial Irrigation Service	72.88	56.312	44.971	57.531	66.364	56.511	72.262
Industrial Service	7.66	6.795	6.862	6.436	6.844	10.466	9.534
Institutional Service	2.204	0.991	1.37	1.464	1.777	1.624	1.701
Total gallons	<u>427.816</u>	<u>360.993</u>	<u>325.444</u>	<u>353.994</u>	<u>367.846</u>	<u>358.977</u>	<u>345.121</u>
Total direct rate per 1,000 gallons	\$ 3.826	\$ 3.791	\$ 3.568	\$ 3.526	\$ 2.536	\$ 2.525	\$ 2.515

Sanitary Sewer (in millions of gallons)

<u>Type of Customer</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Residential	332.967	286.729	259.93	276.073	280.587	275.255	249.290
Commercial	12.105	10.166	12.311	12.490	12.274	15.121	12.334
Industrial	7.66	6.795	6.862	6.436	6.844	10.466	9.534
Institutional	2.204	0.991	1.37	1.464	1.777	1.624	1.701
Total gallons	<u>354.936</u>	<u>304.681</u>	<u>280.473</u>	<u>296.463</u>	<u>301.482</u>	<u>302.466</u>	<u>272.859</u>
Total direct rate per 1,000 gallons	\$ 4.295	\$ 4.715	\$ 5.163	\$ 4.416	\$ 3.690	\$ 3.641	\$ 4.049

Schedule 9

<u>2014</u>	<u>2013</u>	<u>2012</u>
248.144	282.765	299.950
11.318	11.251	11.616
54.870	83.198	104.747
7.599	7.166	7.211
1.375	1.720	1.926
<u>323.306</u>	<u>386.100</u>	<u>425.450</u>
\$ 2.519	\$ 2.553	\$ 2.468

<u>2014</u>	<u>2013</u>	<u>2012</u>
248.144	282.765	299.950
11.318	11.251	11.616
7.599	7.166	7.211
1.375	1.720	1.926
<u>268.436</u>	<u>302.902</u>	<u>320.703</u>
\$ 3.901	\$ 3.447	\$ 3.435

**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
2012	\$ 2,913,745	\$	\$	\$	\$	\$ 2,449,004	\$ 7,692,153	\$ 13,054,902
2013	2,623,253					3,106,102	11,626,924	17,356,279
2014	2,337,744					2,728,486	10,730,773	15,797,003
2015	2,052,219					1,439,671	5,310,697	8,802,587
2016	1,766,676					1,102,916	4,362,258	7,231,850
2017	1,486,115					761,112	3,358,782	5,606,009
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

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>	
\$	\$	\$	13,054,902	0.02	950
			17,356,279	0.02	1,251
			15,797,003	0.02	1,112
			8,802,587	0.01	613
			7,231,850	0.01	496
			5,606,009	0.01	370
			3,925,012	0.00	257
			2,049,182	0.00	133
			8,868,370	0.01	562
			17,461,353	N/A	1,073

**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
2012	\$ 2,913,745	\$	\$	\$	\$ 2,449,004	\$ 7,692,153	\$	\$ 13,054,902
2013	2,623,253				3,106,102	11,626,924		17,356,279
2014	2,337,744				2,728,486	10,730,773		15,797,003
2015	2,052,219				1,439,671	5,310,697		8,802,587
2016	1,766,676				1,102,916	4,362,258		7,231,850
2017	1,486,115				761,112	3,358,782		5,606,009
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

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
\$ (3,656,596)	\$ 9,398,306	0.70%	\$ 684
(9,225,641) (1)	8,130,638	0.63%	586
(8,830,050) (1)	6,966,953	0.52%	491
(3,099,683)	5,702,904	0.37%	397
(2,847,900)	4,383,950	0.29%	301
(2,564,944)	3,041,065	0.19%	201
(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%	1034

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

December 31, 2021

<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	\$334,905,000	15.67%	\$ 52,479,614
Independent School District #831	156,965,000	3.21%	5,038,577
Independent School District #832	39,990,000	4.66%	1,863,534
Independent School District #834	80,735,000	0.83%	670,101
Other debt			
Washington County	113,905,000	5.50%	6,264,775
Metropolitan Council / Transit	193,320,000	0.56%	<u>1,082,592</u>
Subtotal, overlapping debt			67,399,193
City direct debt	17,461,353		<u>17,461,353</u>
Total direct and overlapping debt			<u><u>\$ 84,860,546</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				
	2021	2020	2019	2018	2017
Debt limit	\$ 60,741	\$ 57,476	\$ 52,345	\$ 49,240	\$ 44,284
Total net debt applicable to limit	<u>8,135</u>	<u>8,421</u>	<u> </u>	<u>144</u>	<u>303</u>
Legal debt margin	\$ 52,606	\$ 49,055	\$ 52,345	\$ 49,096	\$ 43,981
Total net debt applicable to the limit as a percentage of debt limit	13.39%	14.65%	0.00%	0.29%	0.68%

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 2021

Taxable Market Value	\$ 2,024,714
Debt Limit (3% of market value)	60,741
Debt applicable to limit:	
General obligation bonds	8,408
Less: Amount set aside for repayment of general obligation debt	(273)
Total net debt applicable to limit	8,135
Legal debt margin	\$ 52,606

2016	2015	2014	2013	2012
\$ 42,502	\$ 43,322	\$ 36,634	\$ 34,940	\$ 36,356
558	809	1,094	1,391	1,767
\$ 41,944	\$ 42,513	\$ 35,540	\$ 33,549	\$ 34,589
1.31%	1.87%	2.99%	3.98%	4.86%

**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	
2012	\$ 3,920,983	\$ 1,195,586	\$ 2,725,397	\$	\$	
2013	2,301,642	1,385,995	915,647			
2014	2,848,133	1,429,577	1,418,556			
2015	2,861,130	1,669,777	1,191,353			
2016	3,024,094	1,918,625	1,105,469			
2017	3,111,756	1,987,132	1,124,624			
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			

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)
2012	13,739	728,922	53,055	5.3	4.7
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	16,264	(4) N/A	N/A	3.4	3.1

- Sources: (1) Metropolitan Council/2010-Census Bureau
 (2) Bureau of Economic Analysis - Washington County, Minnesota
 (3) Estimate based on County unemployment rate provided by Minnesota Department of Employment and Economic Development
 (4) Staff estimate, current data not yet available

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

<u>Employer</u>	<u>2021</u>			<u>2012</u>		
	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (3)</u>	<u>Employees (2)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (3)</u>
Wilson Tool	400	1	13.3%	400	1	33.4%
Independent School District No. 624	160	2	5.3%	95	3	7.9%
Schwieters Companies Inc	150	3	5.0%	85	4	7.1%
Festival Foods	107	4	3.6%	75	6	6.3%
JL Schwieters	103	5	3.4%	103	2	8.6%
Blue Heron Grille	48	6	1.6%	83	5	6.9%
Fairview Hugo Clinic	35	7	1.2%			
Stockness Construction	30	8	1.0%	40	10	3.3%
Imperial Tool Inc	26	9	0.9%			
Lametti & Sons	25	10	0.8%			
Glamos Wire/Donner Industries				65	7	5.4%
Northland Pallet				52	8	4.3%
Wild Wings Game Farm				50	9	4.2%

(1) Survey of individual employers for bond issuance, August 2021

(2) Telephone survey of individual employers, June 2011

(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>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City Administrator	0.50	0.50	0.50	1.00	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	2.33	2.00	2.00	2.00
Planning and Zoning	1.00	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	1.00	1.00	1.00	1.00
General Government	<u>6.33</u>	<u>6.33</u>	<u>6.33</u>	<u>6.33</u>	<u>6.00</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	3.00	3.00	3.00	3.00	3.00	3.00
Public Safety	<u>6.50</u>	<u>5.50</u>	<u>5.50</u>	<u>5.50</u>	<u>5.50</u>	<u>5.50</u>	<u>5.50</u>
Streets and Roadways	7.34	7.34	7.34	7.34	7.34	6.34	6.34
Public Works	<u>7.34</u>	<u>7.34</u>	<u>7.34</u>	<u>7.34</u>	<u>7.34</u>	<u>6.34</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	1.00	1.50	1.50	1.50	1.50	1.50	1.50
	1.00	1.50	1.50	1.50	1.50	1.50	1.50
Total Governmental Activities	<u>25.69</u>	<u>25.19</u>	<u>25.19</u>	<u>25.19</u>	<u>24.86</u>	<u>23.86</u>	<u>23.86</u>
Water Utility	2.34	2.34	2.34	2.16	1.33	1.33	1.33
Sewer Utility	2.34	2.34	2.34	2.16	1.33	1.33	1.33
Total Business Activities	<u>4.68</u>	<u>4.68</u>	<u>4.68</u>	<u>4.32</u>	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>
Totals for Organization	<u>30.37</u>	<u>29.87</u>	<u>29.87</u>	<u>29.51</u>	<u>27.52</u>	<u>26.52</u>	<u>26.52</u>

Source: City's Adopted Budgets

Schedule 17

2014	2013	2012
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
1.00	1.00	1.00
<u>6.00</u>	<u>6.00</u>	<u>6.00</u>
2.50	2.50	2.50
3.00	3.00	3.00
<u>5.50</u>	<u>5.50</u>	<u>5.50</u>
6.34	6.34	6.34
<u>6.34</u>	<u>6.34</u>	<u>6.34</u>
4.52	4.52	4.52
<u>4.52</u>	<u>4.52</u>	<u>4.52</u>
0.50	0.50	0.50
<u>0.50</u>	<u>0.50</u>	<u>0.50</u>
<u>22.86</u>	<u>22.86</u>	<u>22.86</u>
1.33	1.33	1.33
1.33	1.33	1.33
<u>2.66</u>	<u>2.66</u>	<u>2.66</u>
<u><u>25.52</u></u>	<u><u>25.52</u></u>	<u><u>25.52</u></u>

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

Function/Program	2021	2020	2019	2018	2017	2016	2015
Planning and Zoning							
Conditional use permits	9	5	8	4	3	3	5
Minor subdivisions	1	1	1	0	1	2	0
Plats/Planned unit developments	5	18	10	15	7	12	9
Rezoning	0	1	1	1	0	0	0
Site plans	3	9	2	4	3	2	3
Variances	7	5	6	0	2	5	5
Fire							
Total emergency responses	355	326	325	299	263	238	467
EMS responses	192	167	167	154	99	120	317
Fire responses	163	159	158	145	164	118	150
Building Inspections							
Residential permit valuations (thousands of dollars)	80,243	61,999	32,434	42,951	29,180	30,359	20,664
Commercial permit valuations (thousands of dollars)	43,392	29,603	3,710	10,506	11,160	4,074	928
New dwelling units	240	250	105	130	79	108	69
Water Utility							
Number of customers	3,946	3,740	3,634	3,529	3,426	3,352	3,259
Average daily consumption (thousands of gallons)	1,172	989	892	970	1,008	983	946
Sanitary Sewer Utility							
Number of customers	4,085	3,878	3,770	3,666	3,564	3,490	3,397
Average daily flow (thousands of gallons)	972	835	768	812	826	829	748

Sources: Various City Department's annual budget workload measurements

Schedule 18

2014	2013	2012
2	5	1
1	1	0
4	9	1
0	0	0
4	2	5
10	4	3
607	601	573
478	440	356
129	161	217
27,140	12,398	18,083
13,759	5,246	10,482
49	52	89
3,195	3,163	3,109
886	1,058	1,166
3,331	3,298	3,248
735	830	879

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

Function/Program	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Bituminous streets (miles)	80	79	77	77	75	74	72	71	70	70
Gravel streets (miles)	20	20	20	20	20	20	20	20	20	20
Street lights	1016	997	966	949	935	932	926	918	910	910
Storm sewer (miles)	42	40	39	39	38	37	36	35	33	33
Park & Recreation										
Acres of parkland	470.0	450.0	391.1	391.1	390.7	390.7	389.5	385.0	385.0	385.0
Number of parks	19	18	17	17	16	16	15	14	14	14
Water Utility										
Miles of watermain	66	64	63	61	60	59	58	57	56	55
Number of fire hydrants	810	774	753	728	715	699	688	680	668	666
Sanitary Sewer Utility										
Miles of sanitary sewer	60	58	57	55	54	53	53	52	51	51

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

CITY OF HUGO, MINNESOTA

OTHER REPORT SECTION

December 31, 2021

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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, 2021, 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 23, 2022.

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, Schaffer and Associates, Ltd.

Minneapolis, Minnesota
June 23, 2022