

Popular Annual Financial Report

For the year ended
December 31, 2014



2014



Table of Contents

- 4 Local Economy**
- 5 City Commission**
- 6 Government Profile**
- 8 Governmental Revenues**
- 9 Governmental Expenses**
- 10 Business-Type Revenues**
- 11 Business-Type Expenses**
- 12 Assets**
- 13 Debt**

Photos courtesy of City of Manhattan, Manhattan Arts Center and Manhattan Chamber of Commerce

Known as the Little Apple, Manhattan is nestled in the heart of the scenic Flint Hills of Kansas. The community of more than 56,000 serves a three-county, 130,000-population regional area as a leader in education, trade, health care, entertainment, culture and communication.

Kansas State University is the leading civilian employer in Manhattan, with nearly 6,000 employees on the campus that serves more than 24,300 students. KSU has a vision to become a Top 50 public research university by 2025 and boasts top athletics programs that attract large crowds to the Manhattan area. Fort Riley is home to the 1st Infantry Division, known as the "Big Red One," and employs approximately 3,000 civilian personnel.

Top Employers

| | |
|---------------------------------------|--------|
| Fort Riley Enlisted Personnel | 19,468 |
| Kansas State University | 5,424 |
| Fort Riley Civilian Personnel | 2,804 |
| Unified School District No. 383 | 1,450 |
| GTM Sportswear | 991 |
| Mercy Regional Health Center | 795 |
| Wal-Mart Stores Inc. | 480 |
| Meadowlark Hills Retirement Community | 420 |
| City of Manhattan | 320 |
| Manko Window Systems Inc. | 235 |



Fort Riley soldiers fly into Manhattan Regional Airport



Kansas State University activities



Manhattan was founded in 1855 and incorporated in 1857. The city encompasses 18 square miles with a total population of 56,143.

Recently named the top college town in America, Manhattan is the eighth largest city in Kansas and has been recognized on many “best” lists including:

- One of the top 10 places to retire (Money Magazine)
- No. 3 on a list of best small places for business and careers (Forbes)

Situated in both Pottawatomie and Riley counties, Manhattan is a big reason why both counties rank in the top 3 healthiest counties in Kansas.

The city is located at the confluence of the Blue and Kansas rivers. Local attractions include the city-supported Sunset Zoo and Flint Hills Discovery Center. Other highlights for visitors to the area include dining, shopping, nightlife, KSU athletics and local parks. The Konza Prairie and Tuttle Creek State Park provide additional outdoor opportunities.

| Race and Ethnicity | |
|--|-------|
| White (Non-Hispanic) | 80.8% |
| Hispanic and Latino | 5.4% |
| Black and African-American | 5.7% |
| Asian | 5.2% |
| Native Hawaiian and Other Pacific Islander | 0.1% |
| American Indian and Alaska Native | 0.3% |
| Gender | |
| Male | 51.1% |
| Female | 48.9% |

| Community Averages | |
|-----------------------------|---------|
| Median Age | 23.9 |
| Median Household Income | 40,650 |
| Median Home Cost | 173,200 |
| Home Ownership | 39.3% |
| Persons Per Household | 2.34 |
| Education | |
| High School Graduates | 95.9% |
| Bachelor’s Degree or Higher | 52.4% |



Financial Reporting Awards

The City of Manhattan received the following awards from the Government Finance Officers Association in 2014:

Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) — 17th consecutive year

Distinguished Budget Presentation Award — 18th consecutive year

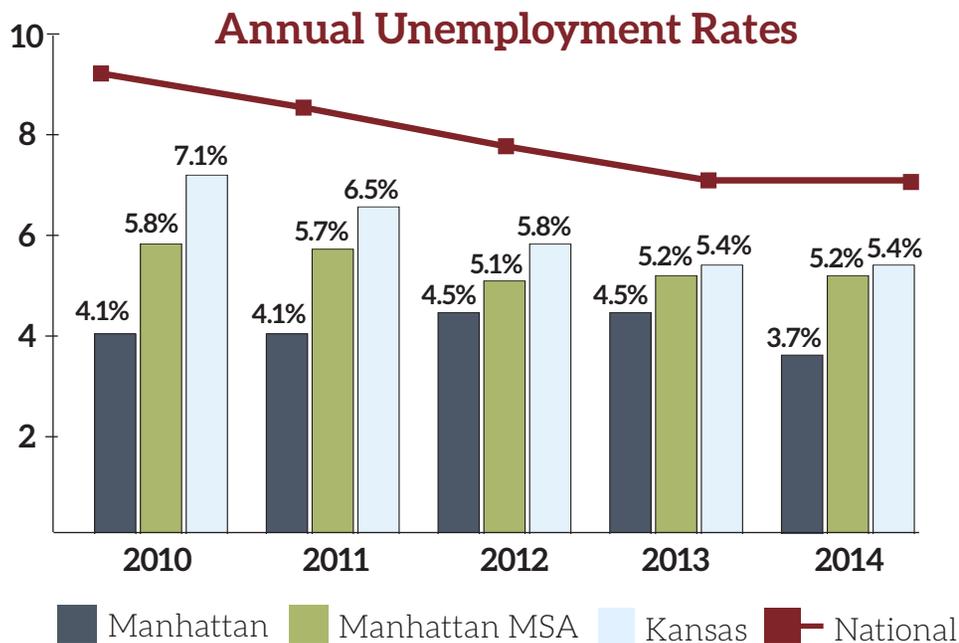
4 Local Economy

The City continues to recover from the last recession. However, measured by unemployment, the local economy continues to fare better than the state and national economy. Manhattan's 2014 unemployment rate was 1.7% below the state average, and 3.7% below the national average. The rate decreased by 0.8% from 2013 to 2014, and is 0.5% below the average rate from 2010 to 2014.

- Manhattan's 2014 annual unemployment rate is 3.7%.
- The annual unemployment rate for the Manhattan MSA is 5.2%.

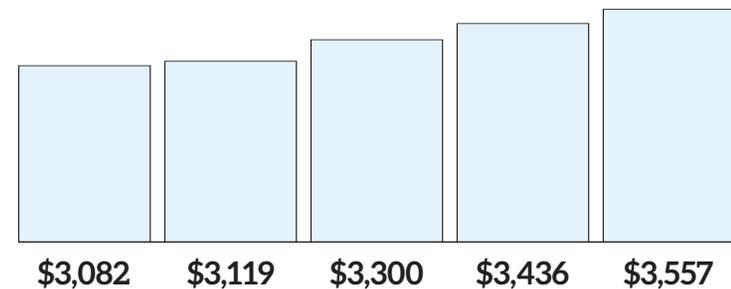
The Manhattan Metropolitan Statistical Area (MSA) is comprised of Geary, Pottawatomie and Riley counties.

Source: Kansas Department of Labor



Shoppers in Downtown Manhattan

Estimated Actual Value of Property (expressed in millions of dollars)



The 2014 estimated actual value of taxable property is \$3.5 billion with an assessed value for tax purposes of \$485 million.

The City's 2014 tax levy is 43.424 per \$1,000 of assessed value, which is used to pay for City services including the Riley County Police Department and Manhattan Public Library.



Karen McCulloh
Mayor



Usha Reddi
Mayor Pro Tem



Linda Morse
Commissioner



Mike Dodson
Commissioner



Wynn Butler
Commissioner

The mission of the City of Manhattan is to sustain order and protect public safety, promote public health, preserve the built environment, and enhance economic vitality. The city supports a regional community in which individuals and families develop and thrive.

The governing and legislative body of the city is the City Commission, comprised of five commissioners who are elected at-large on a non-partisan basis. The commission determines all matters of policy and approves all city ordinances and resolutions as well as adopts the annual city budget.

Every April, the commission elects one of its members to serve as mayor. The mayor presides over commission meetings, has full voting rights — as do other commissioners — but has no veto power. Elections occur in odd-numbered years. Three City Commission positions are chosen at each election. The two highest vote recipients receive four-year terms while the third highest vote recipient receives a two-year term.

Manhattan City Commission meetings are generally the first and third Tuesday of each month at 7 p.m., preceded by a Discussion/Briefing Session at 5:30 p.m. Commission work sessions are the second and fourth Tuesday of each month at 5 p.m. These meetings are in the City Commission Room of City Hall, 1101 Poyntz Ave. If unable to attend, the City Commission meetings are broadcast live on local Cox Communications, Cable Channel 3 and online at www.cityofmhk.com/tv. Archived video may also be viewed online.

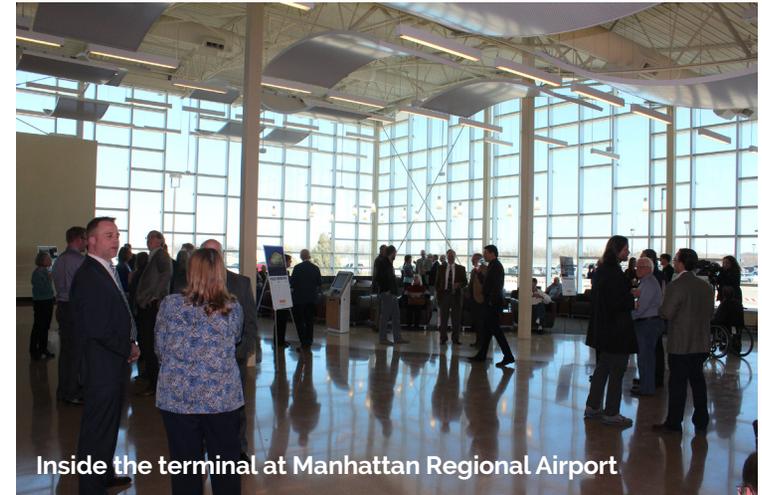
6 Government Profile

Manhattan Regional Airport Terminal Expansion

American Eagle Airlines provides three daily regional jet flights to and from Dallas/Fort Worth and two daily flights to and from Chicago O'Hare International Airport. The airport continues on a track of significant growth as it responds to regional growth.

A 42,000-square-foot expansion of the passenger terminal began in November 2013 and will be completed in two phases. Phase I had substantial completion in June 2015. FAA funding was secured in the summer of 2014 for Phase II, which will begin immediately after Phase I.

Coinciding with the start of Phase II will be an expansion of the parking lot. Construction of the parking lot expansion is expected to be completed in 2016.



Sales Tax for Economic Development

In November 2012, Riley County voters renewed a half-cent sales tax for roads and jobs. Through resolution, the City Commission approved to commit 65% of the proceeds for economic development investment strategies such as traditional incentives and infrastructure projects. The remaining 35% is committed to the Bond and Interest Fund for property tax relief.

These dollars are essential for capitalizing on local strengths including Kansas State University, the National Bio and Agro-Defense Facility, and the Animal Health Corridor. The collection of this special sales tax began in 2013, with a full year of collection in 2014.



Responded to
2,392
Fire Incidents



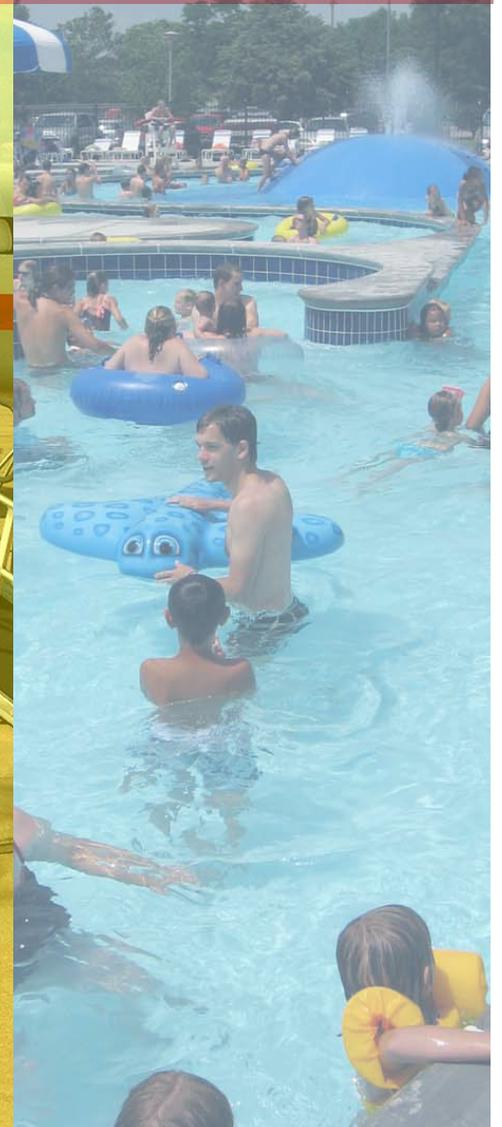
Maintained
29,500
Blocks of Streets



Enplaned
63,229
Passengers



Admitted
132,000
Pool Participants



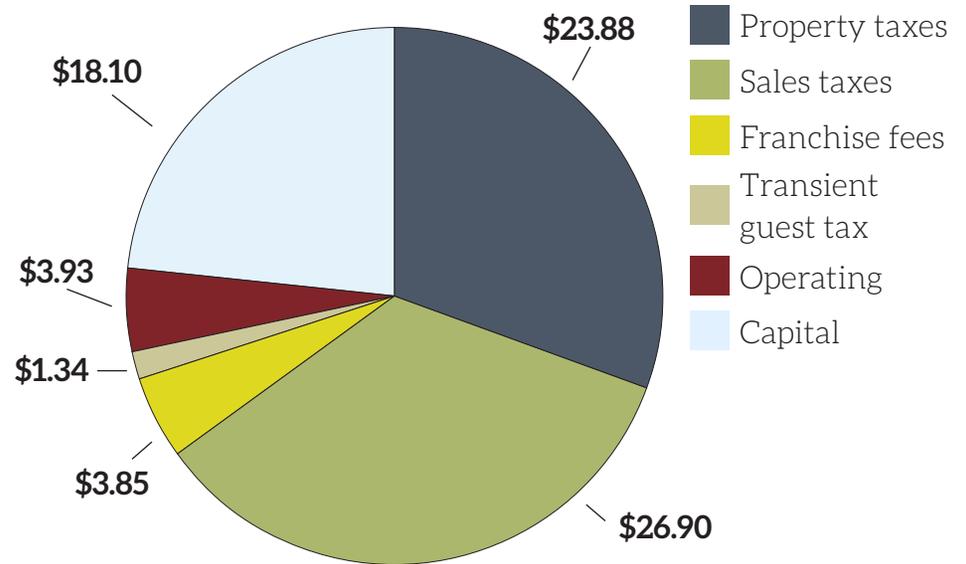
8 Governmental Revenues

The City of Manhattan maintains 54 individual governmental funds with multiple divisions, which account for the City's basic services including public safety, general government, government administration, highways and streets, culture and recreation, and the physical environment. The 2014 revenue totaling \$85 million (excluding transfers) financed these services from the following sources:

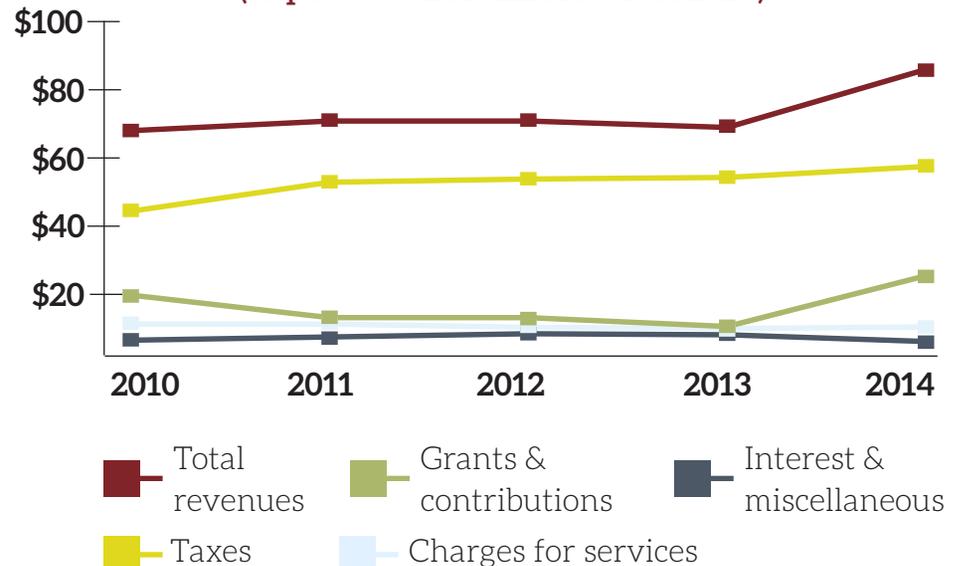
| Taxes | |
|----------------------------|---|
| Property | Taxes collected on the assessed valuation of taxable real and tangible property |
| Sales | Taxes collected from the City's 1% tax, 0.25% Quality-of-Life tax, and the City's portion of the Riley (general 1% and special 0.5%) and Pottawatomie (general 1%) county sales tax |
| Franchise | Percent of revenue from utility companies for the use of the City's right-of-way to deliver utility services |
| Transient Guest Tax | Set by the City Commission (6%) and collected by local hotels to fund tourism and convention programs |
| Grants and Contributions | |
| Operating | Resources received from other governments for specific services such as housing and community assistance programs, alcohol and drug prevention programs, and operations of the Flint Hills Discovery Center and Animal Shelter. |
| Capital | Primarily received from other governments and special assessments from property owners used for the construction of capital assets, normally for neighborhood improvements, roads and bridges. |
| Charges for Services | |
| | Resources paid to the City for services such as recreation classes, building permits, licenses, inspection fees and fines |
| Interest and Miscellaneous | |
| Interest | Revenues earned on the investment of cash balances |
| Misc. | Revenues from the sale of surplus property, repayment of loans, insurance settlements and other reimbursements. |

Total tax revenue increased \$3.4 million from 2013

2014 Governmental Revenues (expressed in millions of dollars)



Governmental Revenue Trends (expressed in millions of dollars)

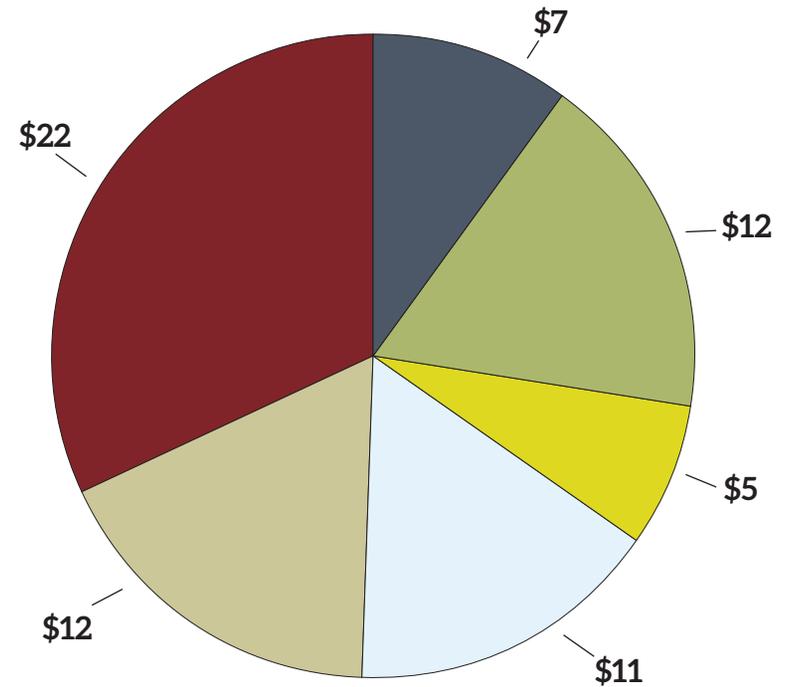


Governmental expenses increased by 2.3% from 2010 to 2014. Public safety continues to be a service priority.

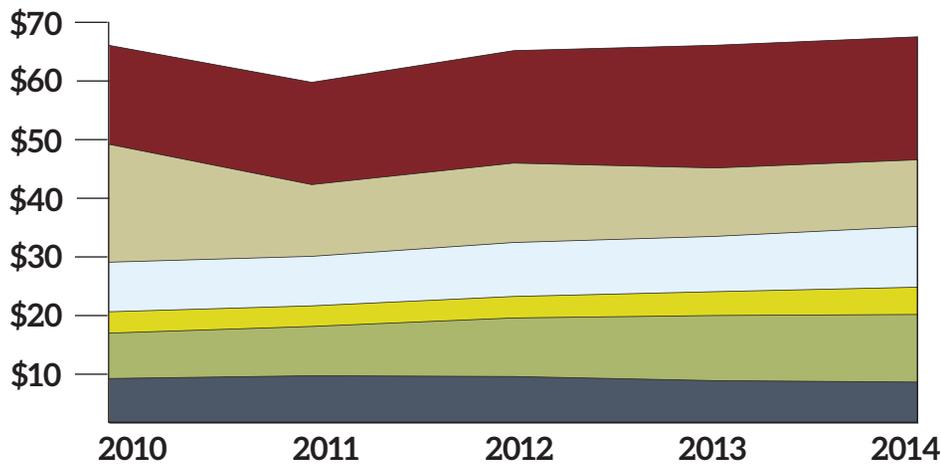
Governmental Expenses 9

| | |
|-----------------------------|---|
| Interest on Debt | Cost of financing streets, bridges, buildings and other improvements |
| Culture & Recreation | Park and library programs, including all recreational programs, the Flint Hills Discovery Center and Sunset Zoo |
| Urban Development & Housing | Housing and community assistance programs; environmental services |
| Public Works | Consists of street, traffic, engineering, water, wastewater, and stormwater management |
| General Government | City management, finance, human resources, legal services, airport, and general services |
| Public Safety | Includes fire and police services |

2014 Governmental Expenses
(expressed in millions of dollars)



Governmental Expense Trends
(expressed in millions of dollars)



10 Business-Type Revenues

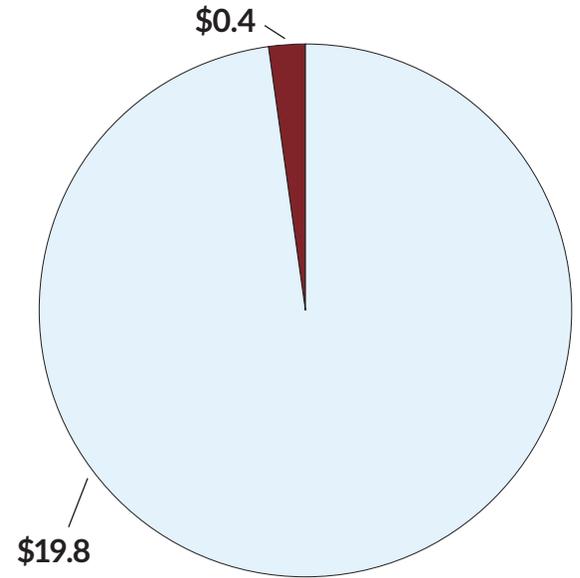
Business-type funds include Water, Wastewater and Stormwater Management. These areas operate more like private businesses, with self-supporting revenue sources. The services provided are not supported by sales or property tax. Water, Wastewater and Stormwater Management operate from money received for the services provided.

Other revenue sources include investment income and rent income from local communication towers. Revenues have grown on an average of 11% each year during the past five years. Rate increases have been implemented in the Wastewater fund to support the expansion of the treatment plant.

Business-Type Revenues from User Fees (expressed in millions of dollars)



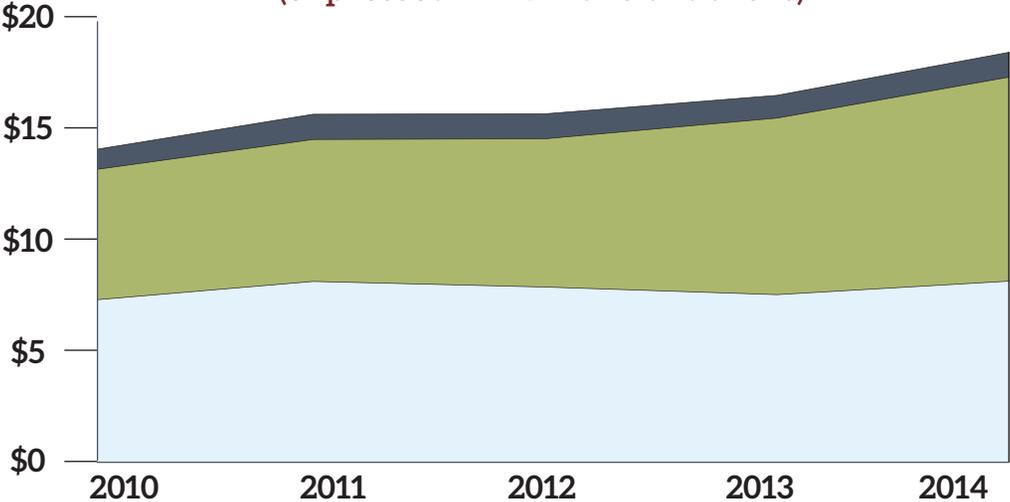
2014 Business-Type Revenues (expressed in millions of dollars)



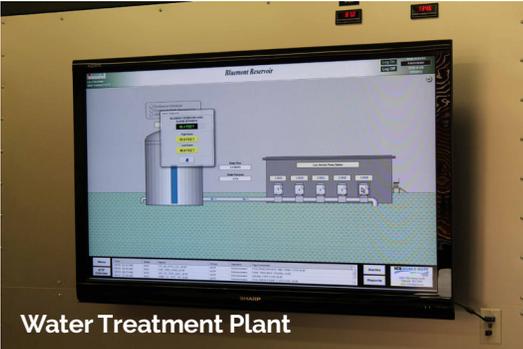
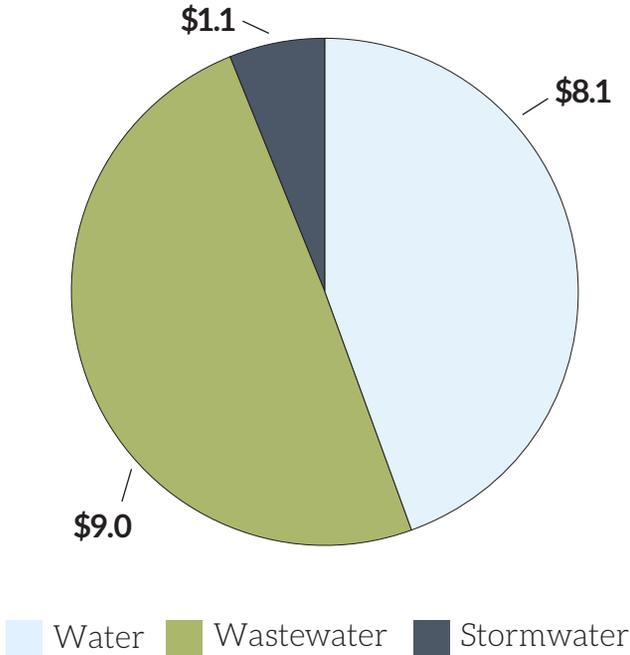
Expenses of the business-type activities reflect operating expenses and associated fees with issuing debt for capital improvements. Total operating expenses increased 12% from 2013. Wastewater operations reported the greatest increase of 16%; Water and Stormwater Management increased 8% and 9%, respectively from 2013 to 2014.

Expenses of the business-type activities have grown an average of 7% during the past five years. Personnel, commodities, and contractual services represent a significant portion of increased operational costs.

Business-Type Expense Trends (expressed in millions of dollars)



2014 Business-Type Expenses (expressed in millions of dollars)



12 Assets

The City's capital assets totaled \$532 million at December 31, 2014. This investment in capital assets includes buildings and improvements, infrastructure and other improvements (including streets, alleys, water and sewer lines, etc.), land, various equipment, and construction in progress.

Governmental assets are used to deliver City services such as public safety, parks and recreation, airport, streets, and other public improvements.

The business-type assets, which include Water, Wastewater and Stormwater Management, account for 30% of all City assets. Assets of the business-type are financed with a mixture of grants and long-term debt repaid from user charges.

Assets used to deliver general governmental services are financed with available cash, grants, long-term debt and other available revenues. The City's portion (35%) of the 0.5% Riley County Special Sales Tax provides funding for a variety of public improvements financed from the Bond and Interest Fund.

Governmental Assets (expressed in thousands)

| | |
|----------------------------|--------------|
| Current & Other Assets | \$159,904.01 |
| Land | \$20,703.35 |
| Buildings and improvements | \$77,720.36 |
| Contents and equipment | \$2,336.54 |
| Vehicles | \$1,552.51 |
| Infrastructure | \$79,227.82 |
| Construction in progress | \$23,968.54 |

Business-Type Assets (expressed in thousands)

| | |
|----------------------------|-------------|
| Current and other assets | \$8,578.03 |
| Land | \$499.27 |
| Buildings and improvements | \$50,868.62 |
| Contents and equipment | \$1,979.29 |
| Vehicles | \$789.85 |
| Infrastructure | \$94,824.22 |
| Construction in progress | \$9,765.51 |



Assets are financed with a mixture of cash, long-term borrowing and other sources. Money is borrowed on a long-term basis to spread the cost of assets over their useful lives. Funds are borrowed to fund capital acquisitions and improvements.

Outstanding debt is continuously evaluated for opportunities to take advantage of lower interest rates to reduce long-term borrowing costs. In 2014, \$25.935 million in general obligation bonds was financed. This large increase (from \$6.4 million in 2013) in general obligation bonds was due to the issuance of debt for the downtown conference center, Flint Hills Discovery Center exhibits, and the downtown parking garage.

Kansas law established a legal debt limit. The City of Manhattan is well within the legal debt limit established by the State of Kansas.

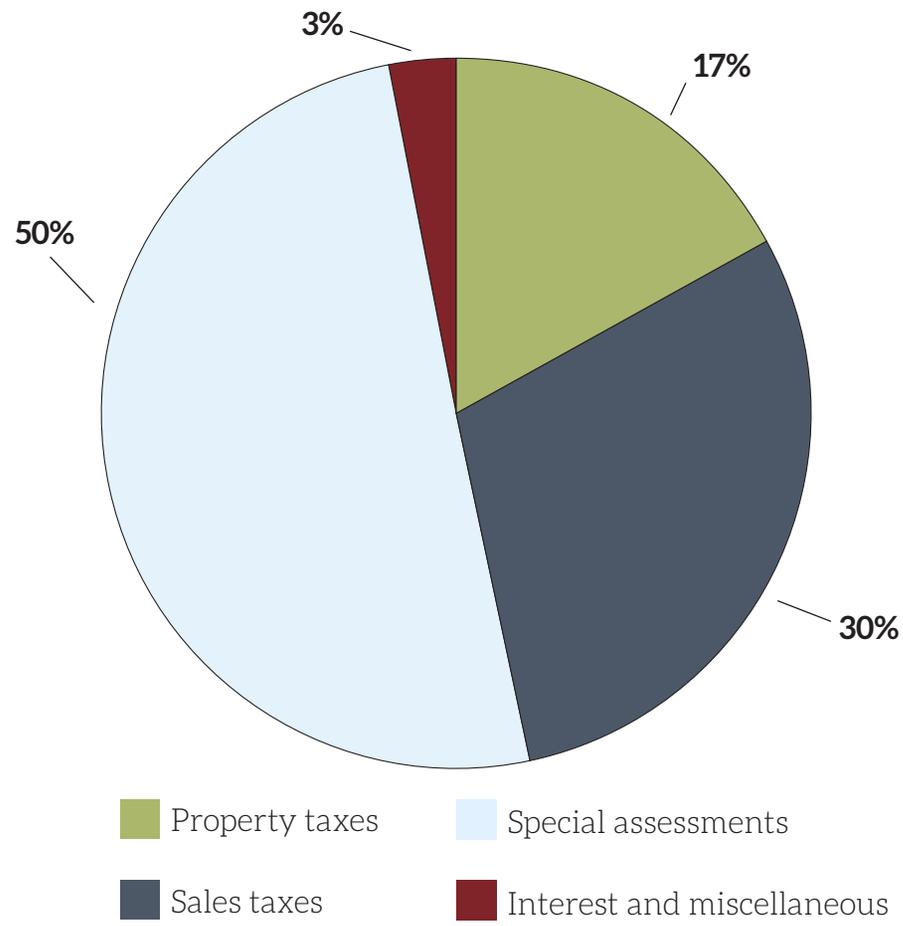
Total long-term debt outstanding for Governmental and Business-type activities on December 31, 2014, was \$278 million. Business-type activities repay debt from the Water, Wastewater and Stormwater Management revenues. Taxes and special assessments are also used to repay debt from governmental funds.

Bond Ratings

The City of Manhattan holds an AA+ from Fitch Ratings, and a rating of AA and Aa2 from Standard and Poor's and Moody's Investor Service, respectively.

The credit ratings express the confidence of the rating agencies that the City has a very strong capacity to meet its financial commitments, making the City's bond high-credit quality investments.

Debt Repayment Sources



As part of our continuous effort to keep you informed on how your tax dollars are being spent, we are pleased to present the 2014 Popular Annual Financial Report (PAFR). The PAFR is a summary of the financial activities of the City's governmental and business-type funds and was drawn from information found in the 2014 Comprehensive Annual Financial Report (CAFR).

This report is not to be used as a substitution for the CAFR. This publication is derived from information provided in the CAFR, which is based on generally accepted accounting principles (GAAP). This report is presented in GAAP format and is not inclusive of all funds or the City's discretely presented component units, the Manhattan Public Library. The city's financial statements have been audited by Varney and Associates, CPAs, LLC.

The PAFR and a full copy of the CAFR are published on the City's website at www.cityofmhk.com/pafr.