



Popular Annual Financial Report

*For the year ended
December 31, 2015*



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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
Pawnee Mental Health Services	235

The top 11 employers in Manhattan represent 81% of total employment in the city.

1855

Manhattan was founded

1857

Manhattan was incorporated

Top 10

Places to retire

No. 3

Best small places for business and careers

The Governing Body

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 CityofMHK.com/TV. Archived video may also be viewed online.

Financial Reporting Awards

The City of Manhattan received the following awards from the Government Finance Officers Association in 2015:

Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) – 18th consecutive year

Distinguished Budget Presentation Award – 19th consecutive year



Usha Reddi
Mayor



Linda Morse
Mayor Pro Tem



Mike Dodson
Commissioner

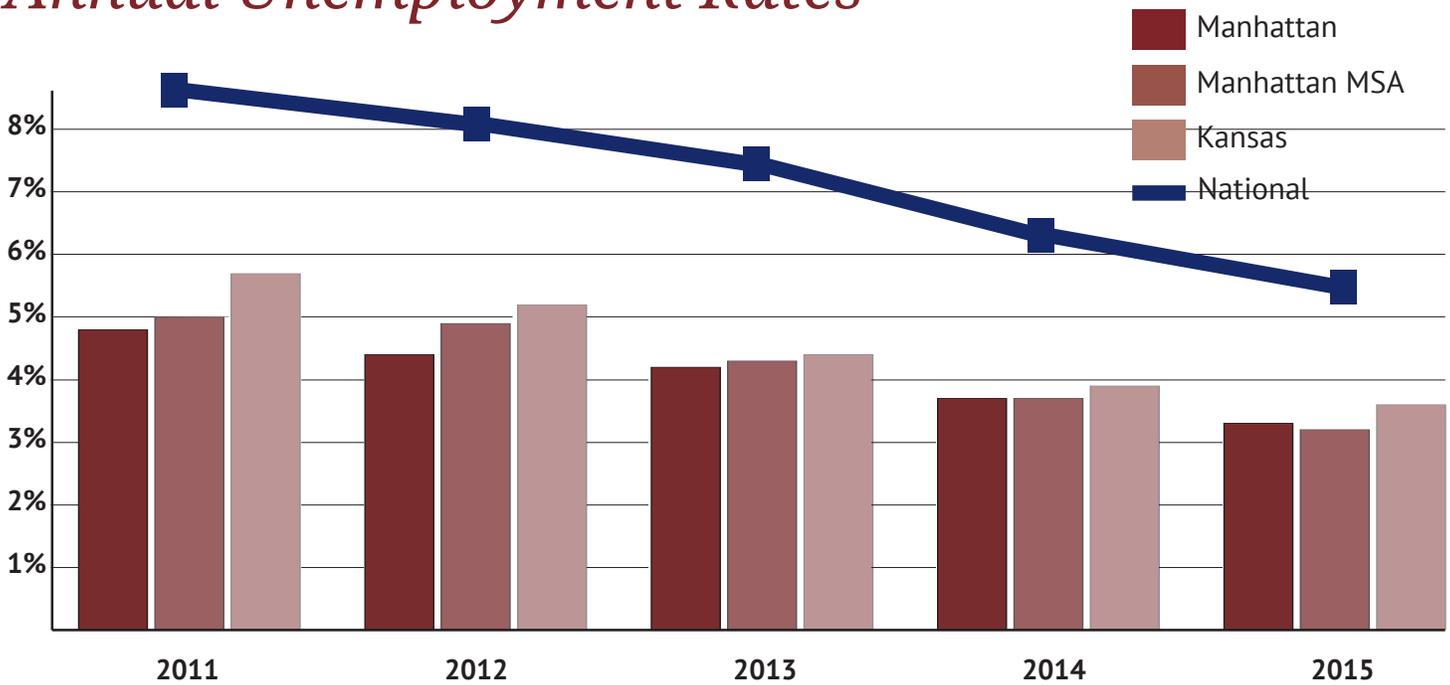


Wynn Butler
Commissioner



Karen McCulloh
Commissioner

Annual Unemployment Rates



The local economy continues to fare better than the state and national economy. Manhattan's 2015 unemployment rate was 0.3% below the state level and 0.2% below the national level. The rate decreased by 0.4% from 2014 to 2015 and is 0.8% below the average rate from 2011 to 2015.

Manhattan's 2015 annual unemployment rate is 3.3%. The annual employment rate for the Manhattan MSA is 3.2%. The Manhattan Metropolitan Statistical Area (MSA) is comprised of Geary, Pottawatomie and Riley counties.

Source: Kansas Department of Labor



2011: \$3,119

2012: \$3,300

2013: \$3,436

2014: \$3,557

2015: \$4,933

Estimated Actual Value of Property

(expressed in millions of dollars)

The 2015 estimated actual value of taxable property is \$4.9 billion with an assessed value for tax purposes of \$500 million.

The City's 2015 tax levy is 43.963 per \$1,000 of assessed value, which is used to pay for City services including the Riley County Police Department and Manhattan Public Library.

Major Initiatives

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 the 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 of 2015. FAA funding was secured in the summer of 2014 for Phase II, which began immediately after final completion of Phase I. Coinciding with the completion of Phase II will be an expansion of the parking lot. Construction of the parking lot expansion is expected to be completed in 2017.

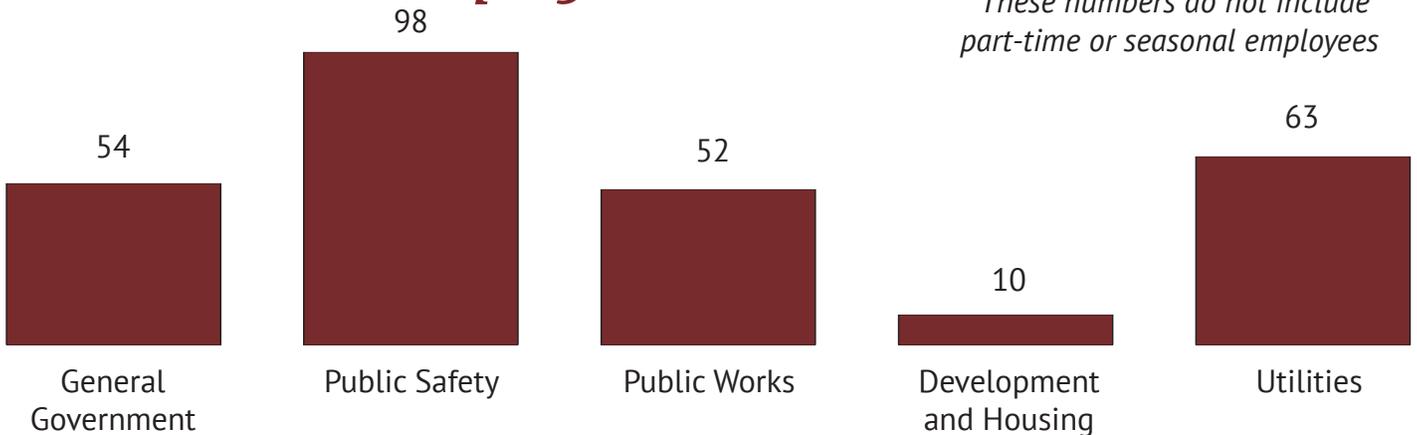


Sales Tax for Roads and Jobs

In November 2012, the voters of Riley County renewed the half cent sales tax for Roads and Jobs. The City Commission approved through resolution 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 KSU, NBAF, and the Animal Health Corridor. The collection of this special sales tax began in 2013, with a full year of collection in 2014.

Government Employees

**These numbers do not include part-time or seasonal employees*



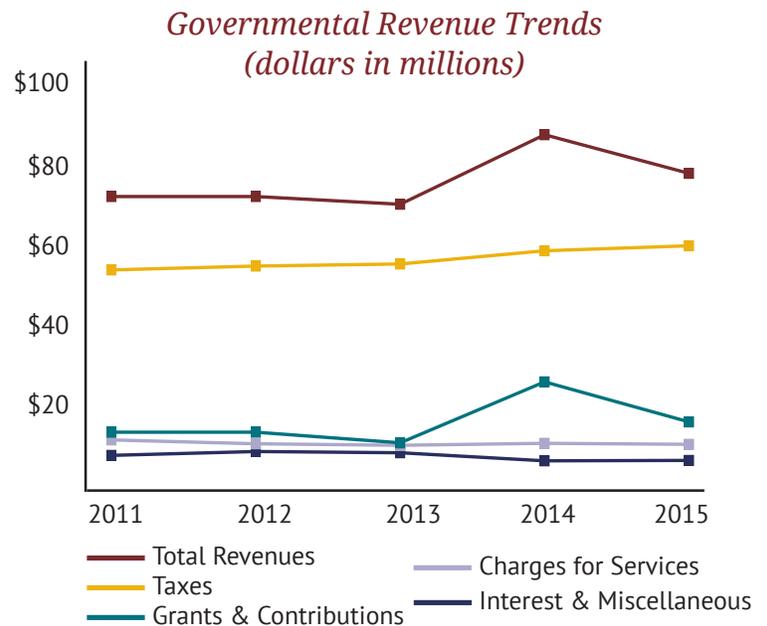
Governmental Revenues

Total tax revenue increased \$1.3 million from 2014

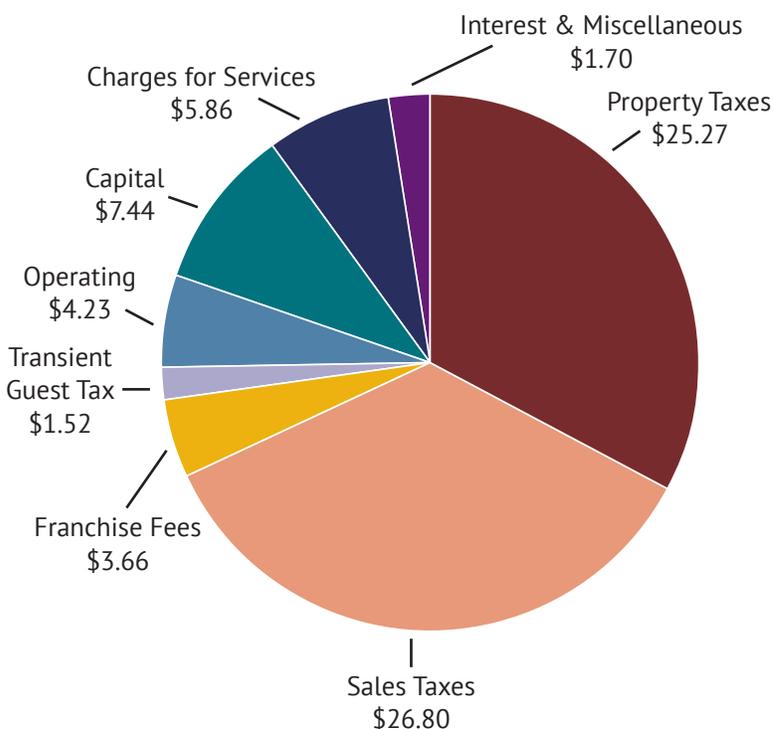
The City of Manhattan maintains 54 individual governmental funds with multiple divisions, which account for the City's basic services including public safety, general government, government administration, highways and streets, culture and recreation and the physical environment. The 2015 revenue totaling \$76 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.



2015 Governmental Revenues

(dollars in millions)


Grants and Contributions

- Operating – resources received from other governments for specific services such as housing and community assistance programs, alcohol and drug prevention programs, operations of the Flint Hills Discovery Center and Animal Shelter, and the Terminal Expansion project at the Manhattan Regional Airport.
- 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
- Miscellaneous – revenues from the sale of surplus property, repayment of loans, insurance settlements and other reimbursements.

Governmental Expenses

Interest on Debt

- Cost of financing streets, bridges, buildings, and other improvements

Culture & Recreation

- Park and library programs, including all recreational programs and 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

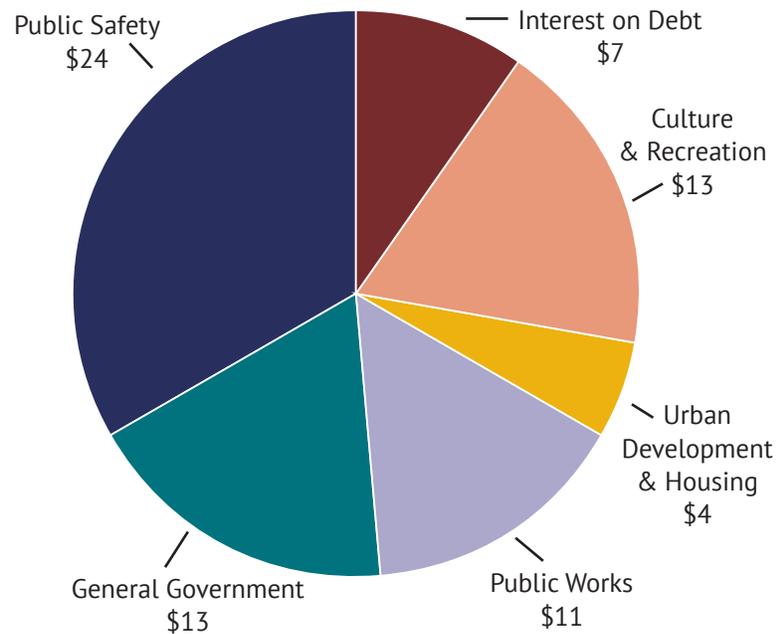
General Government

- City management, finance, human resources, legal services, airport, and general services

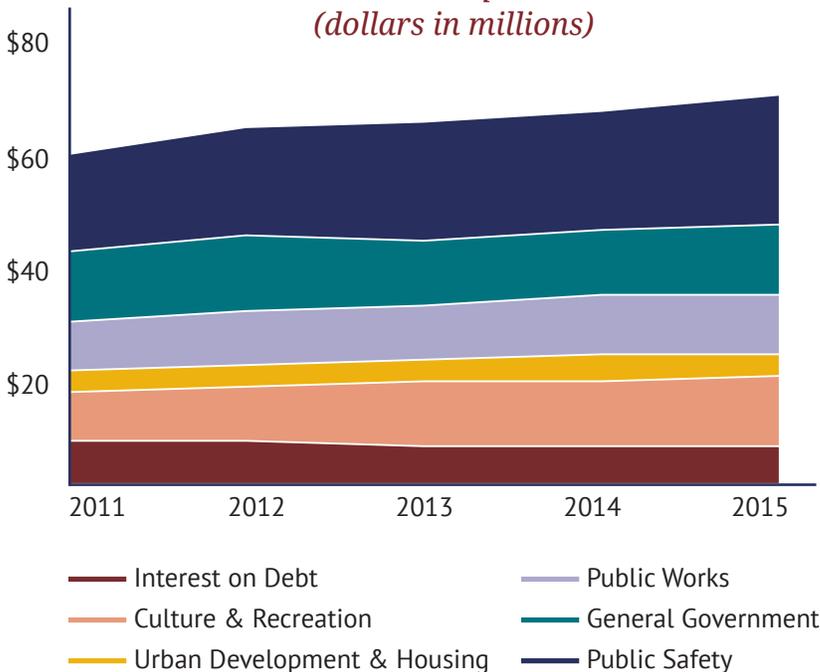
Public Safety

- Includes fire and police services

2015 Governmental Expenses
(dollars in millions)



Governmental Expense Trends
(dollars in millions)



Governmental Expenses increased by 19% from 2011 to 2015. Public safety continues to be a service priority.

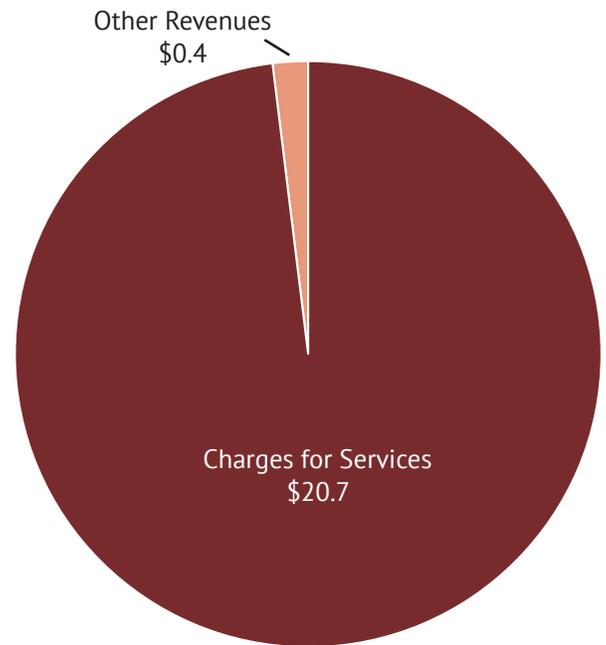


Business-Type Revenues

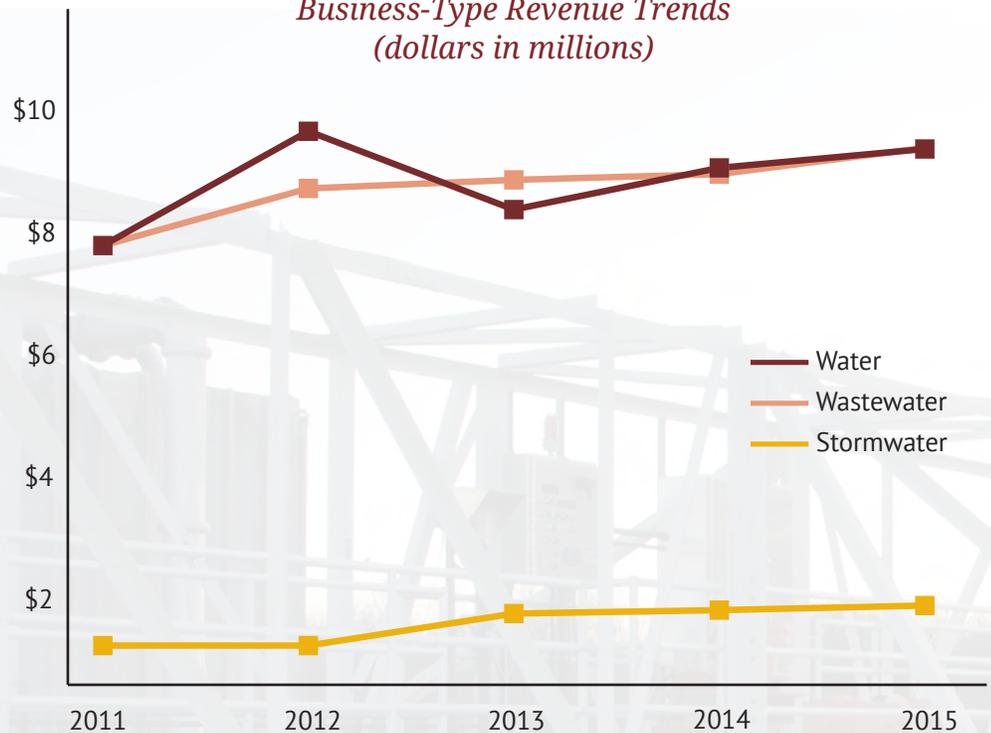
Business-type funds include water, wastewater and stormwater management. These areas operate more like private businesses, with self-supporting revenue sources. The services provided are not supported by sales or property tax.

- 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 an average of 7% each year over the past five years.
- Rate increases have been implemented in the wastewater fund to support the expansion of the treatment plant.

*Business-Type Revenues
(dollars in millions)*



*Business-Type Revenue Trends
(dollars in millions)*

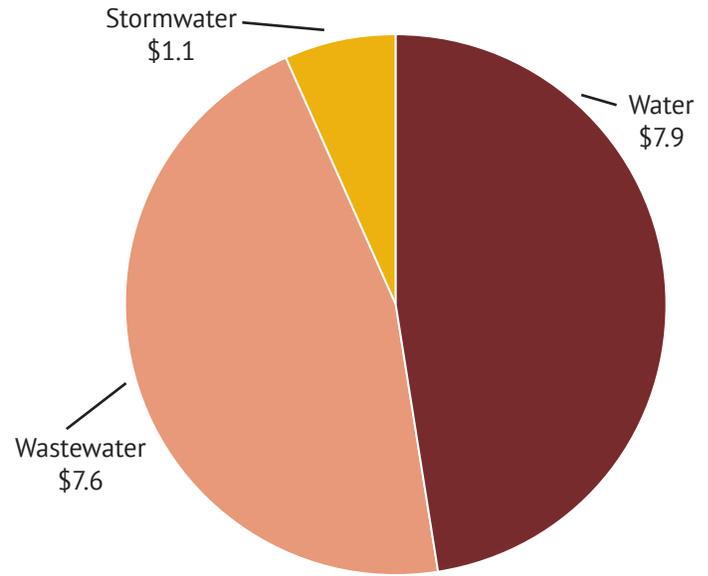


Business-Type Expenses

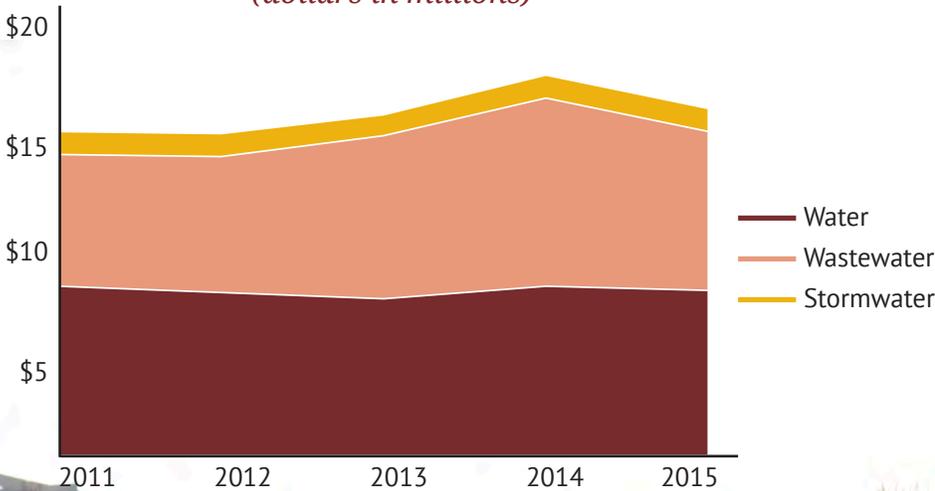
Expenses of the business-type activities reflect operating expenses and associated fees with issuing debt for capital improvements.

- Total operating expenses decreased by 8%. Wastewater operations reported the greatest decrease of 15%; water decreased 3%; and stormwater management increased by 3% from 2014 to 2015.
- Expenses of the business-type activities have grown an average of 4% over the past five years.
- Personnel, commodities and contractual services represent a significant portion of increased operational costs.

*Business-Type Expenses
(dollars in millions)*



*Business-Type Expense Trends
(dollars in millions)*



Assets

The City's capital assets totaled \$555 million at December 31, 2015. 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.

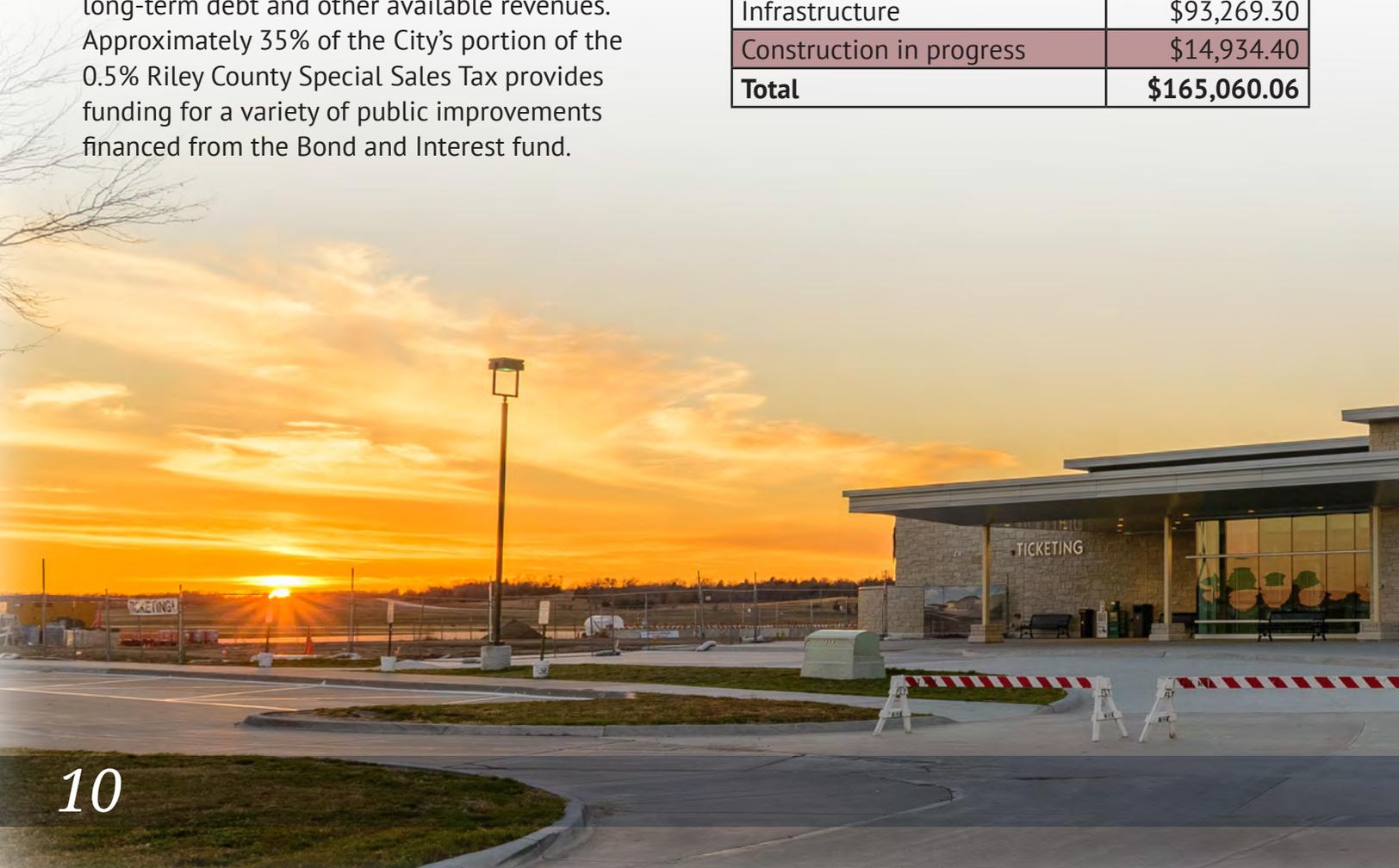
The business-type assets, which include water, wastewater and stormwater management, account for 30% of all City assets. Assets of the business-type are financed with a mixture of grants and long-term debt repaid from user charges.

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

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

<i>Governmental Assets</i>	<i>(expressed in thousands)</i>
Current and other assets	\$175,988.33
Land	\$20,724.68
Buildings and improvements	\$75,328.45
Contents and equipment	\$2,233.62
Vehicles	\$1,814.03
Infrastructure	\$77,414.91
Construction in progress	\$36,593.49
Total	\$390,097.49

<i>Business-Type Assets</i>	<i>(expressed in thousands)</i>
Current & Other Assets	\$4,002.12
Land	\$499.27
Buildings and improvements	\$49,506.30
Contents and equipment	\$2,076.90
Vehicles	\$771.77
Infrastructure	\$93,269.30
Construction in progress	\$14,934.40
Total	\$165,060.06



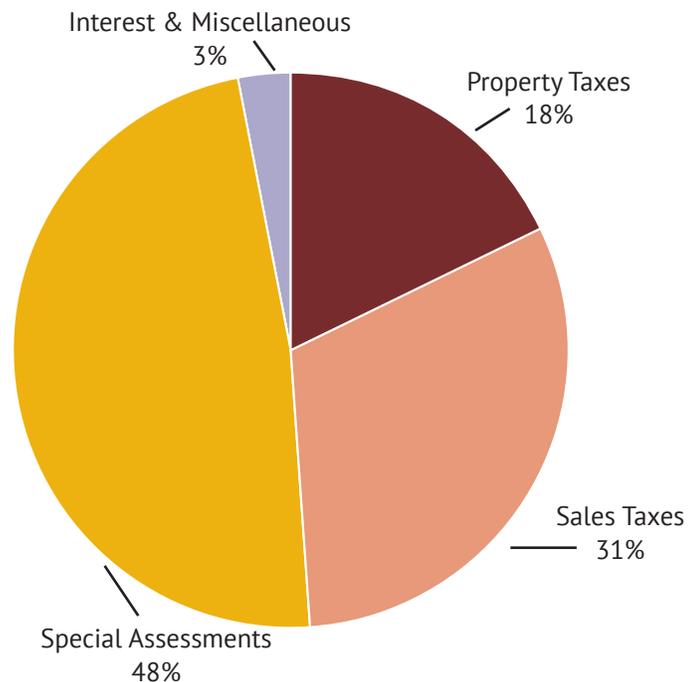
Debt

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 2015, \$10.28 million in general obligation bonds were financed. This significant decrease from the financing in 2014 was due to the timing of projects backed by the full faith and credit of the city. In 2015, the majority of debt issued was for special benefit districts paid for by property owners.

- Total long-term debt outstanding for governmental and business-type activities on December 31, 2015, was \$309 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.

Debt Repayment Sources



Bond Rating

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 strong capacity to meet its financial commitments, making the City's bond high-credit quality investments.



As part of our continuous effort to keep you informed on how your tax dollars are being spent, we are pleased to present the 2015 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 2015 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 CityofMHK.com/finance.