

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE CITY COUNCIL OF
EAGAN, MINNESOTA**

**For the Year Ended
December 31, 2010**

Thomas L. Hedges, City Administrator

**PREPARED BY:
THE DEPARTMENT OF ADMINISTRATIVE
SERVICES - FINANCE**

THOMAS W. PEPPER, Chief Financial Officer

Cover Design: Spencer Pratt, Intern

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CITY OF EAGAN

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Elected Officials and Administration.....	1
Organizational Chart.....	2
Location of City.....	3
Location of City Properties.....	4
Letter of Transmittal.....	7
Certificate of Achievement for Excellence in Financial Reporting.....	12
 FINANCIAL SECTION	
Independent Auditor’s Report.....	13
Management’s Discussion and Analysis.....	15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	27
Statement of Activities.....	28
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	30
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds.....	33
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds.....	36
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	37
Statement of Net Assets – Proprietary Funds.....	40
Reconciliation of the Statement of Net Assets – Proprietary Funds – to the Government-Wide Statement of Net Assets – Business-Type Activities.....	45
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	46
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets to the Statement of Activities – Business-Type Activities.....	49
Statement of Cash Flows – Proprietary Funds.....	50
Statement of Fiduciary Net Assets.....	54
Statement of Changes in Fiduciary Net Assets.....	54
Notes to the Financial Statements.....	55
 Required Supplementary Information:	
Schedule of Funding Progress – Other Post Employment Benefits.....	88
Schedule of Employer Contributions – Other Post Employment Benefits.....	88

CITY OF EAGAN

TABLE OF CONTENTS

FINANCIAL SECTION	Page
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	96
General Fund:	
Schedule of Revenues – Budget (Original and Final) and Actual	104
Schedule of Expenditures – Budget (Original and Final) and Actual.....	106
Special Revenue Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Original and Final) and Actual:	
Housing.....	109
Cable Television Franchise Fees	110
Eagan TV	111
Cedarvale Special Services.....	112
DWI Forfeiture.....	113
Park Site Acquisition and Development.....	114
Equipment Revolving Fund.....	115
General Facilities Renewal	116
Public Utilities Enterprise Fund:	
Comparative Statement of Fund Net Assets	117
Schedule of Revenues, Expenses and Changes in Fund Net Assets.....	119
Internal Service Funds:	
Combining Statement of Fund Net Assets.....	121
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	122
Combining Statement of Cash Flows	123
Statement of Changes in Agency Fund Assets and Liabilities.....	124
Financial Schedules:	
Combined Schedule of Bonds Payable	125
Combined Schedule of Bonds Payable Maturities.....	126
Combined Schedule of Debt Service Requirements	128
Schedule of Cash and Investments	130

CITY OF EAGAN

TABLE OF CONTENTS

STATISTICAL SECTION	Table	Page
Net Assets by Component.....	1	134
Changes in Net Assets	2	135
Fund Balances of Governmental Funds	3	136
Changes in Fund Balances of Governmental Funds	4	137
Tax Capacity, Estimated Market Value and Indicated Market Value.....	5	138
Direct and Overlapping Property Tax Rates	6	139
Principal Property Taxpayers	7	140
Property Tax Levies and Collections	8	141
Ratios of Outstanding Debt by Type.....	9	142
Ratios of General Bonded Debt Outstanding and Legal Debt Margin	10	143
Direct and Overlapping Governmental Activities Debt.....	11	144
Pledged Revenue Coverage	12	145
Demographic and Economic Statistics	13	146
Principal Employers	14	147
Budgeted Full-Time Equivalent City Government Employees by Function	15	148
Operating Indicators by Function.....	16	149
Capital Asset Statistics by Function.....	17	150

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CITY OF EAGAN
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2010

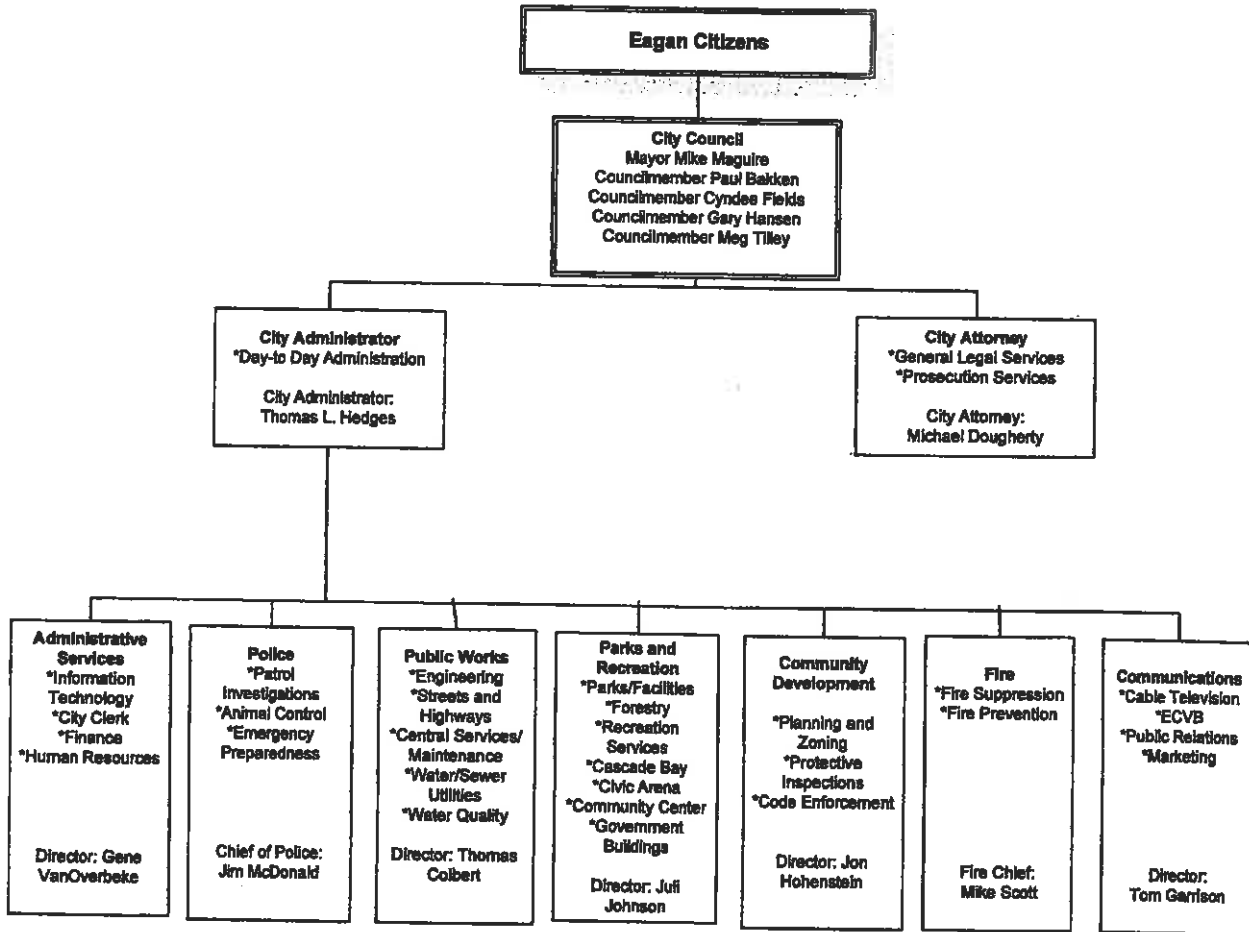
<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Mike Maguire	Mayor	December 31, 2014
Cyndee Fields	Council Member	December 31, 2012
Meg Tilley	Council Member	December 31, 2012
Paul Bakken	Council Member	December 31, 2014
Gary Hansen	Council Member	December 31, 2014

<u>Administration</u>	
Thomas L. Hedges	City Administrator
Dianne Miller	Assistant to the City Administrator
Eugene J. Van Overbeke	Director of Administrative Services
Thomas W. Pepper	Chief Financial Officer
Jim McDonald	Chief of Police
Mike Scott	Fire Chief
Thomas A. Colbert	Director of Public Works
Juli Seydell Johnson	Director of Parks and Recreation
Thomas M. Garrison	Director of Communications
Jon D. Hohenstein	Director of Community Development

<u>Consultants and Advisors</u>	
Legal	Severson, Sheldon, Dougherty & Molenda, P.A.
Auditing	Kern, DeWenter, Viere, Ltd.
Engineering	Bonestroo, Rosene, Anderlik & Associates, Inc. Short-Elliott-Hendrickson & Associates, Inc. SRF Consulting Group WSB & Associates
Fiscal	Springsted Ehlers & Associates

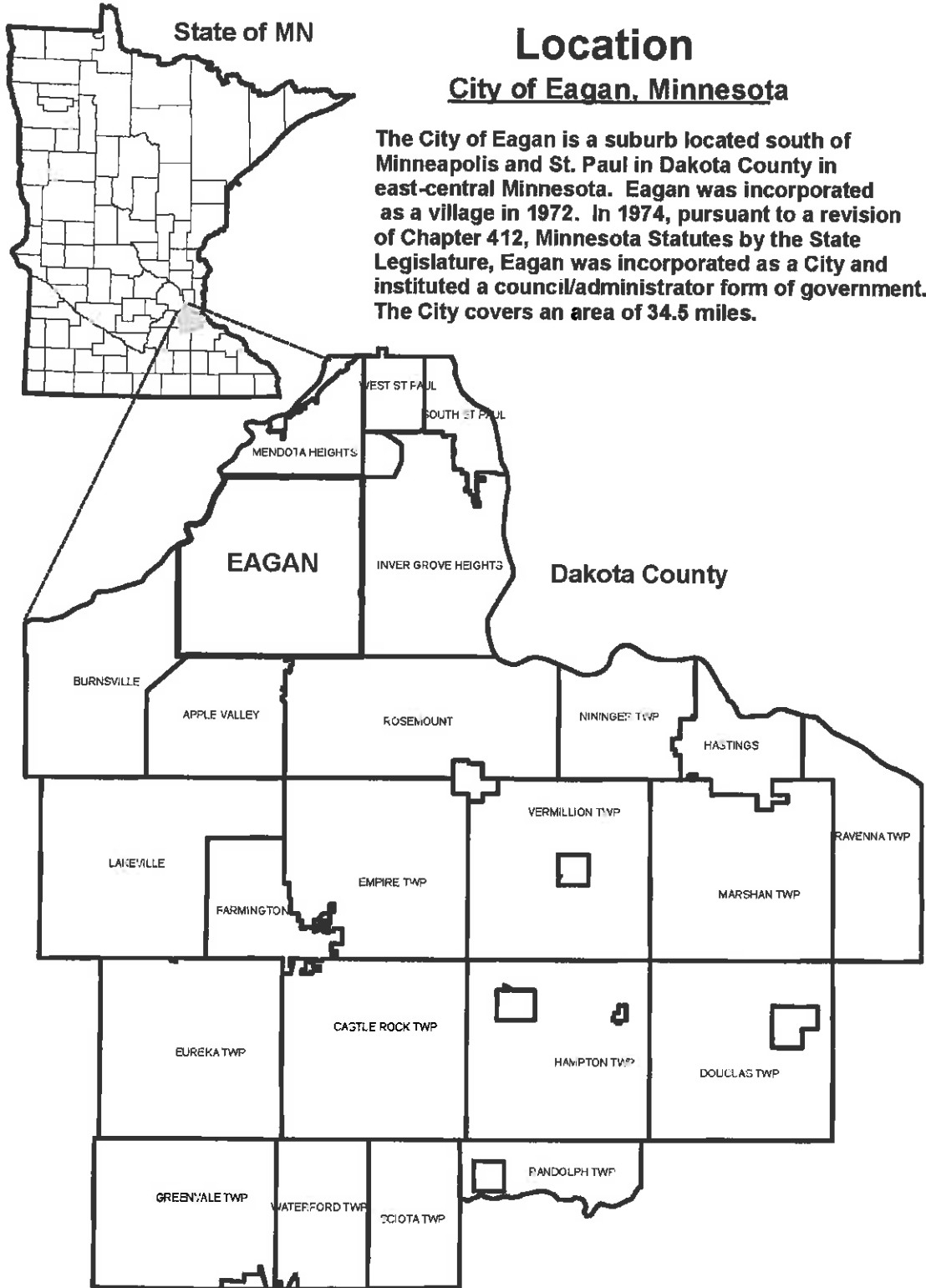
CITY OF EAGAN
ORGANIZATIONAL CHART
December 31, 2010

CITY OF EAGAN ORGANIZATIONAL CHART
2010



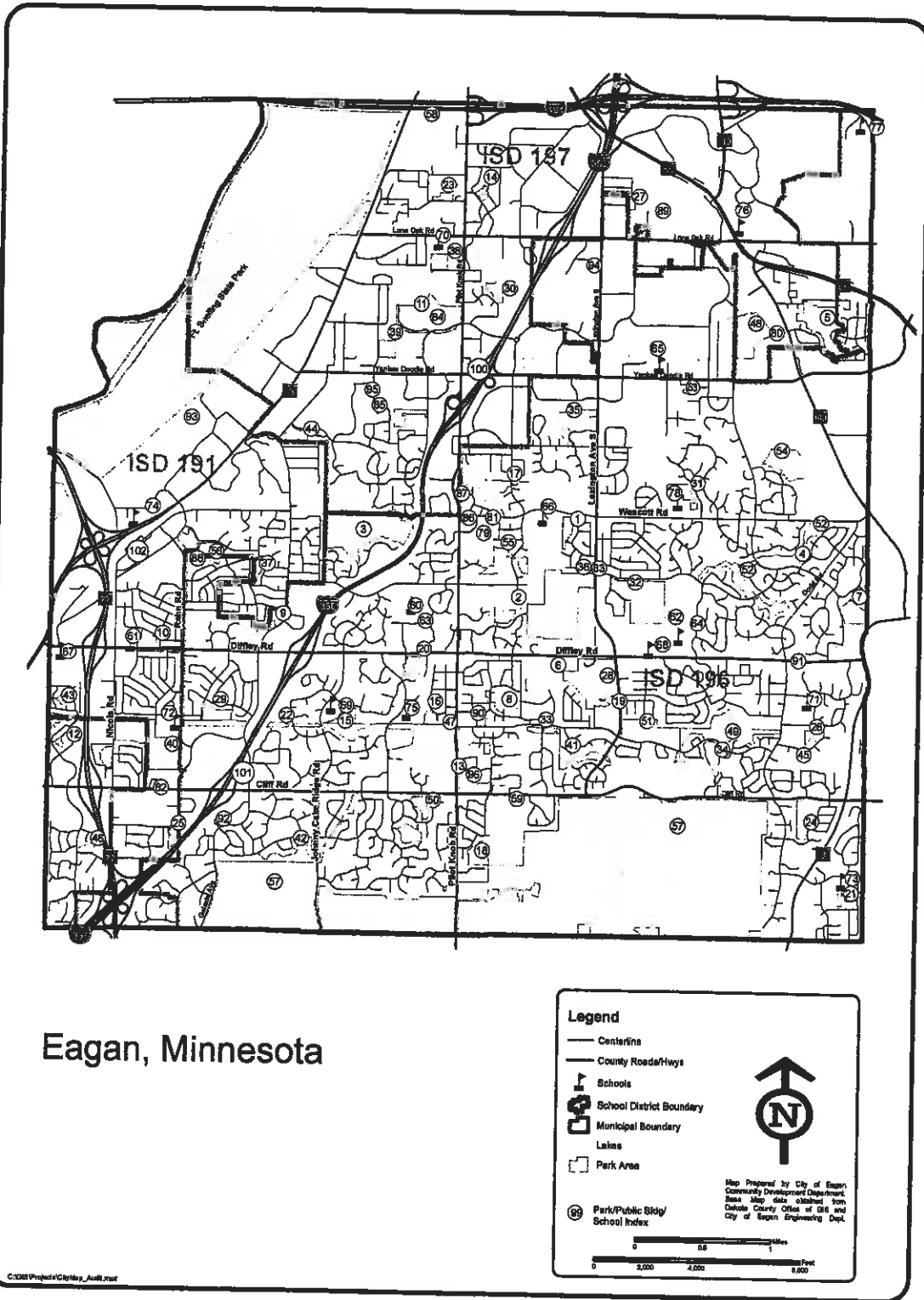
CITY OF EAGAN

LOCATION OF CITY
December 31, 2010



CITY OF EAGAN

LOCATION OF CITY PROPERTIES December 31, 2010



CITY OF EAGAN
LOCATION OF CITY PROPERTIES
December 31, 2010

CITY MAP INDEX

CITY PARKS

- 1 - Berry Patch Park
- 2 - Bridle Ridge Park
- 3 - Burr Oaks Park
- 4 - Carlson Lake Park
- 5 - Carnelian Park
- 6 - Cedar Pond Park
- 7 - Cinnamon Park
- 8 - Country Home Park
- 9 - Evergreen Park
- 10 - Fish Lake Park
- 11 - Goat Hill Park
- 12 - Heine Pond Park
- 13 - Highline Trail
- 14 - Highview Park
- 15 - Kettle Park
- 16 - Lakeside Park
- 17 - Lexington Park
- 18 - Meadowland Park
- 19 - Moonshine Park
- 20 - Mueller Farm Park
- 21 - Northview Park
- 22 - Oak Chase Park
- 23 - George Ohmann Park
- 24 - O'Leary Park
- 25 - Peridot Path Park
- 26 - Pilot Knob Park
- 27 - Quarry Park
- 28 - Ravine Park
- 29 - Ridgecliff Park
- 30 - River Hills Park
- 31 - Sky Hill Park
- 32 - South Oaks Park
- 33 - Slater Acres Park
- 34 - Thomas Lake Park
- 35 - Walden Heights Park
- 36 - Walnut Hill Park
- 37 - Wandering Walk Park
- 38 - Clearwater Park
- 39 - Wescott Station Park
- 40 - Woodhaven Park
- 41 - Captain Dodd Park
- 42 - Lexington / Diffley Athletic Facility
- 43 - Downing Park
- 44 - Blackhawk Park
- 45 - Patrick Eagan Park
- 46 - Rahn Park
- 47 - Thomas Lake Park
- 48 - Trapp Farm Park
- 49 - Holz Farm Park
- 50 - Hidden Corner Park
- 51 - Wescott Commons
- 52 - Oak Pond Hills Park
- 53 - Thresher Fields
- 54 - Central Park
- 55 - Barbara Curry Park (undev.)

GOLF COURSES

- 61 - Lost Spur
- 62 - Parkview

REGIONAL PARK

- 63 - Lebanon Hills Regional Park

SCHOOLS

- 64 - Cedar School (Special Education)
- 65 - Metcalf Jr. High School
- 66 - Northview Elementary School
- 67 - Pilot Knob Elementary School
- 68 - Rahn Elementary School
- 69 - Thomas Lake Elementary School
- 70 - Trinity Lone Oak Lutheran School (Private)
- 71 - Deerwood Elementary School
- 72 - Woodland Elementary School
- 73 - Tesseract School (Private)
- 74 - Eagan High School
- 75 - Dakota Hills Middle School
- 76 - Rasmussen College (Private)
- 77 - Pinewood Elementary School
- 78 - Oak Ridge Elementary School
- 79 - Glacier Hills Elementary School
- 80 - Blackhawk Middle School
- 81 - Red Pine Elementary
- 82 - Faithful Shepherd School (Private)

PUBLIC FACILITIES

- 83 - Cascade Bay / Civic Arena
- 84 - Eagan Art House
- 85 - Dakota County Library
- 86 - Driver Test Center
- 87 - Eagan Municipal Center / Police Department
- 88 - Fire Department Administration & Community Room
- 89 - Fire Station No. 1
- 90 - Fire Station No. 2
- 91 - Fire Station No. 3
- 92 - Fire Station No. 4
- 93 - Fire Station No. 5
- 94 - Post Office
- 95 - Post Office - Bulk Mail Facility
- 96 - City Maintenance Facility
- 97 - North Water Treatment Plant
- 98 - MCES Treatment Plant
- 99 - South Water Treatment Plant
- 100 - Dakota County Household Hazardous Waste Drop-Off Site
- 101 - Dakota County Compost Site
- 102 - Eagan Community Center

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City of Eagan

Mike Maguire
Mayor

Paul Bakken
Cyndee Fields
Gary Hansen
Meg Tilley
Council Members

Thomas Hedges
City Administrator

Municipal Center
3830 Pilot Knob Road
Eagan, MN 55122-1810
651.675.5000 phone
651.675.5012 fax
651.454.8535 TDD

Maintenance Facility
3501 Coachman Point
Eagan, MN 55122
651.675.5300 phone
651.675.5360 fax
651.454.8535 TDD

www.cityofeagan.com

The Lone Oak Tree
The symbol of
strength and growth
in our community.

June 9, 2011

Honorable Mayor, Councilmembers, Citizens, and Interested Parties
City of Eagan, MN

Dear Mayor Maguire, Councilmembers, Citizens and Interested Parties:

State law requires that cities of more than 2,500 in population submit an audited annual financial report to the State Auditor by June 30 of the following year. State law also requires that the annual financial report be submitted to the Mayor and each City Council member no later than 30 days after it is due to the State Auditor. This report is published to fulfill those requirements for the year ended December 31, 2010.

The organization, form and contents of this report are prepared in conformity with generally accepted accounting principles (GAAP) and standards prescribed by the Minnesota State Auditor's office and the Government Finance Officers Association.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

The CPA firm Kern, DeWenter, Viere, Ltd. has issued an unqualified ("clean") opinion on the City of Eagan's financial statements for the year ended December 31, 2010. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

City Profile

The City of Eagan is a southern Twin Cities suburb, equidistant from Minneapolis and St. Paul, and ten minutes from the Minneapolis/St. Paul International Airport. Eagan is located in Dakota County. The City encompasses 34.5 square miles or 22,080 acres.

Eagan was incorporated as a statutory Plan A (Council/Administrator) city in 1974 and was one of the fastest growing cities in the State in the 1980s. Population growth remained strong through the 1990s, but has leveled off since 2000 as all but a small amount of vacant residential land has now been developed. Eagan is the 9th largest city in Minnesota.

	<u>Population</u>	<u>Population Increase</u>	<u>Percent Increase</u>
2010 Census	64,206	649	1%
2000 Census	63,557	16,148	34%
1990 Census	47,409	26,709	129%
1980 Census	20,700	10,302	99%
1970 Census	10,398	7,016	207%
1960 Census	3,382	-	-

Eagan is located at the juncture of two interstate freeways—Interstate 494 traverses east and west along the City’s north border, while Interstate 35E runs north and south through the City. The extensive system of County and State highways and 236 miles of city streets has made the City an ideal location for development. State Highway 13 along the western edge of the City is a major regional artery, as is State Highway 77, which runs north and south. The transportation routes serving Eagan provide easy access for commuters coming into the City, as well as City residents going to employment in the rest of the metropolitan area, including the downtowns of Minneapolis and St. Paul.

The City provides a full range of municipal services. This includes public safety (police and fire), public works (engineering and streets and highways), parks and recreation, and general government. The City also operates a public water and sewer utility, limited street lighting utility, water quality/storm drainage utility, civic arena, recreational aquatic facility, and community center.

The City participates with other municipalities in jointly governed organizations for public transit and data processing and support. Separate financial statements are issued for these jointly governed organizations; information on activity between the City and these organizations can be found in the notes to the City’s financial statements (Note 1.A.2).

Refuse collection and recycling are handled on a private basis through contractual arrangements with private haulers. Sewage treatment is operated on a regional basis by the Metropolitan Council.

The annual budget serves as the foundation for the City’s financial planning and control. Budgets for the calendar year are adopted annually by the City Council in December, subsequent to several months of analysis and review and an opportunity for input from citizens by way of public hearings. The City Council adopts budgets for the General Fund and the Special Revenue funds. Budgeting controls in the General Fund are maintained at the department level. Appropriations not expended at the end of the fiscal year lapse. Budget adjustments require City Council approval.

Economic Condition and Outlook

In a period of record unemployment levels in the United States, labor market data for the region continue to compare favorably to the rest of the country:

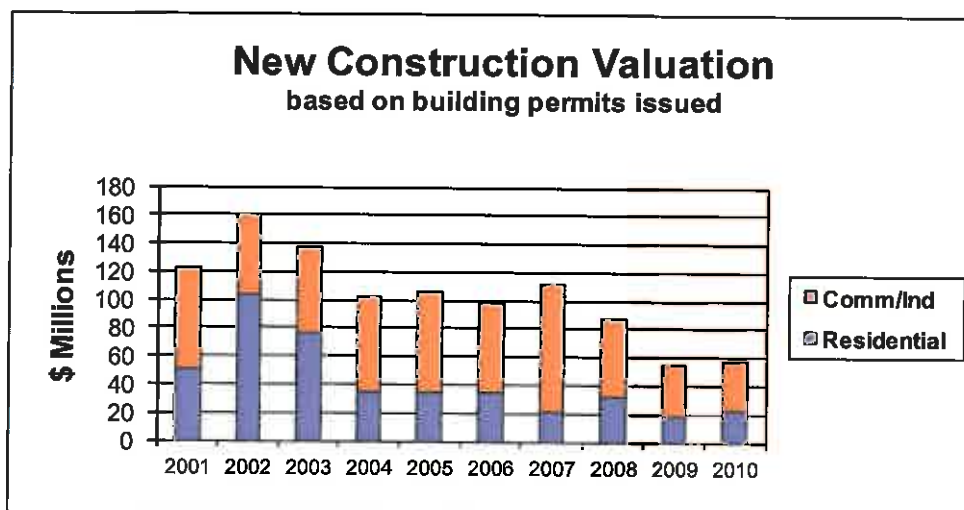
	2010		2009	
	Civilian Labor Force	Unemployment Rate	Civilian Labor Force	Unemployment Rate
Eagan	39,438	5.9%	39,156	6.4%
Dakota County	233,504	6.7%	232,204	7.3%
Mpls/St. Paul MSA	1,860,461	6.9%	1,855,914	7.8%
State of Minnesota	2,963,402	7.3%	2,950,654	8.1%
United States	153,888,583	9.6%	154,015,250	9.3%

Source: MN Dept of Employment & Economic Development. Figures are annual averages, not seasonally adjusted.

The City's ten largest employers have combined estimated employment of about 19,000. These employers are well diversified and provide a large variation in employment opportunities. Thomson West, and Blue Cross/Blue Shield of Minnesota are headquartered in Eagan. Northwest Airlines was headquartered in Eagan before its merger with Delta. While Delta is now headquartered in Atlanta, it still maintains a strong presence here as roughly two-thirds of the airline's Eagan jobs stayed in Eagan. The ten largest taxpayers in the City also represent varied types of business and account for approximately 7% of the 2010 tax capacity.

Eagan has become one of the largest and most diverse employment nodes in the Twin Cities area. In an employment report issued by the Metropolitan Council, Eagan had the second highest job growth in the entire metropolitan area—over 9,000 jobs—during the period 2000 to 2008. Only Maple Grove, which grew heavily in lower-paying retail jobs, saw a higher total job increase over that time span.

Like most communities across the nation, the Eagan's new construction has tapered in the past few years due to the Great Recession. Total valuation of new construction in 2009 and 2010 was lower than it has been in more than thirty years, although 2010 ticked upward slightly from the previous year. Residential construction valuation was \$22 million in 2010; commercial/industrial valuation was \$35 million.



The recent financial crisis notwithstanding, the combination of the underlying strength of the seven-county metropolitan area's economy, the City's diversification of tax and employment bases, and its prime location, Eagan's long-term future continues to look bright.

Major Initiatives and Long-term Financial Planning

In 2009, after seeing the City's fund balance fall at the end of 2008 to 38% of the next year's budget, the City Council initiated significant budget reductions that reset the base for 2009 and into the future. Nine full-time equivalent positions were eliminated at that time, and two more have been eliminated since. As a result, and with an improved revenue picture, the City added more than \$1 million to the General Fund balance in both 2009 and 2010, bringing the fund balance back to 48%, or slightly above its target range of 40-45%. The State Auditor provides general guidance that a city's fund balance should be between 35% and 50% of expenditures to provide sufficient working capital to bridge the semi-annual property tax revenue collections, and a contingency account in case of emergencies.

In addition to resetting the base for expenditures through staff reductions, the City has successfully weaned itself off of State aid that supports operations. In tackling its own budget problems over the past several years, the State of Minnesota more often than not withheld the promised aid, leading to significant revenue uncertainty each year. Because State aid was becoming an increasingly unreliable revenue source, the City Council decided to exclude it from the budget equation beginning with the 2011 budget. The staff reductions and a stronger posture of self-sufficiency have positioned the City well as it looks to the future.

Eagan continues to plan for the long term. More than a decade ago, in anticipation of continued commercial and residential growth, a conceptual plan to build a "ring road" circumventing the City's busiest intersection—Pilot Knob and Yankee Doodle Roads—was conceived. Construction of two bridges over Interstate 35E was key to completion of the ring road project. The first bridge was constructed in 2008, and was financed by approximately \$4 million in Municipal State Aid bonds. Debt service payments are made with the State's annual Municipal State Aid road construction allotment to the City; no property tax levy is necessary.

The second bridge is slated for construction in 2011. A federal grant has been received for the design work, and most of the necessary easements have been obtained. The bridge will be funded with the existing property tax levy, some of which is designated for bridges and overpasses.

The City Council continues to expand ways that Eagan can "go green." The Council's adopted goals include conservation of green and open spaces by further development of the Eagan Core Greenway, and preservation of natural resources through creation of an energy and consumer resources plan and implementation of a water conservation program. The following "green" initiatives occurred in 2010:

- With the help of a \$1.3 million federal grant, the Civic Arena was converted to geothermal energy, which will reduce energy and maintenance costs an estimated \$125 thousand annually.
- As part of the Federal stimulus package, a \$657 thousand energy efficiency grant funded capital improvements made in 2010 that will reduce energy costs at the City's facilities by an estimated \$37 thousand per year and reduce CO₂ by 550 thousand pounds annually.
- The City's new Fire Safety campus, begun in 2010 and completed in spring 2011 gives Eagan the first fire station in the U.S. to be Green Globes certified. Green Globes is an independent certification process that rates a building's environmental features. This building incorporates many green features and will result in lower operational costs for the City.

- Effective July, the Council adopted a tiered water utility rate structure that encourages water conservation.

The City has taken steps to ensure the economic competitiveness of Eagan's businesses and residents by anticipating and addressing the evolving "infostructure" bandwidth, capacity and speed needs. In early-2011 the City Council found that placement of a colocation facility/data center in Eagan and extension of City fiber "are in the public interest and necessity as critical infrastructure" and should be encouraged to occur "forthwith." An RFP was issued and consultant contract awarded to select the best location in Eagan for a privately-owned colocation facility and to establish the direct business case for it. The City's consultant is developing cost options and phasing for the Council to consider in extending City fiber to business locations and making capacity available to any provider.

Awards and Acknowledgments


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Eagan for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2009. This was the twenty-seventh consecutive year (1983-2009) the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit had to publish an easily readable and efficiently organized CAFR that 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 comprehensive annual report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.


The preparation of this report on a timely basis could not have been accomplished without the efficient services of the entire staff of the Finance Department. We would like to particularly thank accountants Linda Fink, Sue Sheridan, Sheldon Libman, and Ryan Stevens for their work.

We want to express our appreciation to 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,



Thomas W. Pepper
Chief Financial Officer



Eugene J. VanOverbeke
Director of Administrative Services



Thomas L. Hedges
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Eagan
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

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



President

Executive Director