



Comprehensive Annual Financial Report

For the Year Ended December 31, 2018

City of Hugo, MN

CITY OF HUGO, MINNESOTA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

**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, 2018

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CITY OF HUGO, MINNESOTA

INTRODUCTORY SECTION

December 31, 2018

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

June 19, 2019

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, 2018.

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, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hugo's financial statements for the fiscal year ended December 31, 2018 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, 2018 as the City did not participate in any programs that required this additional independent audit.

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

CITY OF HUGO, MINNESOTA

PROFILE OF THE GOVERNMENT

The Village of Hugo was incorporated in 1906. In January, 1972, the Township of Oneka and the Village were consolidated, creating the City of Hugo. The City is located approximately 17 miles northeast of the Minneapolis/Saint Paul metropolitan area. Located in Washington County, it covers an area of 36 square miles and has an estimated population of 15,247.

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

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

The annual budget serves as the foundation for the city's financial planning and control. All departments and agencies of the city submit requests for appropriation to the city's finance director in August of each year. The finance director uses these requests as the starting point for developing a proposed budget. The finance director then provides this proposed budget to the council for review. Work sessions are then held with the council covering each department budget. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than December 31, the close of the city's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between funds, however, require the special approval of the city council. Budget-to-actual comparisons are provided in this report for all funds for which an appropriate annual budget has been adopted. These funds are the general fund, special park fund, firefighter's relief fund, tax increment financing collection fund, abatement levy offset fund, general obligations bond fund, compensated absences fund, and property and equipment acquisition fund. Annual budgets are not prepared for the remaining funds. For the general fund, this comparison is presented starting on page 22. For nonmajor governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 72.

FACTORS AFFECTING FINANCIAL CONDITION

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

Economic condition and outlook. The city's tax base, as measured by total tax capacity, increased 11.1% from a year ago, and has recovered 39% from the low set in 2013, evidencing both Hugo's favorable location in the Twin Cities metropolitan area as well as significant residential and commercial development. Rapid growth is further reflected in population estimates in 2018 (15,247), or a 139% increase over the 2000 census count.

CITY OF HUGO, MINNESOTA

Economic condition and outlook (continued)

The city has continued to see strong residential development. From 2009 to 2018, an average of 67 single-family homes and 18 townhome/condo dwellings were constructed each year. During 2018, 126 new single-family housing units and 8 new townhome units were constructed with a value of \$36,949,000. New residential development is expected to remain strong in 2019.

Commercial development is also increasing in response to the growing population and increasing demand for goods and services. Over \$40,000,000 in new commercial development has been constructed within the past five years, including health clinics, dental clinics, daycare facilities and other businesses located primarily along the newly improved CSAH 8 corridor and adjacent to the City's main industrial park.

The city's tax base is comprised mainly of residential homestead (69.3%) and commercial/industrial property (14.0%). The balance consists of non-homestead residential property (11.2%), agricultural and seasonal recreational property (3.7%), and personal property (1.8%).

The ten largest taxpayers make up 10.0% of the city's net tax capacity, providing the city with a stable source of property tax revenue. The city's industrial parks contain five major employers with a total employee count in excess of 900. Median Effective Buying Income (EBI) is 135% of the state median.

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

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

- 2040 Comprehensive Plan. The city is nearing completion on updating its comprehensive plan, which occurs on a 10-year cycle. The plan will accommodate a population of 40,000 by the year 2040, and include development of a diverse mix of housing options, connected by a robust pedestrian trail network and ultimately a multi-modal transportation system. A major focus of the city council within this planning cycle is economic development. The city has set aside land for the development of multiple employment centers along transportation corridors, especially TH 61, CSAH 8 and CSAH 4.
- Transportation Corridor Planning. The city has partnered with the State of Minnesota, Washington County, Regional Rail Authority, and adjacent cities and counties to develop plans for future transportation improvements. Planned improvements include right-of-way preservation and expansion of several roadways into multi-lane, multi-functional transportation corridors that can accommodate the vehicle, pedestrian and mass transit growth needs expected to occur in the city by the year 2040.

CITY OF HUGO, MINNESOTA

Long-term financial planning (continued)

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hugo, Minnesota for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This was the eighteenth consecutive year that the city has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Ronald J. Otkin
Finance Director



Bryan J. Bear
City Administrator



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hugo
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

**CITY OF HUGO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
December 31, 2018**

POSITION	NAME	TERM EXPIRES
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ELECTED OFFICIALS

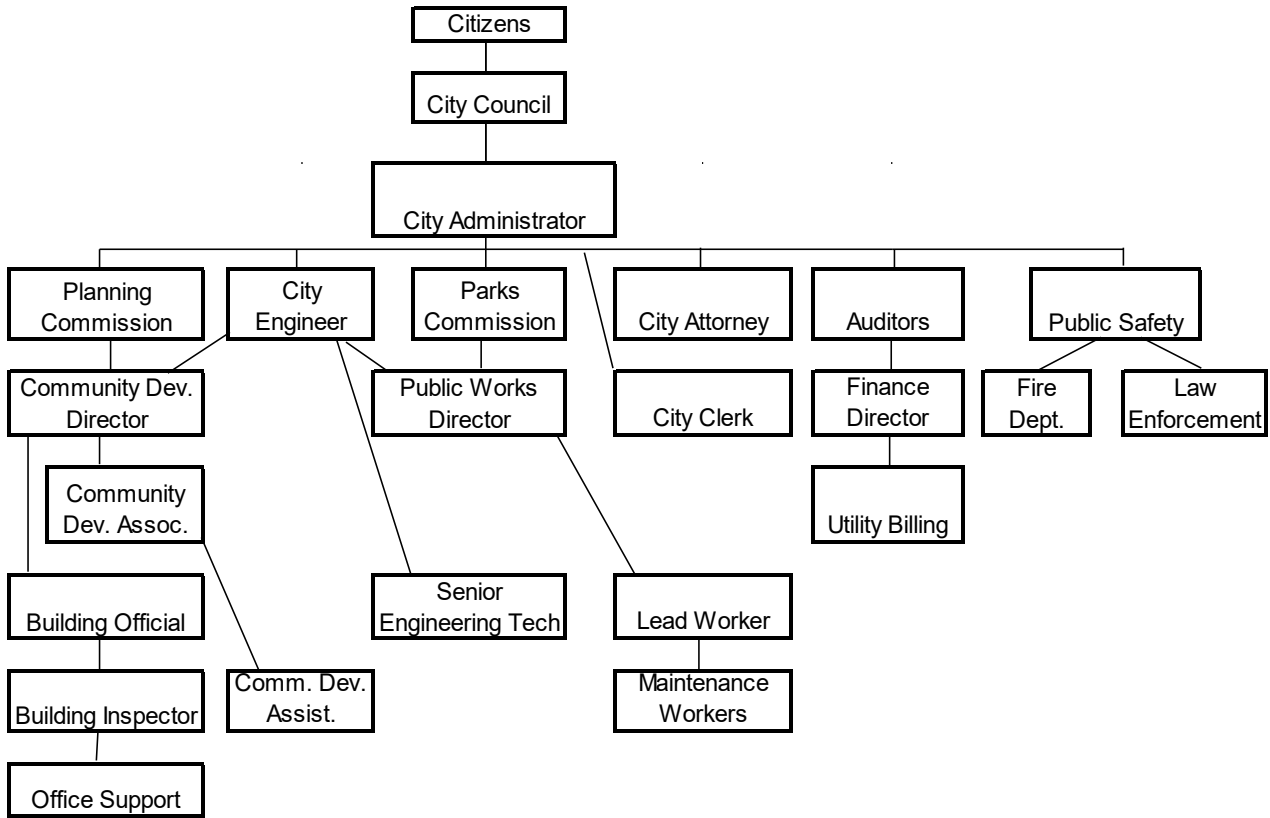
City Council:

Mayor	Tom Weidt	December 31, 2020
Council Member Ward I	Becky Petryk	December 31, 2022
Council Member Ward II	Phil Klein	December 31, 2020
Council Member Ward III	Chuck Haas	December 31, 2022
Council Member At Large	Mike Miron	December 31, 2020

APPOINTED OFFICIALS

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

**CITY OF HUGO, MINNESOTA
ORGANIZATIONAL CHART
December 31, 2018**



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CITY OF HUGO, MINNESOTA
FINANCIAL SECTION
December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hugo, Minnesota as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hugo, Minnesota, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Information (continued)

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

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

Smith, Schepke and Associates, Ltd.

Minneapolis, Minnesota
June 19, 2019

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

As management of the City of Hugo, Minnesota, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Hugo for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in pages i – iv of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Hugo exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$90,832,950 (*net position*). Of this amount, \$37,772,834 (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 \$8,533,911, primarily due to charges for services and other income in the City's sewer and water fund in excess of operating expenses (including depreciation) as well as capital grants and contributions and property tax revenues received by governmental activities.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,083,467 or 65 percent of total general fund expenditures. Given the uncertainty of state funding, to plan for the future and to be prepared for any contingencies, the City believes this is an appropriate amount.
- As of the close of the current fiscal year, the City of Hugo's governmental funds reported combined ending fund balances of \$19,944,994.
- The City of Hugo decreased general long-term debt obligations by \$1,680,000 during the current fiscal year primarily as a result of scheduled debt service payments.
- The City was again recognized in 2018 by the Government Finance Officers Association of the United States and Canada (GFOA) for obtaining a Certificate of Achievement for Excellence in Financial Reporting.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Hugo that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Hugo include general government, community development, public safety, highways and streets, and parks. The business-type activities of the City of Hugo includes the sewer and water fund. The government-wide financial statements can be found on pages 15-17 of this report.

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

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

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

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The City of Hugo adopts an annual budget for its general fund and certain special revenue, debt service and capital project funds. Budgetary comparison statements have been provided for the general fund (pages 22-26), the special park fund (page 72), the firefighter's relief fund (page 73), the tax increment financing collection fund (page 74), the abatement levy offset fund (page 75), and the other debt service and capital project funds with a budget (pages 76-78) to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 18-21 of this report.

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

Proprietary funds. The City of Hugo maintains one type of proprietary fund – enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Hugo uses enterprise funds to account for its sewer and water operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer and water fund, which is considered to be a major fund of the City of Hugo. The basic proprietary fund financial statements can be found on pages 27-29 and 79 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-67 of this report.

Other information. The combining and individual fund statements referred to earlier in connection with nonmajor governmental funds can be found on pages 70-78 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hugo, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$90,832,950 at the close of the most recent fiscal year. A significant portion of the City of Hugo's net position (54 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The balance of the City's net investment in capital assets increased 8 percent from the prior year due primarily to the addition of infrastructure-type assets and purchases of machinery and equipment. The City of Hugo uses its capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Hugo's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Hugo, Minnesota's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 26,164,161	\$ 23,433,367	\$ 23,196,566	\$ 20,984,390	\$ 49,360,727	\$ 44,417,757
Capital assets	32,901,599	30,360,801	18,150,804	17,708,355	51,052,403	48,069,156
Total assets	59,065,760	53,794,168	41,347,370	38,692,745	100,413,130	92,486,913
Deferred outflows of resources	198,255	161,624	46,735	34,314	244,990	195,938
Long-term liabilities outstanding	5,384,636	7,263,603	268,173	306,854	5,652,809	7,570,457
Other liabilities	3,553,358	2,593,055	111,547	96,111	3,664,905	2,689,166
Total liabilities	8,937,994	9,856,658	379,720	402,965	9,317,714	10,259,623
Deferred inflows of resources	442,248	110,739	65,208	13,450	507,456	124,189
Net position:						
Net investment in capital assets	31,052,932	27,782,762	18,150,804	17,708,355	49,203,736	45,491,117
Restricted	3,856,380	4,964,391			3,856,380	4,964,391
Unrestricted	14,974,461	11,241,242	22,798,373	20,602,289	37,772,834	31,843,531
Total net position	\$ 49,883,773	\$ 43,988,395	\$ 40,949,177	\$ 38,310,644	\$ 90,832,950	\$ 82,299,039

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

An additional portion of the City of Hugo's net position (4 percent) represents resources that are subject to external restrictions on how they may be used. The balance of the City's restricted net position decreased 22 percent from the prior year, primarily as a result of scheduled debt service payments made during the year. The City of Hugo's balance of *unrestricted net position* at December 31, 2018 (\$37,772,834) may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position increased by 19 percent during the year due primarily to property taxes and capital grants received for street and utilities construction.

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

Governmental activities. Governmental activities increased the City of Hugo's net position by \$5,895,378. The most significant factors accounting for this increase relate to property taxes, capital grants and contributions, and increased service revenue as a result of housing development within the City.

Business-type activities. Business-type activities increased the City of Hugo's net position by \$2,638,533. The majority of this increase is attributable to noncash capital contributions and charges for services.

A condensed version of the Statement of Activities follows:

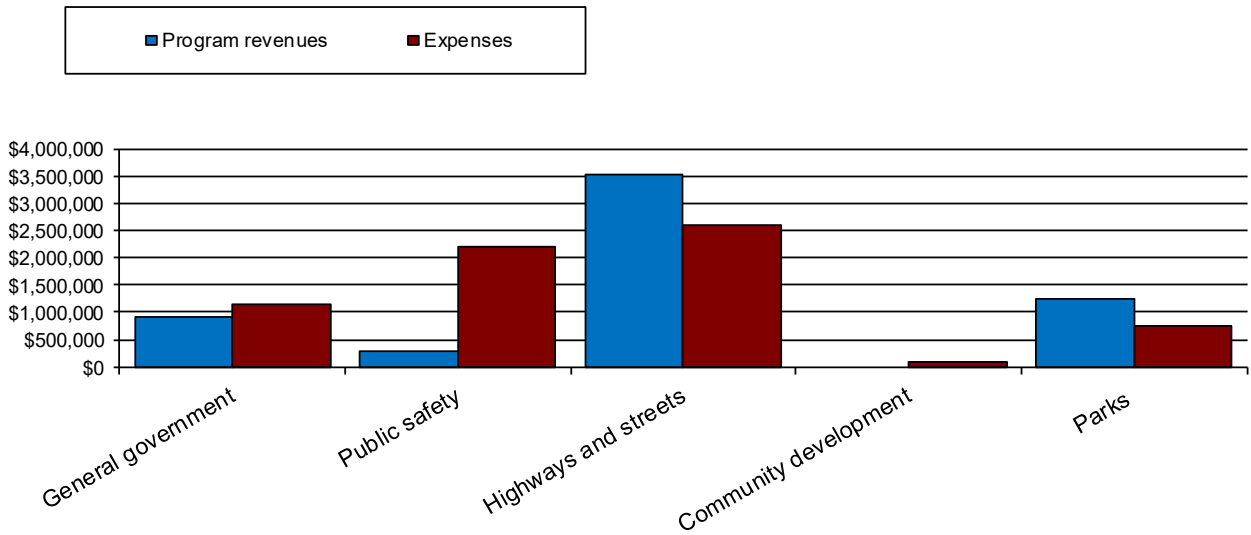
City of Hugo, Minnesota's Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 952,867	\$ 898,483	\$ 3,317,341	\$ 2,667,449	\$ 4,270,208	\$ 3,565,932
Operating grants and contributions	312,052	348,677			312,052	348,677
Capital grants and contributions	4,699,335	1,208,198	1,015,084	1,388,622	5,714,419	2,596,820
General revenues:						
Property taxes	6,574,311	6,145,465	269,124		6,843,435	6,145,465
Grants and contributions not restricted to specific programs	11,437	11,911	517		11,954	11,911
Refund of unused tax increment	(237,112)				(237,112)	
Other	341,928	141,469	554,705	398,778	896,633	540,247
Total revenues	<u>12,654,818</u>	<u>8,754,203</u>	<u>5,156,771</u>	<u>4,454,849</u>	<u>17,811,589</u>	<u>13,209,052</u>
Expenses:						
General government	1,161,448	1,276,421			1,161,448	1,276,421
Public safety	2,195,157	1,853,038			2,195,157	1,853,038
Highways and streets	2,594,452	2,562,574			2,594,452	2,562,574
Community development	77,154	104,902			77,154	104,902
Parks	759,167	695,431			759,167	695,431
Interest on long-term debt	80,331	105,337			80,331	105,337
Sewer and water			2,409,969	2,610,342	2,409,969	2,610,342
Total expenses	<u>6,867,709</u>	<u>6,597,703</u>	<u>2,409,969</u>	<u>2,610,342</u>	<u>9,277,678</u>	<u>9,208,045</u>
Increase in net position before transfers	5,787,109	2,156,500	2,746,802	1,844,507	8,533,911	4,001,007
Transfers	108,269	107,560	(108,269)	(107,560)		
Increase in net position	5,895,378	2,264,060	2,638,533	1,736,947	8,533,911	4,001,007
Net position, beginning of year	43,988,395	41,724,335	38,310,644	36,573,697	82,299,039	78,298,032
Net position, end of year	<u>\$ 49,883,773</u>	<u>\$ 43,988,395</u>	<u>\$ 40,949,177</u>	<u>\$ 38,310,644</u>	<u>\$ 90,832,950</u>	<u>\$ 82,299,039</u>

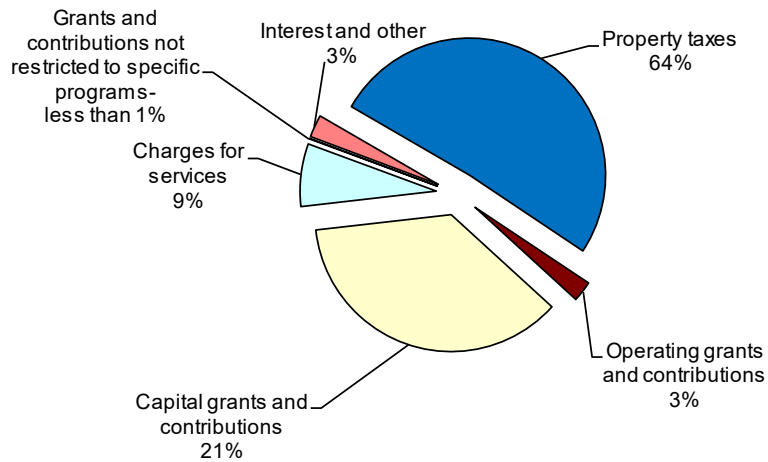
CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



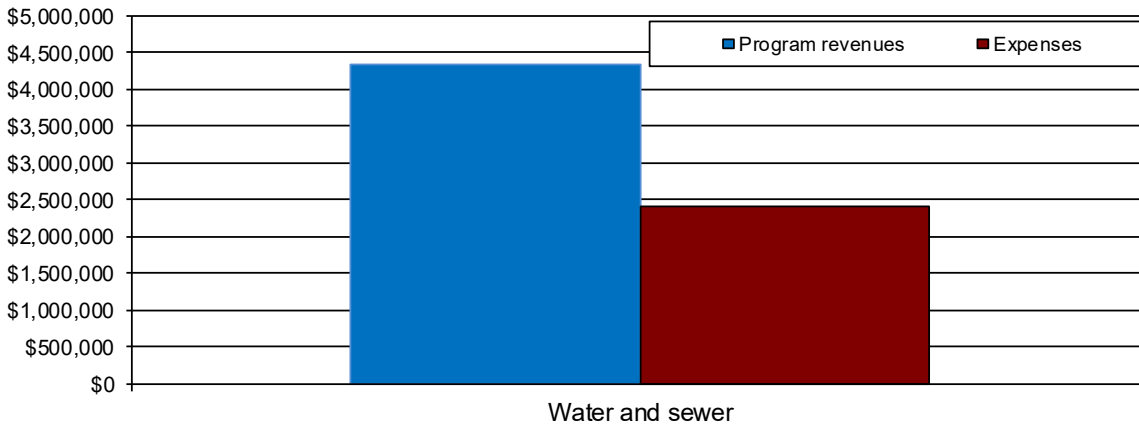
Revenues by Source - Governmental Activities



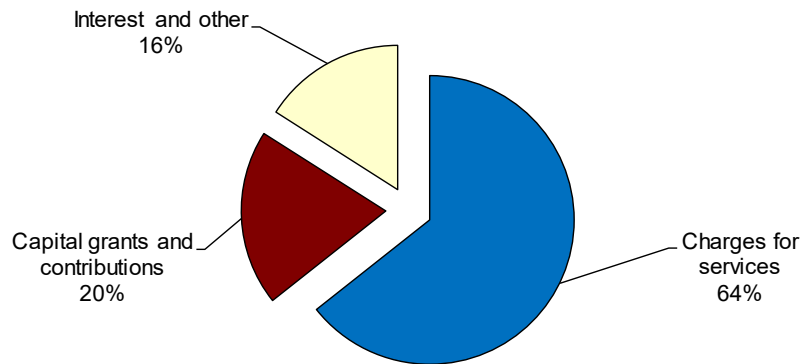
**CITY OF HUGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$19,944,994, an increase of \$2,385,563 from the prior year primarily as a result of increased licenses and permits and developer fees due to increased building in the City. The entire ending fund balance of the governmental funds constitutes *spendable fund balance*, which is further classified as *restricted, committed, assigned or unassigned*.

The general fund is the chief operating fund of the City of Hugo. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,083,467. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 65 percent of total general fund expenditures.

The general fund's total fund balance increased by \$374,549 during the current fiscal year. This year's increase was primarily due to property taxes, licenses and permits and charges for services revenues in excess of expectations related to increased building activity.

The general obligations bonds fund decreased its fund balance by \$141,480 for the year due primarily to debt service payments in excess of property taxes and intergovernmental revenues allocated to this fund.

The public improvements fund increased its fund balance by \$2,578,945 for the year due primarily to developer fees, intergovernmental revenues, transfers from other funds and collection of property taxes and special assessments in excess of capital outlay expenditures.

The property and equipment acquisition fund increased its fund balance by \$100,242 for the year due primarily to property taxes, intergovernmental revenues and transfers from other funds in excess of capital outlay expenditures.

The special revenue funds decreased their fund balances by \$315,519 for the year due primarily to the refund of unused tax increment.

The debt service funds (other than the general obligations fund as described as a major fund above) have a total fund balance of \$539,677 as of December 31, 2018. These fund balances decreased by \$211,174 for the year due primarily to transfers to other funds for bond principal and interest payments.

CITY OF HUGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The unrestricted net position in the respective proprietary fund totaled \$22,798,373 at December 31, 2018. The proprietary fund's net position increased by \$2,638,533 due largely to one-time infrastructure fees for new development and noncash capital contributions from developers.

Although metered water connections increased by 3.0% in 2018, revenue from the sale of water increased 39.5%. This was primarily due to the implementation of a conservation rate schedule designed to curb excess water use. Usage above quarterly averages are charged at higher rates. The direct rate per 1,000 gallons increased from \$2.53 in 2017 to \$3.52 in 2018.

Sewer connections increased 2.9% in 2018, but revenue increased 17.7%. Rates were adjusted to provide adequate funds to cover operating costs, including depreciation, and provide for positive operating income. The cost of sewage treatment imposed by the Metropolitan Council is the largest single expense and continues to increase each year.

General Fund Budgetary Highlights

The city's general fund operations remain healthy due to historically sound financial management and conservative budgeting practices. The general fund balance of \$3.1 million is 65% of general fund expenditures. The City's general fund year end results were better than budgeted, particularly in nonbusiness licenses revenue and charges for services, as well as highways and street expenses and park expenses for which the city traditionally budgets conservatively. The city no longer receives local government aid from the state. This loss in aid created short-term pressures which were offset by budget planning and the city now has more stability in its revenue stream as it will no longer be as vulnerable to additional state reductions. Significant differences between the final budget and actual results can be briefly summarized as follows:

- Property tax revenues exceeded budget by \$161,411 due to receipt of unused tax increment distributed by the County.
- Licenses and permits revenue exceeded budget by \$495,293 due primarily to higher than budgeted building permit revenue as a result of increased construction in the City.
- Charges for services revenue exceeded budget by \$177,871 due primarily to various fees related to increased construction in the City.
- General government expenditures were less than budget by \$164,175 due primarily to lower than budgeted engineering and assessing expenditures.
- Highways and streets expenditures were less than budget by \$340,068 due primarily to lower than expected street materials and repairs and maintenance costs.
- Parks expenditures were less than budget by \$82,044 due primarily to lower than expected insurance premiums for park facilities and lower expenses for park programming activities.

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

Capital Asset and Debt Administration

Capital assets. The City of Hugo's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounts to \$51,052,403 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and highways. The total increase in the City of Hugo's reported investment in capital assets for the current fiscal year was \$2,983,247, or 6.2 percent. The increase in governmental activities and in business-type activities capital assets is due primarily to various street construction projects within the City during 2018.

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

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,636,181	\$ 4,632,761	\$ 259,560	\$ 259,560	\$ 4,895,741	\$ 4,892,321
Construction in progress			208,662	61,499	208,662	61,499
Buildings	3,380,031	3,415,408	17,308,037	17,212,225	20,688,068	20,627,633
Improvements other than buildings	80,984	190,742			80,984	190,742
Machinery and equipment	2,673,042	2,414,535	374,545	175,071	3,047,587	2,589,606
Infrastructure	22,131,361	19,707,355			22,131,361	19,707,355
Total	<u>\$ 32,901,599</u>	<u>\$ 30,360,801</u>	<u>\$ 18,150,804</u>	<u>\$ 17,708,355</u>	<u>\$ 51,052,403</u>	<u>\$ 48,069,156</u>

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

Long-term debt. At the end of the current fiscal year, the City of Hugo had \$3,920,000 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	
	2018	2017	2018	2017	2018	2017
General obligation bonds	<u>\$ 3,920,000</u>	<u>\$ 5,600,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,920,000</u>	<u>\$ 5,600,000</u>

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

The City of Hugo's total bonds, certificates and notes payable decreased by \$1,680,000 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3:D., beginning on page 49.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Hugo (Washington County) ended 2018 at 2.6 percent, down from 2.7 percent a year ago. This compares favorably to the State of Minnesota average unemployment rate of 3.2 percent and the United States average rate of 3.9 percent.
- Hugo continues to see new construction growth, primarily in residential properties. The city's total estimated market value increased 10% for taxes payable year 2018.

All of these factors were considered in preparing the City of Hugo's budget for the 2019 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, 2018

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CITY OF HUGO, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2018

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and investments	\$ 23,361,537	\$ 22,518,897	\$ 45,880,434
Receivables (net of allowance for uncollectibles)	1,044,552	676,169	1,720,721
Deposits receivable		1,500	1,500
Due from other governmental units	1,118,456		1,118,456
Net pension asset	639,616		639,616
Capital assets:			
Nondepreciable	4,636,181	468,222	5,104,403
Depreciable, net	28,265,418	17,682,582	45,948,000
Total Assets	59,065,760	41,347,370	100,413,130
Deferred Outflows of Resources			
Deferred outflows from pension activity	198,255	46,735	244,990
Liabilities			
Accounts payable	155,452	88,534	243,986
Accrued interest payable	29,418		29,418
Accrued expenses	45,234	7,154	52,388
Due to other governmental units	547,122	14,859	561,981
Unearned revenue	2,776,132	1,000	2,777,132
Noncurrent liabilities:			
Due within one year	1,785,431	20,341	1,805,772
Due in more than one year	2,477,295	5,035	2,482,330
Net pension liability	1,121,910	242,797	1,364,707
Total Liabilities	8,937,994	379,720	9,317,714
Deferred Inflows of Resources			
Deferred inflows from pension activity	442,248	65,208	507,456
Net Position			
Net investment in capital assets	31,052,932	18,150,804	49,203,736
Restricted for:			
Creditors	3,856,380		3,856,380
Unrestricted	14,974,461	22,798,373	37,772,834
Total Net Position	\$ 49,883,773	\$ 40,949,177	\$ 90,832,950

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

<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	\$ 1,161,448	\$ 889,034	\$ 32,259	\$
Public safety	2,195,157	34,133	86,740	165,933
Highways and streets	2,594,452		193,053	3,332,215
Community development	77,154			
Parks	759,167	29,700		1,201,187
Interest on long-term debt	80,331			
Total governmental activities	<u>6,867,709</u>	<u>952,867</u>	<u>312,052</u>	<u>4,699,335</u>
Business-Type activities:				
Water and sewer	<u>2,409,969</u>	<u>3,317,341</u>		<u>1,015,084</u>
Total	<u>\$ 9,277,678</u>	<u>\$ 4,270,208</u>	<u>\$ 312,052</u>	<u>\$ 5,714,419</u>

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

Change in net position

Net position - beginning

Net position - ending

See Notes to Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (240,155)	\$	\$ (240,155)
(1,908,351)		(1,908,351)
930,816		930,816
(77,154)		(77,154)
471,720		471,720
(80,331)		(80,331)
<u>(903,455)</u>		<u>(903,455)</u>
	1,922,456	1,922,456
<u>(903,455)</u>	<u>1,922,456</u>	<u>1,019,001</u>
6,574,311	269,124	6,843,435
11,437	517	11,954
306,546	339,603	646,149
5,006	5,544	10,550
(237,112)		(237,112)
30,376	209,558	239,934
108,269	(108,269)	
<u>6,798,833</u>	<u>716,077</u>	<u>7,514,910</u>
5,895,378	2,638,533	8,533,911
<u>43,988,395</u>	<u>38,310,644</u>	<u>82,299,039</u>
<u>\$ 49,883,773</u>	<u>\$ 40,949,177</u>	<u>\$ 90,832,950</u>

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CITY OF HUGO, MINNESOTA
FUND FINANCIAL STATEMENTS
December 31, 2018

CITY OF HUGO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

	Debt Service		Capital Project		Other Governmental Funds	Total
	Fund		Fund			
	General	General Obligation Bonds	Public Improvements	Property and Equipment Acquisition		
Assets						
Cash and investments	\$ 6,462,566	\$ 2,421,392	\$ 7,186,797	\$ 5,220,952	\$ 2,069,830	\$ 23,361,537
Receivables (Net of Allowance for Uncollectibles):						
Accounts	5,226					5,226
Accrued interest	6,008	2,072	7,027	6,206	2,402	23,715
Taxes	58,900	6,845	5,916	607	1,122	73,390
Special assessments		386,071	556,150			942,221
Due from other governmental units	78,456	1,040,000				1,118,456
TOTAL ASSETS	\$ 6,611,156	\$ 3,856,380	\$ 7,755,890	\$ 5,227,765	\$ 2,073,354	\$ 25,524,545
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities						
Accounts payable	\$ 102,201	\$	\$ 45,091	\$ 6,596	\$ 1,564	\$ 155,452
Unearned revenue	2,774,232			1,900		2,776,132
Salaries payable	45,234					45,234
Due to other governmental units	547,122					547,122
Total Liabilities	<u>3,468,789</u>		<u>45,091</u>	<u>8,496</u>	<u>1,564</u>	<u>3,523,940</u>
Deferred Inflows of Resources						
Unavailable revenue:						
Property taxes	58,900	6,845	5,916	607	1,122	73,390
Special assessments		386,071	556,150			942,221
Due from other governmental units		1,040,000				1,040,000
Total Deferred Inflows of Resources	<u>58,900</u>	<u>1,432,916</u>	<u>562,066</u>	<u>607</u>	<u>1,122</u>	<u>2,055,611</u>
Fund Balance						
Fund Balance:						
Restricted		2,423,464				2,423,464
Committed					1,965,392	1,965,392
Assigned			7,148,733	5,218,662	105,276	12,472,671
Unassigned	3,083,467					3,083,467
Total Fund Balance	<u>3,083,467</u>	<u>2,423,464</u>	<u>7,148,733</u>	<u>5,218,662</u>	<u>2,070,668</u>	<u>19,944,994</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 6,611,156	\$ 3,856,380	\$ 7,755,890	\$ 5,227,765	\$ 2,073,354	\$ 25,524,545

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, 2018**

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

Total governmental fund balances (page 18)		\$ 19,944,994
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 51,431,355	
Less: Accumulated depreciation	<u>(18,529,756)</u>	32,901,599
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 73,390	
Deferred and delinquent special assessments	942,221	
Due from other governmental units	<u>1,040,000</u>	2,055,611
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	\$ (3,920,000)	
Net pension liability (asset), deferred outflows and inflows from pension activity	(726,287)	
Compensated absences	(337,714)	
Accrued interest	(29,418)	
Unamortized bond premiums and discounts	<u>(5,012)</u>	<u>(5,018,431)</u>
Net position of governmental activities (page 15)		<u><u>\$ 49,883,773</u></u>

See Notes to Financial Statements

CITY OF HUGO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	Debt Service		Capital Project			Total
	Fund		Fund			
	General	Obligation Bonds	Public Improvements	Property and Equipment Acquisition	Other Governmental Funds	
Revenues						
Property taxes	\$ 5,205,591	\$ 626,753	\$ 605,019	\$ 111,059	\$ 187,714	\$ 6,736,136
Special assessments		96,974	212,738			309,712
Licenses and permits	601,126					601,126
Intergovernmental revenues	128,283	503,064	773,362	166,046	17,703	1,588,458
Charges for services	261,906					261,906
Court fines	33,958					33,958
Other Revenue:						
Investment earnings	73,367	22,263	91,706	83,532	35,678	306,546
Net increase in the fair value of investments	1,198	364	1,497	1,364	583	5,006
Rent	9,405			23,300	8,950	41,655
Contributions	100					100
Developer fees			1,076,023		107,664	1,183,687
Miscellaneous	23,097					23,097
Total Revenues	6,338,031	1,249,418	2,760,345	385,301	358,292	11,091,387
Expenditures						
Current:						
General government	1,043,018					1,043,018
Public safety	1,831,314					1,831,314
Highways and streets	1,232,265					1,232,265
Community development	63,348					63,348
Parks	409,499					409,499
Unallocated	156,037					156,037
Capital outlay			1,181,400	483,504	265,879	1,930,783
Bond principal retirement		1,680,000				1,680,000
Interest on bonds		83,057				83,057
Fiscal charges and other		8,650				8,650
Total Expenditures	4,735,481	1,771,707	1,181,400	483,504	265,879	8,437,971
Excess (deficiency) of revenues over (under) expenditures	1,602,550	(522,289)	1,578,945	(98,203)	92,413	2,653,416
Other Financing Sources (Uses)						
Sale of capital assets				21,501		21,501
Refund of unused tax increment					(397,623)	(397,623)
Transfers in		391,980	1,000,000	176,944	51,057	1,619,981
Transfers out	(1,228,001)	(11,171)			(272,540)	(1,511,712)
Total Other Financing Sources (Uses)	(1,228,001)	380,809	1,000,000	198,445	(619,106)	(267,853)
Net change in fund balances	374,549	(141,480)	2,578,945	100,242	(526,693)	2,385,563
FUND BALANCES, beginning	2,708,918	2,564,944	4,569,788	5,118,420	2,597,361	17,559,431
FUND BALANCES, ending	\$ 3,083,467	\$ 2,423,464	\$ 7,148,733	\$ 5,218,662	\$ 2,070,668	\$ 19,944,994

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, 2018

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

Net change in fund balances - total governmental funds (page 20) \$ 2,385,563

Governmental funds report capital outlays as expenditures.

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

Capital outlay-capitalized	\$ 1,631,650	
Depreciation expense	<u>(1,395,657)</u>	
		235,993

Infrastructure is contributed from developers to governmental activities. The amounts affect governmental net position but do not affect fund balance. 2,507,320

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position. (202,515)

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

Unavailable revenue, End of year	\$ 2,055,611	
Unavailable revenue, Beginning of year	<u>(2,631,942)</u>	
		(576,331)

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

Compensated absences		8,230
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Bond, contract and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal retirement on long-term debt	\$ 1,680,000	
Change in net pension liability	(154,258)	
Change in accrued interest	10,379	
Change in bond discounts and premium	<u>997</u>	
		<u>1,537,118</u>

Change in net position of governmental activities (pages 16 and 17) \$ 5,895,378

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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
General Property Taxes				
Ad Valorem	\$ 4,871,025	\$ 4,871,025	\$ 5,032,436	\$ 161,411
Franchise	161,987	161,987	173,155	11,168
Total General Property Taxes	<u>5,033,012</u>	<u>5,033,012</u>	<u>5,205,591</u>	<u>172,579</u>
Licenses and Permits				
Business	19,095	19,095	19,860	765
Nonbusiness	86,738	86,738	581,266	494,528
Total Licenses and Permits	<u>105,833</u>	<u>105,833</u>	<u>601,126</u>	<u>495,293</u>
Intergovernmental Revenues				
Homestead and other tax credits			9,284	9,284
Fire 2% insurance aid	82,615	82,615	86,740	4,125
Curbside recycling grant	30,808	30,808	30,808	
Pera rate increase aid	1,451	1,451	1,451	
Other aid and grants	5,000	5,000		(5,000)
Total Intergovernmental Revenues	<u>119,874</u>	<u>119,874</u>	<u>128,283</u>	<u>8,409</u>
Charges for Services	<u>84,035</u>	<u>84,035</u>	<u>261,906</u>	<u>177,871</u>
Court Fines	<u>36,615</u>	<u>36,615</u>	<u>33,958</u>	<u>(2,657)</u>
Miscellaneous Revenues				
Refunds and reimbursements			207	207
Investment earnings	17,400	17,400	73,367	55,967
Net increase in the fair value of investments			1,198	1,198
Penalties and interest	3,470	3,470	14,422	10,952
Non-levy related taxes	9,020	9,020	8,468	(552)
Contributions			100	100
Rental income	8,575	8,575	9,405	830
Total Miscellaneous Revenues	<u>38,465</u>	<u>38,465</u>	<u>107,167</u>	<u>68,702</u>
TOTAL REVENUES	<u>\$ 5,417,834</u>	<u>\$ 5,417,834</u>	<u>\$ 6,338,031</u>	<u>\$ 920,197</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, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
General Government				
Mayor and Council				
Personal services	\$ 34,125	\$ 34,125	\$ 26,950	\$ 7,175
Other services and charges	6,278	6,278	2,361	3,917
Ordinance and proceedings	4,100	4,100	3,766	334
Total Mayor and Council	44,503	44,503	33,077	11,426
Administration				
Personal services	70,575	70,575	75,462	(4,887)
Supplies	9,200	9,200	10,180	(980)
Other services and charges	53,121	53,121	52,375	746
Professional services	60,444	60,444	57,557	2,887
Capital outlay	2,000	2,000		2,000
Total Administration	195,340	195,340	195,574	(234)
Audio/Video				
Personal services	1,475	1,475	1,061	414
Capital outlay	4,000	4,000		4,000
Other services and charges	8,216	8,216	9,422	(1,206)
Total Audio/Video	13,691	13,691	10,483	3,208
Elections				
Supplies	1,100	1,100	237	863
Other services and charges	18,572	18,572	15,444	3,128
Total Elections	19,672	19,672	15,681	3,991
Clerk/Treasurer				
Personal services	83,428	83,428	81,912	1,516
Supplies	250	250	164	86
Other services and charges	48,966	48,966	43,416	5,550
Total Clerk/Treasurer	\$ 132,644	\$ 132,644	\$ 125,492	\$ 7,152

(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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
EXPENDITURES (CONTINUED)				
General Government (Continued)				
Finance Director				
Personal services	\$ 173,413	\$ 173,413	\$ 186,218	\$ (12,805)
Supplies	2,165	2,165	1,532	633
Other services and charges	65,066	65,066	70,589	(5,523)
Capital outlay	3,000	3,000	3,537	(537)
Total Finance Director	<u>243,644</u>	<u>243,644</u>	<u>261,876</u>	<u>(18,232)</u>
Assessing	<u>77,575</u>	<u>77,575</u>	17,100	60,475
Planning and Zoning				
Personal services	84,291	84,291	90,474	(6,183)
Supplies	1,500	1,500	2,511	(1,011)
Other services and charges	35,653	35,653	33,799	1,854
Professional services	24,800	24,800	18,704	6,096
Capital outlay	2,000	2,000		2,000
Total Planning and Zoning	<u>148,244</u>	<u>148,244</u>	<u>145,488</u>	<u>2,756</u>
Engineering				
Personal services	95,177	95,177	44,136	51,041
Supplies	4,950	4,950	2,433	2,517
Other services and charges	20,001	20,001	10,134	9,867
Professional services	30,000	30,000	35,097	(5,097)
Capital outlay	1,000	1,000		1,000
Total Engineering	<u>151,128</u>	<u>151,128</u>	<u>91,800</u>	<u>59,328</u>
Legal Fees	<u>99,420</u>	<u>99,420</u>	72,092	27,328
General Government Building				
Personal services	7,640	7,640	7,555	85
Supplies	5,350	5,350	5,214	136
Other services and charges	63,342	63,342	61,586	1,756
Capital outlay	5,000	5,000		5,000
Total General Government Building	<u>81,332</u>	<u>81,332</u>	<u>74,355</u>	<u>6,977</u>
Total General Government	<u>\$ 1,207,193</u>	<u>\$ 1,207,193</u>	<u>\$ 1,043,018</u>	<u>\$ 164,175</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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
EXPENDITURES (CONTINUED)				
Public Safety				
Police				
Contracted services	\$ 1,029,787	\$ 1,029,787	\$ 1,029,225	\$ 562
Fire Protection				
Personal services	199,075	199,075	197,082	1,993
Supplies	27,600	27,600	27,863	(263)
Other services and charges	256,130	256,130	210,523	45,607
Capital outlay			6,517	(6,517)
Total Fire Protection	482,805	482,805	441,985	40,820
Protective Inspection				
Personal services	212,753	212,753	219,599	(6,846)
Supplies	1,265	1,265	3,968	(2,703)
Other services and charges	110,038	110,038	106,169	3,869
Professional services	4,000	4,000	3,583	417
Capital outlay	25,820	25,820	20,039	5,781
Total Protective Inspection	353,876	353,876	353,358	518
Animal Control				
Professional services	6,000	6,000	6,746	(746)
Total Public Safety	1,872,468	1,872,468	1,831,314	41,154
Highways and Streets				
Administration and Engineering				
Personal services	530,902	530,902	490,969	39,933
Supplies	513,571	513,571	229,519	284,052
Other services and charges	360,686	360,686	366,098	(5,412)
Capital outlay	2,500	2,500		2,500
Total Administration and Engineering	1,407,659	1,407,659	1,086,586	321,073
Streets/Recycling	16,916	16,916	7,793	9,123
Street Lighting	147,758	147,758	137,886	9,872
Total Highways and Streets	\$ 1,572,333	\$ 1,572,333	\$ 1,232,265	\$ 340,068

(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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
EXPENDITURES (CONTINUED)				
Community Development				
Personal services	\$ 85,413	\$ 85,413	\$ 52,276	\$ 33,137
Other services and charges	25,280	25,280	11,072	14,208
Capital outlay	2,000	2,000		2,000
Total Community Development	<u>112,693</u>	<u>112,693</u>	63,348	49,345
Parks				
Personal services	261,140	261,140	225,415	35,725
Other services and charges	228,403	228,403	184,084	44,319
Capital outlay	2,000	2,000		2,000
Total Parks	<u>491,543</u>	<u>491,543</u>	409,499	82,044
Other Unallocated				
Remittance to Fire Relief Association	82,615	82,615	86,740	(4,125)
Contributions	35,818	35,818	25,901	9,917
Miscellaneous	43,171	43,171	43,396	(225)
Total Other Unallocated	<u>161,604</u>	<u>161,604</u>	156,037	5,567
TOTAL EXPENDITURES	<u>5,417,834</u>	<u>5,417,834</u>	4,735,481	682,353
Excess (deficiency) of revenues over (under) expenditures			1,602,550	1,602,550
OTHER FINANCING SOURCES (USES)				
Transfers			(1,228,001)	(1,228,001)
Net Change in Fund Balance			374,549	374,549
FUND BALANCE, beginning	<u>2,708,918</u>	<u>2,708,918</u>	2,708,918	
FUND BALANCE, ending	<u>\$ 2,708,918</u>	<u>\$ 2,708,918</u>	\$ 3,083,467	\$ 374,549

See Notes to Financial Statements

**CITY OF HUGO, MINNESOTA
 PROPRIETARY FUND
 Statement of Net Position
 December 31, 2018**

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 22,518,897
Receivables:	
Accounts receivable	525,561
Accrued interest	25,825
Special assessments (net of allowance for uncollectibles)	124,783
Deposits	<u>1,500</u>
Total Current Assets	<u>23,196,566</u>
Noncurrent Assets	
Property and Equipment:	
Nondepreciable	468,222
Depreciable	<u>27,892,772</u>
Total Property and Equipment	<u>28,360,994</u>
Less: Accumulated depreciation	<u>10,210,190</u>
Net Property and Equipment	<u>18,150,804</u>
Total Assets	<u>41,347,370</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pension activity	<u>46,735</u>
LIABILITIES	
Current Liabilities	
Current portion of long-term debt (compensated absences)	20,341
Accounts payable	88,534
Due to other governmental units	14,859
Salaries payable	7,154
Unearned revenue	<u>1,000</u>
Total Current Liabilities	<u>131,888</u>
Long-term Liabilities	
Net pension liability	242,797
Compensated absences, net of current portion	<u>5,035</u>
Total Long-Term Liabilities	<u>247,832</u>
Total Liabilities	<u>379,720</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pension activity	<u>65,208</u>
NET POSITION	
Net investment in capital assets	18,150,804
Unrestricted	<u>22,798,373</u>
Total Net Position	<u>\$ 40,949,177</u>

See Notes to Financial Statements

**CITY OF HUGO, MINNESOTA
 PROPRIETARY FUND
 Statement of Revenues, Expenses
 and Changes in Fund Net Position
 For the Year Ended December 31, 2018**

Operating Revenue	
Water charges	\$ 1,248,240
Meter sales	44,149
Sewer charges	1,309,176
Total Operating Revenues	<u>2,601,565</u>
Operating Expenses	
Personal services	397,696
Engineering	83,335
Electricity	98,480
Repairs and maintenance	453,018
Sewer charges - MCES	528,283
Depreciation	681,624
Miscellaneous	164,388
Loss on sale of capital assets	3,145
Total Operating Expenses	<u>2,409,969</u>
Operating (Loss)	<u>191,596</u>
Nonoperating Revenue	
Future infrastructure charges	715,776
Rental income	37,549
Property taxes	269,124
Intergovernmental revenue	7,391
Investment earnings	339,603
Net increase in the fair value of investments	5,544
Miscellaneous	165,135
Total Nonoperating Revenue	<u>1,540,122</u>
Net Income Before Transfers and Contributions	1,731,718
Capital contributions - special assessments	3,615
Noncash capital contributions	730,589
Capital contributions - intergovernmental	255,200
Capital contributions - other	25,680
Transfers out	<u>(108,269)</u>
Change in net position	2,638,533
Net Position, Beginning of Year	<u>38,310,644</u>
Net Position, End of Year	<u>\$ 40,949,177</u>

See Notes to Financial Statements

**CITY OF HUGO, MINNESOTA
 PROPRIETARY FUND
 Statement of Cash Flows
 For the Year Ended December 31, 2018**

Cash Flows From Operating Activities	
Cash received from customers	\$ 3,208,581
Cash paid to suppliers	(1,315,213)
Cash paid to employees	(393,895)
Other income received	210,075
Net Cash Provided By Operating Activities	1,709,548
Cash Flows From Noncapital Financing Activities	
Transfers to other funds	(108,269)
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(370,949)
Special assessments and property taxes received	342,611
Intergovernmental capital contributions	255,200
Net Cash Provided By Capital and Related Financing Activities	226,862
Cash Flows From Investing Activities	
Investment earnings received	341,501
Net increase in the fair value of investments	5,544
Net Cash Provided By Investing Activities	347,045
Net Increase in Cash and Cash Equivalents	2,175,186
Cash and Cash Equivalents, Beginning of Year	20,343,711
Cash and Cash Equivalents, End of Year	\$ 22,518,897
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	\$ 191,596
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	681,624
Loss on sale of capital assets	3,145
Change in net pension liability	(2,200)
Future infrastructure charges, included in nonoperating revenues	715,776
Other income	210,075
(Increase) Decrease In:	
Accounts receivable	(108,760)
Increase (Decrease) In:	
Accounts payable	11,005
Due to other governmental units	1,286
Salaries payable	3,145
Estimated liability for compensated absences	2,856
Net Cash Provided By Operating Activities	\$ 1,709,548
Noncash Investing, Capital and Financing Activities	
Receipt of contributed property	\$ 730,589

See Notes to Financial Statements

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CITY OF HUGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Blended Component Unit

The Economic Development Authority of the City of Hugo serves all the citizens of the government and is governed by a board comprised of the City's elected council. The rates for user charges, if any, and bond issuance authorization are approved by the City's council and legal liability for the General Obligation portion of the Authority's debt remains with the City. Activities of the Economic Development Authority, if any, will be included in the General Obligation Bonds Fund or a new fund will be created. The debt issued by the Authority (if any) is included in noncurrent liabilities on the statement of net position. The Authority does not issue separate financial statements.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

A. Reporting Entity (Continued)

Related Organizations

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

The *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.

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

1. Cash and investments (including cash equivalents)

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

2. Receivables and payables

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

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

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

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

2. Receivables and payables (continued)

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to fifteen years with interest charges ranging from 4.27% to 7.50%. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The net amount of delinquent assessments receivable are fully offset by deferred inflows of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

3. Tax Increment Districts

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

4. Capital assets

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

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

4. Capital assets (continued)

	<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.

The City compensates employees upon termination for the balance of unused personal time off (PTO) and compensatory time up to specified maximum accumulations. The maximum PTO accumulation per employee is 520 hours and the maximum compensatory time accumulation is 40 hours for exempt employees and 120 hours for nonexempt employees. The compensation is computed at the employee's rate of pay at the time of termination. The City has created a debt service fund to ensure funds are available to pay for compensated absences. Transfers are made from the General Fund as deemed necessary to fund the Compensated Absences Debt Service Fund.

6. Long-term obligations

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

6. Long-term obligations (continued)

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

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

7. Pensions

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

8. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

9. Fund equity

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

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

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

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

The City classifies governmental fund balances as follows:

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

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

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

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

9. Fund equity (continued)

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

E. Concentration of Credit Risk

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

F. Use of estimates

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

G. Conduit Debt Obligations

The City has issued a Tax Increment Revenue Note to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The note is secured solely by tax increments. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. The outstanding principal balance of the note was paid in full as of December 31, 2018.

Additionally, the City issued lease revenue bonds during 2014 to provide funding to a private sector entity for a project deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. As of December 31, 2018, the outstanding principal amount of these bonds was \$20,685,000.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

G. Conduit Debt Obligations (continued)

The City also issued lease revenue bonds during 2015 and 2017 to provide funding to a nonprofit entity for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. As of December 31, 2018, the outstanding principal amount of the 2015 bonds was \$8,313,279 and the outstanding principal balance of the 2017 bonds was \$4,923,750.

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

1. Budget requests are submitted by all department heads to the City Administrator. The Administrator's office compiles the budget requests into an overall preliminary City budget, balancing budget requests with available revenue.
2. The preliminary budget is submitted to the City Council in September for its review and/or modification.
3. City administration presents the proposed budget to the City Council which in turn holds a truth-in-taxation public hearing on the proposed budget. The budget resolution adopted by the City Council sets forth the budget at the fund level for the General Fund, Special Revenue Funds, Debt Service Funds and certain Capital Projects Funds.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability

Budgetary Information (continued)

4. All budgeted appropriations lapse at the end of the fiscal year. The legal level of control (the level on which expenditures may not legally exceed appropriations) for each budget is at the fund level. Management cannot legally amend or transfer appropriations between funds without the approval of the City Council once the budget has been approved. Any over expenditures of appropriations or transfers of appropriated amounts must be approved by the City Council.
5. Budgeted amounts are as originally adopted, or as amended by the City Council. The budget cannot be amended without approval by the City Council.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final budget (which are the same for the year ended December 31, 2018).

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, 2018.

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, 2018 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

A. Deposits and Investments (continued)

Investment Policy

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

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal policy related to interest rate risk for its investments, but one of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operation.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (continued)

Interest Rate Risk (continued)

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

<u>Investment</u>	<u>Range of Maturities</u>	<u>Rating</u>	<u>Value</u>
Cash	N/A	N/A	\$ 237,236
Non-Negotiable Certificates of Deposit	February 2019 - June 2019	N/A	1,680,000
Money Market Funds	N/A	Unrated	29,200,614
U.S. Government Securities	August 2019 - September 2023	AAA - AA+*	14,762,584
Total			<u>\$45,880,434</u>

N/A Not applicable or not available

* Where rated

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

Carrying amount of deposits	\$ 237,236
Investments	<u>45,643,198</u>
Total	<u>\$45,880,434</u>

Credit Risk

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk

The City places no limit on the amount the City may invest with any one issuer. Investments in any one issuer that represented 5% or more of total investments as of December 31, 2018 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
RBC Wealth Management	Money Market Funds	\$ 29,200,614

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, 2018 all investments were insured or registered or the securities were held by the City or its agent in the City's name.

Fair Value Measurements

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

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (continued)

Fair Value Measurements (continued)

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

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

The City's investments within the fair value hierarchy at December 31, 2018 and 2017 were as follows:

As of December 31, 2018				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
		Level 1	Level 2	Level 3
U.S. Government Securities	\$14,762,584	\$	\$14,762,584	\$
Total	<u>\$14,762,584</u>	<u>\$</u>	<u>\$14,762,584</u>	<u>\$</u>
As of December 31, 2017				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
		Level 1	Level 2	Level 3
U.S. Government Securities	\$15,011,103	\$	\$15,011,103	\$
Total	<u>\$15,011,103</u>	<u>\$</u>	<u>\$15,011,103</u>	<u>\$</u>

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, 2018 were as follows:

<u>Fund Type</u>	<u>Washington County</u>	<u>Ind. School District #624</u>	<u>Total</u>
General	\$ 78,456	\$	\$ 78,456
Debt Service		1,040,000	1,040,000
Total	<u>\$ 78,456</u>	<u>\$ 1,040,000</u>	<u>\$ 1,118,456</u>

Amounts due to other governmental units as of December 31, 2018 were as follows:

<u>Fund Type</u>	<u>Washington County</u>	<u>State of Minnesota</u>	<u>Metropolitan Council</u>	<u>Total</u>
General	\$ 515,094	\$ 4,966	\$ 27,062	\$ 547,122
Proprietary		14,859		14,859
Total	<u>\$ 515,094</u>	<u>\$ 19,825</u>	<u>\$ 27,062</u>	<u>\$ 561,981</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,632,761	\$ 3,420	\$	\$ 4,636,181
Total capital assets, not being depreciated	4,632,761	3,420		4,636,181
Capital assets, being depreciated:				
Buildings and improvements	6,300,244	174,242		6,474,486
Land Improvements	1,566,117	18,146		1,584,263
Infrastructure	28,938,619	3,340,363	658,384	31,620,598
Machinery and equipment	6,741,468	602,799	228,440	7,115,827
Total capital assets, being depreciated	43,546,448	4,135,550	886,824	46,795,174
Less accumulated depreciation for:				
Buildings and improvements	2,884,836	209,619		3,094,455
Land Improvements	1,375,375	127,904		1,503,279
Infrastructure	9,231,264	718,842	460,869	9,489,237
Machinery and equipment	4,326,933	339,292	223,440	4,442,785
Total accumulated depreciation	17,818,408	1,395,657	684,309	18,529,756
Total capital assets, being depreciated, net	25,728,040	2,739,893	202,515	28,265,418
Governmental activities capital assets, net	\$ 30,360,801	\$ 2,743,313	\$ 202,515	\$ 32,901,599

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	61,499	147,163		208,662
Total capital assets, not being depreciated	<u>321,059</u>	<u>147,163</u>		<u>468,222</u>
Capital assets, being depreciated:				
Buildings and improvements	26,307,289	730,588		27,037,877
Machinery and equipment	611,718	249,467	6,290	854,895
Total capital assets, being depreciated	<u>26,919,007</u>	<u>980,055</u>	<u>6,290</u>	<u>27,892,772</u>
Less accumulated depreciation for:				
Buildings and improvements	9,095,064	634,776		9,729,840
Machinery and equipment	436,647	46,848	3,145	480,350
Total accumulated depreciation	<u>9,531,711</u>	<u>681,624</u>	<u>3,145</u>	<u>10,210,190</u>
Total capital assets, being depreciated, net	<u>17,387,296</u>	<u>298,431</u>	<u>3,145</u>	<u>17,682,582</u>
Business-type activities capital assets, net	<u>\$ 17,708,355</u>	<u>\$ 445,594</u>	<u>\$ 3,145</u>	<u>\$ 18,150,804</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 71,413
Public safety	125,988
Highways and streets	978,455
Parks	214,303
Community development	<u>5,498</u>
Total	<u>\$ 1,395,657</u>

Business-Type Activities:

Sewer and Water	<u>\$ 681,624</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, 2018 is as follows:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/18</u>
General obligation bonds:				
2007 A Improvement Bonds	10/17/2007	4.00% - 4.15%	2023	\$ 335,000
2009 A Improvement Bonds	7/21/2009	3.70% - 3.875%	2020	200,000
2009 B Tax Abatement Bonds	11/5/2009	3.00%	2020	220,000
2011 Improvement Bonds	11/9/2011	2.00% - 3.00%	2027	665,000
2013 Crossover Refunding Bonds	3/20/2013	1.00% - 1.15%	2020	2,500,000
Other Liabilities:				
Compensated Absences				363,090
Unamortized premium				9,997
Less: Unamortized (discount)				<u>(4,985)</u>
 Total Long-term Debt				 <u>\$ 4,288,102</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, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes and Contracts Payable:					
General obligation bonds:					
2007 A Improvement Bonds	\$ 410,000	\$	\$ 75,000	\$ 335,000	\$ 75,000
2009 A Improvement Bonds	295,000		95,000	200,000	100,000
2009 B Tax Abatement Bonds	325,000		105,000	220,000	110,000
2010 Capital Improvement Bonds	135,000		135,000		
2011 Improvement Bonds	775,000		110,000	665,000	110,000
2013 Crossover Refunding Bonds	3,660,000		1,160,000	2,500,000	1,220,000
Other Liabilities:					
Compensated Absences	345,944	166,354	174,584	337,714	170,431
Unamortized premium	15,353		5,356	9,997	
Less: Unamortized (discount)	(9,344)		(4,359)	(4,985)	
Governmental Activities Long-term Liabilities	<u>5,951,953</u>	<u>166,354</u>	<u>1,855,581</u>	<u>4,262,726</u>	<u>1,785,431</u>
BUSINESS-TYPE ACTIVITIES					
Other Liabilities:					
Compensated Absences	<u>22,520</u>	<u>20,908</u>	<u>18,052</u>	<u>25,376</u>	<u>20,341</u>
Business-Type Activities Long-term Liabilities	<u>22,520</u>	<u>20,908</u>	<u>18,052</u>	<u>25,376</u>	<u>20,341</u>
Total	<u>\$ 5,974,473</u>	<u>\$ 187,262</u>	<u>\$ 1,873,633</u>	<u>\$ 4,288,102</u>	<u>\$ 1,805,772</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt (continued)

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

Debt Service Requirements

Debt service requirements to maturity for long-term debt, excluding compensated absences, as of December 31, 2018 were as follows:

Year	General Obligation Debt	
	Principal	Interest
2019	\$ 1,615,000	\$ 58,403
2020	1,675,000	32,636
2021	185,000	16,341
2022	180,000	10,913
2023	85,000	6,739
2024-2027	180,000	10,733
	<u>\$ 3,920,000</u>	<u>\$ 135,765</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Tax Increment Districts

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

The City of Hugo is the administering authority for the *City of Hugo Tax Increment Financing District, No. 1-1* and for the *City of Hugo Tax Increment Financing District, No. 1-2*. The districts are redevelopment type and authorized under Minnesota law chapter 469.174 to 469.179 (The Tax Increment Act). District No. 1-1 was certified in 1997 and was scheduled to continue until December 31, 2023. District No. 1-1 was decertified, however, in 2018. District No. 1-2 was certified in 2010 and will continue until 2036.

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

	<u>District No. 1-1</u>	<u>District No. 1-2</u>
Original net tax capacity	\$ 429	\$ 153,799
Current net tax capacity	86,926	134,375
Captured net tax capacity:		
Retained by authority	86,497	
Total general obligation tax increment bond issued	4,030,000	
Amounts redeemed	<u>4,030,000</u>	
Outstanding bonds at December 31, 2018	<u>\$</u>	<u>\$</u>

The City did not abate any property taxes related to these tax increment districts during the year ended December 31, 2018.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Interfund Transfers

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

Interfund transfers during the year ended December 31, 2018 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$	\$ 1,228,001
General Obligation Bonds	391,980	11,171
Property and Equipment Acquisition	176,944	
Public Improvements	2,460,394	1,460,394
Non-Major Governmental Funds:		
Compensated Absences	51,057	
Abatement Levy Offset		272,540
Total Governmental Funds	<u>3,080,375</u>	<u>2,972,106</u>
Proprietary Funds:		
Water and Sewer Utility Fund	10,407,904	108,269
Water Construction Fund		7,240,553
Sewer Construction Fund		3,167,351
Total Proprietary Funds	<u>10,407,904</u>	<u>10,516,173</u>
Total All Funds	<u>\$ 13,488,279</u>	<u>\$ 13,488,279</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Fund Equity

The City has committed and assigned portions of fund equity in the governmental funds. A summary at December 31, 2018 is as follows:

	<u>Special Park</u>	<u>Compensated Absences</u>	<u>Firefighter's Relief</u>	<u>Public Improvements</u>	<u>Property and Equipment Acquisition</u>
Committed					
Park improvement	\$ 1,425,715	\$	\$	\$	\$
Compensated absences		539,677			
Total Committed	<u>\$ 1,425,715</u>	<u>\$ 539,677</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Assigned					
Municipal contributions to fire relief	\$	\$	\$ 105,276	\$	\$
Public improvements				7,148,733	
Property and equipment acquisition					5,218,662
Total Assigned	<u>\$</u>	<u>\$</u>	<u>\$ 105,276</u>	<u>\$ 7,148,733</u>	<u>\$ 5,218,662</u>

The City has restricted portions of fund balance in the fund financial statements and fund equity in the government-wide financial statements. The restricted fund balance / equity represents the portion not available for expenditure or legally segregated for specific future use. A summary of the restricted portion of the fund balance / equity at December 31, 2018 is as follows:

<u>Specific Purpose</u>	<u>Restriction Imposed By</u>			
	<u>Contributors</u>	<u>Grantors</u>	<u>Creditors</u>	<u>Regulations</u>
Restricted Fund Balance				
Debt Service Funds:				
Debt service requirements	<u>\$</u>	<u>\$</u>	<u>\$ 2,423,464</u>	<u>\$</u>
Restricted Net Position				
Debt service requirements	<u>\$</u>	<u>\$</u>	<u>\$ 3,856,380</u>	<u>\$</u>

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information

A. Risk Management

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

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

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

B. Commitments and Contingencies

Insurance:

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

General Litigation:

Although the City is occasionally involved in litigation, management was unaware of any pending lawsuits in which the City was involved as of December 31, 2018. It is the opinion of management that any potential claim regarding any lawsuits against the City would be covered by the liability insurance of the City and that any potential claim against the City would not materially affect the financial statements.

Contracts:

The City has contracted with Washington County to provide police services for 2019 at an hourly rate. Total fees for law enforcement services are estimated to be approximately \$1,105,560. The City can cancel the contract with a 180 day notice.

The City has also contracted with Sutphen Fire Apparatus to purchase a new fire truck in the amount of \$1,101,000 to be built in 2019.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans

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

A. Plan Description

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

All full-time and certain part-time employees of the City of Hugo are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. The rates are 2.2 percent and 2.7 percent, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service, and 2.7 percent for Basic members. The accrual rates for former MERF members is 2.0 percent for each of the first 10 years of service and 2.5 percent for each additional year. For members hired prior to July 1, 1989 a fully annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

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

B. Benefits Provided (continued)

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

C. Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018, the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018 were \$123,174. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2018, the City reported a liability of \$1,364,707 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$44,753. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was .0246 percent which was a decrease of .0004 percent from its proportion measured as of June 30, 2017.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

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

D. Pension Costs (continued)

Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of a 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.

For the year ended December 31, 2018, the City recognized pension expense (benefit) of (\$12,254) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$10,436 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 36,683	\$ 40,126
Changes in actuarial assumptions	131,424	155,047
Difference between projected and actual investment earnings		141,653
Changes in proportion	12,007	19,152
Contributions paid to PERA subsequent to the measurement date	<u>61,220</u>	
Total	<u>\$ 241,334</u>	<u>\$ 355,978</u>

\$61,220 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

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

D. Pension Costs (Continued)

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

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2019	\$ 48,028
2020	(77,206)
2021	(118,202)
2022	(28,484)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Growth	3.25% after 26 years of service
Investment Rate of Return	7.50%

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees Plan. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

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

E. Actuarial Assumptions (continued)

The following changes in actuarial assumptions occurred in 2018:

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Market)	25%	5.90%
Cash	2%	0.0%
Total	<hr/> 100%	

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

Sensitivity Analysis		
<i>Net Pension Liability at Different Discount Rates</i>		
	<u>General Employees Fund</u>	
1% Lower	6.50%	\$ 2,217,824
Current Discount Rate	7.50%	1,364,707
1% Higher	8.50%	660,484

H. Pension Plan Fiduciary Net Position

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association

A. Plan Description

The Hugo Firefighter's Relief Association administers a single-employer defined benefit pension plan (the Plan) available to volunteer firefighters. As of December 31, 2018, the plan covered 26 active firefighters and 7 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 424 A. The December 31, 2018 information is the latest reported for this Plan.

B. Benefits Provided

Volunteer firefighters for the City are members of the Hugo Firefighter's Relief Association. Association members are eligible to receive a lump sum benefit after 20 years of service with a minimum retirement age of 50. Currently retirees receive a benefit of \$3,700 for every year of service. These benefit provisions and all other requirements are consistent with State statutes. Volunteers of the fire department are not required to contribute to the relief association. Members with 10 years of service receive partial vesting at 60% of the 20-year rate and 4% added for every one year of service beyond ten years up to 20 years.

C. Contributions

The Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes, and voluntary City contributions. The State of Minnesota contributed \$85,740 in state aid to the plan on behalf of the Association for the year ended December 31, 2018, which was recorded as revenue. The City levies property taxes for the benefit of the Association and passes through state aids allocated to the plan, all in accordance with State statutes. During 2018, at the Association's direction, the City did not levy any property taxes to be paid to the Association.

D. Pension Costs

At December 31, 2018, the City reported a net pension asset of \$639,616 for the plan. The net pension asset was measured as of December 31, 2018. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by applying an actuarial formula to specific census data certified by the fire department as of December 31, 2018.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association

D. Pension Costs (continued)

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance 12/31/17	\$ 886,821	\$ 1,575,557	\$ (688,736)
Changes for the Year			
Service cost	42,225		42,225
Interest on pension liability	60,388		60,388
Assumption changes	(36,435)		(36,435)
Plan changes	31,891		31,891
Contributions (state)		85,740	(85,740)
Net investment income (loss)	(50,618)	(77,509)	26,891
Administrative expenses		(9,900)	9,900
Net Changes	47,451	(1,669)	49,120
Balance End of Year 12/31/18	\$ 934,272	\$ 1,573,888	\$ (639,616)

During 2018, the benefit level for participants changed from \$3,500 to \$3,700 per year. For the year ended December 31, 2018, the City recognized pension expense of \$164,312.

At December 31, 2018, the Association reported deferred inflows of resources and deferred outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$	\$ 151,478
Changes in actuarial assumptions	3,656	
Total	\$ 3,656	\$ 151,478

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association

D. Pension Costs (continued)

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

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2019	\$ (27,961)
2020	(25,718)
2021	(39,406)
2022	(35,159)
Thereafter	(19,578)

The total pension expense for all plans (including the General Employees Fund and Hugo Firefighter's Relief Association) recognized by the City for the year ended December 31, 2018 was \$152,058.

E. Actuarial Assumptions

The total pension liability at December 31, 2018 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

F. Discount Rate

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association

G. Pension Liability Sensitivity

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
1% Decrease in Discount Rate (5.50%)	\$ 963,483	\$ 1,573,888	\$ (610,405)
Current Discount Rate (6.50%)	934,272	1,573,888	(639,616)
1% Increase in Discount Rate (7.50%)	906,926	1,573,888	(666,962)

H. Plan Investments

1. Investment Policy

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

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

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

C. Pension Plans (Continued)

2. Hugo Firefighter's Relief Association

H. Plan Investments (Continued)

2. Asset Allocation

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	2.25%
Fixed income	17.00%	3.80%
Equities	<u>77.00%</u>	<u>7.30%</u>
Total	100%	6.50%

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

3. Description of significant investment policy changes during the year

The Association made no significant changes to their investment policy during the year ended December 31, 2018.

I. Pension Plan Fiduciary Net Position

Detailed information about the Hugo Firefighter's Relief Association plan's fiduciary net position as of December 31, 2018 is available in a separately-issued financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the Finance Director for the City of Hugo.

CITY OF HUGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

D. Postemployment Benefits

As required by state statute, employees are allowed to participate in the City's group health insurance plan after retirement. However, management has determined that any liability related to postemployment benefits would be immaterial to these financial statements as of December 31, 2018.

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CITY OF HUGO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

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CITY OF HUGO
Schedule of City Contributions
PERA General Employees Retirement Plan
December 31, 2018

Year Ended December 31	Contributions in Relation to			Contributions as a Percentage of Covered Payroll (b/d)	
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		Covered Payroll (d)
2014	\$ 103,560	\$ 103,560	\$	\$ 1,428,404	7.3%
2015	111,569	111,569		1,487,583	7.5%
2016	117,578	117,578		1,567,687	7.5%
2017	123,397	123,397		1,645,287	7.5%
2018	123,174	123,174		1,642,324	7.5%
2019					
2020					
2021					
2022					
2023					

CITY OF HUGO
Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2018

Fiscal Year Ended June 30	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0245%	1,269,717		1,269,717	1,487,583	85.4%	78.2%
2016	0.0248%	2,013,637	26,274	2,039,911	1,567,687	130.1%	68.9%
2017	0.0250%	1,595,984	20,065	1,616,049	1,645,287	98.2%	75.9%
2018	0.0246%	1,364,707	44,753	1,409,460	1,652,712	85.3%	79.5%
2019							
2020							
2021							
2022							
2023							

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

CITY OF HUGO, MINNESOTA
Schedule of Changes in the Fire Relief Association Net Pension Asset and Related Ratios
December 31, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 42,225	\$ 38,841	\$ 29,273	\$ 29,535	\$ 26,992
Interest	60,388	53,682	55,403	48,691	49,299
Changes of assumptions	(36,435)		4,702		(68,945)
Plan changes	31,891	30,828	13,296	12,058	
Benefit payments		(47,146)	(40,248)		(73,333)
(Gains) losses	(50,618)		(63,446)		
Net change in total pension liability	<u>47,451</u>	<u>76,205</u>	<u>(1,020)</u>	<u>90,284</u>	<u>(65,987)</u>
Total pension liability - beginning	<u>886,821</u>	<u>810,616</u>	<u>811,636</u>	<u>721,352</u>	<u>787,339</u>
Total pension liability - ending	<u>\$ 934,272</u>	<u>\$ 886,821</u>	<u>\$ 810,616</u>	<u>\$ 811,636</u>	<u>\$ 721,352</u>
Plan fiduciary net position					
Contributions - state	\$ 85,740	\$ 82,615	\$ 83,852	\$ 81,540	\$ 75,068
Contributions - city					
Net investment income (loss)	(77,509)	229,871	102,440	3,233	81,754
Benefit payments		(47,146)	(40,248)		(73,333)
Administrative expense	(9,900)	(12,250)	(9,450)	(10,200)	(7,476)
Net change in plan fiduciary net position	<u>(1,669)</u>	<u>253,090</u>	<u>136,594</u>	<u>74,573</u>	<u>76,013</u>
Plan fiduciary net position - beginning	<u>1,575,557</u>	<u>1,322,467</u>	<u>1,185,873</u>	<u>1,111,300</u>	<u>1,035,287</u>
Plan fiduciary net position - ending	<u>\$ 1,573,888</u>	<u>\$ 1,575,557</u>	<u>\$ 1,322,467</u>	<u>\$ 1,185,873</u>	<u>\$ 1,111,300</u>
Net pension liability (asset) - ending	<u>\$ (639,616)</u>	<u>\$ (688,736)</u>	<u>\$ (511,851)</u>	<u>\$ (374,237)</u>	<u>\$ (389,948)</u>
Plan fiduciary net position as a percentage of the total pension liability	168.46%	177.66%	163.14%	146.11%	154.06%

CITY OF HUGO, MINNESOTA
Schedule of Employer Contributions for the Fire Relief Association
December 31, 2018

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

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

CITY OF HUGO, MINNESOTA
COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES
December 31, 2018

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CITY OF HUGO, MINNESOTA

NONMAJOR FUNDS

December 31, 2018

SPECIAL REVENUE FUNDS

Special Park Fund:

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

Firefighter's Relief Fund:

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

Tax Increment Financing Collection Fund:

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

DEBT SERVICE FUNDS

Abatement Levy Offset Fund:

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

Compensated Absences Fund:

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

**CITY OF HUGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018**

	Special Revenue			Debt Service		Total Nonmajor Governmental Funds
	Special Park Fund	Firefighter's Relief Fund	Tax Increment Financing Collection Fund	Abatement Levy Offset	Compensated Absences	
Assets						
Cash and investments	\$ 1,425,585	\$ 105,161	\$	\$	\$ 539,084	\$ 2,069,830
Receivables (Net of Allowance for Uncollectibles):						
Accrued interest	1,694	115			593	2,402
Taxes	972	150				1,122
TOTAL ASSETS	\$ 1,428,251	\$ 105,426	\$	\$	\$ 539,677	\$ 2,073,354
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities						
Accounts payable	\$ 1,564	\$	\$	\$	\$	\$ 1,564
Deferred Inflows of Resources						
Unavailable revenue: Property taxes	972	150				1,122
Fund Balance						
Fund Balance:						
Committed	1,425,715				539,677	1,965,392
Assigned		105,276				105,276
Total Fund Balance	1,425,715	105,276			539,677	2,070,668
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,428,251	\$ 105,426	\$	\$	\$ 539,677	\$ 2,073,354

CITY OF HUGO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	Special Revenue			Debt Service		Total Nonmajor Governmental Funds
	Special Park Fund	Firefighter's Relief Fund	Tax Increment Financing Collection Fund	Abatement Levy Offset	Compensated Absences	
REVENUES						
Property taxes	\$ 90,780	\$ 15,244	\$ 81,690	\$	\$	\$ 187,714
Intergovernmental revenues	17,673	30				17,703
Other Revenue:						
Investment earnings	22,757	1,528	1,250	2,263	7,880	35,678
Net increase in the fair value of investments	372	25	20	37	129	583
Rent	8,950					8,950
Developer fees	107,664					107,664
TOTAL REVENUES	248,196	16,827	82,960	2,300	8,009	358,292
EXPENDITURES						
Capital outlay	169,082		96,797			265,879
Excess (deficiency) of revenues over (under) expenditures	79,114	16,827	(13,837)	2,300	8,009	92,413
OTHER FINANCING SOURCES (USES)						
Refund of unused tax increment			(397,623)			(397,623)
Transfers in					51,057	51,057
Transfers out				(272,540)		(272,540)
TOTAL OTHER FINANCING SOURCES (USES)			(397,623)	(272,540)	51,057	(619,106)
Net change in fund balances	79,114	16,827	(411,460)	(270,240)	59,066	(526,693)
FUND BALANCES, beginning	1,346,601	88,449	411,460	270,240	480,611	2,597,361
FUND BALANCES, ending	\$ 1,425,715	\$ 105,276	\$	\$	\$ 539,677	\$ 2,070,668

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, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 90,554	\$ 90,554	\$ 90,780	\$ 226
Intergovernmental revenues			17,673	17,673
Other revenues:				
Investment earnings			22,757	22,757
Net increase in the fair value of investments			372	372
Rent	8,950	8,950	8,950	
Developer fees			107,664	107,664
Total Revenues	99,504	99,504	248,196	148,692
EXPENDITURES				
Capital Outlay:				
Bald Eagle	30,000	30,000		30,000
Hanifl Athletic Fields	200,000	200,000		200,000
Trail and amenity development	20,000	20,000		20,000
Park improvements	50,000	50,000	27,592	22,408
Clearwater Creek Preserve	30,000	30,000	24,108	5,892
Lions Park			112,164	(112,164)
Bernin property	5,578	5,578	5,076	502
Irish Avenue Park	50,000	50,000	142	49,858
Total Expenditures	385,578	385,578	169,082	216,496
Net Change in Fund Balances	(286,074)	(286,074)	79,114	365,188
Fund Balance, January 1	1,346,601	1,346,601	1,346,601	
Fund Balance, December 31	\$1,060,527	\$1,060,527	\$1,425,715	\$ 365,188

**CITY OF HUGO, MINNESOTA
FIREFIGHTER'S RELIEF FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 15,231	\$ 15,231	\$ 15,244	\$ 13
Intergovernmental revenues			30	30
Other revenues:				
Investment earnings			1,528	1,528
Net increase in the fair value of investments			25	25
Total Revenues	<u>15,231</u>	<u>15,231</u>	<u>16,827</u>	<u>1,596</u>
Net Change in Fund Balances	15,231	15,231	16,827	1,596
Fund Balance, January 1	<u>88,449</u>	<u>88,449</u>	<u>88,449</u>	
Fund Balance, December 31	<u>\$ 103,680</u>	<u>\$ 103,680</u>	<u>\$ 105,276</u>	<u>\$ 1,596</u>

CITY OF HUGO, MINNESOTA
TAX INCREMENT FINANCING COLLECTION FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 77,885	\$ 77,885	\$ 81,690	\$ 3,805
Other revenues:				
Investment earnings			1,250	1,250
Net increase in the fair value of investments			20	20
Total Revenues	77,885	77,885	82,960	5,075
EXPENDITURES				
Capital outlay	62,678	62,678	96,797	(34,119)
Excess (deficiency) of revenues over (under) expenditures	15,207	15,207	(13,837)	(29,044)
Other Financing Sources (Uses)				
Refund of unused tax increment			(397,623)	(397,623)
Net Change in Fund Balances	15,207	15,207	(411,460)	(426,667)
Fund Balance, January 1	411,460	411,460	411,460	
Fund Balance, December 31	\$ 426,667	\$ 426,667	\$	\$ (426,667)

CITY OF HUGO, MINNESOTA
ABATEMENT LEVY OFFSET
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Other revenues:				
Investment earnings	\$	\$	\$ 2,263	\$ 2,263
Net increase in the fair value of investments			37	37
Total Revenues			2,300	2,300
Other Financing Sources (Uses)				
Transfers out	(270,240)	(270,240)	(272,540)	(2,300)
Net Change in Fund Balances	(270,240)	(270,240)	(270,240)	
Fund Balance, January 1	270,240	270,240	270,240	
Fund Balance, December 31	\$	\$	\$	\$

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 624,936	\$ 624,936	\$ 626,753	\$ 1,817
Special assessments	84,747	84,747	96,974	12,227
Intergovernmental revenue	501,873	501,873	503,064	1,191
Other revenues:				
Investment earnings			22,263	22,263
Net increase in the fair value of investments			364	364
Total Revenues	1,211,556	1,211,556	1,249,418	37,862
EXPENDITURES				
Debt service:				
Principal retirement	1,680,000	1,680,000	1,680,000	
Interest on bonds	83,058	83,058	83,057	1
Fiscal charges	25,700	25,700	8,650	17,050
Total Expenditures	1,788,758	1,788,758	1,771,707	17,051
Excess (deficiency) of revenues over (under) expenditures	(577,202)	(577,202)	(522,289)	54,913
OTHER FINANCING SOURCES (USES)				
Transfers in	378,509	378,509	391,980	13,471
Net Change in Fund Balances	(198,693)	(198,693)	(141,480)	57,213
Fund Balance, January 1	2,564,944	2,564,944	2,564,944	
Fund Balance, December 31	\$ 2,366,251	\$ 2,366,251	\$ 2,423,464	\$ 57,213

**CITY OF HUGO, MINNESOTA
 COMPENSATED ABSENCES
 Schedule of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Other revenues:				
Investment earnings	\$	\$	\$ 7,880	\$ 7,880
Net increase in the fair value of investments			129	129
Total Revenues			8,009	8,009
OTHER FINANCING SOURCES				
Transfers in			51,057	51,057
Net Change in Fund Balances			59,066	59,066
Fund Balance, January 1	480,611	480,611	480,611	
Fund Balance, December 31	\$ 480,611	\$ 480,611	\$ 539,677	\$ 59,066

Note: The City adopted a \$0 activity budget in this fund for the year ended December 31, 2018.

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$	\$	\$ 111,059	\$ 111,059
Intergovernmental			166,046	166,046
Other revenues:				
Investment earnings			83,532	83,532
Net increase in the fair value of investments			1,364	1,364
Rent	22,800	22,800	23,300	500
Total Revenues	22,800	22,800	385,301	362,501
EXPENDITURES				
Capital outlay:				
Property and equipment acquisition			473,750	(473,750)
Miscellaneous	10,568	10,568	9,754	814
Total Expenditures	10,568	10,568	483,504	(472,936)
Excess (deficiency) of revenues over (under) expenditures	12,232	12,232	(98,203)	(110,435)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets			21,501	21,501
Transfers in			176,944	176,944
Total Other Financing Sources (Uses)			198,445	198,445
Net Change in Fund Balances	12,232	12,232	100,242	88,010
Fund Balance, January 1	5,118,420	5,118,420	5,118,420	
Fund Balance, December 31	\$ 5,130,652	\$ 5,130,652	\$ 5,218,662	\$ 88,010

CITY OF HUGO, MINNESOTA
PROPRIETARY FUND
Schedule of Revenues and Expenses - By Department
For the Year Ended December 31, 2018

	Water and Sewer Utility Fund			Totals
	Water Department	Sewer Department	Construction Department	
Operating Revenue				
Sale of water	\$ 1,248,240	\$	\$	\$ 1,248,240
Meter sales	44,149			44,149
Sewer charges		1,309,176		1,309,176
Total Operating Revenues	<u>1,292,389</u>	<u>1,309,176</u>		<u>2,601,565</u>
Operating Expenses				
Compensation	198,848	198,848		397,696
Engineering	7,110		76,225	83,335
Electricity	87,016	9,767	1,697	98,480
Repairs and maintenance	224,130	91,153	137,735	453,018
Sewer charges - MCES		528,283		528,283
Depreciation	405,398	276,226		681,624
Miscellaneous	89,764	72,124	2,500	164,388
Loss on sale of capital assets		3,145		3,145
Total Operating Expenses	<u>1,012,266</u>	<u>1,179,546</u>	<u>218,157</u>	<u>2,409,969</u>
Operating Income (Loss)	<u>\$ 280,123</u>	<u>\$ 129,630</u>	<u>\$ (218,157)</u>	<u>191,596</u>
Other Revenue (Expense)				
Future infrastructure charges				715,776
Rental income				37,549
Property taxes				269,124
Intergovernmental revenue				7,391
Investment earnings				339,603
Net increase in the fair value of investments				5,544
Miscellaneous				165,135
Total Other Revenue (Expense)				<u>1,540,122</u>
Net Income Before Transfers and Contributions				1,731,718
Capital contributions - special assessments				3,615
Noncash capital contributions				730,589
Capital contributions - intergovernmental				255,200
Capital contributions - other				25,680
Transfers				<u>(108,269)</u>
Change in Net Position				<u>\$ 2,638,533</u>

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CITY OF HUGO, MINNESOTA
SUPPLEMENTARY INFORMATION
December 31, 2018

CITY OF HUGO, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
December 31, 2018

	Interest Yield	Maturity	Book Value
CASH:			
Change funds		Open	\$ 200
Petty cash			50
Checking - US Bank		Open	236,986
Total Cash			\$ 237,236
INVESTMENTS:			
Certificates of Deposit - Merrick Bank of South Jordan UT CD	2.000%	02/19/19	\$ 240,000
- Huntingdon Valley Bank CD	2.000%	03/12/19	240,000
- First American Bank of IL CD	2.050%	03/26/19	240,000
- Homestreet Bank of Washington CD	2.150%	03/27/19	240,000
- Beal Bank of Las Vegas NV CD	2.050%	04/24/19	240,000
- Great Southern Bank CD	2.150%	04/26/19	240,000
- Bankwell Bank of New Canaan CT CD	2.200%	06/19/19	240,000
Total Certificates of Deposit			\$ 1,680,000
Money Market Funds - RBC Wealth Management	0.01%	Open	\$29,200,614
Total Money Market Funds			\$29,200,614
U.S. Government Securities:			
Federal Home Loan Banks	2.500%	08/15/19	\$ 499,855
Federal Home Loan Mortgage	2.500%	11/22/19	498,620
Federal Home Loan Bank	2.500%	12/30/19	499,645
Federal National Mortgage Association	2.000%	12/30/19	498,100
Federal Home Loan Mortgage	2.000%	05/11/20	998,170
Federal Home Loan Mortgage	1.750%	05/22/20	99,570
Federal Home Loan Mortgage	1.750%	05/22/20	397,336
Federal Home Loan Mortgage	1.750%	05/28/20	497,370
Federal Home Loan Mortgage	1.875%	06/12/20	154,406
Federal Home Loan Bank	2.000%	06/29/20	496,835
Federal Home Loan Mortgage	1.250%	08/24/20	495,250
Federal Home Loan Mortgage	1.500%	10/29/20	397,888
Federal Home Loan Bank	2.000%	11/27/20	498,325
Federal Home Loan Mortgage	1.500%	05/28/21	496,275
Federal National Mortgage Association	1.500%	06/30/21	485,495

CITY OF HUGO, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
December 31, 2018

	Interest Yield	Maturity	Book Value
INVESTMENTS:			
U.S. Government Securities:			
Federal Home Loan Banks	1.250%	07/27/21	495,895
Federal Home Loan Mortgage	1.500%	08/24/21	494,875
Federal Home Loan Bank	1.500%	11/08/21	490,525
Federal Home Loan Bank	1.500%	11/23/21	494,380
Federal Home Loan Mortgage	2.000%	11/23/21	494,340
Federal Home Loan Banks	2.000%	12/21/21	544,907
Federal Home Loan Mortgage	1.750%	03/29/22	497,730
Federal Home Loan Mortgage	2.000%	05/09/22	496,495
Federal Home Loan Mortgage	1.500%	05/24/22	497,960
Federal Home Loan Mortgage	1.750%	06/15/22	498,240
Federal Home Loan Mortgage	2.000%	06/29/22	498,190
Federal Home Loan Bank	2.000%	11/25/22	497,725
Federal Home Loan Bank	3.000%	09/28/23	750,322
Federal Home Loan Mortgage	2.500%	09/28/23	997,860
Total U.S. Government Securities			<u>\$ 14,762,584</u>
Total Investments			<u>\$45,643,198</u>
Total Cash and Investments			<u><u>\$45,880,434</u></u>

**CITY OF HUGO, MINNESOTA
SCHEDULE OF DEBT SERVICE
REQUIREMENTS - ALL FUNDS
DECEMBER 31, 2018**

Year	General Obligation Bonds and Certificates	
	Principal	Interest
2019	\$ 1,615,000	\$ 58,403
2020	1,675,000	32,636
2021	185,000	16,341
2022	180,000	10,913
2023	85,000	6,739
2024	45,000	4,658
2025	45,000	3,375
2026	45,000	2,025
2027	45,000	675
	\$ 3,920,000	\$ 135,765

**CITY OF HUGO, MINNESOTA
SCHEDULE OF BONDS PAYABLE
DECEMBER 31, 2018**

	Rates	Dates	Issue Date	Final Maturity Date	Annual Amount	Payment Years	Balance - Beginning of Year	Bonds Retired	Bonds Outstanding - End of Year	Paying Agent
G.O. Refunding Bonds										
2013 Crossover Refunding Bonds	1.00-1.15	2-1; 8-1	3/20/2013	2/1/2020	\$ 1,220,000 1,280,000	2019 2020	\$3,660,000	\$1,160,000	\$ 2,500,000	1
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	2019-2021 2022 2023 2024-2027	\$ 775,000	\$ 110,000	\$ 665,000	1
G.O. Special Assessment Bonds										
2010 Capital Improvement Bonds	2.50	2-1; 8-1	8/1/2010	2/1/2018	\$ 135,000	2018	\$ 135,000	\$ 135,000	\$	1
G.O. Special Assessment Bonds										
2009A Improvement Bonds	3.70-3.875	2-1; 8-1	7/21/2009	2/1/2020	\$ 100,000	2019-2020	\$ 295,000	\$ 95,000	\$ 200,000	1
G.O. Tax Abatement Bonds										
2009B Tax Abatement Bonds	3.00	2-1; 8-1	11/5/2009	2/1/2020	\$ 110,000	2019-2020	\$ 325,000	\$ 105,000	\$ 220,000	1
G.O. Special Assessment Bonds										
2007A Improvement Bonds	4.00-4.15	2-1; 8-1	10/17/2007	2/1/2023	\$ 75,000 65,000 45,000	2019-2021 2022 2023	\$ 410,000	\$ 75,000	\$ 335,000	1

Paying Agents: 1 - U.S. Bank Trust

Total Bonds Payable

\$ 3,920,000

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CITY OF HUGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
December 31, 2018

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.	84
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	94
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.	101
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.	109
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.	113

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

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

	Fiscal Year		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Governmental activities			
Net investment in capital assets	\$ 31,052,932	\$ 27,782,762	\$ 26,906,049
Restricted	3,856,380	4,964,391	5,780,135
Unrestricted	<u>14,974,461</u>	<u>11,241,242</u>	<u>9,038,151</u>
Total governmental activities net position	<u>\$ 49,883,773</u>	<u>\$ 43,988,395</u>	<u>\$ 41,724,335</u>
Business-type activities			
Net investment in capital assets	\$ 18,150,804	\$ 17,708,355	\$ 16,735,066
Restricted			
Unrestricted	<u>22,798,373</u>	<u>20,602,289</u>	<u>19,838,631</u>
Total business-type activities net position	<u>\$ 40,949,177</u>	<u>\$ 38,310,644</u>	<u>\$ 36,573,697</u>
Primary government			
Net investment in capital assets	\$ 49,203,736	\$ 45,491,117	\$ 43,641,115
Restricted	3,856,380	4,964,391	5,780,135
Unrestricted	<u>37,772,834</u>	<u>31,843,531</u>	<u>28,876,782</u>
Total primary government net position	<u>\$ 90,832,950</u>	<u>\$ 82,299,039</u>	<u>\$ 78,298,032</u>

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

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

Schedule 1

2015	2014	2013	2012	2011	2010	2009
\$ 26,217,435	\$ 23,454,304	\$ 21,367,621	\$ 21,481,371	\$ 21,076,493	\$ 22,085,591	\$ 19,521,661
6,569,231	7,022,529	13,519,890	8,465,178	3,380,316		
6,209,056	6,092,481	(1,175,995)	3,835,653	8,416,890	10,776,350	11,217,879
<u>\$ 38,995,722</u>	<u>\$ 36,569,314</u>	<u>\$ 33,711,516</u>	<u>\$ 33,782,202</u>	<u>\$ 32,873,699</u>	<u>\$ 32,861,941</u>	<u>\$ 30,739,540</u>
\$ 16,679,906	\$ 16,206,682	\$ 15,928,980	\$ 16,152,741	\$ 15,987,237	\$ 15,946,269	\$ 13,768,023
18,934,340	18,100,305	16,828,249	16,235,027	14,173,388	13,395,948	14,976,026
<u>\$ 35,614,246</u>	<u>\$ 34,306,987</u>	<u>\$ 32,757,229</u>	<u>\$ 32,387,768</u>	<u>\$ 30,160,625</u>	<u>\$ 29,342,217</u>	<u>\$ 28,744,049</u>
\$ 42,897,341	\$ 39,660,986	\$ 37,296,601	\$ 37,634,112	\$ 37,063,730	\$ 38,031,860	\$ 33,289,684
6,569,231	7,022,529	13,519,890	8,465,178	3,380,316		
25,143,396	24,192,786	15,652,254	20,070,680	22,590,278	24,172,298	26,193,905
<u>\$ 74,609,968</u>	<u>\$ 70,876,301</u>	<u>\$ 66,468,745</u>	<u>\$ 66,169,970</u>	<u>\$ 63,034,324</u>	<u>\$ 62,204,158</u>	<u>\$ 59,483,589</u>

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

	Fiscal Year		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Expenses			
Governmental activities:			
General government	\$ 1,161,448	\$ 1,276,421	\$ 1,197,701
Public safety	2,195,157	1,853,038	1,557,907
Highways and streets	2,594,452	2,562,574	1,693,873
Community development	77,154	104,902	95,450
Parks	759,167	695,431	691,817
Interest on long-term debt	80,331	105,337	120,457
Total governmental activities expenses	<u>6,867,709</u>	<u>6,597,703</u>	<u>5,357,205</u>
Business-Type activities:			
Water and sewer	2,409,969	2,610,342	2,525,203
Total primary government expenses	<u>\$ 9,277,678</u>	<u>\$ 9,208,045</u>	<u>\$ 7,882,408</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 889,034	\$ 830,442	\$ 685,861
Public safety	34,133	37,141	37,793
Highways and streets			
Community development			
Parks	29,700	30,900	24,700
Operating grants and contributions	312,052	348,677	317,012
Capital grants and contributions	4,699,335	1,208,198	963,391
Total governmental activities program revenues	<u>5,964,254</u>	<u>2,455,358</u>	<u>2,028,757</u>
Business-type activities:			
Charges for services:			
Water and sewer	3,317,341	2,667,449	2,364,489
Capital grants and contributions	1,015,084	1,388,622	606,704
Total business-type activities program revenues	<u>4,332,425</u>	<u>4,056,071</u>	<u>2,971,193</u>
Total primary government program revenues	<u>\$ 10,296,679</u>	<u>\$ 6,511,429</u>	<u>\$ 4,999,950</u>

Schedule 2

2015	2014	2013	2012	2011	2010	2009
\$ 1,122,799	\$ 1,134,472	\$ 1,065,863	\$ 1,067,927	\$ 1,053,948	\$ 1,085,789	\$ 1,248,415
1,766,538	1,605,641	1,604,478	1,564,118	1,530,435	1,404,480	1,503,033
2,798,767	1,652,444	2,542,320	2,433,615	2,672,496	4,981,297	2,467,723
44,810	29,743	30,483	28,593	194,508	194,704	202,069
629,830	695,534	628,316	578,792	598,387	548,569	451,118
245,855	420,400	536,639	515,183	494,872	687,954	630,395
<u>6,608,599</u>	<u>5,538,234</u>	<u>6,408,099</u>	<u>6,188,228</u>	<u>6,544,646</u>	<u>8,902,793</u>	<u>6,502,753</u>
<u>2,257,189</u>	<u>1,980,909</u>	<u>1,914,195</u>	<u>1,720,993</u>	<u>1,922,499</u>	<u>2,101,368</u>	<u>2,162,573</u>
<u>\$ 8,865,788</u>	<u>\$ 7,519,143</u>	<u>\$ 8,322,294</u>	<u>\$ 7,909,221</u>	<u>\$ 8,467,145</u>	<u>\$ 11,004,161</u>	<u>\$ 8,665,326</u>
\$ 533,119	\$ 537,526	\$ 371,013	\$ 478,209	\$ 292,519	\$ 368,515	\$ 453,546
41,554	36,835	31,477	39,092	50,068	56,813	47,892
24,700	26,407	27,020	29,113	36,514	112,433	24,516
342,514	260,534	779,206	741,340	775,350	569,054	778,401
<u>2,618,455</u>	<u>1,964,258</u>	<u>176,212</u>	<u>420,143</u>	<u>74,332</u>	<u>3,691,149</u>	<u>841,942</u>
<u>3,560,342</u>	<u>2,825,560</u>	<u>1,384,928</u>	<u>1,707,897</u>	<u>1,228,783</u>	<u>4,797,964</u>	<u>2,146,297</u>
2,536,840	2,388,668	2,339,417	2,784,960	2,276,159	2,337,983	2,544,390
<u>1,041,058</u>	<u>818,017</u>	<u>97,613</u>	<u>149,899</u>	<u>8,927</u>	<u>66,755</u>	<u>18,501</u>
<u>3,577,898</u>	<u>3,206,685</u>	<u>2,437,030</u>	<u>2,934,859</u>	<u>2,285,086</u>	<u>2,404,738</u>	<u>2,562,891</u>
<u>\$ 7,138,240</u>	<u>\$ 6,032,245</u>	<u>\$ 3,821,958</u>	<u>\$ 4,642,756</u>	<u>\$ 3,513,869</u>	<u>\$ 7,202,702</u>	<u>\$ 4,709,188</u>

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

	Fiscal Year		
	2018	2017	2016
Net (Expense) Revenue			
Governmental Activities	\$ (903,455)	\$ (4,142,345)	\$ (3,328,448)
Business-type activities	1,922,456	1,445,729	445,990
Total primary government net revenue	<u>\$ 1,019,001</u>	<u>\$ (2,696,616)</u>	<u>\$ (2,882,458)</u>
General Revenues and Other Changes In Net Position			
Governmental activities:			
General property taxes	\$ 6,574,311	\$ 6,145,465	\$ 5,858,093
Grants and contributions not restricted to specific programs	11,437	11,911	12,343
Investment earnings	306,546	144,962	57,287
Net increase (decrease) in the fair value of investments	5,006	(13,221)	(19,853)
Refund of unused tax increment	(237,112)		
Miscellaneous	30,376	9,728	40,123
Transfers	108,269	107,560	109,068
Total governmental activities	<u>6,798,833</u>	<u>6,406,405</u>	<u>6,057,061</u>
Business-type activities:			
General property taxes	269,124		
Grants and contributions not restricted to specific programs	517		
Investment earnings	339,603	166,647	65,119
Net increase (decrease) in the fair value of investments	5,544	(15,199)	(22,568)
Miscellaneous	209,558	247,330	579,978
Transfers	(108,269)	(107,560)	(109,068)
Total business-type activities	<u>716,077</u>	<u>291,218</u>	<u>513,461</u>
Total primary government	<u>\$ 7,514,910</u>	<u>\$ 6,697,623</u>	<u>\$ 6,570,522</u>
Change in Net Position			
Governmental activities	\$ 5,895,378	\$ 2,264,060	\$ 2,728,613
Business-type activities	2,638,533	1,736,947	959,451
Total primary government	<u>\$ 8,533,911</u>	<u>\$ 4,001,007</u>	<u>\$ 3,688,064</u>

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

**Schedule 2
(continued)**

2015	2014	2013	2012	2011	2010	2009
\$ (3,048,257)	\$ (2,712,674)	\$ (5,023,171)	\$ (4,480,331)	\$ (5,315,863)	\$ (4,104,829)	\$ (4,356,456)
1,320,709	1,225,776	522,835	1,213,866	362,587	303,370	400,318
<u>\$ (1,727,548)</u>	<u>\$ (1,486,898)</u>	<u>\$ (4,500,336)</u>	<u>\$ (3,266,465)</u>	<u>\$ (4,953,276)</u>	<u>\$ (3,801,459)</u>	<u>\$ (3,956,138)</u>
\$ 5,930,619	\$ 5,169,220	\$ 4,957,502	\$ 5,164,809	\$ 5,254,269	\$ 5,770,883	\$ 5,506,486
12,987	8,351	7,692	9,278	3,753	3,770	213,564
63,745	97,122	123,271	117,355	173,136	338,671	380,820
14,946	165,934	(249,734)				
10,600	21,566	9,657	40,171	67,721	9,093	8,101
107,839	108,279	104,097	104,475	(171,258)	104,813	104,708
<u>6,140,736</u>	<u>5,570,472</u>	<u>4,952,485</u>	<u>5,436,088</u>	<u>5,327,621</u>	<u>6,227,230</u>	<u>6,213,679</u>
					5,033	141,153
						7,181
74,066	98,298	129,708	119,149	190,576	300,479	451,949
17,670	194,271	(286,689)				
225,393	139,692	107,704	998,603	93,987	94,099	92,870
(107,839)	(108,279)	(104,097)	(104,475)	171,258	(104,813)	(104,708)
209,290	323,982	(153,374)	1,013,277	455,821	294,798	588,445
<u>\$ 6,350,026</u>	<u>\$ 5,894,454</u>	<u>\$ 4,799,111</u>	<u>\$ 6,449,365</u>	<u>\$ 5,783,442</u>	<u>\$ 6,522,028</u>	<u>\$ 6,802,124</u>
\$ 3,092,479	\$ 2,857,798	\$ (70,686)	\$ 955,757	\$ 11,758	\$ 2,122,401	\$ 1,857,223
1,529,999	1,549,758	369,461	2,227,143	818,408	598,168	988,763
<u>\$ 4,622,478</u>	<u>\$ 4,407,556</u>	<u>\$ 298,775</u>	<u>\$ 3,182,900</u>	<u>\$ 830,166</u>	<u>\$ 2,720,569</u>	<u>\$ 2,845,986</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General fund					
Unreserved	\$	\$	\$	\$	\$
Unassigned	3,083,467	2,708,918	2,603,086	2,422,714	2,316,449
Total general fund	<u>3,083,467</u>	<u>2,708,918</u>	<u>2,603,086</u>	<u>2,422,714</u>	<u>2,316,449</u>
All other governmental funds					
Reserved					
Unreserved, reported in:					
Special revenue funds					
Debt service funds					
Capital projects funds					
Restricted	2,423,464	2,976,404	3,243,799	3,478,864	9,193,397
Committed	1,965,392	2,097,452	1,864,591	1,814,672	1,591,779
Assigned	12,472,671	9,776,657	8,815,632	8,119,888	7,160,986
Total all other governmental funds	<u>16,861,527</u>	<u>14,850,513</u>	<u>13,924,022</u>	<u>13,413,424</u>	<u>17,946,162</u>
Total governmental funds	<u>\$ 19,944,994</u>	<u>\$ 17,559,431</u>	<u>\$ 16,527,108</u>	<u>\$ 15,836,138</u>	<u>\$ 20,262,611</u>

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

Schedule 3

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$	\$	\$	\$ 2,181,107	\$ 2,111,128
2,186,178	2,109,985	2,160,273		
<u>2,186,178</u>	<u>2,109,985</u>	<u>2,160,273</u>	<u>2,181,107</u>	<u>2,111,128</u>
				100,000
			436,572	1,806,400
			3,168,547	2,895,071
			6,820,406	6,930,513
9,567,219	3,940,302	3,380,316		
1,432,846	1,518,457	714,894		
<u>6,943,377</u>	<u>6,716,756</u>	<u>7,679,292</u>		
<u>17,943,442</u>	<u>12,175,515</u>	<u>11,774,502</u>	<u>10,425,525</u>	<u>11,731,984</u>
<u>\$ 20,129,620</u>	<u>\$ 14,285,500</u>	<u>\$ 13,934,775</u>	<u>\$ 12,606,632</u>	<u>\$ 13,843,112</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues					
Property taxes	\$ 6,736,136	\$ 6,145,736	\$ 5,902,992	\$ 5,969,315	\$ 5,180,422
Special assessments	309,712	434,858	370,756	932,172	345,508
Licenses and permits	601,126	508,574	388,743	297,071	248,642
Intergovernmental revenues	1,588,458	1,371,711	1,345,844	1,315,406	1,206,757
Charges for services	261,906	306,671	266,392	207,890	248,497
Court fines	33,958	37,141	37,793	41,554	36,835
Other Revenue					
Investment earnings	306,546	144,962	57,287	63,745	97,122
Net change in the fair value of investments	5,006	(13,221)	(19,853)	14,946	165,934
Developer fees	1,183,687	300,095	106,780		404,041
Land sales					
Rent	41,655	40,825	32,695	24,540	31,976
Insurance settlement					
Contributions	100				
Miscellaneous	23,097	34,635	59,900	236,603	326,104
Total Revenues	<u>11,091,387</u>	<u>9,311,987</u>	<u>8,549,329</u>	<u>9,103,242</u>	<u>8,291,838</u>
EXPENDITURES					
General government	1,043,018	1,128,413	1,014,614	979,788	986,220
Public safety	1,831,314	1,739,392	1,549,208	1,571,184	1,420,115
Highways and streets	1,232,265	1,200,660	1,182,129	1,204,844	1,204,207
Community development	63,348	83,441	76,355	43,498	20,345
Parks	409,499	406,784	375,433	337,316	349,113
Unallocated	156,037	153,199	137,007	137,210	124,799
Debt service					
Bond principal retirement	1,680,000	1,625,000	1,570,000	7,070,000	1,570,000
Interest on bonds	83,057	106,245	126,237	272,283	450,981
Fiscal charges	8,650	8,875	2,675	11,975	5,776
Issuance costs					
Advance refunding escrow					
Capital outlay	1,930,783	1,935,215	1,964,923	2,011,111	2,135,570
Total Expenditures	<u>8,437,971</u>	<u>8,387,224</u>	<u>7,998,581</u>	<u>13,639,209</u>	<u>8,267,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,653,416</u>	<u>924,763</u>	<u>550,748</u>	<u>(4,535,967)</u>	<u>24,712</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt					
Premium (Discount) on issuance of debt					
Payment to bond escrow agent					
Sale of property	21,501		31,154	1,655	
Refund of unused tax increment	(397,623)				
Transfers in	1,619,981	1,243,050	2,858,862	959,688	1,029,021
Transfers out	(1,511,712)	(1,135,490)	(2,749,794)	(851,849)	(920,742)
Total other financing sources (uses)	<u>(267,853)</u>	<u>107,560</u>	<u>140,222</u>	<u>109,494</u>	<u>108,279</u>
Net change in fund balances	<u>\$ 2,385,563</u>	<u>\$ 1,032,323</u>	<u>\$ 690,970</u>	<u>\$ (4,426,473)</u>	<u>\$ 132,991</u>
Debt service as a percentage of noncapital expenditures	25.90%	27.20%	31.40%	60.97%	34.93%

Schedule 4

	2013	2012	2011	2010	2009
\$	5,005,479	\$ 5,318,041	\$ 5,223,887	\$ 5,563,298	\$ 5,474,995
	290,505	406,071	624,953	316,848	536,069
	213,255	302,752	167,373	210,829	348,343
	1,003,735	769,373	792,938	3,372,522	1,345,592
	145,558	159,122	120,308	146,107	86,072
	31,477	39,092	50,068	56,813	47,762
	123,271	117,355	173,782	338,671	380,820
	(249,734)				7,752
	19,525	16,765	24,364	29,310	30,697
	240,127	202,573	204,763	361,557	33,136
	6,823,198	7,331,144	7,382,436	10,395,955	8,291,238
	973,069	958,965	900,935	911,625	964,806
	1,375,303	1,355,607	1,333,944	1,195,244	1,300,168
	1,199,078	1,157,640	1,166,248	1,307,156	1,073,741
	17,515	22,797	181,021	183,342	175,409
	321,655	317,301	297,422	252,874	182,051
	134,590	104,377	119,753	109,741	100,323
	1,515,000	1,260,000	1,120,000	2,425,000	785,000
	430,069	463,374	476,157	676,857	608,321
	9,102	48,967	52,333	48,463	29,403
	59,468			225,080	
	855,610	1,403,591	1,575,007	4,832,777	2,600,215
	6,890,459	7,092,619	7,222,820	12,168,159	7,819,437
	(67,261)	238,525	159,616	(1,772,204)	471,801
	5,835,000		1,325,000	1,340,000	2,570,000
	(27,716)		5,185	20,772	17,068
		7,725	9,600	(929,861)	
	518,621	2,076,262	705,068	2,333,972	1,478,522
	(414,524)	(1,971,787)	(876,326)	(2,229,159)	(1,373,814)
	5,911,381	112,200	1,168,527	535,724	2,691,776
\$	5,844,120	\$ 350,725	\$ 1,328,143	\$ (1,236,480)	\$ 3,163,577
	29.42%	29.40%	25.82%	30.31%	23.00%

SCHEDULE 5

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

Payable Year	Estimated Market Value	Tax Capacity		Total Tax Capacity	Total Adjusted Tax Capacity (1)	City Urban Tax Rate	% of Tax Capacity to Total Estimated Market Value
		Real Property	Personal Property				
2009	\$ 1,567,781,100	\$ 15,492,415	\$ 239,741	\$ 15,732,156	\$ 14,350,560	34.443	% 0.01
2010	1,485,921,700	15,126,688	262,716	15,389,404	13,891,937	34.274	0.01
2011	1,360,991,900	14,025,951	248,164	14,274,115	12,630,639	34.236	0.01
2012	1,341,568,000	13,065,273	255,652	13,320,925	12,247,068	36.498	0.01
2013	1,295,537,600	12,545,414	276,956	12,822,370	11,774,742	36.511	0.01
2014	1,344,215,300	13,111,735	284,514	13,396,249	12,355,637	36.417	0.01
2015	1,554,927,700	15,374,167	283,928	15,658,095	14,603,836	36.318	0.01
2016	1,532,535,200	15,086,691	293,209	15,379,900	14,294,114	36.323	0.01
2017	1,592,305,900	15,714,605	308,597	16,023,202	14,938,652	36.360	0.01
2018	1,751,103,900	17,477,312	326,066	17,803,378	16,694,227	36.330	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	
2009	28.660 %	2.598 %	31.258 %	31.845 %	2.598 %	34.443 %	13.455 - 24.480	% 26.371 %	1.545 - 4.002 %	2.351 %	74.980 - 91.647 %	
2010	27.975	3.191	31.166	31.083	3.191	34.274	12.895 - 26.389	27.775	1.511 - 4.153	2.558	75.905 - 95.149	
2011	27.874	3.265	31.139	30.971	3.265	34.236	15.411 - 34.330	29.772	1.725 - 4.275	2.664	80.711 - 105.277	
2012	29.403	3.828	33.231	32.669	3.828	36.497	17.331 - 38.360	31.939	2.340 - 4.906	2.909	87.750 - 114.611	
2013	29.326	3.927	33.253	32.585	3.927	36.512	22.018 - 37.105	34.225	2.517 - 5.307	3.163	95.176 - 116.312	
2014	30.152	2.915	33.067	33.502	2.915	36.417	23.150 - 39.770	32.811	2.387 - 5.066	3.127	94.542 - 117.191	
2015	30.612	2.304	32.916	34.013	2.305	36.318	21.124 - 34.496	30.186	2.185 - 4.769	2.826	89.237 - 108.595	
2016	30.972	1.910	32.882	34.413	1.910	36.323	19.849 - 34.107	30.564	2.192 - 5.111	3.195	88.682 - 109.300	
2017	31.086	1.820	32.906	34.540	1.820	36.360	20.390 - 34.093	30.448	2.088 - 5.275	3.038	88.870 - 109.214	
2018	31.784	1.014	32.798	35.316	1.014	36.330	19.349 - 32.161	29.983	1.838 - 5.021	2.949	86.917 - 106.444	

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)	2018			2009		
	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	\$ 419,404	1	2.83 %	\$ 242,023	1	1.69 %
Wilson Tool International	222,438	2	1.50	203,680	2	1.42
Victor Hugo Blvd LLC	176,338	3	1.19	164,800	3	1.15
Schwieters Properties	136,468	4	0.92	139,492	4	0.97
14688 Everton LLC	107,742	5	0.73			
Hugo Senior Housing LLC	130,166	6	0.88			
Martin Prop LLC	86,926	7	0.59	82,156	7	0.57
Lake Area Bank	68,292	8	0.46			
Fairview Health Services	67,962	9	0.46			
JWF Victor LLC Etal	65,768	10	0.44			
E & G Development LLC				130,265	5	0.91
CPDC Pratt Oakwood LLC				88,413	6	0.62
4L LLC				56,328	8	0.39
POAC Investments LLC				52,310	9	0.36
R A Pearson & Assoc LLC				40,156	10	0.28
TOTAL	\$ 1,481,504		10.00 %	\$ 1,199,623		8.36 %

(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	
2009	\$ 5,330,059	\$ 4,985,828	\$ 4,842,016	97.12	\$ 141,906
2010	5,218,217	4,932,445	4,742,253	96.14	188,034
2011	4,839,717	4,528,339	4,363,947	96.37	163,588
2012	4,960,596	4,950,356	4,860,849	98.19	89,448
2013	4,750,286	4,740,403	4,659,447	98.29	80,504
2014	4,940,809	4,931,497	4,862,330	98.60	68,725
2015	5,717,021	5,703,010	5,654,146	99.14	47,310
2016	5,634,071	5,620,517	5,588,004	99.42	29,343
2017	5,926,478	5,913,546	5,869,735	99.26	30,926
2018	6,589,301	6,576,609	6,525,179	99.22	

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

Schedule 8

<u>Total Collections to Date</u>		<u>Percentage of Net Levy</u>	<u>Total Delinquent Taxes (2)</u>	<u>Delinquent Taxes As A % Of Total Net Tax Levy</u>
<u>Amount</u>				
\$	4,983,922	99.96	\$ 1,906	0.04
	4,930,287	99.96	2,158	0.04
	4,527,535	99.98	804	0.02
	4,950,297	100.00	59	0.00
	4,739,951	99.99	452	0.01
	4,931,055	99.99	442	0.01
	5,701,456	99.97	1,554	0.03
	5,617,347	99.94	3,170	0.06
	5,900,661	99.78	12,885	0.22
	6,525,179	99.22	51,430	0.78

**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Residential	276.073	280.587	275.255	249.290	248.144	282.765
Commercial Service	12.490	12.274	15.121	12.334	11.318	11.251
Commercial Irrigation Service	57.531	66.364	56.511	72.262	54.870	83.198
Industrial Service	6.436	6.844	10.466	9.534	7.599	7.166
Institutional Service	1.464	1.777	1.624	1.701	1.375	1.720
Total gallons	<u>353.994</u>	<u>367.846</u>	<u>358.977</u>	<u>345.121</u>	<u>323.306</u>	<u>386.100</u>
Total direct rate per 1,000 gallons	\$ 3.526	\$ 2.536	\$ 2.525	\$ 2.515	\$ 2.519	\$ 2.553

Sanitary Sewer (in millions of gallons)

<u>Type of Customer</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Residential	276.073	280.587	275.255	249.290	248.144	282.765
Commercial	12.490	12.274	15.121	12.334	11.318	11.251
Industrial	6.436	6.844	10.466	9.534	7.599	7.166
Institutional	1.464	1.777	1.624	1.701	1.375	1.720
Total gallons	<u>296.463</u>	<u>301.482</u>	<u>302.466</u>	<u>272.859</u>	<u>268.436</u>	<u>302.902</u>
Total direct rate per 1,000 gallons	\$ 4.416	\$ 3.690	\$ 3.641	\$ 4.049	\$ 3.901	\$ 3.447

Schedule 9

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
299.950	243.366	252.179	271.084
11.616	11.090	11.861	11.462
104.747	73.703	89.290	106.387
7.211	7.159	6.487	6.644
1.926	1.465	2.025	1.488
<u>425.450</u>	<u>336.783</u>	<u>361.842</u>	<u>397.065</u>
\$ 2.468	\$ 2.553	\$ 2.477	\$ 2.541

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
299.950	243.366	252.179	271.084
11.616	11.090	11.861	11.462
7.211	7.159	6.487	6.644
1.926	1.465	2.025	1.488
<u>320.703</u>	<u>263.080</u>	<u>272.552</u>	<u>290.678</u>
\$ 3.435	\$ 4.279	\$ 3.647	\$ 3.019

**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
2009	\$ 2,044,406	\$ 1,360,000	\$ 1,720,000	\$	\$	\$ 1,943,326	\$ 9,212,261	\$ 16,279,993
2010	1,954,226					3,156,190	8,982,063	14,092,479
2011	3,094,222					2,817,550	8,397,025	14,308,797
2012	2,913,745					2,449,004	7,692,153	13,054,902
2013	2,623,253					3,106,102	11,626,924	17,356,279
2014	2,337,744					2,728,486	10,730,773	15,797,003
2015	2,052,219					1,439,671	5,310,697	8,802,587
2016	1,766,676					1,102,916	4,362,258	7,231,850
2017	1,486,115					761,112	3,358,782	5,606,009
2018	1,205,536					419,207	2,300,269	3,925,012

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

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

Schedule 10

Business-Type Activities

<u>Utility 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>
\$ 1,925,000	\$ 1,925,000	\$ 18,204,993	0.03	\$ 1,385
		14,092,479	0.02	1,057
		14,308,797	0.02	1,057
		13,054,902	0.02	950
		17,356,279	0.02	1,251
		15,797,003	0.02	1,112
		8,802,587	0.01	613
		7,231,850	0.01	496
		5,606,009	0.01	370
		3,925,012	N/A	257

**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
2009	\$ 2,044,406	\$ 1,360,000	\$ 1,720,000	\$	\$ 1,943,326	\$ 9,212,261	\$ 1,925,000	\$ 18,204,993
2010	1,954,226				3,156,190	8,982,063		14,092,479
2011	3,094,222				2,817,550	8,397,025		14,308,797
2012	2,913,745				2,449,004	7,692,153		13,054,902
2013	2,623,253				3,106,102	11,626,924		17,356,279
2014	2,337,744				2,728,486	10,730,773		15,797,003
2015	2,052,219				1,439,671	5,310,697		8,802,587
2016	1,766,676				1,102,916	4,362,258		7,231,850
2017	1,486,115				761,112	3,358,782		5,606,009
2018	1,205,536				419,207	2,300,269		3,925,012

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

See Schedule 15 for personal income and population data

See Schedule 5 for estimated market value information

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

Source: City of Hugo Finance Department

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

Schedule 11

Less: Available in Debt Service	Net General Bonded Debt Outstanding	Percentage of Actual Market Value of Property	Per Capita
\$ (2,451,764)	\$ 15,753,229	1.00%	\$ 1,199
(2,720,919)	11,371,560	0.77%	853
(3,135,598)	11,173,199	0.82%	825
(3,656,596)	9,398,306	0.70%	684
(9,225,641) (1)	8,130,638	0.63%	586
(8,830,050) (1)	6,966,953	0.52%	491
(3,099,683)	5,702,904	0.37%	397
(2,847,900)	4,383,950	0.29%	301
(2,564,944)	3,041,065	0.19%	201
(2,423,464)	1,501,548	0.09%	98

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

December 31, 2018

<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	\$ 85,805,000	15.08%	12,937,142
Independent School District #831	163,990,000	3.38%	5,540,414
Independent School District #832	48,715,000	4.38%	2,135,798
Independent School District #834	99,165,000	0.89%	887,023
Other debt			
Washington County	116,345,000	5.36%	6,241,753
Regional Transit	189,310,976	0.40%	<u>760,085</u>
Subtotal, overlapping debt			28,502,215
City direct debt	3,925,012		<u>3,925,012</u>
Total direct and overlapping debt			<u><u>\$ 32,427,227</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				
	2018	2017	2016	2015	2014
Debt limit	\$ 49,240	\$ 44,284	\$ 42,502	\$ 43,322	\$ 36,634
Total net debt applicable to limit	<u>144</u>	<u>303</u>	<u>558</u>	<u>809</u>	<u>1,094</u>
Legal debt margin	\$ 49,096	\$ 43,981	\$ 41,944	\$ 42,513	\$ 35,540
Total net debt applicable to the limit as a percentage of debt limit	0.29%	0.68%	1.31%	1.87%	2.99%

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 2018

Taxable Market Value	\$ 1,641,328
Debt Limit (3% of market value)	49,240
Debt applicable to limit:	
General obligation bonds	420
Less: Amount set aside for repayment of general obligation debt	(276)
Total net debt applicable to limit	144
Legal debt margin	\$ 49,096

2013	2012	2011	2010	2009
\$ 34,940	\$ 36,356	\$ 39,099	\$ 42,332	\$ 43,873
1,391	1,767	2,179	2,537	2,891
\$ 33,549	\$ 34,589	\$ 36,920	\$ 39,795	\$ 40,982
3.98%	4.86%	5.57%	5.99%	6.59%

**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	
2009	\$ 3,248,863	\$ 1,570,104	\$ 1,678,759	\$ 195,000	\$ 87,736	5.94
2010	2,760,541	1,564,187	1,196,354	1,925,000	25,958	0.61
2011	2,569,649	1,405,593	1,164,056			
2012	3,920,983	1,196,586	2,724,397			
2013	2,301,642	1,385,995	915,647			
2014	2,848,133	1,429,577	1,418,556			
2015	2,861,130	1,669,777	1,191,353			
2016	3,024,094	1,918,625	1,105,469			
2017	3,111,756	1,987,132	1,124,624			
2018	4,145,302	1,728,345	2,416,957			

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

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

(3) Details regarding the City's outstanding debt can be found in the notes to the financial statements. All utility revenue bonds were paid off in 2010.

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

YEAR	POPULATION (1)	PERSONAL INCOME (thousands of dollars)	PER CAPITA PERSONAL INCOME (2)	STATE UNEMPLOYMENT RATE (3)	CITY UNEMPLOYMENT RATE (3)
2009	13,140	606,477	46,155	7.5	7.0
2010	13,332	633,350	47,506	7.0	6.1
2011	13,536	691,893	51,115	5.7	5.2
2012	13,739	726,065	52,847	5.3	4.7
2013	13,878	748,732	53,951	4.5	3.9
2014	14,201	814,300	57,341	3.8	3.1
2015	14,352	857,044	59,716	3.8	3.0
2016	14,576	900,884	61,806	4.0	3.4
2017	15,158	965,277	63,681	3.3	2.7
2018	15,247	N/A	N/A	3.2	2.6

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

Employer	2018			2009		
	Employees (1)	Rank	Percentage of Total City Employment (3)	Employees (2)	Rank	Percentage of Total City Employment (3)
Wilson Tool	500	1	17.4%	350	1	19.1%
JL Schwieters	210	2	7.3%			
Lametti & Sons, Inc.	130	3	4.5%			
Schwieters Companies Inc	125	4	4.3%	65	4	3.5%
Festival Foods	115	5	4.0%	100	2	5.5%
Independent School District No. 624	85	6	3.0%	85	3	4.6%
Blue Heron Grille	65	7	2.3%			
Northland Pallet	60	8	2.1%			
Construction Materials	40	9	1.4%			
Wild Wings Game Farm	35	10	1.2%			
Glamos Wire/Donner Industries				60	5	3.3%
Pearson Mechanical				20	9	1.1%
American Structural Metals				40	6	2.2%
Industrial Painting Specialists				25	7	1.4%
Loadmaster Lubricants				23	8	1.3%

- (1) Telephone survey of individual employers, March 2019
- (2) Telephone survey of individual employers, December 2009
- (3) City staff estimate based on Metropolitan Council estimate of employment

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

<u>Function</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City Administrator	1.00	1.00	1.00	1.00	1.00	1.00
City Clerk	1.00	1.00	1.00	1.00	1.00	1.00
Finance	2.33	2.00	2.00	2.00	2.00	2.00
Planning and Zoning	1.00	1.00	1.00	1.00	1.00	1.00
General Government Buildings	0.00	0.00	0.00	0.00	0.00	0.00
Engineering	1.00	1.00	1.00	1.00	1.00	1.00
General Government	<u>6.33</u>	<u>6.00</u>	<u>6.00</u>	<u>6.00</u>	<u>6.00</u>	<u>6.00</u>
Fire	2.50	2.50	2.50	2.50	2.50	2.50
Building Inspections	3.00	3.00	3.00	3.00	3.00	3.00
Public Safety	<u>5.50</u>	<u>5.50</u>	<u>5.50</u>	<u>5.50</u>	<u>5.50</u>	<u>5.50</u>
Streets and Roadways	7.34	7.34	6.34	6.34	6.34	6.34
Public Works	<u>7.34</u>	<u>7.34</u>	<u>6.34</u>	<u>6.34</u>	<u>6.34</u>	<u>6.34</u>
Parks	4.52	4.52	4.52	4.52	4.52	4.52
Parks and Recreation	<u>4.52</u>	<u>4.52</u>	<u>4.52</u>	<u>4.52</u>	<u>4.52</u>	<u>4.52</u>
Community Development	1.50	1.50	1.50	1.50	0.50	0.50
	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>	<u>0.50</u>	<u>0.50</u>
Total Governmental Activities	<u>25.19</u>	<u>24.86</u>	<u>23.86</u>	<u>23.86</u>	<u>22.86</u>	<u>22.86</u>
Water Utility	2.16	1.33	1.33	1.33	1.33	1.33
Sewer Utility	2.16	1.33	1.33	1.33	1.33	1.33
Total Business Activities	<u>4.32</u>	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>
Totals for Organization	<u><u>29.51</u></u>	<u><u>27.52</u></u>	<u><u>26.52</u></u>	<u><u>26.52</u></u>	<u><u>25.52</u></u>	<u><u>25.52</u></u>

Source: City's Adopted Budgets

Schedule 17

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
1.00	1.00	2.00	1.95
1.00	1.00	1.00	1.00
2.00	2.00	2.00	2.00
1.00	1.00	1.00	1.00
0.00	0.36	0.50	0.50
1.00	1.00	1.00	1.00
<u>6.00</u>	<u>6.36</u>	<u>7.50</u>	<u>7.45</u>
2.50	2.50	2.50	2.50
3.00	3.69	4.00	4.00
<u>5.50</u>	<u>6.19</u>	<u>6.50</u>	<u>6.50</u>
6.34	6.34	6.34	6.34
<u>6.34</u>	<u>6.34</u>	<u>6.34</u>	<u>6.34</u>
4.52	4.52	3.09	3.09
<u>4.52</u>	<u>3.09</u>	<u>3.09</u>	<u>3.09</u>
0.50	2.00	2.00	2.00
<u>0.50</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
<u>22.86</u>	<u>25.41</u>	<u>25.43</u>	<u>25.38</u>
1.33	1.33	1.33	1.33
1.33	1.33	1.33	1.33
<u>2.66</u>	<u>2.66</u>	<u>2.66</u>	<u>2.66</u>
<u>25.52</u>	<u>28.07</u>	<u>28.09</u>	<u>28.04</u>

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

Function/Program	2018	2017	2016	2015	2014	2013
Planning and Zoning						
Conditional use permits	4	3	3	5	2	5
Minor subdivisions	0	1	2	0	1	1
Plats/Planned unit developments	15	7	12	9	4	9
Rezoning	1	0	0	0	0	0
Site plans	4	3	2	3	4	2
Variations	0	2	5	5	10	4
Fire						
Total emergency responses	299	263	238	467	607	601
EMS responses	154	99	120	317	478	440
Fire responses	145	164	118	150	129	161
Building Inspections						
Residential permit valuations (thousands of dollars)	42,951	29,180	30,359	20,664	27,140	12,398
Commercial permit valuations (thousands of dollars)	10,506	11,160	4,074	928	13,759	5,246
New dwelling units	130	79	108	69	49	52
Water Utility						
Number of customers	3,529	3,426	3,352	3,259	3,195	3,163
Average daily consumption (thousands of gallons)	970	1,008	983	946	886	1,058
Sanitary Sewer Utility						
Number of customers	3,666	3,564	3,490	3,397	3,331	3,298
Average daily flow (thousands of gallons)	812	826	829	748	735	830

Sources: Various City Department's annual budget workload measurements

Schedule 18

2012	2011	2010	2009
1	6	6	4
0	4	1	1
1	2	3	3
0	1	1	0
5	3	3	0
3	2	6	4
573	537	609	550
356	371	437	402
217	166	172	148
18,083	11,160	16,254	26,625
10,482	783	1,042	2,739
89	50	86	147
3,109	3,077	2,973	2,880
1,166	923	991	1,088
3,248	3,119	3,098	3,005
879	721	747	796

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

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Bituminous streets (miles)	77	75	74	72	71	70	70	69	68	68
Gravel streets (miles)	20	20	20	20	20	20	20	21	21	21
Street lights	949	935	932	926	918	910	910	910	899	881
Storm sewer (miles)	39	38	37	36	35	33	33	33	33	33
Park & Recreation										
Acres of parkland	391.1	390.7	390.7	389.5	385.0	385.0	385.0	385.0	385.0	385.0
Number of parks	17	16	16	15	14	14	14	14	14	14
Water Utility										
Miles of watermain	61	60	59	58	57	56	55	55	54	54
Number of fire hydrants	728	715	699	688	680	668	666	661	653	640
Sanitary Sewer Utility										
Miles of sanitary sewer	55	54	53	53	52	51	51	51	50	50

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

CITY OF HUGO, MINNESOTA

OTHER REPORT SECTION

December 31, 2018

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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Hugo, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements which collectively comprise the City of Hugo, Minnesota's basic financial statements, and have issued our report thereon dated June 19, 2019.

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

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

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

Smith, Schaffer and Associates, Ltd.

Minneapolis, Minnesota
June 19, 2019