

CITY OF HUGO, MINNESOTA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012**

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

CITY OF HUGO, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended December 31, 2012

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CITY OF HUGO, MINNESOTA

INTRODUCTORY SECTION

December 31, 2012

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

June 14, 2013

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

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hugo for the fiscal year ended December 31, 2012.

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, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hugo's financial statements for the fiscal year ended December 31, 2012 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, 2012 as the City did not participate in any programs that required this additional independent audit.

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

CITY OF HUGO, MINNESOTA

PROFILE OF THE GOVERNMENT

The Village of Hugo was incorporated in 1906. In January, 1972, the Township of Oneka and the Village were consolidated, creating the City of Hugo. The City is located approximately 17 miles northeast of the Minneapolis/Saint Paul metropolitan area. Located in Washington County, it covers an area of 36 square miles and has an estimated population of 13,739.

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Economic condition and outlook. Although the city's tax base, as measured by total tax capacity, has declined the last three years, it has increased a substantial 105% over the past ten years, 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 2012 (13,739), or a 159% increase over the 2000 census count.

CITY OF HUGO, MINNESOTA

Economic condition and outlook (continued)

After a brief moderation of new housing starts due to a development moratorium in 2001 and 2002, new residential development has significantly increased. During 2012, 89 new single-family housing units were constructed with a value of \$16,865,000. New residential development is expected to remain strong in 2013.

Commercial development is also increasing in response to the growing population and increasing demand for goods and services. Over \$12,000,000 in new commercial development has been constructed within the past five years, including a new grocery store, three health clinics, and other retail businesses located primarily along the newly improved CSAH 8 corridor. In addition, Xcel Energy has constructed a 40,000 sq. ft. gas and electric training facility adjacent to the Bald Eagle Industrial Park, with expansion slated for 2013.

The City's tax base is comprised mainly of residential homestead (66.7%) and commercial/industrial property (16.3%). The balance consists of non-homestead residential property (10.8%), agricultural and seasonal recreational property (4.3%), and personal property (1.9%).

The ten largest taxpayers make up 9.56% of the city's net tax capacity, providing the city with a very stable source of property tax revenue. The city's industrial parks contain six major employers with a total employee count in excess of 700. Median Effective Buying Income (EBI) is 138% of the state median.

The financial policies employed by the City of Hugo did not have a significant impact on the 2012 financial statements.

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

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

CITY OF HUGO, MINNESOTA

Long-term financial planning (continued)

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hugo, Minnesota for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This was the twelfth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Ronald J. Otkin
Finance Director

Bryan J. Bear
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hugo
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

**CITY OF HUGO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
December 31, 2012**

POSITION	NAME	TERM EXPIRES
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ELECTED OFFICIALS

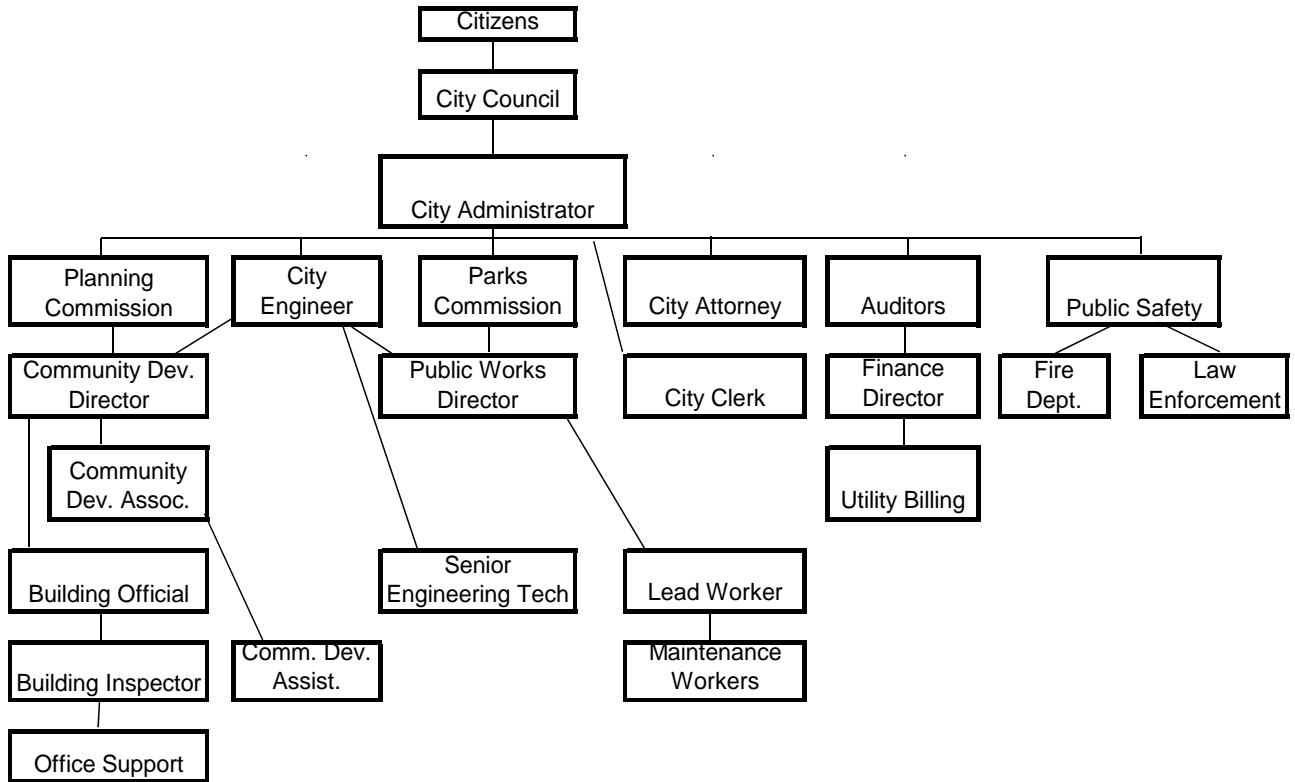
City Council:

Mayor	Fran Miron	December 31, 2012
Council Member Ward I	Becky Petryk	December 31, 2014
Council Member Ward II	Phil Klein	December 31, 2012
Council Member Ward III	Chuck Haas	December 31, 2014
Council Member At Large	Tom Weidt	December 31, 2012

APPOINTED OFFICIALS

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

**CITY OF HUGO, MINNESOTA
ORGANIZATIONAL CHART
December 31, 2012**



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CITY OF HUGO, MINNESOTA

FINANCIAL SECTION

December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hugo, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents. The prior year summarized comparative information has been derived from the City's 2011 financial statements and, in our report dated June 13, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hugo, Minnesota as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hugo, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, supplementary information and statistical section 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 and schedules and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Smith, Schafu and Associates, Ltd.

Maplewood, Minnesota
June 14, 2013

CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hugo, Minnesota, we offer readers of the City of Hugo's financial statements this narrative overview and analysis of the financial activities of the City of Hugo for the fiscal year ended December 31, 2012, with comparative data for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in pages i – v of this report.

New Accounting Pronouncement. The City implemented GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in fiscal year 2012. This standard provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The reader will notice a change in terminology from "net assets" to "net position".

FINANCIAL HIGHLIGHTS

- The assets of the City of Hugo exceeded its liabilities at the close of the most recent fiscal year by \$66,213,736 (*net position*). Of this amount, \$24,639,322 (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 \$3,179,412, primarily due to charges for services and other income in the City's sewer and water fund in excess of operating expenses (including depreciation).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,109,985 or 54 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 \$14,285,500.
- The City of Hugo decreased long-term liabilities by \$1,283,983 during the current fiscal year, primarily due to scheduled debt service expenditures.
- The City was again recognized in 2012 by the Government Finance Officers Association of the United States and Canada (GFOA) for obtaining a Certificate of Achievement for Excellence in Financial Reporting.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.

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

3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Hugo that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Hugo include general government, economic development, public safety, highways and streets, and parks. The business-type activities of the City of Hugo includes the sewer and water fund. The government-wide financial statements can be found on pages 17-19 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hugo, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Hugo can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financial requirements.

GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, implemented in 2011, has redefined fund balance classifications. Fund balance is now classified as non-spendable, restricted, committed, assigned or unassigned according to the following definitions:

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.

CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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 ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general obligation bonds fund, the public improvements fund and the property and equipment acquisition fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Hugo adopts an annual budget for its general fund and certain special revenue, debt service and capital project funds. Budgetary comparison statements have been provided for the general fund (pages 26-29), the special park fund (page 74), the tax increment financing collection fund (page 75), and the other debt service and capital project funds with a budget (pages 76-78) to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 22-25 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer and water fund, which is considered to be a major fund of the City of Hugo. The basic proprietary fund financial statements can be found on pages 30-33 of this report.

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

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 36-66 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hugo, assets exceeded liabilities by \$66,213,736 at the close of the most recent fiscal year.

A significant portion of the City of Hugo's net position (57 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Hugo uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Hugo's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Hugo, Minnesota's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 20,627,713	\$ 20,431,032	\$ 16,348,696	\$ 14,299,624	\$ 36,976,409	\$ 34,730,656
Capital assets	27,935,060	28,327,393	16,152,741	15,987,237	44,087,801	44,314,630
Total assets	48,562,773	48,758,425	32,501,437	30,286,861	81,064,210	79,045,286
Long-term liabilities						
outstanding	13,262,553	14,544,802	25,260	26,994	13,287,813	14,571,796
Other liabilities	1,474,252	1,339,924	88,409	99,242	1,562,661	1,439,166
Total liabilities	14,736,805	15,884,726	113,669	126,236	14,850,474	16,010,962
Net assets:						
Net investment in						
capital assets	21,481,371	21,076,493	16,152,741	15,987,237	37,634,112	37,063,730
Restricted	3,940,302	3,380,316			3,940,302	3,380,316
Unrestricted	8,404,295	8,416,890	16,235,027	14,173,388	24,639,322	22,590,278
Total net position	\$ 33,825,968	\$ 32,873,699	\$ 32,387,768	\$ 30,160,625	\$ 66,213,736	\$ 63,034,324

The City of Hugo's balance of *unrestricted net position* (\$24,639,322) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Hugo is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its business-type activities. The same situation held true for the prior fiscal year.

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

Governmental activities. Governmental activities increased the City of Hugo's net position by \$952,269, accounting for 30 percent of the total growth in the net position of the City of Hugo. The most significant factors accounting for this increase relate to the effect of accounting for net position under the full accrual basis and to the recognition of revenue under the full accrual basis (where the revenue is deferred in the fund financial statements) for items such as delinquent property taxes and assessments receivable.

Business-type activities. Business-type activities increased the City of Hugo's net position by \$2,227,143, accounting for 70 percent of the total growth in the City's net position. The majority of this increase is attributable to one-time infrastructure charges for new development, a one-time refund to the City for previous expenditures and investment earnings.

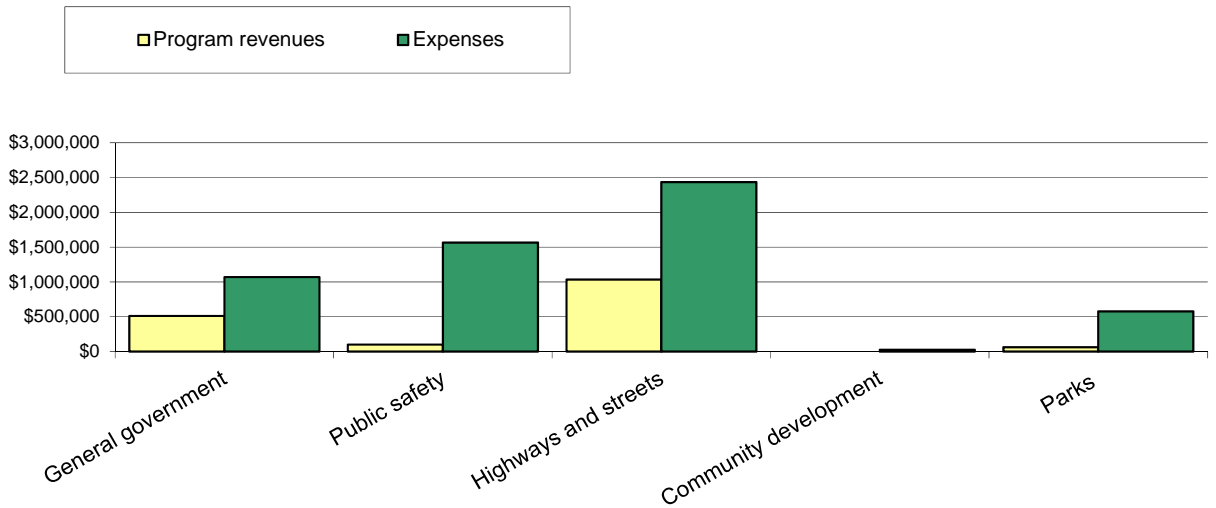
A condensed version of the Statement of Activities follows:

City of Hugo, Minnesota's Change in Net Position						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 546,414	\$ 379,101	\$ 2,784,960	\$ 2,276,159	\$ 3,331,374	\$ 2,655,260
Operating grants and contributions	741,340	775,350			741,340	775,350
Capital grants and contributions	420,143	74,332	149,899	8,927	570,042	83,259
General revenues:						
Property taxes	5,164,809	5,254,269			5,164,809	5,254,269
Grants and contributions not restricted to specific programs	9,278	3,753			9,278	3,753
Other	<u>157,526</u>	<u>240,857</u>	<u>1,117,752</u>	<u>284,563</u>	<u>1,275,278</u>	<u>525,420</u>
Total revenues	<u>7,039,510</u>	<u>6,727,662</u>	<u>4,052,611</u>	<u>2,569,649</u>	<u>11,092,121</u>	<u>9,297,311</u>
Expenses:						
General government	1,067,927	1,053,948			1,067,927	1,053,948
Public safety	1,564,118	1,530,435			1,564,118	1,530,435
Highways and streets	2,433,615	2,672,496			2,433,615	2,672,496
Community development	28,593	194,508			28,593	194,508
Parks	578,792	598,387			578,792	598,387
Interest on long-term debt	518,671	494,872			518,671	494,872
Sewer and water			<u>1,720,993</u>	<u>1,922,499</u>	<u>1,720,993</u>	<u>1,922,499</u>
Total expenses	<u>6,191,716</u>	<u>6,544,646</u>	<u>1,720,993</u>	<u>1,922,499</u>	<u>7,912,709</u>	<u>8,467,145</u>
Increase in net position before transfers	847,794	183,016	2,331,618	647,150	3,179,412	830,166
Transfers	<u>104,475</u>	<u>(171,258)</u>	<u>(104,475)</u>	<u>171,258</u>		
Increase in net position	952,269	11,758	2,227,143	818,408	3,179,412	830,166
Net position, beginning of year	<u>32,873,699</u>	<u>32,861,941</u>	<u>30,160,625</u>	<u>29,342,217</u>	<u>63,034,324</u>	<u>62,204,158</u>
Net position, end of year	<u>\$ 33,825,968</u>	<u>\$ 32,873,699</u>	<u>\$ 32,387,768</u>	<u>\$ 30,160,625</u>	<u>\$ 66,213,736</u>	<u>\$ 63,034,324</u>

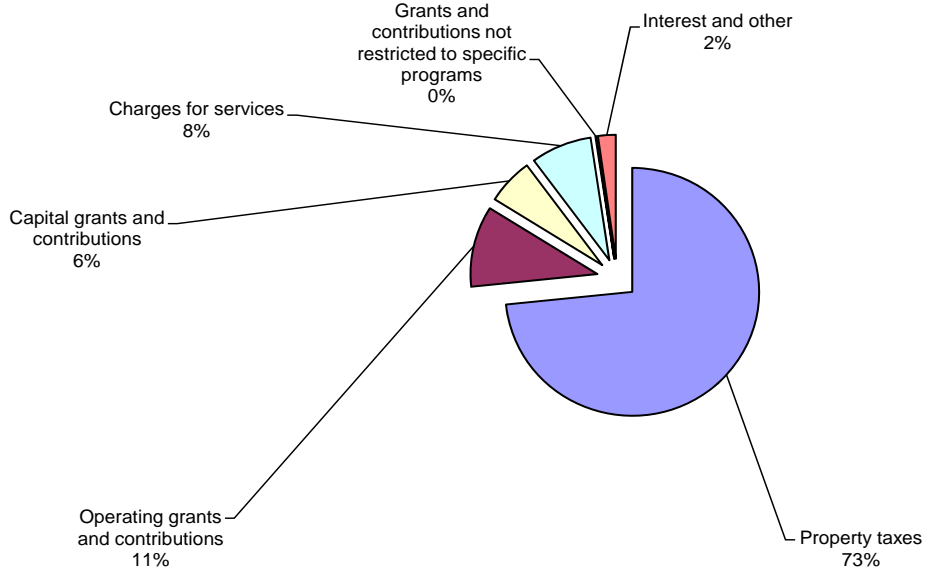
CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



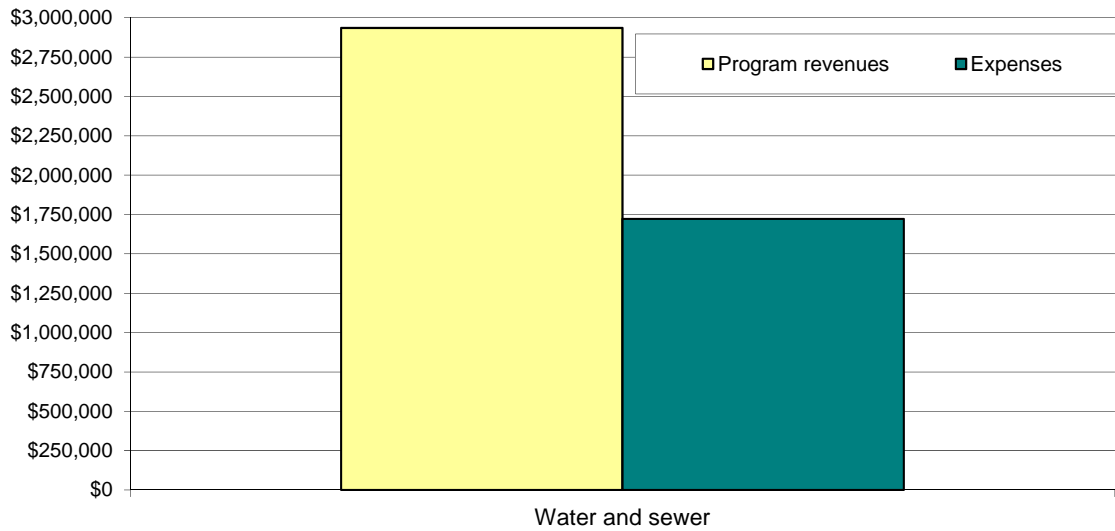
Revenues by Source - Governmental Activities



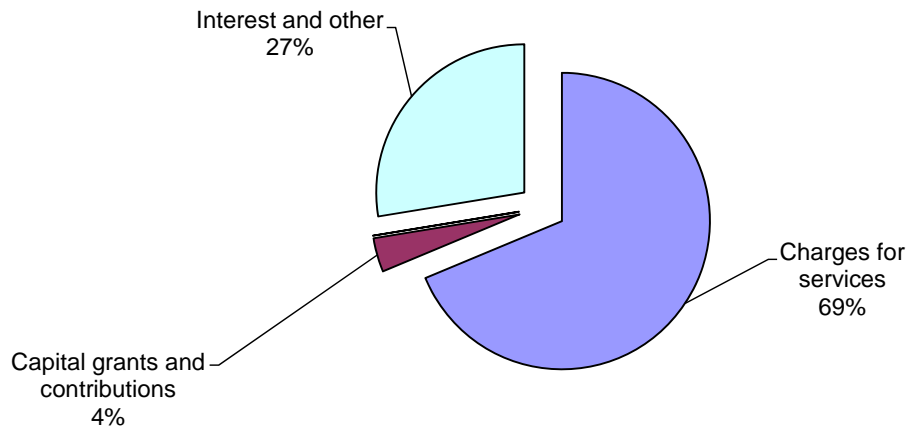
**CITY OF HUGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$14,285,500, an increase of \$350,725 from the prior year primarily as a result of the receipt of pledged donations and increased delinquent tax collections. 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, unreserved fund balance of the general fund was \$2,109,985. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 54 percent of total general fund expenditures.

The general fund's total fund balance decreased by \$50,288 during the current fiscal year. This year's decrease was primarily due to transfers to other funds for future equipment purchases. Revenues in the general fund met or exceeded budget projections in most cases. General fund expenditures met or were less than budgeted projections in most cases.

The general obligations bonds fund increased its fund balance by \$520,998 for the year due primarily to intergovernmental revenues related to the school district abatement, outside donations and transfers to debt service funds. The public improvements fund decreased its fund balance by \$563,686 for the year due primarily to capital outlay expenditures in excess of intergovernmental revenues and collection of property taxes and special assessments. The property and equipment acquisition fund increased its fund balance by \$710,971 for the year due primarily to transfers from other funds.

The special revenue funds increased their fund balances by \$175,282 for the year due primarily to collection of property taxes and transfers from other funds in excess of capital outlay expenditures.

The debt service funds (other than the general obligations fund as described as a major fund above) have a total fund balance of \$1,224,015 as of December 31, 2012. These fund balances increased by \$781,823 for the year due primarily to transfers from other funds.

The capital projects funds (other than the public improvements and property and equipment acquisition funds as described as major funds above) decreased their fund balances by \$1,224,375 due mainly to transfers to other funds for bond principal and interest payments.

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

Proprietary funds. The City of Hugo's proprietary funds statements found on pages 30-33 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 \$16,235,027 at December 31, 2012. The proprietary fund's net position increased by \$2,227,143 due largely to one-time infrastructure fees for new development, investment earnings and a one-time refund to the City for previous expenditures.

Water utility conservation rates were implemented in 2010. Although metered water connections increased 1.0% in 2012, revenue from the sale of water increased 22.1%. This was primarily due to an increase in residential and irrigation services as the result of a dry summer season. The water utility remains profitable but increasing calls for higher water conservation may lead to the need to increase rates in 2013.

Sewer utility rates were decreased in 2012 to account for decreased sewage treatment costs imposed by the Metropolitan Council. Sewer connections increased 4.1% in 2012. This, coupled with decreased sewer rates, resulted in a 2.2% decrease in revenue. The sewer utility had operating income of \$200,024 in 2012, primarily due to a decrease in charges assessed by Metro Council Environmental Services.

General Fund Budgetary Highlights

The city's general fund operations remain healthy due to historically sound financial management and conservative budgeting practices. The general fund balance of \$2.1 million is a substantial 54% of general fund expenditures. This favorable statistic is, in part, a result of a revision of the city's fund balance policy enacted by the City Council in January 2004, to maintain a fund balance of 50% (increased from 35%) of subsequent year expenditures. The City's general fund year end results were better than budgeted, particularly in nonbusiness licenses revenue and fire protection services 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:

- Property taxes revenue exceeded budget by \$85,743 due primarily to improved collection of delinquent taxes.
- Licenses and permits revenue exceeded budget by \$198,292 due primarily to higher than budgeted building permit revenue.
- Public safety expenditures were less than budget by \$100,226 due primarily to lower than budgeted fire protection services.
- Highways and streets expenditures were less than budget by \$114,936 due primarily to staffing turnover and lower than budgeted snow removal and dust control supplies.
- Transfers to other funds were more than budget by \$846,945 due to higher than budgeted revenues combined with lower than budgeted expenditures.

**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, 2012, amounts to \$44,087,801 (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 decrease in the City of Hugo's reported investment in capital assets for the current fiscal year was \$226,829, or less than 1 percent. Most of the decrease in governmental activities capital assets is due to the depreciation of capital assets in excess of new capital assets. Within the business type activities, the most significant increases related to the construction of sewer and water mains.

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

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 4,330,819	\$ 4,132,450	\$ 259,560	\$ 259,560	\$ 4,590,379	\$ 4,392,010
Construction in progress			1,290,191	768,507	1,290,191	768,507
Buildings	4,297,617	4,628,525	14,429,048	14,770,727	18,726,665	19,399,252
Improvements other than buildings	886,946	1,031,752			886,946	1,031,752
Machinery and equipment	2,696,748	2,940,526	173,942	188,443	2,870,690	3,128,969
Infrastructure	15,722,930	15,594,140			15,722,930	15,594,140
Total	<u>\$ 27,935,060</u>	<u>\$ 28,327,393</u>	<u>\$ 16,152,741</u>	<u>\$ 15,987,237</u>	<u>\$ 44,087,801</u>	<u>\$ 44,314,630</u>

Additional information on the City of Hugo's capital assets can be found in Note 3:C. on pages 50-51 of this report.

Long-term debt. At the end of the current fiscal year, the City of Hugo had \$13,115,000 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 2012
General obligation bonds	<u>\$ 13,115,000</u>	<u>\$</u>	<u>\$ 13,115,000</u>

CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hugo's total bonds, certificates and notes payable decreased by \$1,260,000 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3:D., beginning on page 52.

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 2012 at 4.8 percent, down from 5.2 percent a year ago. This compares favorably to the State of Minnesota average unemployment rate of 5.4 percent and the United States average rate of 7.8 percent.
- Hugo continues to see new construction growth, primarily in residential properties, but also in the commercial area. The city's total market valuation declined 1.4% for taxes payable year 2012, with new construction offsetting 1.7% of the 3.1% decline in the total market valuation of existing properties.
- Property tax reforms and budget deficits at the state level have again significantly impacted government aid payments made to the City. Hugo's state aid was reduced in 2004 through 2006 by \$147,000 per year. The state reinstated this aid in 2007 but unallotted over \$882,000 in 2008 through 2011. The City does not anticipate any further unallotments in 2013.
- Investment income has decreased due to lower yields on available investment vehicles.

All of these factors were considered in preparing the City of Hugo's budget for the 2013 fiscal year. To deal with both cycles in the economy and to plan for future capital expansion and capital acquisitions, the city routinely puts aside resources. The City will continue to monitor developments at the state level that may impact city funding or the City's long term planning. Continued State budget deficits, legislative inactivity or additional State mandates imposed on the city will have an impact on future tax rates and the level of services provided to citizens.

Requests for Information

This financial report is designed to provide a general overview of the City of Hugo's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, 14669 Fitzgerald Avenue North, Hugo, MN 55038.

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CITY OF HUGO, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
December 31, 2012

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CITY OF HUGO, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2012

With Comparative Totals for December 31, 2011

	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
ASSETS				
Cash and investments	\$ 15,431,319	\$ 15,457,377	\$ 30,888,696	\$ 28,252,719
Receivables (net of allowance for uncollectibles)	1,800,255	889,819	2,690,074	2,849,147
Deposits receivable		1,500	1,500	1,500
Due from other governmental units	3,396,139		3,396,139	3,627,290
Capital assets:				
Nondepreciable	4,330,819	1,549,751	5,880,570	5,160,517
Depreciable, net	23,604,241	14,602,990	38,207,231	39,154,113
Total Assets	<u>48,562,773</u>	<u>32,501,437</u>	<u>81,064,210</u>	<u>79,045,286</u>
LIABILITIES				
Accounts payable	331,734	66,190	397,924	248,374
Accrued interest payable	188,414		188,414	191,676
Accrued expenses	19,774	731	20,505	64,479
Due to other governmental units	380,923	20,488	401,411	393,199
Unearned revenue	553,407	1,000	554,407	541,438
Noncurrent liabilities:				
Due within one year	1,649,472	19,517	1,668,989	1,418,209
Due in more than one year	11,613,081	5,743	11,618,824	13,153,587
Total Liabilities	<u>14,736,805</u>	<u>113,669</u>	<u>14,850,474</u>	<u>16,010,962</u>
NET POSITION				
Net investment in capital assets	21,481,371	16,152,741	37,634,112	37,063,730
Restricted for:				
Creditors	3,656,596		3,656,596	3,135,598
Tax Increment Financing Districts	283,706		283,706	244,718
Unrestricted	8,404,295	16,235,027	24,639,322	22,590,278
Total Net Position	<u>\$ 33,825,968</u>	<u>\$ 32,387,768</u>	<u>\$ 66,213,736</u>	<u>\$ 63,034,324</u>

See Notes to Financial Statements

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

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

<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	\$ 1,067,927	\$ 478,209	\$ 32,465	\$
Public safety	1,564,118	39,092	61,459	
Highways and streets	2,433,615		647,416	386,953
Community development	28,593			
Parks	578,792	29,113		33,190
Interest on long-term debt	518,671			
Total governmental activities	<u>6,191,716</u>	<u>546,414</u>	<u>741,340</u>	<u>420,143</u>
Business-Type activities:				
Water and sewer	<u>1,720,993</u>	<u>2,784,960</u>		<u>149,899</u>
Total	<u>\$ 7,912,709</u>	<u>\$ 3,331,374</u>	<u>\$ 741,340</u>	<u>\$ 570,042</u>

General revenues:

 General property taxes

 Grants and contributions not restricted to specific programs

 Interest income

 Miscellaneous

Transfers

 Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See Notes to Financial Statements

FORM A-2

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2012	2011
\$ (557,253)	\$	\$ (557,253)	\$ (738,668)
(1,463,567)		(1,463,567)	(1,296,917)
(1,399,246)		(1,399,246)	(2,043,417)
(28,593)		(28,593)	(194,508)
(516,489)		(516,489)	(547,481)
(518,671)		(518,671)	(494,872)
<u>(4,483,819)</u>		<u>(4,483,819)</u>	<u>(5,315,863)</u>
	1,213,866	1,213,866	362,587
<u>(4,483,819)</u>	<u>1,213,866</u>	<u>(3,269,953)</u>	<u>(4,953,276)</u>
5,164,809		5,164,809	5,254,269
9,278		9,278	3,753
117,355	119,149	236,504	363,712
40,171	998,603	1,038,774	161,708
104,475	(104,475)		
<u>5,436,088</u>	<u>1,013,277</u>	<u>6,449,365</u>	<u>5,783,442</u>
952,269	2,227,143	3,179,412	830,166
<u>32,873,699</u>	<u>30,160,625</u>	<u>63,034,324</u>	<u>62,204,158</u>
<u>\$ 33,825,968</u>	<u>\$ 32,387,768</u>	<u>\$ 66,213,736</u>	<u>\$ 63,034,324</u>

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CITY OF HUGO, MINNESOTA
FUND FINANCIAL STATEMENTS
December 31, 2012

**CITY OF HUGO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012**

With Comparative Totals for December 31, 2011

	Debt Service Fund		Capital Project Fund		Other Governmental Funds	Total Governmental Funds	
	General	General Obligation Bonds	Public Improvements	Property and Equipment Acquisition		2012	2011
Assets							
Cash and investments	\$ 3,197,598	\$ 3,650,516	\$ 3,295,578	\$ 3,375,581	\$ 1,912,046	\$ 15,431,319	\$ 14,891,489
Receivables (Net of Allowance for Uncollectibles)							
Accounts	22,965					22,965	66,447
Pledges		98,766			95,889	194,655	287,729
Accrued interest	5,799	6,080	8,227	6,138	4,671	30,915	37,797
Taxes	130,303	31,272	8,053	1,672	52,067	223,367	377,809
Special assessments		1,035,220	293,133			1,328,353	1,142,471
Due from other governmental units	86,139	3,310,000				3,396,139	3,627,290
TOTAL ASSETS	\$ 3,442,804	\$ 8,131,854	\$ 3,604,991	\$ 3,383,391	\$ 2,064,673	\$ 20,627,713	\$ 20,431,032
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 248,412	\$	\$ 60,022	\$ 23,300	\$	\$ 331,734	\$ 174,593
Customer deposits	553,407					553,407	532,764
Salaries payable	19,774					19,774	58,041
Due to other governmental units	380,923					380,923	375,176
Deferred revenue	130,303	4,475,258	301,186	1,672	147,956	5,056,375	5,355,683
Total Liabilities	<u>1,332,819</u>	<u>4,475,258</u>	<u>361,208</u>	<u>24,972</u>	<u>147,956</u>	<u>6,342,213</u>	<u>6,496,257</u>
Fund Balance							
Fund Balance							
Restricted		3,656,596			283,706	3,940,302	3,380,316
Committed					1,518,457	1,518,457	714,894
Assigned			3,243,783	3,358,419	114,554	6,716,756	7,679,292
Unassigned	2,109,985					2,109,985	2,160,273
Total Fund Balance	<u>2,109,985</u>	<u>3,656,596</u>	<u>3,243,783</u>	<u>3,358,419</u>	<u>1,916,717</u>	<u>14,285,500</u>	<u>13,934,775</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,442,804	\$ 8,131,854	\$ 3,604,991	\$ 3,383,391	\$ 2,064,673	\$ 20,627,713	\$ 20,431,032

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2012

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

Total governmental fund balances (page 22)		\$ 14,285,500
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 41,238,378	
Less: Accumulated depreciation	<u>(13,303,318)</u>	
		27,935,060
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent property taxes	\$ 223,367	
Pledges receivable	194,655	
Deferred and delinquent special assessments	1,328,353	
Due from other governmental units	<u>3,310,000</u>	
		5,056,375
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	\$ (13,115,000)	
Compensated absences	(251,417)	
Accrued interest	(188,414)	
Unamortized bond premiums, discounts and issuance costs	<u>103,864</u>	
		<u>(13,450,967)</u>
Net position of governmental activities (page 17)		<u>\$ 33,825,968</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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Debt Service Fund		Capital Project Fund		Other Governmental Funds	Total Governmental Funds	
	General	General Obligation Bonds	Public Improvements	Property and Equipment Acquisition		2012	2011
REVENUES							
Property taxes	\$ 4,056,048	\$ 874,697	\$ 204,015	\$ 37,024	\$ 146,257	\$ 5,318,041	\$ 5,223,887
Special assessments		340,908	65,163			406,071	624,953
Licenses and permits	302,752					302,752	167,373
Intergovernmental revenues	95,019	511,411	162,802	65	76	769,373	792,938
Charges for services	159,122					159,122	120,308
Court fines	39,092					39,092	50,068
Other Revenue							
Investment earnings	25,662	20,914	35,013	22,366	13,400	117,355	173,782
Rent	3,870				12,895	16,765	24,364
Miscellaneous	31,779	100,000	32,005	14,525	24,264	202,573	204,763
TOTAL REVENUES	4,713,344	1,847,930	498,998	73,980	196,892	7,331,144	7,382,436
EXPENDITURES							
Current							
General government	958,965					958,965	900,935
Public safety	1,355,607					1,355,607	1,333,944
Highways and streets	1,157,640					1,157,640	1,166,248
Community development	22,797					22,797	181,021
Parks	317,301					317,301	297,422
Unallocated	104,377					104,377	119,753
Capital Outlay			1,063,861	103,125	236,605	1,403,591	1,575,007
Debt Service							
Bond and loan principal retirement		1,260,000				1,260,000	1,120,000
Interest on bonds		463,374				463,374	476,157
Fiscal charges and other		2,964			46,003	48,967	52,333
TOTAL EXPENDITURES	3,916,687	1,726,338	1,063,861	103,125	282,608	7,092,619	7,222,820
Excess (deficiency) of revenues over (under) expenditures	796,657	121,592	(564,863)	(29,145)	(85,716)	238,525	159,616
OTHER FINANCING SOURCES (USES)							
Sale of assets				7,725		7,725	9,600
Issuance of debt							1,325,000
Premium (Discount) on issuance of debt							5,185
Transfers in		403,994	1,177	732,391	938,700	2,076,262	705,068
Transfers out	(846,945)	(4,588)			(1,120,254)	(1,971,787)	(876,326)
TOTAL OTHER FINANCING SOURCES (USES)	(846,945)	399,406	1,177	740,116	(181,554)	112,200	1,168,527
Net change in fund balances	(50,288)	520,998	(563,686)	710,971	(267,270)	350,725	1,328,143
FUND BALANCES, beginning	2,160,273	3,135,598	3,807,469	2,647,448	2,183,987	13,934,775	12,606,632
FUND BALANCES, ending	\$ 2,109,985	\$ 3,656,596	\$ 3,243,783	\$ 3,358,419	\$ 1,916,717	\$ 14,285,500	\$ 13,934,775

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, 2012

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

Net change in fund balances - total governmental funds (page 24)	\$	350,725
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay-construction improvement	\$ 1,036,774	
Capital outlay-other governmental funds	194,475	
Depreciation expense	<u>(1,335,009)</u>	(103,760)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.</p>		
		(288,573)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred revenue, End of year	\$ 5,056,375	
Deferred revenue, Beginning of year	<u>(5,348,009)</u>	(291,634)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		31,841
<p>Bond, contract and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal retirement on long-term debt	\$ 1,260,000	
Change in accrued interest, bond discount, premium and bond issuance costs	<u>(6,330)</u>	1,253,670
		<u>1,253,670</u>
Change in net position of governmental activities (pages 18 and 19)	\$	<u><u>952,269</u></u>

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	2012					2011 Actual
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)		
	Original	Final				
REVENUES						
General Property Taxes						
Ad Valorem	\$ 3,838,158	\$ 3,838,158	\$ 3,924,514	\$ 86,356		\$ 3,316,759
Franchise	132,147	132,147	131,534	(613)		132,199
Total General Property Taxes	<u>3,970,305</u>	<u>3,970,305</u>	<u>4,056,048</u>	<u>85,743</u>		<u>3,448,958</u>
Licenses and Permits						
Business	18,580	18,580	19,270	690		19,095
Nonbusiness	85,880	85,880	283,482	197,602		148,278
Total Licenses and Permits	<u>104,460</u>	<u>104,460</u>	<u>302,752</u>	<u>198,292</u>		<u>167,373</u>
Intergovernmental Revenues						
Homestead and other tax credits			8,420	8,420		3,753
Fire 2% insurance aid	50,335	50,335	51,531	1,196		50,335
Curbside recycling grant	19,194	19,194	19,194			18,610
Pera rate increase aid	1,451	1,451	1,451			1,451
Other aid and grants			14,423	14,423		6,736
Total Intergovernmental Revenues	<u>70,980</u>	<u>70,980</u>	<u>95,019</u>	<u>24,039</u>		<u>80,885</u>
Charges for Services						
	<u>72,995</u>	<u>72,995</u>	<u>159,122</u>	<u>86,127</u>		<u>120,308</u>
Court Fines						
	<u>46,550</u>	<u>46,550</u>	<u>39,092</u>	<u>(7,458)</u>		<u>50,068</u>
Miscellaneous Revenues						
Refunds and reimbursements			2,421	2,421		
Investment earnings	35,567	35,567	25,662	(9,905)		31,877
Penalties and interest	9,000	9,000	21,883	12,883		10,233
Non-levy related taxes	7,910	7,910	7,475	(435)		8,625
Rental income	2,780	2,780	3,870	1,090		3,980
Total Miscellaneous Revenues	<u>55,257</u>	<u>55,257</u>	<u>61,311</u>	<u>6,054</u>		<u>54,715</u>
TOTAL REVENUES	<u>\$ 4,320,547</u>	<u>\$ 4,320,547</u>	<u>\$ 4,713,344</u>	<u>\$ 392,797</u>		<u>\$ 3,922,307</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, 2012
With Comparative Totals for the Year Ended December 31, 2011**

	2012		Actual	Variance Favorable (Unfavorable)	2011 Actual
	Budgeted Amounts				
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Personal services	\$ 26,250	\$ 26,250	\$ 26,900	\$ (650)	\$ 20,750
Other services and charges	3,092	3,092	3,696	(604)	1,757
Ordinance and proceedings	6,500	6,500	2,171	4,329	4,849
Total Mayor and Council	<u>35,842</u>	<u>35,842</u>	<u>32,767</u>	<u>3,075</u>	<u>27,356</u>
Administration					
Personal services	105,808	105,808	100,362	5,446	86,283
Supplies	6,800	6,800	5,130	1,670	5,844
Other services and charges	59,569	59,569	55,761	3,808	41,948
Professional services	39,336	39,336	32,866	6,470	30,594
Capital outlay	2,000	2,000		2,000	
Total Administration	<u>213,513</u>	<u>213,513</u>	<u>194,119</u>	<u>19,394</u>	<u>164,669</u>
Audio/Video					
Personal services	1,341	1,341	1,120	221	1,354
Capital outlay	4,000	4,000	10,567	(6,567)	
Other services and charges	3,213	3,213	460	2,753	103
Total Audio/Video	<u>8,554</u>	<u>8,554</u>	<u>12,147</u>	<u>(3,593)</u>	<u>1,457</u>
Elections					
Supplies	500	500	290	210	
Other services and charges	16,232	16,232	14,309	1,923	1,555
Total Elections	<u>16,732</u>	<u>16,732</u>	<u>14,599</u>	<u>2,133</u>	<u>1,555</u>
Clerk/Treasurer					
Personal services	66,567	66,567	66,835	(268)	63,613
Supplies	500	500	149	351	122
Other services and charges	24,872	24,872	18,273	6,599	21,708
Total Clerk/Treasurer	<u>91,939</u>	<u>91,939</u>	<u>85,257</u>	<u>6,682</u>	<u>85,443</u>
Finance Director					
Personal services	140,050	140,050	141,540	(1,490)	143,422
Supplies	1,000	1,000	1,270	(270)	551
Other services and charges	49,796	49,796	51,958	(2,162)	42,210
Capital outlay	3,000	3,000	327	2,673	2,843
Total Finance Director	<u>193,846</u>	<u>193,846</u>	<u>195,095</u>	<u>(1,249)</u>	<u>189,026</u>
Assessing	72,015	72,015	71,024	991	74,813
Planning and Zoning					
Personal services	58,331	58,331	55,847	2,484	55,819
Supplies	700	700	437	263	559
Other services and charges	14,031	14,031	10,975	3,056	15,066
Professional services	3,000	3,000	22,059	(19,059)	
Capital outlay	2,000	2,000		2,000	
Total Planning and Zoning	<u>78,062</u>	<u>78,062</u>	<u>89,318</u>	<u>(11,256)</u>	<u>71,444</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, 2012
With Comparative Totals for the Year Ended December 31, 2011**

	2012		Actual	Variance Favorable (Unfavorable)	2011 Actual
	Budgeted Amounts				
	Original	Final			
EXPENDITURES (CONTINUED)					
General Government (Continued)					
Engineering					
Personal services	\$ 83,649	\$ 83,649	\$ 76,828	\$ 6,821	\$ 80,645
Supplies	4,250	4,250	4,086	164	3,477
Other services and charges	17,875	17,875	13,800	4,075	14,894
Professional services	36,875	36,875	31,268	5,607	29,551
Capital outlay	1,500	1,500		1,500	
Total Engineering	<u>144,149</u>	<u>144,149</u>	<u>125,982</u>	<u>18,167</u>	<u>128,567</u>
Legal Fees	<u>90,626</u>	<u>90,626</u>	<u>66,446</u>	<u>24,180</u>	<u>72,468</u>
General Government Building					
Personal services	13,303	13,303	11,441	1,862	13,341
Supplies	10,350	10,350	6,559	3,791	8,984
Other services and charges	78,233	78,233	54,211	24,022	57,122
Capital outlay	5,000	5,000		5,000	4,690
Total General Government Building	<u>106,886</u>	<u>106,886</u>	<u>72,211</u>	<u>34,675</u>	<u>84,137</u>
Total General Government	<u>1,052,164</u>	<u>1,052,164</u>	<u>958,965</u>	<u>93,199</u>	<u>900,935</u>
Public Safety					
Police					
Contracted services	<u>731,146</u>	<u>731,146</u>	<u>723,506</u>	<u>7,640</u>	<u>721,790</u>
Fire Protection					
Personal services	183,772	183,772	162,001	21,771	149,411
Supplies	42,750	42,750	21,881	20,869	28,720
Other services and charges	202,909	202,909	187,934	14,975	175,830
Capital outlay	13,500	13,500	14,353	(853)	3,738
Total Fire Protection	<u>442,931</u>	<u>442,931</u>	<u>386,169</u>	<u>56,762</u>	<u>357,699</u>
Protective Inspection					
Personal services	192,347	192,347	172,236	20,111	167,987
Supplies	1,500	1,500	1,040	460	1,045
Other services and charges	72,839	72,839	65,015	7,824	77,957
Professional services	2,000	2,000	1,802	198	1,888
Capital outlay	6,270	6,270	1,229	5,041	
Total Protective Inspection	<u>274,956</u>	<u>274,956</u>	<u>241,322</u>	<u>33,634</u>	<u>248,877</u>
Animal Control					
Professional services	<u>6,800</u>	<u>6,800</u>	<u>4,610</u>	<u>2,190</u>	<u>5,578</u>
Total Public Safety	<u>1,455,833</u>	<u>1,455,833</u>	<u>1,355,607</u>	<u>100,226</u>	<u>1,333,944</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, 2012
With Comparative Totals for the Year Ended December 31, 2011**

	2012				2011 Actual
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)	
	Original	Final			
EXPENDITURES (CONTINUED)					
Highways and Streets					
Administration and Engineering					
Personal services	\$ 423,038	\$ 423,038	\$ 372,961	\$ 50,077	\$ 390,617
Supplies	414,248	414,248	356,780	57,468	320,245
Other services and charges	263,544	263,544	269,329	(5,785)	280,062
Capital outlay	28,500	28,500	22,693	5,807	38,800
Total Administration and Engineering	<u>1,129,330</u>	<u>1,129,330</u>	<u>1,021,763</u>	<u>107,567</u>	<u>1,029,724</u>
Streets/Recycling	4,150	4,150	8	4,142	147
Street Lighting	139,096	139,096	135,869	3,227	136,377
Total Highways and Streets	<u>1,272,576</u>	<u>1,272,576</u>	<u>1,157,640</u>	<u>114,936</u>	<u>1,166,248</u>
Community Development					
Personal services	50,331	50,331	19,315	31,016	135,813
Other services and charges	13,388	13,388	3,482	9,906	45,208
Capital outlay	2,000	2,000		2,000	
Total Community Development	<u>65,719</u>	<u>65,719</u>	<u>22,797</u>	<u>42,922</u>	<u>181,021</u>
Parks					
Personal services	182,827	182,827	172,769	10,058	168,855
Charges for services	166,156	166,156	144,532	21,624	128,567
Capital outlay	1,000	1,000		1,000	
Total Parks	<u>349,983</u>	<u>349,983</u>	<u>317,301</u>	<u>32,682</u>	<u>297,422</u>
Other Unallocated					
Remittance to Fire Relief Association	64,889	64,889	51,531	13,358	67,679
Contributions	18,750	18,750	17,505	1,245	17,762
Miscellaneous	40,633	40,633	35,341	5,292	34,312
Total Other Unallocated	<u>124,272</u>	<u>124,272</u>	<u>104,377</u>	<u>19,895</u>	<u>119,753</u>
Total Expenditures	<u>4,320,547</u>	<u>4,320,547</u>	<u>3,916,687</u>	<u>403,860</u>	<u>3,999,323</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			<u>796,657</u>	<u>796,657</u>	<u>(77,016)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In					103,233
Transfers Out			(846,945)	(846,945)	(47,051)
Total Other Financing Sources (Uses)			<u>(846,945)</u>	<u>(846,945)</u>	<u>56,182</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)			(50,288)	(50,288)	(20,834)
FUND BALANCE, January 1	<u>2,160,273</u>	<u>2,160,273</u>	<u>2,160,273</u>		<u>2,181,107</u>
FUND BALANCE, December 31	<u>\$ 2,160,273</u>	<u>\$ 2,160,273</u>	<u>\$ 2,109,985</u>	<u>\$ (50,288)</u>	<u>\$ 2,160,273</u>

See Notes to Financial Statements

**CITY OF HUGO, MINNESOTA
 PROPRIETARY FUND
 Statement of Net Position
 December 31, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 15,457,377	\$ 13,361,230
Receivables		
Accounts receivable	492,933	503,641
Accrued interest	32,446	40,145
Special assessments (net of allowance for uncollectibles)	364,440	393,108
Deposits	1,500	1,500
	<u>16,348,696</u>	<u>14,299,624</u>
Noncurrent Assets		
Property and Equipment		
Nondepreciable	1,549,751	1,028,067
Depreciable	21,256,194	21,097,690
Total Property and Equipment	<u>22,805,945</u>	<u>22,125,757</u>
Less: Accumulated depreciation	<u>6,653,204</u>	<u>6,138,520</u>
Net Property and Equipment	<u>16,152,741</u>	<u>15,987,237</u>
Total Noncurrent Assets	<u>16,152,741</u>	<u>15,987,237</u>
TOTAL ASSETS	<u><u>\$ 32,501,437</u></u>	<u><u>\$ 30,286,861</u></u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Current portion of long-term debt (compensated absences)	\$ 19,517	\$ 20,388
Accounts payable	66,190	73,781
Due to other governmental units	20,488	18,023
Salaries payable	731	6,438
Customer deposits	1,000	1,000
	<u>107,926</u>	<u>119,630</u>
Long-term Liabilities		
Compensated absences, net of current portion	<u>5,743</u>	<u>6,606</u>
Total Liabilities	<u>113,669</u>	<u>126,236</u>
Net Position		
Investment in capital assets	16,152,741	15,987,237
Unrestricted	<u>16,235,027</u>	<u>14,173,388</u>
Total Net Position	<u>32,387,768</u>	<u>30,160,625</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 32,501,437</u></u>	<u><u>\$ 30,286,861</u></u>

See Notes to Financial Statements

**CITY OF HUGO, MINNESOTA
 PROPRIETARY FUND
 Statement of Revenues, Expenses
 and Changes in Fund Net Position
 For the Years Ended December 31, 2012 and 2011**

	2012	2011
Operating Revenue		
Water charges	\$ 1,050,161	\$ 859,778
Meter sales	28,230	14,515
Sewer charges	1,101,524	1,125,790
Total Operating Revenues	<u>2,179,915</u>	<u>2,000,083</u>
Operating Expenses		
Personal services	303,111	297,249
Engineering	24,909	33,420
Electricity	84,429	80,715
Repairs and maintenance	239,124	244,391
Sewer charges - MCES	440,829	633,149
Depreciation	524,407	516,906
Miscellaneous	104,184	116,669
Total Operating Expenses	<u>1,720,993</u>	<u>1,922,499</u>
Operating Income	<u>458,922</u>	<u>77,584</u>
Nonoperating Revenue		
Future infrastructure charges	605,045	276,076
Rental income	60,672	49,477
Refunds and reimbursements	880,685	
Investment earnings	119,149	190,576
Miscellaneous	57,246	44,510
Total Nonoperating Revenue	<u>1,722,797</u>	<u>560,639</u>
Net Income Before Transfers and Contributions	2,181,719	638,223
Capital contributions - special assessments	18,271	8,927
Noncash capital contributions	131,628	
Transfers In	3,411	279,578
Transfers Out	<u>(107,886)</u>	<u>(108,320)</u>
Net Income	2,227,143	818,408
Net Position, Beginning of Year	<u>30,160,625</u>	<u>29,342,217</u>
Net Position, End of Year	<u><u>\$ 32,387,768</u></u>	<u><u>\$ 30,160,625</u></u>

See Notes to Financial Statements

**CITY OF HUGO, MINNESOTA
 PROPRIETARY FUND
 Statement of Cash Flows
 For the Years Ended December 31, 2012 and 2011**

	2012	2011
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,795,668	\$ 2,225,818
Cash paid to suppliers	(898,601)	(1,127,015)
Cash paid to employees	(310,552)	(294,316)
Other income	998,603	93,987
Net Cash Provided By Operating Activities	<u>2,585,118</u>	<u>898,474</u>
Cash Flows From Noncapital Financing Activities		
Transfers from other funds	3,411	279,578
Transfers to other funds	(107,886)	(108,320)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(104,475)</u>	<u>171,258</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(558,283)	(557,873)
Special assessments and property taxes	46,939	58,152
Net Cash (Used In) Capital and Related Financing Activities	<u>(511,344)</u>	<u>(499,721)</u>
Cash Flows From Investing Activities		
Interest earnings received	<u>126,848</u>	<u>190,378</u>
Net Increase in Cash and Cash Equivalents	2,096,147	760,389
Cash and Cash Equivalents, Beginning of Year	<u>13,361,230</u>	<u>12,600,841</u>
Cash and Cash Equivalents, End of Year	<u>\$ 15,457,377</u>	<u>\$ 13,361,230</u>

See Notes to Financial Statements

	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 458,922	\$ 77,584
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	524,407	516,906
Future infrastructure charges, included in nonoperating revenues	605,045	276,076
Other income	998,603	93,987
(Increase) Decrease In:		
Accounts receivable	10,708	(50,341)
Increase (Decrease) In:		
Accounts payable	(7,591)	(21,181)
Due to other governmental units	2,465	2,510
Salaries payable	(5,707)	(934)
Estimated liability for compensated absences	(1,734)	3,867
Net Cash Provided By Operating Activities	<u>\$ 2,585,118</u>	<u>\$ 898,474</u>
Noncash Investing, Capital and Financing Activities		
Receipt of contributed property	\$ 131,628	\$

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CITY OF HUGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Blended Component Unit

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

The *property and equipment acquisition fund* accounts for the accumulation of resources (special assessments, intergovernmental revenues, developers' fees, etc.) for acquisition of high dollar value property and equipment for use in the operation of the City.

The City reports the following major proprietary funds:

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

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

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

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

D. Assets, Liabilities, and Net Position or Equity

1. Cash and investments (including cash equivalents)

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

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

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

2. Receivables and payables

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

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

2. Receivables and payables (continued)

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

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

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to fifteen years with interest charges ranging from 4.27% to 8.0%. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The net amount of delinquent assessments receivable are fully offset by deferred revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

3. Tax Increment Districts

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period. Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	<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.

5. Compensated absences benefits

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

5. Compensated absences benefits (continued)

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

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

6. Long-term obligations

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund equity

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

7. Fund equity (continued)

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”.

In accordance with Governmental Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 fund balance amounts that are committed by resolution, which is the City's highest level of decision-making authority, for specific purposes that are internally imposed by the City Council through formal action and remain binding unless removed by the City Council by subsequent formal action.

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.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position or 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. Comparative Data

The financial statements include certain prior year comparative financial information in total. Such information does not include supplemental detail to constitute a complete presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2011 from which the summarized information was derived.

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.

H. Conduit Debt Obligations

The City has issued a Tax Increment Revenue Note to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The note is secured solely by tax increments. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. The outstanding principal balance of the note as of December 31, 2012 and 2011 was \$400,240 and \$439,501, respectively.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General 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.
4. All budgeted appropriations lapse at the end of the fiscal year. The legal level of control (the level on which expenditures may not legally exceed appropriations) for each budget is at the fund level. Management can not legally amend or transfer appropriations between funds without the approval of the City Council once the budget has been approved. Any over expenditures of appropriations or transfers of appropriated amounts must be approved by the City Council.
5. Budgeted amounts are as originally adopted, or as amended by the City Council. The budget cannot be amended without approval by the City Council.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final budget (which are the same for the year ended December 31, 2012).

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Information (continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as 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, 2012.

B. Expenditures Exceeding Appropriations

For the year ending December 31, 2012, the following funds had expenditures exceeding the latest amended budget:

	<u>2012 Budgeted Expenditures</u>	<u>2012 Actual Expenditures</u>	<u>Amount Exceeding Budgeted Amount</u>
Tax Increment Financing Collection	\$ 51,209	\$ 62,404	\$ 11,195
General Obligation Bonds	1,725,973	1,726,338	365
Compensated Absences	46,001	46,003	2

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

3. Detailed Notes on All Funds

A. Deposits and Investments

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

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

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

The City's deposits in banks at December 31, 2012 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.

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

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

Investment	Range of Maturities	Rating	Value
Cash	N/A	N/A	\$ 405,437
Certificates of Deposit	January 2013 - April 2017	N/A	6,487,811
Money Market Funds	N/A	Unrated	7,706,662
U.S. Government Securities	August 2016 - December 2020	AAA	16,288,786
Total			<u>\$30,888,696</u>

N/A Not applicable or not available

Credit Risk

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

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

Concentration of Credit Risk

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

Issuer	Investment Type	Value
RBC Wealth Management	Money Market Funds	\$ 7,706,661

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, 2012 all investments were insured or registered or the securities were held by the City or its agent in the City's name.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

B. Due From and To Other Governmental Units

Amounts due from other governmental units as of December 31, 2012 were as follows:

<u>Fund Type</u>	<u>Washington County</u>	<u>Ind. School District #624</u>
General	\$ 86,139	\$
Debt Service		3,310,000

Amounts due to other governmental units as of December 31, 2012 were as follows:

<u>Fund Type</u>	<u>Washington County</u>	<u>State of Minnesota</u>	<u>Metropolitan Council</u>	<u>Total</u>
General	\$ 362,259	\$ 4,616	\$ 14,048	\$ 380,923
Sewer and water utility		20,488		20,488

C. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 4,132,450	\$ 198,369	\$	\$ 4,330,819
Total capital assets, not being depreciated	<u>4,132,450</u>	<u>198,369</u>		<u>4,330,819</u>
Capital assets, being depreciated:				
Buildings and improvements	6,321,834	39,933	198,369	6,163,398
Land Improvements	1,566,117			1,566,117
Infrastructure	22,506,175	747,869	217,670	23,036,374
Machinery and equipment	6,067,669	245,078	171,077	6,141,670
Total capital assets, being depreciated	<u>36,461,795</u>	<u>1,032,880</u>	<u>587,116</u>	<u>36,907,559</u>
Less accumulated depreciation for:				
Buildings and improvements	1,693,309	225,284	52,812	1,865,781
Land Improvements	534,365	144,806		679,171
Infrastructure	6,912,035	555,440	154,031	7,313,444
Machinery and equipment	3,127,143	409,479	91,700	3,444,922
Total accumulated depreciation	<u>12,266,852</u>	<u>1,335,009</u>	<u>298,543</u>	<u>13,303,318</u>
Total capital assets, being depreciated, net	<u>24,194,943</u>	<u>(302,129)</u>	<u>288,573</u>	<u>23,604,241</u>
Governmental activities capital assets, net	<u>\$ 28,327,393</u>	<u>\$ (103,760)</u>	<u>\$ 288,573</u>	<u>\$ 27,935,060</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

C. Capital Assets (continued)

<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 259,560	\$	\$	\$ 259,560
Construction in progress	768,507	521,684		1,290,191
Total capital assets, not being depreciated	<u>1,028,067</u>	<u>521,684</u>		<u>1,549,751</u>
Capital assets, being depreciated:				
Buildings and improvements	20,638,812	144,509		20,783,321
Machinery and equipment	<u>458,878</u>	<u>23,718</u>	<u>9,723</u>	<u>472,873</u>
Total capital assets, being depreciated	<u>21,097,690</u>	<u>168,227</u>	<u>9,723</u>	<u>21,256,194</u>
Less accumulated depreciation for:				
Buildings and improvements	5,868,085	486,188		6,354,273
Machinery and equipment	<u>270,435</u>	<u>38,219</u>	<u>9,723</u>	<u>298,931</u>
Total accumulated depreciation	<u>6,138,520</u>	<u>524,407</u>	<u>9,723</u>	<u>6,653,204</u>
Total capital assets, being depreciated, net	<u>14,959,170</u>	<u>(356,180)</u>		<u>14,602,990</u>
Business-type activities capital assets, net	<u>\$ 15,987,237</u>	<u>\$ 165,504</u>	<u>\$</u>	<u>\$ 16,152,741</u>

Depreciation expense for the year ended December 31, 2012 was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 92,076
Public safety	154,320
Highways and streets	851,296
Park and recreation	229,403
Economic development/tourism	<u>7,914</u>
Total	<u>\$ 1,335,009</u>

Business-Type Activities:

Sewer and Water	<u>\$ 524,407</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 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, 2012 is as follows:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/12</u>
General obligation bonds:				
2004 Capital Improvement Bonds	7/1/2004	3.80% - 4.50%	2020	\$ 1,525,000
2005 Tax Abatement Bonds	5/17/2005	3.40% - 4.00%	2020	6,620,000
2007 A Improvement Bonds	10/17/2007	4.00% - 4.15%	2023	810,000
2009 A Improvement Bonds	7/21/2009	3.00% - 3.875%	2020	770,000
2009 B Tax Abatement Bonds	11/5/2009	2.00% - 3.00%	2020	1,120,000
2010 Improvement Bonds	8/19/2010	2.00% - 2.50%	2018	945,000
2011 Improvement Bonds	11/9/2011	2.00% - 3.00%	2027	1,325,000
Other Liabilities:				
Compensated Absences				276,677
Unamortized premium				40,233
Less: Unamortized (discount) and issuance costs				<u>(144,097)</u>
Total Long-term Debt				<u><u>\$ 13,287,813</u></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.

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, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes and Contracts Payable:					
General obligation bonds:					
2004 Capital Improvement Bonds	\$ 1,685,000	\$	\$ 160,000	\$ 1,525,000	\$ 165,000
2005 Tax Abatement Bonds	7,080,000		460,000	6,620,000	595,000
2007 A Improvement Bonds	895,000		85,000	810,000	85,000
2009 A Improvement Bonds	865,000		95,000	770,000	95,000
2009 B Tax Abatement Bonds	1,370,000		250,000	1,120,000	250,000
2010 Improvement Bonds	1,155,000		210,000	945,000	215,000
2011 Improvement Bonds	1,325,000			1,325,000	110,000
Other Liabilities:					
Compensated Absences	283,258	119,661	151,502	251,417	134,472
Unamortized premium	44,895		4,662	40,233	
Less: Unamortized (discount) and issuance costs	(158,351)		(14,254)	(144,097)	
Governmental Activities Long-term Liabilities	<u>14,544,802</u>	<u>119,661</u>	<u>1,401,910</u>	<u>13,262,553</u>	<u>1,649,472</u>
BUSINESS-TYPE ACTIVITIES					
Other Liabilities:					
Compensated Absences	26,994	19,123	20,857	25,260	19,517
Business-Type Activities Long-term Liabilities	<u>26,994</u>	<u>19,123</u>	<u>20,857</u>	<u>25,260</u>	<u>19,517</u>
Total	<u>\$ 14,571,796</u>	<u>\$ 138,784</u>	<u>\$ 1,422,767</u>	<u>\$ 13,287,813</u>	<u>\$ 1,668,989</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt (continued)

In April 2005 the City entered into a joint powers agreement with Independent School District Number 624 (ISD #624) to issue tax abatement bonds in the amount of \$7,920,000 for the City's and School District's portion of the costs related to the construction of certain County Roads within the City and School District. The roads constructed are the property of Washington County. Amounts paid for the road construction from the proceeds of the tax abatement bonds represent the City of Hugo's and ISD #624's portion of the project costs. Since the roads are owned by the County, the City has not recorded capital assets related to the County Road expenditures. The bonds were issued by the City and accordingly are included in noncurrent liabilities on the City's Statement of Net Position. The School District is responsible for the repayment of 50% of the principal and interest owed on the bonds. Therefore, the City has recorded a due from the School District on the Statement of Net Position for 50% of amounts expended for the project.

Debt service requirements to maturity for long-term debt, excluding compensated absences, as of December 31, 2012 were as follows:

Year	General Obligation Debt	
	Principal	Interest
2013	\$ 1,515,000	\$ 430,067
2014	1,570,000	383,840
2015	1,395,000	336,706
2016	1,470,000	289,025
2017	1,555,000	236,174
2018-2022	5,345,000	373,380
2023-2027	265,000	17,472
	<u>\$ 13,115,000</u>	<u>\$ 2,066,664</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt (continued)

The City of Hugo is the administering authority for the *City of Hugo Tax Increment Financing District, No. 1-1* and for the *City of Hugo Tax Increment Financing District, No. 1-2*. The districts are redevelopment type and authorized under Minnesota law chapter 469. District No. 1-1 was certified in 1997 and will continue until December 31, 2023. District No. 1-2 was certified in 2010 and will continue until 2036. Information regarding District No. 1-1 is as follows:

Original net tax capacity	\$	429
Current net tax capacity		82,158
Captured net tax capacity:		
Retained by authority		81,729
Shared with other taxing authorities		
Total general obligation tax increment bonds issued		4,030,000
Amounts redeemed		<u>4,030,000</u>
Outstanding bonds at December 31, 2012	\$	<u><u> </u></u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt (continued)

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

Original net tax capacity	\$ 321,419
Current net tax capacity	276,817
Captured net tax capacity:	
Retained by authority	
Shared with other taxing authorities	
Total general obligation tax increment bonds issued	
Amounts redeemed	<hr/>
Outstanding bonds at December 31, 2012	<u><u>\$</u></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. The amounts transferred from the water and sewer funds were used to finance various infrastructure projects in the City projects funds.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Interfund Transfers (Continued)

Interfund transfers during the year ended December 31, 2012 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$	\$ 846,945
General Obligation Bonds	403,994	4,588
Property and Equipment Acquisition	732,391	
Public Improvements	1,177	
Subtotal	<u>1,137,562</u>	<u>851,533</u>
Non-Major Governmental Funds:		
Special Revenue		
Firefighter's Relief	114,554	
Debt Service		
Abatement Levy Offset	824,146	
Capital Projects		
Public Facilities Construction		1,120,254
Subtotal	<u>938,700</u>	<u>1,120,254</u>
Total Governmental Funds	<u>2,076,262</u>	<u>1,971,787</u>
Proprietary Funds:		
Water		107,886
Sewer construction	3,411	
Subtotal	<u>3,411</u>	<u>107,886</u>
Total All Funds	<u>\$ 2,079,673</u>	<u>\$ 2,079,673</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Fund Equity

Fund balances by classification for the year ended December 31, 2012 were as follows:

	General	General Obligation Bonds	Public Improvements	Property and Equipment Acquisition	Other Governmental Funds	Total Governmental Funds
Restricted						
Tax increment financing collection	\$	\$	\$	\$	\$ 283,706	\$ 283,706
Debt service		3,656,596				3,656,596
Total Restricted		3,656,596			283,706	3,940,302
Committed						
Park improvement					294,442	294,442
Bond principal retirement					824,146	824,146
Compensated absences					399,869	399,869
Total Committed					1,518,457	1,518,457
Assigned						
Municipal contributions to fire relief					114,554	114,554
Public improvements			3,243,783			3,243,783
Property and equipment acquisition				3,358,419		3,358,419
Total Assigned			3,243,783	3,358,419	114,554	6,716,756
Unassigned						
	2,109,985					2,109,985
Total Fund Balance	\$ 2,109,985	\$ 3,656,596	\$ 3,243,783	\$ 3,358,419	\$ 1,916,717	\$ 14,285,500

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:

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Defined Benefit Pension Plan – City of Hugo

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

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

A. Plan Description

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

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

A. Plan Description (continued)

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

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

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.60% of their annual covered salary in 2012. PECF members are required to contribute 5.83% of their annual covered salary. In 2012, the City of Hugo was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, 14.40% for PEPFF members and 8.75% for PECF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2012, 2011 and 2010 were \$98,887, \$105,267, and \$100,904, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. The City had no employees covered by the PEPFF or the PECF for the years ending December 31, 2012, 2011 and 2010.

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

Plan Description

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

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

Plan Description (Continued)

Pension Benefits

Benefits are payable in a lump sum, based upon years of service, to eligible members of the Hugo Firefighter’s Relief Association. At December 31, 2012, the pension benefit level was at \$2,900 per year of service.

Funding Policy

Minnesota Statutes specify minimum contributions that may be required from the City on an annual basis. These minimum contributions are determined based on the amount required to meet normal cost plus amortizing any prior year’s service cost over a ten year period. The unfunded actuarial accrued liability of the plan is amortized in level dollar amounts over a closed ten year period as provided by *Minnesota Statutes*. No contributions were required from the City for the year ended December 31, 2012. Contributions in the amount of \$17,344 were required from the City for the year ended December 31, 2011. The Hugo Firefighter’s Relief Association also receives funding from the State of Minnesota two-percent fire premium tax. The City receives the contributions and is required by state statute to pass these through as payment to the Firefighter’s Relief Association. The City received contributions of \$51,531 and \$50,335 from the State related to the fire premium tax for the years ended December 31, 2012 and 2011, respectively. Accordingly, the amounts received from the State were submitted to the Firefighter’s Relief Association. These contributions are recorded as revenues and expenditures in the City’s general fund. Investment earnings also add to the resources available for benefits.

Annual Pension Cost and Net Pension Obligation

The City’s annual pension cost and net pension obligation for the year ended December 31, 2012, were as follows:

Annual Required Contribution (City contribution and State pass-through)	\$ 51,531
Interest on Net Pension Obligation	
Adjustment to Annual Required Contribution	
Annual Pension Cost	<u>51,531</u>
Contribution Made	<u>51,531</u>
Increase (Decrease) in Net Pension Obligation	
Net Pension Obligation Beginning of Year	
Net Pension Obligation End of Year	<u><u>\$</u></u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

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

Annual Pension Cost and Net Pension Obligation (continued)

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The significant actuarial assumptions included (a) 5% investment rate of return; (b) 3.5% rate of inflation; and (c) age and service retirement was assumed to occur at age 50. The actuarial value of assets was determined using fair market values as of the actuarial valuation date. Net pension obligations on annual actuarial basis are not calculated for individual volunteer fire relief associations since state statutes permit alternate calculation of required reserves based on overall actuarial assumptions. Additional actuarial assumptions were as follows:

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

The City’s net pension obligation for the Hugo Firefighter’s Relief Association for the years ended December 31, 2012, 2011 and 2010 were as follows:

<u>Disclosure</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Pension cost (APC)	\$ 51,531	\$ 67,679	\$ 56,852
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	N/A	N/A	N/A

Membership of the Hugo Firefighter’s Relief Association at December 31, 2012, was comprised of the following:

Terminated members entitled to benefits but have not received them:	8
Current Members:	
Vested	3
Partially Vested	4
Non-Vested	22
Total Plan Members	<u>37</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

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

Contributions Required and Contributions Made

The City makes contributions to the Association annually in the amount equal to the Fire Aid received from the State of Minnesota as required by the *Minnesota Statutes*. The City of Hugo is required to make additional contributions to the Association in the following year if the following year’s anticipated administrative expenses plus the anticipated increase in the required reserves plus amortization of the original unfunded accrued liability exceeds the anticipated revenues. No contributions in excess of Fire Aid were made in the years 2012, 2011 or 2010. The contributions made by the City to the Association (including Fire Aid) for 2012, 2011 and 2010 were \$51,531, \$67,679 and \$56,852, respectively.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded)/ Accrued Liability	Funded Ratio	Pension Benefit Per Year of Service
12/31/2010	\$ 651,733	\$ 622,342	\$ 29,391	104.72	\$ 2,700
12/31/2011	704,605	665,810	38,795	105.83	2,700
12/31/2012	801,636	761,862	39,774	105.22	2,900

Related Party Investments

As of December 31, 2012, and for the year then ended, the Association held no securities issued by the City or other related parties.

E. Postemployment Benefits

As required by state statute, employees are allowed to participate in the City’s group health insurance plan after retirement. However, management has determined that any liability related to postemployment benefits would be immaterial to these financial statements as of December 31, 2012.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. New Accounting Pronouncements

GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, implemented this year, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City has determined they have no deferred outflows or inflows as defined by this standard.

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

GASB 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its year ending December 31, 2013. This statement requires certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows of resources, deferred inflows of resources, or current-period outflows and inflows.

6. Subsequent Events

In February 2013, the City approved the sale of general obligation crossover refunding bonds in the amount of \$5,855,000. These bonds will refund the 2004 general obligation capital improvement bonds and the 2005 general obligation tax abatement bonds in 2015 (the call date of the bonds).

CITY OF HUGO, MINNESOTA
COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES
December 31, 2012

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CITY OF HUGO, MINNESOTA

NONMAJOR FUNDS

December 31, 2012

SPECIAL REVENUE FUNDS

Special Park Fund:

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

Firefighter's Relief Fund:

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

Tax Increment Financing Collection Fund:

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

DEBT SERVICE FUNDS

Abatement Levy Offset Fund:

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

Compensated Absences Fund:

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

CAPITAL PROJECT FUNDS

Public Facilities Construction Fund:

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

**CITY OF HUGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012
With Comparative Totals for December 31, 2011**

	Special Revenue			Debt Service	
	Special Park Fund	Firefighter's Relief Fund	Tax Increment Financing Collection Fund	Abatement Levy Offset	Compensated Absences
Assets					
Cash and investments	\$ 293,786	\$ 114,554	\$ 282,775	\$ 822,046	\$ 398,885
Pledges receivable	95,889				
Accrued interest	656		931	2,100	984
Taxes - delinquent	2,449		49,618		
TOTAL ASSETS	\$ 392,780	\$ 114,554	\$ 333,324	\$ 824,146	\$ 399,869
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$	\$	\$	\$	\$
Deferred revenue	98,338		49,618		
Total Liabilities	98,338		49,618		
Fund Balance					
Fund Balance					
Restricted			283,706		
Committed	294,442			824,146	399,869
Assigned		114,554			
Total Fund Balance	294,442	114,554	283,706	824,146	399,869
TOTAL LIABILITIES AND FUND BALANCE	\$ 392,780	\$ 114,554	\$ 333,324	\$ 824,146	\$ 399,869

FORM D-1

Capital Projects Public Facilities Construction	Total Nonmajor Governmental Funds	
	2012	2011
\$	\$ 1,912,046	\$ 2,182,177
	95,889	93,089
	4,671	9,515
	52,067	75,944
<u>\$</u>	<u>\$ 2,064,673</u>	<u>\$ 2,360,725</u>
\$	\$	\$
	147,956	31
	147,956	176,707
	147,956	176,738
	283,706	244,718
	1,518,457	714,894
	114,554	1,224,375
	1,916,717	2,183,987
<u>\$</u>	<u>\$ 2,064,673</u>	<u>\$ 2,360,725</u>

CITY OF HUGO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Special Revenue			Debt Service	
	Special Park Fund	Firefighter's Relief Fund	Tax Increment Financing Collection Fund	Abatement Levy Offset	Compensated Absences
REVENUES					
Property taxes	\$ 44,865	\$	\$ 101,392	\$	\$
Intergovernmental revenues	76				
Other Revenue					
Investment earnings	2,070				3,680
Rent	12,895				
Miscellaneous	24,264				
TOTAL REVENUES	84,170		101,392		3,680
EXPENDITURES					
Capital Outlay	62,430		62,404		
Debt Service					
Other					46,003
TOTAL EXPENDITURES	62,430		62,404		46,003
Excess (deficiency) of revenues over (under) expenditures	21,740		38,988		(42,323)
OTHER FINANCING SOURCES (USES)					
Transfers in		114,554		824,146	
Transfers out					
TOTAL OTHER FINANCING SOURCES (USES)		114,554		824,146	
Net change in fund balances	21,740	114,554	38,988	824,146	(42,323)
FUND BALANCES, beginning	272,702		244,718		442,192
FUND BALANCES, ending	\$ 294,442	\$ 114,554	\$ 283,706	\$ 824,146	\$ 399,869

FORM D-2

Capital Projects Public Facilities Construction	Total Nonmajor Governmental Funds	
	2012	2011
\$	\$ 146,257 76	\$ 660,999
7,650	13,400 12,895 24,264	30,630 20,384 8,889
7,650	196,892	720,902
111,771	236,605	276,820
	46,003	12,118
111,771	282,608	288,938
(104,121)	(85,716)	431,964
(1,120,254)	938,700 (1,120,254)	(481,981)
(1,120,254)	(181,554)	(481,981)
(1,224,375)	(267,270)	(50,017)
1,224,375	2,183,987	2,234,004
\$	\$ 1,916,717	\$ 2,183,987

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	2012				
	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)	2011 Actual
	Original	Final			
REVENUES					
Property taxes	\$ 41,268	\$ 41,268	\$ 44,865	\$ 3,597	\$ 39,063
Intergovernmental revenues			76	76	
Other revenues					
Investment earnings	2,000	2,000	2,070	70	5,412
Donations			348	348	
Developer fees			23,916	23,916	4,800
Rent	12,149	12,149	12,895	746	20,384
Total Revenues	55,417	55,417	84,170	28,753	69,659
EXPENDITURES					
Capital Outlay					
Park planning consultants	11,500	11,500	10,560	940	
Property taxes	1,148	1,148	1,148		
Bernin Property	4,165	4,165	3,507	658	3,589
14701 Forest Blvd	49,087	49,087	42,810	6,277	5,725
Rice Lake	318	318	318		149,992
Eagle Scout Project	600	600	584	16	
Lions Park					50
Heritage Ponds Park	3,500	3,500	3,503	(3)	61,270
Total Expenditures	70,318	70,318	62,430	7,888	220,626
Excess (deficiency) of revenues over (under) expenditures	(14,901)	(14,901)	21,740	36,641	(150,967)
Other Financing Sources (Uses)					
Transfers out					(12,660)
Net change in fund balances	(14,901)	(14,901)	21,740	36,641	(163,627)
Fund Balance, January 1	272,702	272,702	272,702		436,329
Fund Balance, December 31	\$ 257,801	\$ 257,801	\$ 294,442	\$ 36,641	\$ 272,702

CITY OF HUGO, MINNESOTA
TAX INCREMENT FINANCING COLLECTION FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	2012				Variance with Final Budget Favorable (Unfavorable)	2011 Actual
	Budgeted Amounts		Actual			
	Original	Final				
REVENUES						
Property taxes	\$ 135,668	\$ 135,668	\$ 101,392	\$ (34,276)	\$ 621,936	
Total Revenues	135,668	135,668	101,392	(34,276)	621,936	
EXPENDITURES						
Capital Outlay						
TIF note payments	50,839	50,839	62,120	(11,281)	55,035	
Miscellaneous	370	370	284	86	1,159	
Total Expenditures	51,209	51,209	62,404	(11,195)	56,194	
Excess (deficiency) of revenues over (under) expenditures	84,459	84,459	38,988	(45,471)	565,742	
Other Financing Sources (Uses)						
Transfers Out					(321,267)	
Excess (Deficit) Financing Sources Over Uses	84,459	84,459	38,988	(45,471)	244,475	
Fund Balance, January 1	244,718	244,718	244,718		243	
Fund Balance, December 31	\$ 329,177	\$ 329,177	\$ 283,706	\$ (45,471)	\$ 244,718	

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	2012				
	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)	2011 Actual
	Original	Final			
REVENUES					
Property taxes	\$ 780,061	\$ 780,061	\$ 874,697	\$ 94,636	\$ 843,639
Special assessments	106,475	106,475	340,908	234,433	581,738
Intergovernmental revenue	509,846	509,846	511,411	1,565	434,048
Other revenues					
Donations	100,000	100,000	100,000		100,000
Investment earnings	17,000	17,000	20,914	3,914	28,538
Total Revenues	1,513,382	1,513,382	1,847,930	334,548	1,987,963
EXPENDITURES					
Debt service					
Principal retirement	1,260,000	1,260,000	1,260,000		1,120,000
Interest on bonds	441,573	441,573	463,374	(21,801)	476,157
Fiscal charges	24,400	24,400	2,964	21,436	12,589
Total Expenditures	1,725,973	1,725,973	1,726,338	(365)	1,608,746
Excess (deficiency) of revenues over (under) expenditures	(212,591)	(212,591)	121,592	334,183	379,217
OTHER FINANCING SOURCES (USES)					
Transfers in	403,994	403,994	403,994		315,040
Transfers out	(5,153)	(5,153)	(4,588)	565	(279,578)
TOTAL OTHER FINANCING SOURCES (USES)	398,841	398,841	399,406	565	35,462
Excess Financing Sources Over Uses	186,250	186,250	520,998	334,748	414,679
Fund Balance, January 1	3,135,598	3,135,598	3,135,598		2,720,919
Fund Balance, December 31	\$ 3,321,848	\$ 3,321,848	\$ 3,656,596	\$ 334,748	\$ 3,135,598

CITY OF HUGO, MINNESOTA
COMPENSATED ABSENCES
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	2012				
	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)	2011 Actual
	Original	Final			
REVENUES					
Other revenues					
Investment earnings	\$ 3,000	\$ 3,000	\$ 3,680	\$ 680	\$ 6,682
EXPENDITURES					
Debt service					
Miscellaneous	46,001	46,001	46,003	(2)	12,118
Excess (Deficit) Financing Sources Over (Under) Uses	(43,001)	(43,001)	(42,323)	678	(5,436)
Fund Balance, January 1	442,192	442,192	442,192		447,628
Fund Balance, December 31	\$ 399,191	\$ 399,191	\$ 399,869	\$ 678	\$ 442,192

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	2012				
	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)	2011 Actual
	Original	Final			
REVENUES					
Property taxes	\$ 35,000	\$ 35,000	\$ 37,024	\$ 2,024	\$ 33,458
Intergovernmental			65	65	117,914
Other revenues					
Investment earnings	21,000	21,000	22,366	1,366	41,526
Miscellaneous	10,800	10,800	14,525	3,725	47,011
Total Revenues	66,800	66,800	73,980	7,180	239,909
EXPENDITURES					
Capital outlay					
Property and equipment acquisition	115,667	115,667	95,655	20,012	300,961
Miscellaneous	9,060	9,060	7,470	1,590	8,043
Total Expenditures	124,727	124,727	103,125	21,602	309,004
Excess (deficiency) of revenues over (under) expenditures	(57,927)	(57,927)	(29,145)	28,782	(69,095)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets			7,725	7,725	9,600
Transfers in			732,391	732,391	1,045
Total Other Financing Sources (Uses)			740,116	740,116	10,645
Excess (Deficit) Financing Sources Over Uses	(57,927)	(57,927)	710,971	768,898	(58,450)
Fund Balance, January 1	2,647,448	2,647,448	2,647,448		2,705,898
Fund Balance, December 31	\$ 2,589,521	\$ 2,589,521	\$ 3,358,419	\$ 768,898	\$ 2,647,448

CITY OF HUGO, MINNESOTA
PROPRIETARY FUND
Schedule of Revenues and Expenses - By Department
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Water and Sewer Utility Fund				
	Water	Sewer	Construction	Totals	
	Department	Department	Department	2012	2011
Operating Revenue					
Sale of water	\$ 1,050,161	\$	\$	\$ 1,050,161	\$ 859,778
Meter sales	28,230			28,230	14,515
Sewer charges		1,101,524		1,101,524	1,125,790
Total Operating Revenues	1,078,391	1,101,524		2,179,915	2,000,083
Operating Expenses					
Personal services	157,357	145,754		303,111	297,249
Engineering	4,004		20,905	24,909	33,420
Electricity	75,718	8,711		84,429	80,715
Repairs and maintenance	106,178	58,882	74,064	239,124	244,391
Sewer charges - MCES		440,829		440,829	633,149
Depreciation	316,003	208,404		524,407	516,906
Miscellaneous	65,264	38,920		104,184	116,669
Total Operating Expenses	724,524	901,500	94,969	1,720,993	1,922,499
Operating Income (Loss)	\$ 353,867	\$ 200,024	\$ (94,969)	458,922	77,584
Other Revenue (Expense)					
Future infrastructure charges				605,045	276,076
Rental income				60,672	49,477
Refunds and reimbursements				880,685	
Investment earnings				119,149	190,576
Miscellaneous				57,246	44,510
Total Other Revenue (Expense)				1,722,797	560,639
Net Income Before Transfers and Contributions				2,181,719	638,223
Capital contributions - special assessments				18,271	8,927
Noncash capital contributions				131,628	
Transfers				(104,475)	171,258
Net Income				\$ 2,227,143	\$ 818,408

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CITY OF HUGO, MINNESOTA
SUPPLEMENTARY INFORMATION
December 31, 2012

CITY OF HUGO, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
December 31, 2012

	<u>Interest</u>	<u>Maturity</u>	<u>Book</u>
	Yield		Value
CASH:			
Change funds		Open	\$ 200
Petty cash			50
Checking - US Bank		Open	<u>405,186</u>
 Total Cash			 <u>\$ 405,436</u>
 INVESTMENTS:			
Certificates of Deposit - Capital One of McLean VA	4.60%	01/10/13	\$ 100,069
- Pender State Bank of Nebraska	3.00%	02/04/13	95,210
- Discover Bank of Greenwood DE	4.90%	02/06/13	95,387
- MI Bank of Las Vegas NV	3.55%	02/08/13	100,301
- Beacon Federal East of Syracuse NY	3.10%	03/11/13	95,476
- Beach Community Bank of FL	2.50%	05/13/13	100,749
- Webster Five Cents Savings of MA	3.00%	05/15/13	96,903
- Washita Bank of Burns Flat OK	4.75%	05/17/13	96,515
- Boston Private Bank & Trust of MA	3.15%	05/22/13	95,981
- State Bank & Trust of Fargo ND	3.10%	05/22/13	95,963
- American Express Bank of Utah	3.30%	05/28/13	96,078
- Twin City Bank North of Little Rock AR	3.05%	05/29/13	96,004
- First Reliance Bank of SC	3.25%	06/10/13	101,221
- Flushing Savings Bank of New York	2.80%	07/30/13	101,398
- GE Capital Financial Retail	2.65%	07/30/13	101,253
- Provident Bank of Baltimore MD	5.05%	08/22/13	97,762
- GE Money Bank of Draper UT	1.50%	08/27/13	100,814
- Intervest Bank of New York NY	4.85%	09/09/13	97,789
- GE Money Bank of Salt Lake City UT	5.00%	09/18/13	97,985
- Beal Bank of Las Vegas NV	0.40%	10/09/13	200,000
- Trustatlantic Bank of Greenville NC	4.75%	10/29/13	98,283
- Morgan Stanley of Salt Lake City UT	5.05%	11/05/13	98,552
- First South Bank of Spartanburg SC	2.75%	11/06/13	101,851
- Citibank National Association	2.70%	11/12/13	244,382
- Discover Bank of Greenwood DE	2.90%	11/12/13	101,995
- American Express Centurion Bank	2.80%	11/25/13	101,975
- Mizuho Corporate Bank USA	0.50%	12/26/13	200,000
- Securant Bank of Menomonee Falls WI	2.50%	12/31/13	102,089
- Reliance Bank of Athens AL	3.35%	01/30/14	97,760
- Traders National Bank of Tullahoma TN	3.35%	01/30/14	97,760
- Grand Bank of Hamilton NJ	1.10%	03/28/14	202,798
- Bar Harbor Bank & Trust of Maine	3.05%	04/30/14	97,896
- Mercantile Bank of Quincy IL	3.45%	06/11/14	98,625

CITY OF HUGO, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
December 31, 2012

	Interest Yield	Maturity	Book Value
Certificates of Deposit (Continued)			
- Compass Bank of Birmingham AL	0.90%	06/30/14	200,478
- FirstBank of Santurce	0.90%	06/30/14	200,480
- GE Capital Bank Retail	1.00%	06/30/14	100,298
- Ally Bank of Midvale UT	2.10%	08/13/14	204,258
- Farm Bureau Bank of Sparks NV	1.30%	09/10/14	204,148
- State Bank India of New York NY	0.80%	11/21/14	100,008
- Bankers Bank of Wichita KS	0.40%	12/22/14	148,278
- Goldman Sachs of New York	0.95%	04/30/15	99,798
- American Express Centurion Bank	1.00%	07/06/15	99,921
- Capital One of Glen Allen VA	2.00%	08/25/15	102,523
- Capital One of McLean VA	2.00%	08/25/15	103,719
- Queensborough Bank of Louisville GA	1.95%	08/28/15	103,626
- First National Bank of Altus OK	1.65%	09/28/15	206,862
- State Bank India of Chicago IL	2.25%	09/29/15	102,815
- Sallie Mae Bank of Murray UT	1.10%	10/05/15	200,042
- Safra National Bank of NY	1.15%	09/14/16	200,390
- Everbank of Jacksonville FL	0.90%	10/17/16	200,008
- Goldman Sachs Bank of NY	2.05%	01/11/17	102,496
- Wells Fargo Bank CD	1.00%	04/19/17	100,839
Total Certificates of Deposit			<u>\$ 6,487,811</u>
Money Market Funds - RBC Wealth Management	0.01%	Open	<u>\$ 7,706,661</u>
Total Money Market Funds			<u>\$ 7,706,661</u>
U.S. Government Securities:			
Federal National Mortgage Association	0.50%	08/05/16	\$ 100,041
Federal Home Loan Bank	1.13%	01/13/17	504,795
Federal National Mortgage Association	0.75%	02/28/17	250,285
Federal National Mortgage Association	0.75%	08/22/17	400,388
Federal National Mortgage Association	1.25%	10/25/17	399,756
Federal National Mortgage Association	1.00%	10/30/17	500,345
Federal National Mortgage Association	0.50%	11/15/17	500,025
Federal National Mortgage Association	1.00%	11/22/17	500,650
Federal National Mortgage Association	0.50%	11/27/17	675,203
Federal National Mortgage Association	0.60%	12/18/17	774,372
Federal National Mortgage Association	0.50%	12/27/17	500,065
Federal National Mortgage Association	0.60%	12/27/17	498,915
Federal National Mortgage Association	1.00%	12/28/17	501,155
Federal National Mortgage Association	0.75%	07/18/18	1,378,053
Federal National Mortgage Association	0.50%	08/21/18	499,950
Federal National Mortgage Association	0.75%	12/27/18	497,955
Federal National Mortgage Association	0.75%	12/27/18	497,540
Federal Home Loan Bank	1.00%	02/27/19	300,375
Federal National Mortgage Association	1.13%	07/18/19	451,152

(Continued)

CITY OF HUGO, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
December 31, 2012

	Interest Yield	Maturity	Book Value
U.S. Government Securities (Continued)			
Federal National Mortgage Association	1.00%	07/30/19	500,610
Federal National Mortgage Association	1.00%	07/30/19	500,385
Federal National Mortgage Association	1.00%	07/30/19	499,705
Federal Home Loan Bank	1.00%	08/13/19	400,320
Federal National Mortgage Association	1.00%	08/28/19	816,093
Federal National Mortgage Association	0.75%	10/11/19	499,945
Federal National Mortgage Association	1.00%	10/25/19	500,095
Federal National Mortgage Association	1.00%	12/27/19	501,140
Federal Home Loan Bank	1.50%	02/21/20	139,549
Federal Home Loan Bank	1.00%	04/29/20	400,840
Federal National Mortgage Association	1.00%	06/17/20	497,685
Federal Home Loan Bank	1.00%	10/30/20	499,630
Federal Home Loan Mortgage Corporation	2.00%	12/22/20	301,275
Federal Home Loan Bank	1.00%	12/28/20	500,496
			<u>500,496</u>
Total U.S. Government Securities			<u>\$16,288,788</u>
Total Investments			<u>\$30,483,260</u>
Total Cash and Investments			<u><u>\$30,888,696</u></u>

**CITY OF HUGO, MINNESOTA
SCHEDULE OF DEBT SERVICE
REQUIREMENTS - ALL FUNDS
DECEMBER 31, 2012**

Year	General Obligation Bonds and Certificates	
	Principal	Interest
2013	\$ 1,515,000	\$ 430,067
2014	1,570,000	383,840
2015	1,395,000	336,706
2016	1,470,000	289,025
2017	1,555,000	236,174
2018	1,650,000	177,598
2019	1,615,000	116,302
2020	1,715,000	52,226
2021	185,000	16,341
2022	180,000	10,913
2023	85,000	6,739
2024	45,000	4,658
2025	45,000	3,375
2026	45,000	2,025
2027	45,000	675
	\$ 13,115,000	\$ 2,066,664

**CITY OF HUGO, MINNESOTA
SCHEDULE OF BONDS PAYABLE
DECEMBER 31, 2012**

	<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>Bonds Retired</u>	<u>Bonds Outstanding - End of Year</u>	<u>Paying Agent</u>
G.O. Special Assessment Bonds 2011 Improvement Bonds	2.00-3.00	2-1; 8-1	11/9/2011	2/1/2027	\$ 110,000 115,000 40,000 45,000	2013-2021 2022 2023 2024-2027	\$ 1,325,000	\$	\$ 1,325,000	1
G.O. Special Assessment Bonds 2010 Improvement Bonds	2.00-2.50	2-1; 8-1	8/1/2010	2/1/2018	\$ 215,000 210,000 125,000 130,000 135,000	2013 2014 2015 2016-2017 2018	\$ 1,155,000	\$ 210,000	\$ 945,000	1
G.O. Special Assessment Bonds 2009A Improvement Bonds	3.00-3.875	2-1; 8-1	7/21/2009	2/1/2020	\$ 95,000 100,000	2013-2018 2019-2020	\$ 865,000	\$ 95,000	\$ 770,000	1
G.O. Tax Abatement Bonds 2009B Tax Abatement Bonds	2.00 - 3.00	2-1; 8-1	11/5/2009	2/1/2020	\$ 250,000 255,000 95,000 100,000 105,000 110,000	2013 2014 2015-2016 2017 2018 2019-2020	\$ 1,370,000	\$ 250,000	\$ 1,120,000	1
G.O. Special Assessment Bonds 2007A Improvement Bonds	4.00-4.15	2-1; 8-1	10/17/2007	2/1/2023	\$ 85,000 80,000 75,000 65,000 45,000	2013 2014-2016 2017-2021 2022 2023	\$ 895,000	\$ 85,000	\$ 810,000	1

**CITY OF HUGO, MINNESOTA
SCHEDULE OF BONDS PAYABLE (CONTINUED)
DECEMBER 31, 2012**

	<u>Rates</u>	<u>Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Annual Amount</u>	<u>Payment Years</u>	<u>Issued</u>	<u>Bonds Retired</u>	<u>Bonds Outstanding</u>	<u>Paying Agent</u>
G.O. Property Tax Bonds										
2004 Capital Improvement Bonds	3.80-4.50	2-1; 8-1	7/1/2004	2/1/2020	\$ 165,000	2013	\$ 1,685,000	\$ 160,000	\$ 1,525,000	1
					170,000	2014				
					180,000	2015				
					185,000	2016				
					195,000	2017				
					200,000	2018				
					210,000	2019				
					220,000	2020				
G. O. Tax Abatement Bonds										
2005 Tax Abatement Bonds	3.40-4.00	2-1; 8-1	5/1/2005	2/1/2020	\$ 595,000	2013	\$ 7,080,000	\$ 460,000	\$ 6,620,000	1
					650,000	2014				
					710,000	2015				
					775,000	2016				
					850,000	2017				
					930,000	2018				
					1,010,000	2019				
					1,100,000	2020				

Paying Agents: 1 - U.S. Bank Trust

Total Bonds Payable

\$ 13,115,000

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CITY OF HUGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)

December 31, 2012

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

<u>Content</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	90
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	100
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	108
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	117
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	122

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

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

	Fiscal Year		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental activities			
Net investment in capital assets	\$ 21,481,371	\$ 21,076,493	\$ 22,085,591
Restricted	3,940,302	3,380,316	
Unrestricted	8,404,295	8,416,890	10,776,350
Total governmental activities net position	<u>\$ 33,825,968</u>	<u>\$ 32,873,699</u>	<u>\$ 32,861,941</u>
Business-type activities			
Net investment in capital assets	\$ 16,152,741	\$ 15,987,237	\$ 15,946,269
Restricted			
Unrestricted	16,235,027	14,173,388	13,395,948
Total business-type activities net position	<u>\$ 32,387,768</u>	<u>\$ 30,160,625</u>	<u>\$ 29,342,217</u>
Primary government			
Net investment in capital assets	\$ 37,634,112	\$ 37,063,730	\$ 38,031,860
Restricted	3,940,302	3,380,316	
Unrestricted	24,639,322	22,590,278	24,172,298
Total primary government net position	<u>\$ 66,213,736</u>	<u>\$ 63,034,324</u>	<u>\$ 62,204,158</u>

Schedule 1

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

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

	Fiscal Year		
	2012	2011	2010
Expenses			
Governmental activities:			
General government	\$ 1,067,927	\$ 1,053,948	\$ 1,085,789
Public safety	1,564,118	1,530,435	1,404,480
Highways and streets	2,433,615	2,672,496	4,981,297
Community development	28,593	194,508	194,704
Parks	578,792	598,387	548,569
Interest on long-term debt	518,671	494,872	687,954
Total governmental activities expenses	<u>6,191,716</u>	<u>6,544,646</u>	<u>8,902,793</u>
Business-Type activities:			
Water and sewer	1,720,993	1,922,499	2,101,368
Total primary government expenses	<u>\$ 7,912,709</u>	<u>\$ 8,467,145</u>	<u>\$ 11,004,161</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 478,209	\$ 292,519	\$ 368,515
Public safety	39,092	50,068	56,813
Highways and streets			
Community development			
Parks	29,113	36,514	112,433
Operating grants and contributions	741,340	775,350	569,054
Capital grants and contributions	420,143	74,332	3,691,149
Total governmental activities program revenues	<u>1,707,897</u>	<u>1,228,783</u>	<u>4,797,964</u>
Business-type activities:			
Charges for services:			
Water and sewer	2,784,960	2,276,159	2,337,983
Capital grants and contributions	149,899	8,927	66,755
Total business-type activities program revenues	<u>2,934,859</u>	<u>2,285,086</u>	<u>2,404,738</u>
Total primary government program revenues	<u>\$ 4,642,756</u>	<u>\$ 3,513,869</u>	<u>\$ 7,202,702</u>

Schedule 2

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

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

	Fiscal Year		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net (Expense) Revenue			
Governmental Activities	\$ (4,483,819)	\$ (5,315,863)	\$ (4,104,829)
Business-type activities	1,213,866	362,587	303,370
Total primary government net revenue	<u>\$ (3,269,953)</u>	<u>\$ (4,953,276)</u>	<u>\$ (3,801,459)</u>
General Revenues and Other Changes In Net Position			
Governmental activities:			
General property taxes	\$ 5,164,809	\$ 5,254,269	\$ 5,770,883
Grants and contributions not restricted to specific programs	9,278	3,753	3,770
Interest income	117,355	173,136	338,671
Miscellaneous	40,171	67,721	9,093
Transfers	104,475	(171,258)	104,813
Total governmental activities	<u>5,436,088</u>	<u>5,327,621</u>	<u>6,227,230</u>
Business-type activities:			
General property taxes			5,033
Grants and contributions not restricted to specific programs			
Interest income	119,149	190,576	300,479
Miscellaneous	998,603	93,987	94,099
Transfers	(104,475)	171,258	(104,813)
Total business-type activities	<u>1,013,277</u>	<u>455,821</u>	<u>294,798</u>
Total primary government	<u>\$ 6,449,365</u>	<u>\$ 5,783,442</u>	<u>\$ 6,522,028</u>
Change in Net Position			
Governmental activities	\$ 952,269	\$ 11,758	\$ 2,122,401
Business-type activities	2,227,143	818,408	598,168
Total primary government	<u>\$ 3,179,412</u>	<u>\$ 830,166</u>	<u>\$ 2,720,569</u>

**Schedule 2
(continued)**

2009	2008	2007	2006	2005	2004
\$ (4,356,456)	\$ (5,629,861)	\$ (4,692,248)	\$ (1,898,343)	\$ (143,603)	\$ 80,288
400,318	1,098,132	1,718,276	2,401,280	6,033,455	7,538,594
<u>\$ (3,956,138)</u>	<u>\$ (4,531,729)</u>	<u>\$ (2,973,972)</u>	<u>\$ 502,937</u>	<u>\$ 5,889,852</u>	<u>\$ 7,618,882</u>
\$ 5,506,486	\$ 5,330,462	\$ 4,808,497	\$ 3,792,821	\$ 3,449,636	\$ 2,861,706
213,564	443,941	214,033	59,883	59,038	55,555
380,820	555,189	598,016	584,561	278,044	119,153
8,101	7,875	56,060	8,181	25,224	8,107
104,708	114,273	(332,841)	(516,498)	966,374	1,883,803
<u>6,213,679</u>	<u>6,451,740</u>	<u>5,343,765</u>	<u>3,928,948</u>	<u>4,778,316</u>	<u>4,928,324</u>
141,153	140,422	140,036	210,764		
7,181	25,504	9,734	3,602	196,665	
451,949	609,365	544,584	387,667	145,279	83,442
92,870	40,999	92,440	73,357	124,851	(101)
(104,708)	(114,273)	332,841	516,498	(966,374)	(1,883,803)
588,445	702,017	1,119,635	1,191,888	(499,579)	(1,800,462)
<u>\$ 6,802,124</u>	<u>\$ 7,153,757</u>	<u>\$ 6,463,400</u>	<u>\$ 5,120,836</u>	<u>\$ 4,278,737</u>	<u>\$ 3,127,862</u>
\$ 1,857,223	\$ 821,879	\$ 651,517	\$ 2,030,605	\$ 4,634,713	\$ 5,008,612
988,763	1,800,149	2,837,911	3,593,168	5,533,876	5,738,132
<u>\$ 2,845,986</u>	<u>\$ 2,622,028</u>	<u>\$ 3,489,428</u>	<u>\$ 5,623,773</u>	<u>\$ 10,168,589</u>	<u>\$ 10,746,744</u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General fund					
Unreserved	\$	\$	\$	\$	\$
Unassigned	2,109,985	2,160,273	2,181,107	2,111,128	2,067,361
Total general fund	<u>2,109,985</u>	<u>2,160,273</u>	<u>2,181,107</u>	<u>2,111,128</u>	<u>2,067,361</u>
All other governmental funds					
Reserved				100,000	251,142
Unreserved, reported in:					
Special revenue funds			436,572	1,806,400	610,038
Debt service funds			3,168,547	2,895,071	2,164,718
Capital projects funds			6,820,406	6,930,513	5,586,276
Restricted	3,940,302	3,380,316			
Committed	1,518,457	714,894			
Assigned	6,716,756	7,679,292			
Total all other governmental funds	<u>12,175,515</u>	<u>11,774,502</u>	<u>10,425,525</u>	<u>11,731,984</u>	<u>8,612,174</u>
Total all other governmental funds	<u>\$ 14,285,500</u>	<u>\$ 13,934,775</u>	<u>\$ 12,606,632</u>	<u>\$ 13,843,112</u>	<u>\$ 10,679,535</u>

Schedule 3

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 1,947,046	\$ 1,812,789	\$ 1,645,666	\$ 1,417,965	\$ 1,182,955
<u>1,947,046</u>	<u>1,812,789</u>	<u>1,645,666</u>	<u>1,417,965</u>	<u>1,182,955</u>
837,142				
1,566,606	1,525,221	1,719,141	706,703	785,557
1,636,187	1,386,953	1,389,277	902,144	399,223
5,063,294	6,610,066	8,273,248	2,791,721	1,747,152
<u>9,103,229</u>	<u>9,522,240</u>	<u>11,381,666</u>	<u>4,400,568</u>	<u>2,931,932</u>
<u>\$ 11,050,275</u>	<u>\$ 11,335,029</u>	<u>\$ 13,027,332</u>	<u>\$ 5,818,533</u>	<u>\$ 4,114,887</u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues					
Property taxes	\$ 5,318,041	\$ 5,223,887	\$ 5,563,298	\$ 5,474,995	\$ 5,278,287
Special assessments	406,071	624,953	316,848	536,069	330,382
Licenses and permits	302,752	167,373	210,829	348,343	1,022,525
Intergovernmental revenues	769,373	792,938	3,372,522	1,345,592	840,100
Charges for services	159,122	120,308	146,107	86,072	153,692
Court fines	39,092	50,068	56,813	47,762	57,026
Other Revenue					
Investment earnings	117,355	173,782	338,671	380,820	555,189
Developer fees				7,752	44,343
Land sales					
Rent	16,765	24,364	29,310	30,697	31,238
Insurance settlement					
Miscellaneous	202,573	204,763	361,557	33,136	35,694
Total Revenues	<u>7,331,144</u>	<u>7,382,436</u>	<u>10,395,955</u>	<u>8,291,238</u>	<u>8,348,476</u>
EXPENDITURES					
General government	958,965	900,935	911,625	964,806	1,336,479
Public safety	1,355,607	1,333,944	1,195,244	1,300,168	1,236,755
Highways and streets	1,157,640	1,166,248	1,307,156	1,073,741	1,264,979
Community development	22,797	181,021	183,342	175,409	157,234
Parks	317,301	297,422	252,874	182,051	161,881
Unallocated	104,377	119,753	109,741	100,323	94,055
Debt service					
Bond principal retirement	1,260,000	1,120,000	2,425,000	785,000	700,000
Interest on bonds	463,374	476,157	676,857	608,321	631,185
Miscellaneous					
Fiscal charges	48,967	52,333	48,463	29,403	5,643
Advance refunding escrow			225,080		
Capital outlay	1,403,591	1,575,007	4,832,777	2,600,215	3,245,278
Total Expenditures	<u>7,092,619</u>	<u>7,222,820</u>	<u>12,168,159</u>	<u>7,819,437</u>	<u>8,833,489</u>
Excess (deficiency) of revenues over (under) expenditures	<u>238,525</u>	<u>159,616</u>	<u>(1,772,204)</u>	<u>471,801</u>	<u>(485,013)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt		1,325,000	1,340,000	2,570,000	
Premium (Discount) on issuance of debt		5,185	20,772	17,068	
Payment to bond escrow agent			(929,861)		
Sale of property	7,725	9,600			
Transfers in	2,076,262	705,068	2,333,972	1,478,522	2,429,789
Transfers out	(1,971,787)	(876,326)	(2,229,159)	(1,373,814)	(2,315,516)
Total other financing sources (uses)	<u>112,200</u>	<u>1,168,527</u>	<u>535,724</u>	<u>2,691,776</u>	<u>114,273</u>
Net change in fund balances	<u>\$ 350,725</u>	<u>\$ 1,328,143</u>	<u>\$ (1,236,480)</u>	<u>\$ 3,163,577</u>	<u>\$ (370,740)</u>
Debt service as a percentage of noncapital expenditures	29.40%	25.82%	30.31%	23.00%	19.40%

Schedule 4

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	4,722,736	\$ 3,789,592	\$ 3,495,567	\$ 2,788,864	\$ 2,501,227
	634,279	104,306	72,416	25,213	30,270
	470,342	644,846	1,240,805	412,679	359,460
	834,501	1,544,215	308,757	524,704	540,980
	169,830	244,965	433,324	241,002	206,565
	61,505	68,469	54,325	40,782	45,120
	598,016	584,561	278,044	119,153	95,344
	37,093	519,176	1,170,971	268,616	46,400
	34,887	54,798	164,832		
		72,020			
	71,270	67,651	89,335	78,002	103,420
	<u>7,634,459</u>	<u>7,694,599</u>	<u>7,308,376</u>	<u>4,499,015</u>	<u>3,928,786</u>
	1,017,392	888,432	892,739	812,345	679,709
	1,021,815	1,010,965	902,814	863,907	715,817
	1,045,845	892,129	765,590	500,972	466,152
	167,518	156,208	147,842	118,086	18,227
	167,084	56,566	50,966	19,142	146,270
	90,862	142,926	98,995	117,250	124,110
	950,000	806,865	675,000	686,866	1,446,866
	625,731	734,359	400,624	321,181	366,988
		54,805			
	6,064	6,364	5,253	4,792	4,141
	<u>3,771,751</u>	<u>4,276,786</u>	<u>4,984,971</u>	<u>3,761,060</u>	<u>1,434,980</u>
	<u>8,864,062</u>	<u>9,026,405</u>	<u>8,924,794</u>	<u>7,205,601</u>	<u>5,403,260</u>
	<u>(1,229,603)</u>	<u>(1,331,806)</u>	<u>(1,616,418)</u>	<u>(2,706,586)</u>	<u>(1,474,474)</u>
	1,270,000	156,000	7,920,000	2,526,429	878,864
	7,690		(61,157)		
					489,612
	1,018,776	661,519	2,489,766	2,519,986	1,835,813
	<u>(1,351,617)</u>	<u>(1,178,017)</u>	<u>(1,523,392)</u>	<u>(636,183)</u>	<u>(989,414)</u>
	<u>944,849</u>	<u>(360,498)</u>	<u>8,825,217</u>	<u>4,410,232</u>	<u>2,214,875</u>
\$	<u>(284,754)</u>	<u>\$ (1,692,304)</u>	<u>\$ 7,208,799</u>	<u>\$ 1,703,646</u>	<u>\$ 740,401</u>
	21.22%	32.45%	27.30%	29.27%	45.71%

**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				
2003	\$ 606,469,600	\$ 6,288,589	\$ 222,147	\$ 6,510,736	\$ 5,897,418	38.762	% 0.01
2004	717,606,700	7,517,483	225,092	7,742,575	6,972,436	35.967	0.01
2005	875,826,200	9,215,726	237,902	9,453,628	8,556,645	35.931	0.01
2006	1,133,074,000	10,826,524	229,117	11,055,641	10,048,262	35.826	0.01
2007	1,470,556,400	13,553,070	245,668	13,798,738	12,674,707	35.144	0.01
2008	1,568,574,700	15,232,828	238,245	15,471,073	14,161,910	34.941	0.01
2009	1,567,781,100	15,492,415	239,741	15,732,156	14,350,560	34.443	0.01
2010	1,485,921,700	15,126,688	262,716	15,389,404	13,891,937	34.274	0.01
2011	1,360,991,900	14,025,951	248,164	14,274,115	12,630,639	34.236	0.01
2012	1,341,568,000	13,065,273	255,652	13,320,925	12,247,068	36.498	0.01

(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
2003	27.543 %	8.159%	35.702 %	30.603%	8.159 %	38.762 %	23.004 - 31.761 %	33.303 %	1.208 - 4.788 %	3.275 %	96.492 - 111.889
2004	24.500	8.744	33.244	27.223	8.744	35.967	18.829 - 27.116	31.201	1.206 - 6.382	3.058	87.538 - 103.724
2005	24.533	8.672	33.205	27.259	8.672	35.931	16.064 - 24.219	28.599	1.606 - 5.415	2.736	82.210 - 96.900
2006	26.012	6.924	32.936	28.902	6.924	35.826	14.060 - 23.075	26.968	1.794 - 4.408	2.427	78.185 - 92.704
2007	26.912	5.242	32.154	29.902	5.242	35.144	12.299 - 22.628	25.673	1.315 - 4.580	2.331	73.772 - 90.356
2008	27.875	3.968	31.843	30.973	3.968	34.941	15.137 - 22.691	25.936	1.608 - 4.532	2.367	76.891 - 90.467
2009	28.660	2.598	31.258	31.845	2.598	34.443	13.455 - 24.480	26.371	1.545 - 4.002	2.351	74.980 - 91.647
2010	27.975	3.191	31.166	31.083	3.191	34.274	12.895 - 26.389	27.775	1.511 - 4.153	2.558	75.905 - 95.149
2011	27.874	3.265	31.139	30.971	3.265	34.236	15.411 - 34.330	29.772	1.725 - 4.275	2.664	80.711 - 105.277
2012	29.403	3.828	33.231	32.67	3.828	36.498	17.331 - 38.360	31.939	2.340 - 4.906	2.909	87.750 - 114.612

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)	2012			2003		
	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	\$ 268,586	1	2.19 %	\$ 228,745	1	3.88 %
Wilson Tool International	211,040	2	1.72	155,384	2	2.63
Victor Hugo Blvd LLC	164,800	3	1.35			
Schwieters Properties	143,824	4	1.17	70,458	3	1.19
Martin Prop LLC	82,158	5	0.67			
4L LLC	77,878	6	0.64			
RJM LLC	59,426	7	0.49	25,770	8	0.44
JWF Victor LLC	58,816	8	0.48			
POAC Investments LLC	56,092	9	0.46			
Fairview Health Services	47,348	10	0.39			
Nor-Lakes Holding Co. LLC				48,930	4	0.83
Minn Pipeline Company				37,050	5	0.63
Oneka Ridge LLC				34,625	6	0.59
Northrop Development LLC				25,892	7	0.44
Grangers, Inc				18,680	9	0.32
Individual				18,410	10	0.31
TOTAL	<u>\$ 1,169,968</u>		<u>9.56 %</u>	<u>\$ 663,944</u>		<u>11.26 %</u>

(1) Source: Washington County Taxation Division

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

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
			Amount	Percentage of Net Levy	
2003	\$ 2,406,690	\$ 2,196,462	\$ 2,163,029	98.48	\$ 33,433
2004	2,655,425	2,456,752	2,421,224	98.55	35,528
2005	3,225,530	3,023,322	2,974,949	98.40	47,501
2006	3,771,811	3,565,418	3,495,075	98.03	68,708
2007	4,652,080	4,424,824	4,282,842	96.79	140,813
2008	5,190,509	4,947,318	4,790,304	96.83	152,655
2009	5,330,059	4,985,828	4,842,016	97.12	132,985
2010	5,218,217	4,932,445	4,742,254	96.14	162,732
2011	4,839,717	4,528,339	4,361,893	96.32	128,525
2012	4,960,596	4,950,356	4,860,849	98.19	

- (1) Tax Levy adjusted for powerlines and market value credit in 2003-2012, and disaster credit in 2009.
(2) On records of Washington County Auditor before allowance for uncollectible and excludes Tax Increment Districts.

Schedule 8

	<u>Total Collections to Date</u>		<u>Total</u>	<u>Delinquent</u>
	<u>Amount</u>	<u>Percentage</u>	<u>Delinquent</u>	<u>Taxes As A</u>
		<u>of Net Levy</u>	<u>Taxes (2)</u>	<u>% Of Total</u>
				<u>Net Tax Levy</u>
\$	2,196,462	100.00		0.00
	2,456,752	100.00		0.00
	3,022,450	99.97	\$ 872	0.03
	3,563,783	99.95	1,635	0.05
	4,423,655	99.97	1,169	0.03
	4,942,959	99.91	4,359	0.09
	4,975,001	99.78	10,827	0.22
	4,904,986	99.44	27,459	0.56
	4,490,418	99.16	37,921	0.84
	4,860,849	98.19	89,507	1.81

**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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Residential	299.950	243.366	252.179	271.084	243.067
Commercial Service	11.616	11.090	11.861	11.462	11.715
Industrial Service	7.211	7.159	6.487	6.644	8.291
Irrigation Service	104.747	73.703	89.290	106.387	72.778
Institutional Service	1.926	1.465	2.025	1.488	1.757
Total gallons	<u>425.450</u>	<u>336.783</u>	<u>361.842</u>	<u>397.065</u>	<u>337.608</u>
Total direct rate per 1,000 gallons	\$ 2.468	\$ 2.553	\$ 2.477	\$ 2.541	\$ 2.593

Sanitary Sewer (in millions of gallons)

<u>Type of Customer</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Residential	299.950	243.366	252.179	271.084	243.067
Commercial	11.616	11.090	11.861	11.462	11.715
Industrial	7.211	7.159	6.487	6.644	8.291
Institutional	1.926	1.465	2.025	1.488	1.757
Total gallons	<u>320.703</u>	<u>263.080</u>	<u>272.552</u>	<u>290.678</u>	<u>264.830</u>
Total direct rate per 1,000 gallons	\$ 3.435	\$ 4.279	\$ 3.647	\$ 3.019	\$ 3.282

Schedule 9

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
245.376	212.100	168.717	150.857	153.621
7.989	8.956	5.465	5.566	5.543
7.539	6.581	7.372	6.600	6.866
93.495	73.192	26.081	25.743	26.626
2.391	2.520	0.597	1.074	0.536
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
356.790	303.349	208.232	189.840	193.192
\$ 2.542	\$ 2.559	\$ 2.615	\$ 2.376	\$ 2.396

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
245.376	212.100	168.717	150.857	153.621
7.989	8.956	5.465	5.566	5.543
7.539	6.581	7.372	6.600	6.866
2.391	2.520	0.597	1.074	0.536
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
263.295	230.157	182.151	164.097	166.566
\$ 2.932	\$ 2.918	\$ 3.010	\$ 2.884	\$ 2.207

**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
2003	\$ 495,000	\$ 2,135,000	\$ 2,720,000	\$ 83,730	\$ 1,235,000	\$	\$	\$ 6,668,730
2004	340,000	2,045,000	2,575,000	41,865	980,000	2,560,000		8,541,865
2005	180,000	1,945,000	2,420,000	41,865	720,000	2,560,000	7,920,000	15,786,865
2006	90,000	1,835,000	2,260,000		455,000	2,420,000	7,920,000	14,980,000
2007	1,230,000	1,560,000	2,090,000	40,000	180,000	2,280,000	7,920,000	15,300,000
2008	1,180,000	1,465,000	1,910,000	40,000		2,135,000	7,870,000	14,600,000
2009	2,040,000	1,360,000	1,720,000			1,990,000	9,275,000	16,385,000
2010	1,950,000					3,180,000	9,040,000	14,170,000
2011	3,085,000					2,840,000	8,450,000	14,375,000
2012	2,905,000					2,470,000	7,740,000	13,115,000

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>
2,970,000	\$ 2,970,000	\$ 9,638,730	0.03	\$ 1,151
2,815,000	2,815,000	11,356,865	0.03	1,296
2,650,000	2,650,000	18,436,865	0.05	1,953
2,480,000	2,480,000	17,460,000	0.04	1,685
2,305,000	2,305,000	17,605,000	0.03	1,464
2,120,000	2,120,000	16,720,000	0.03	1,330
1,925,000	1,925,000	18,310,000	0.03	1,393
		14,170,000	0.02	1,063
		14,375,000	0.02	1,062
		13,115,000	N/A	955

**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	Less: Available in Debt Service	Net General Bonded Debt Outstanding
2003	\$ 495,000	\$ 2,135,000	\$ 2,720,000	\$ 1,235,000	\$ 2,560,000	\$	\$ 2,970,000	\$ 9,555,000	\$ (750,257)	\$ 8,804,743
2004	340,000	2,045,000	2,575,000	980,000	2,560,000		2,815,000	11,315,000	(321,277)	10,993,723
2005	180,000	1,945,000	2,420,000	720,000	2,560,000	7,920,000	2,650,000	18,395,000	(1,271,585)	17,123,415
2006	90,000	1,835,000	2,260,000	455,000	2,420,000	7,920,000	2,480,000	17,460,000	(1,241,609)	16,218,391
2007	1,230,000	1,560,000	2,090,000	180,000	2,280,000	7,920,000	2,305,000	17,565,000	(1,452,523)	16,112,477
2008	1,180,000	1,465,000	1,910,000		2,135,000	7,870,000	2,120,000	16,680,000	(1,941,654)	14,738,346
2009	2,040,000	1,360,000	1,720,000		1,990,000	9,275,000	1,925,000	18,310,000	(2,451,764)	15,858,236
2010	1,950,000				3,180,000	9,040,000		14,170,000	(2,720,919)	11,449,081
2011	3,085,000				2,840,000	8,450,000		14,375,000	(3,135,598)	11,239,402
2012	2,905,000				2,470,000	7,740,000		13,115,000	(4,480,742)	8,634,258

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

Schedule 11

<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
1.45	1,051
1.53	1,255
1.96	1,814
1.43	1,565
1.10	1,340
0.94	1,172
1.01	1,207
0.77	859
0.83	830
0.64	628

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

December 31, 2012

<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	\$ 99,430,000	13.20%	\$ 13,124,760
Independent School District #831	26,740,000	3.60%	962,640
Independent School District #832	59,479,306	5.00%	2,973,965
Independent School District #834	53,260,000	1.00%	532,600
Other debt			
Washington County	139,195,000	5.80%	8,073,310
Metropolitan Council	17,330,000	0.50%	86,650
Regional Transit	327,475,000	0.60%	<u>1,964,850</u>
Subtotal, overlapping debt			27,718,775
City direct debt	8,634,259		<u>8,634,259</u>
Total direct and overlapping debt			<u><u>\$ 36,353,034</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				
	2012	2011	2010	2009	2008
Debt limit	\$ 36,356	\$ 39,099	\$ 42,332	\$ 43,873	\$ 43,092
Total net debt applicable to limit	<u>1,767</u>	<u>2,179</u>	<u>2,537</u>	<u>2,891</u>	<u>3,263</u>
Legal debt margin	\$ 34,589	\$ 36,920	\$ 39,795	\$ 40,982	\$ 39,829
Total net debt applicable to the limit as a percentage of debt limit	4.86%	5.57%	5.99%	6.59%	7.57%

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 2012

Taxable Market Value	\$1,211,854,900
Debt Limit (3% of market value)	36,355,647
Debt applicable to limit:	
General obligation bonds	2,470,000
Less: Amount set aside for repayment of general obligation debt	<u>(703,427)</u>
Total net debt applicable to limit	1,766,573
Legal debt margin	<u>\$ 34,589,074</u>

2007	2006	2005	2004	2003
\$ 29,411	\$ 22,661	\$ 17,517	\$14,352	\$ 12,129
<u>3,740</u>	<u>4,604</u>	<u>5,242</u>	<u>5,810</u>	<u>3,761</u>
\$ 25,671	\$ 18,057	\$ 12,275	\$ 8,542	\$ 8,368
12.72%	20.32%	29.93%	40.48%	31.01%

**CITY OF HUGO, MINNESOTA
PLEGDED 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	
2003	\$ 2,110,401	\$ 883,095	\$ 1,227,306	\$ 290,000	\$ 135,043	2.89
2004	3,931,129	901,294	3,029,835	155,000	119,748	11.03
2005	6,176,366	1,252,698	4,923,668	165,000	114,438	17.62
2006	4,125,009	1,313,253	2,811,756	170,000	108,615	10.09
2007	4,095,374	1,043,879	3,051,495	175,000	102,351	11.00
2008	3,578,618	1,165,722	2,412,896	185,000	95,382	8.61
2009	3,248,863	1,570,104	1,678,759	195,000	87,736	5.94
2010	2,760,541	1,564,187	1,196,354	1,925,000	25,958	0.61
2011	2,569,649	1,405,593	1,164,056			
2012	3,920,983	1,196,586	2,724,397			

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

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

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

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

YEAR	POPULATION (1)	PERSONAL INCOME (thousands of dollars)	PER CAPITA PERSONAL INCOME (2)	STATE UNEMPLOYMENT RATE (3)	CITY UNEMPLOYMENT RATE (3)
2003	8,375	\$ 331,072	\$ 39,531	4.8	4.0
2004	8,760	370,495	42,294	4.3	3.4
2005	9,440	401,965	42,581	4.2	3.6
2006	10,361	464,390	44,821	4.4	3.6
2007	12,022	561,764	46,728	5.0	4.2
2008	12,573	603,617	48,009	6.3	6.1
2009	13,140	600,813	45,724	7.6	7.1
2010	13,332	627,044	47,033	7.0	6.3
2011	13,536	670,343	49,523	5.8	5.2
2012	13,739	N/A	N/A	5.4	4.8

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

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

<u>Employer</u>	<u>2012</u>			<u>2003</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	33.4%	520	1	29.4%
JL Schwieters	103	2	8.6%	200	2	11.3%
Oneka Elementary School	95	3	7.9%			
Schwieters Companies Inc	85	4	7.1%	50	7	2.8%
Blue Heron Grille	83	5	6.9%			
Festival Foods	75	6	6.3%			
Glamos Wire/Donner Industries	65	7	5.4%	60	6	3.4%
Northland Pallet	52	8	4.3%			
Wild Wings Game Farm	50	9	4.2%			
Stockness Construction	40	10	3.3%			
Arnt Construction				130	3	7.4%
Kieger Enterprises				117	4	6.6%
Lametti & Sons, Inc.				75	5	4.2%
SB Commercial Construction				50	7	2.8%
Northside Construction Inc				49	8	2.8%
American Structural Metal, Inc.				44	9	2.8%
Granger's Inc.				30	10	1.7%

- (1) Telephone survey of individual employers, June 2012
- (2) Telephone survey of individual employers, October 2003
- (3) City staff estimate

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

Function	2012	2011	2010	2009	2008
City Administrator	1.00	1.00	1.00	2.00	1.95
City Clerk	1.00	1.00	1.00	1.00	1.00
Finance	2.00	2.00	2.00	2.00	2.00
Planning and Zoning	1.00	1.00	1.00	1.00	1.00
General Government Buildings	0.00	0.36	0.36	0.50	0.50
Engineering	1.00	1.00	1.00	1.00	1.00
General Government	<u>6.00</u>	<u>6.36</u>	<u>6.36</u>	<u>7.50</u>	<u>7.45</u>
Fire	2.50	2.50	2.50	2.50	2.50
Building Inspections	3.00	3.00	3.69	4.00	4.00
Public Safety	<u>5.50</u>	<u>5.50</u>	<u>6.19</u>	<u>6.50</u>	<u>6.50</u>
Streets and Roadways	6.34	6.34	6.34	6.34	6.34
Public Works	<u>6.34</u>	<u>6.34</u>	<u>6.34</u>	<u>6.34</u>	<u>6.34</u>
Parks	4.52	4.52	4.52	3.09	3.09
Parks and Recreation	<u>4.52</u>	<u>4.52</u>	<u>4.52</u>	<u>3.09</u>	<u>3.09</u>
Community Development	0.50	2.00	2.00	2.00	2.00
	0.50	2.00	2.00	2.00	2.00
Total Governmental Activities	<u>22.86</u>	<u>24.72</u>	<u>25.41</u>	<u>25.43</u>	<u>25.38</u>
Water Utility	1.33	1.33	1.33	1.33	1.33
Sewer Utility	1.33	1.33	1.33	1.33	1.33
Total Business Activities	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>
Totals for Organization	<u>25.52</u>	<u>27.38</u>	<u>28.07</u>	<u>28.09</u>	<u>28.04</u>

Source: City's Adopted Budgets

Schedule 17

2007	2006	2005	2004	2003
1.91	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00
2.00	1.75	1.75	1.50	1.25
0.50	0.50	0.50	0.25	0.25
1.00	1.00	1.00	1.00	1.00
<u>7.41</u>	<u>6.25</u>	<u>6.25</u>	<u>5.75</u>	<u>5.50</u>
2.50	2.50	2.50	2.50	2.50
4.00	5.75	3.50	2.25	2.00
<u>6.50</u>	<u>8.25</u>	<u>6.00</u>	<u>4.75</u>	<u>4.50</u>
6.34	6.34	5.34	4.34	3.34
<u>6.34</u>	<u>6.34</u>	<u>5.34</u>	<u>4.34</u>	<u>3.34</u>
2.29	1.25	1.00	0.50	0.50
<u>2.29</u>	<u>1.25</u>	<u>1.00</u>	<u>0.50</u>	<u>0.50</u>
2.00	2.00	2.00	2.00	2.00
<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
24.54	24.09	20.59	17.34	15.84
1.33	1.33	1.33	1.33	1.33
1.33	1.33	1.33	1.33	1.33
<u>2.66</u>	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>
<u>27.20</u>	<u>26.75</u>	<u>23.25</u>	<u>20.00</u>	<u>18.50</u>

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

Function/Program	2012	2011	2010	2009	2008
Planning and Zoning					
Conditional use permits	1	6	6	4	2
Minor subdivisions	0	4	1	1	1
Plats/Planned unit developments	1	2	3	3	8
Rezoning	0	1	1	0	1
Site plans	5	3	3	0	5
Variances	3	2	6	4	11
Fire					
Total emergency responses	573	537	609	550	496
EMS responses	356	371	437	402	362
Fire responses	217	166	172	148	134
Building Inspections					
Residential permit valuations (thousands of dollars)	18,083	11,160	16,254	26,625	59,953
Commercial permit valuations (thousands of dollars)	10,482	783	1,042	2,739	6,925
New dwelling units	89	50	86	147	184
Water Utility					
Number of customers	3,109	3,077	2,973	2,880	2,774
Average daily consumption (thousands of gallons)	1,166	923	991	1,088	925
Sanitary Sewer Utility					
Number of customers	3,248	3,119	3,098	3,005	2,894
Average daily flow (thousands of gallons)	879	721	747	796	726

Sources: Various City Department's annual budget workload measurements

Schedule 18

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
10	10	7	5	8
1	1	1	6	4
5	9	4	11	14
1	1	2	4	3
4	5	5	4	7
12	10	17	12	20
433	417	415	307	331
315	321	302	223	228
118	96	113	84	103
34,132	47,599	106,447	34,500	35,982
5,244	7,646	24,385	3,413	3,649
250	341	801	207	227
2,611	2,376	2,062	1,750	1,624
978	831	570	520	529
2,732	2,499	2,181	1,851	1,725
721	631	499	450	456

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

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Bituminous streets (miles)	70	69	68	68	68	68	67	66	59	52
Gravel streets (miles)	20	21	21	21	21	21	21	21	21	21
Street lights	910	910	899	881	869	845	742	700	683	653
Storm sewer (miles)	33	33	33	33	33	32	32	32	28	25
Park & Recreation										
Acres of parkland	385.0	385.0	385.0	385.0	260.0	260.0	221.4	118.7	118.7	108.4
Number of parks	14	14	14	14	13	13	11	5	5	4
Water Utility										
Miles of watermain	55	55	54	54	54	54	51	48	37	33
Number of fire hydrants	666	661	653	640	631	625	625	587	452	360
Sanitary Sewer Utility										
Miles of sanitary sewer	51	51	50	50	50	50	47	45	38	28

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

CITY OF HUGO, MINNESOTA

OTHER REPORT SECTION

December 31, 2012

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, 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, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2013.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota State Statutes Sec. 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories.

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

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

Smith, Schafu and Associates, Ltd.

Maplewood, Minnesota
June 14, 2013

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